Mr. David Theis: Good morning, afternoon, or evening, depending on your time zone. I'm David Theis, the World Bank’s Press Secretary, and thank you for joining our virtual 2022 Spring Meetings press conference with World Bank Group President, David Malpass.

Mr. Malpass will give opening remarks and then we will turn to your questions. And as I mentioned previously, because he values transparency, you could also follow the World Bank President on Twitter, @DavidMalpassWBG, and you'll find that on the chat, as well. Thanks to those who sent questions in advance, and we'll be looking for more questions online in real time. We may edit for clarity or length; so, appreciate your understanding that, and hoping everyone is keeping well.

Mr. Malpass.

Mr. David Malpass: Thank you very much, David. Hi, everyone. It's already been a busy week. The Spring Meetings of the World Bank Group and IMF have started, and people are convening at a time of crises. We are facing COVID-19, inflation, and the war in Ukraine. On our growth outlooks, we've lowered our forecast for global economic growth and I saw the IMF also downgraded their outlook. China’s COVID-related shutdown is part of that and may weigh on the world economy in 2022. Above all, the war and its consequences are putting stress on poor people around the world. It's adding to the debt burden, an overburden in many countries, and also the fragility of the world environment. One of the key transmission mechanisms is the shortages of food, energy and fertilizer. Fertilizers and energy are critical for the crop cycle so they’re building on each other and creating a food insecurity crisis that that will last at least months and probably into next year. Food prices are up already 37% year-over-year. There's been a shift in relative prices with food up more than CPI (Consumer Price Index). That's significant because it measures how much it hits the poor, who have to spend more on food in their daily budget. When you have food prices going up more than CPI, it puts on display the burden and inequality of the various global crises.

The World Bank Group has been acting fast in the face of the crises: first the COVID-19 surge financing in over the last two years, which was one of the fastest and largest in our history. And we are now putting money into Ukraine and have moved quickly both to commitments and disbursements, including nearly $1.5 billion dollars that I announced in Poland last week.
That is part of a surge in World Bank Group financing, that we expect to carry out over the next 15 months, which should reach $170 billion dollars. It would be the largest set of commitments by the World Bank Group ever. We’re also working on other key issues facing developing countries. Vaccines are important, and we’re continuing to push forward. We will have committed $11 billion dollars in vaccination programs in 81 countries by the end of June. We are working on debt transparency and debt sustainability solutions for developing countries, which affects both low- and middle-income countries.

We’re also working actively on climate, through our Climate Change Action Plan and the formation of Country Climate and Development Reports (CCDRs), which will identify the high priority items country by country, in their efforts to mitigate and to adapt to climate change.

The world needs to take important steps to address the current set of crises. One is to allow more trade. Market opening steps are very important. I was intrigued to see and welcomed India’s moves yesterday and today to begin to sell from its stockpiles. I think market opening steps by many of the advanced economies could add a lot to the global supplies and alleviate some of the impact on the poor countries. And they themselves need to build up their systems to produce more. One of the drawbacks is that, in recent years, there’s been a shortage of investment, especially in the developing world. We need to find policies going forward that will add investment.

One of the solutions for the world is to recognize that markets are forward looking. If you announced policies today, it has an immediate impact on where people begin to invest. I think the world can take steps to say that the capital allocation of global resources can be improved. What we have now is a capital allocation that leads to deep inequality. And in fact, the inequality is growing worse. That means more countries falling further behind, not making advancements, and not having the investment that is needed. Some of that owes to the macro policies of the advanced economies. They’ve been borrowing very heavily from the global capital markets, which leaves less for other countries. That can be improved.

And as central banks raise interest rates, it’s important for them to use all their tools and not be undercut by government demand stimulus. The central banks can use tools that add to supply and that allow capital allocation to be improved. I think that’s going to be vital. They’ve been talking about, not just interest rates, but also shrinking the balance sheet, which I think would have a stimulative effect on the global investment climate, because it would occupy less of the capital at the central banks from the current situation. Also, they have regulatory policy tools that can be used to allow and encourage more investment in small businesses, in new businesses, that will be the dynamic portion of a new economy.

Again, I stress markets are forward looking. Announcements on currency stability have an impact and announcements on capital allocation have a positive impact, as the world tries to confront these various crises.

I want to mention one more thing and then turn to your questions. The debt crisis itself is a topic of extensive conversation this week, both at the IMF, at the World Bank, and among the G-20, and other shareholder groups that are forming this week. It’s vital and
we know what the data shows: a huge buildup of debt, especially in the poorest countries. It's important that the resolution process starts early. If you wait, the resolutions are much more difficult to carry out. Sri Lanka is facing that problem now. It's important to form the creditor committees early. There was a call today for China to form the creditor committee for Zambia, which would help with the implementation of the Common Framework. And so, I've mentioned that as interest rates rise, the debt pressures are mounting on developing countries, and we need to move urgently towards solutions. Thank you and I'll turn to questions.

**MR. THEIS:** Thank you very much. Great.

Okay, looking at the chart, we've got the first question coming from Maoling Xiong of Xinhua News Agency in China.

Last week, you, along with the heads of IMF—you and World Food Program and WTO—called for urgent coordinated action on food security to help vulnerable countries. How severe is the food problem and do you expect some sort of agreement coming out of the Spring Meetings? Thank you.

**MR. MALPASS:** The food problem is severe. I mentioned the rise year-over-year in prices; that's one aspect of it.

It's worse than that in a way because the prices crowd out the poorest. And so, it hits people in poor countries and especially in rural areas the hardest. There's also the tendency to move towards less nutritious food. If other food is not available in the diet, people turn to rice, which often doesn't have the nutrition that's needed. This is clearly a severe crisis and it's added to, or compounded by, the shortage of fertilizer that makes it hard to have a strong growing cycle.

On the positive side, markets react quickly, and we are entering this cycle of food insecurity with large global stockpiles. As those are released, I think there can be progress. And also, the supply of food, of fertilizer and of energy can be increased substantially by countries if they choose to do that. I think it's important to start early.

As far as this week's meetings, there was substantial discussion yesterday. I don't expect an international agreement on food. What I hope and expect is that many countries will step forward with individual solutions to alleviate the food crisis and the fertilizer crisis.

Thanks.

**MR. THEIS:** Thank you very much. Next question in is from George Wiafe from Joy FM in Ghana.

Given the impact of rising food prices due to the Russia-Ukraine War, should Ghana and other countries go for improved revenue mobilization, rather than issuance of euro bonds to correct their deficit position? Thank you.

**MR. MALPASS:** Countries should put in place policies that are strong and that attract investment by their own citizens and by foreigners. Some of those can be revenue mobilization policies but, very important, they should be growth policies and they should
attract private sector investment. There's been a tendency to have too much emphasis on government-led investment, which doesn't end up adding to the competitiveness and the productivity as much as it should, if it were less centralized. I think those steps are important.

As far as euro bonds, the challenge is for governments to use the proceeds very effectively now if they borrow. A giant conflict of interest is that sitting governments are able to borrow, and then future governments and the people of their countries have to pay back the borrowing. Remember, when you borrow principle, you only get to do it once, even if you roll over at zero percent interest rates into the future, which isn't actually available for developing countries--if you roll over at a low interest rate you still are not able to borrow the principle again. It's only a one-time supply of money, and that has to be used very effectively. And my worry is that hasn't been the case in certain countries, and they're left with unsustainable debt. As I mentioned in the opening remarks, it's important that we have prompt, early resolution processes for unsustainable debt. And we're working on that with the IMF, collaborating and encouraging the G20 to move quickly in that regard. Thanks.

Thanks.

MR. THEIS: Thank you. And we have a question in from Ukraine, from Dmitry Anopchenko from Inter TV Ukraine.

How is the World Bank going to support Ukraine during this challenging time?

I know you touched upon that but perhaps you want to expand. Thanks.

MR. MALPASS: We wanted to have immediate support to help Ukraine continue some of the government services. We were able to mobilize nearly a billion dollars in emergency financing soon after the Russian invasion of Ukraine, and that helped pay hospital workers and pensions and other government services.

Last week, we announced another $1.5 billion of support for essential government services. And this week, on Thursday, we'll have a meeting with Ukraine and supportive countries to look for assistance that will both consider the near term and also the longer-term needs of the people of Ukraine.

I was in Poland last week, and Romania, and commended the governments and the people of those countries for their support of refugees coming from Ukraine. And I have been pleased to see some of those refugees going back to Ukraine--as western Ukraine stabilizes some. So, we can be encouraged by that trend, but we can also be aware that the war continues and there are millions and millions of displaced persons in Ukraine that need assistance. We'll be working on that all this week.

MR. THEIS: Thank you. Next question in from Yolanda Morales of El Economista in Mexico.

The Mexico City Government has said that they asked the World Bank for technical support to reactivate their economy. Can you share with us if the World Bank will help cover the inflation shock for families in Mexico? Thank you.
MR. MALPASS: We have World Bank representatives in Mexico. They've been meeting with Mexican officials to look for ways to work with national but also subnational city kinds of governmental entities. We're ready to support that kind of effort.

What we encourage, and want to look for, is targeted support for those most in need. This is--many countries have systems that can be effective in that regard and we recognize that, as food prices go up, it hits the poor the most. I saw Ramirez de la O this morning, with the Mexican Government, and he spoke very effectively on the challenges facing Mexico, that Mexico has been fiscally conservative and yet is facing the inflation challenges that the whole world is facing. And so, there can be, I think, efforts to support people within Mexico, and we are interested in working with governmental entities on that. Thank you.

MR. THEIS: Thank you very much.

Next question is from Obinna Chima from Thisday Newspapers in Nigeria.

The World Bank had been advising Nigeria to end the petrol subsidy, but the country has budgeted 4 trillion naira for petrol subsidies in 2022. What is your take on that and do you think it will be a drag on the economy? Thank you.

MR. MALPASS: Generalized subsidies have significant negatives. One is, they are expensive because they go to everyone, and they're often taken--more used by people with upper incomes than by people with lower incomes; they're not targeted.

So, we encourage, when there needs to be a subsidy for either food or for fuel, that it be carefully targeted, well targeted for those most in need. And we have encouraged Nigeria to rethink its subsidy effort.

Also, two other things that I'll mention on Nigeria that are important. It runs a multiple exchange rate system, which is complicated and is not as effective as it would be if there were a single exchange rate. The most useful thing for development is to have a single exchange rate that's market-based, that is stable over long periods of time. That attracts investment and it also means that there is discipline within the country's fiscal policies. That would help.

And then, Nigeria also has trade barriers that distort trade flows, and that could be improved substantially in order to help the people in Nigeria move forward. I do take note of the complicated situation that they face. There are weapons flowing in through northern Africa that find their way to non-Nigerians that create violence in Nigeria. This is a very challenging situation that the government faces. And I think we, all over the world, people should have an understanding of the fragility that's facing several parts of the world, but in particular the Sahel and the Sub-Saharan African area where the weapons flow from outside of Africa is putting a grave burden on governments around the continent.

Nigeria has huge opportunity because of its natural resources and because of its people, and I think could see its growth accelerate with improvements in policy. Thanks.
MR. THEIS: Thank you. Next question in from Morocco, from Youssef Lakhdar of Hespress, and this is translated from Arabic.

What should oil-importing states such as Morocco do at the present time to overcome the repercussions of the war in Ukraine? Thanks.

MR. MALPASS: I was in Morocco a month ago, and it's a challenging situation because of the suddenness of the increase in world energy prices. Morocco needs energy in order to make fertilizer. It needs fertilizer in order to make crops, including wheat, and that's critical in the diet--the staples of people living in Morocco.

And so, it creates a deep challenge both fiscally and socially to be able to replace the energy sources. The suddenness of this energy shock is hitting countries around the world. Morocco is in no way alone. There are many countries in similar situations. They have reacted quickly and early, and so I think that's a plus. Countries are looking for contracts that they can use to lock in future energy supplies, even if there is an elevated price. I think the biggest point for the world is to allow the supplies that exist, and that's supplies of liquified natural gas, for example, to flow to poorer countries, not be taken up by supplies--by stockpiles, but allow it to flow to the poorer countries that need it now. And then, look for new supplies and produce the new supplies going into the future. This needs to be treated as a long-term challenge for the world to increase the supply of energy.

I do take note of the SDG 7, the Sustainable Development Goal 7 of the United Nations, which calls for electricity access for people around the world. And we still have 800 million people who don't have access to electricity. There needs to be a large buildout of baseload capacity and grid capacity in many parts of the world in order to increase electricity access, and that also enables the use of renewable energy sources. There needs to be substantial investment in the backbone of the global electricity system in terms of baseload and grid in order to get through to the other side of this energy crisis.

Thanks.

MR. THEIS: Thank you. Next question in from Erdenechimeg Batbold of Gogo, Mongolia.

The World Bank announced a $170 billion crisis response package. How will this financing help smaller countries facing debt burdens such as Mongolia?

And the FT has added a similar question, can you provide details of the $170 billion plan? That was Jonathan Wheatley. Thank you.

MR. MALPASS: Thank you. The World Bank operates through country programs and regional programs. They're built up by Country Directors, by Regional Directors, and by Practice Group Directors in order to have the most effective programs for the countries.

So, whether it's Mongolia or whether it's Nigeria or Ghana, the countries that we mentioned today, the keystone is to have plans and programs for the country that benefit the people and allow the poverty to be alleviated and the median income to go up. What is it that will cause more investment in the country, that is productive? And we
look for those programs and then try to rapidly expand the programs in those countries that are making progress toward beneficial results.

Oftentimes, in a crisis like this one, we will be allocating more money to social protection programs; that means these targeted subsidies for the poorest so that they can have a path through the crisis and then have new businesses that start, new jobs that start on the other side of the crisis. That will be the focus around the world.

The $170 billion includes money from IDA, which we are grateful to the donors of IDA. It's one of the world's--probably the world's biggest trust fund that's aimed at the poorest countries. And it's effective and was just replenished last December and it will be starting--the new replenishment - starting operation on July 1. It will make available some $93 billion in the 12 months--excuse me, in the 3 years starting July 1. Within the $170 billion, we expect to be able to spend $50 billion of that in commitments in the current fiscal quarter, and then to draw on sources from IDA19 and IDA20, and also from IBRD resources, and there's a big component from IFC, the International Finance Corporation, which is the private sector arm of the World Bank that makes debt and equity investments into companies in developing countries. And MIGA, as well, the guarantee authority of the World Bank, can be useful in the recovery process from these multiple overlapping crises. Thanks.


IMF officials have warned about the fragmentation of the world economy this week. What would be the impact of such a development on the global economy and developing nations?

MR. MALPASS: It is vital in global growth that there continue to be trade and cross-border trade flows and cross-border investment flows. I'll make the bigger picture that this is even true within countries.

If you tried to grow your country by just the resources of one city, it wouldn’t be nearly as effective as if you could move capital around within your country and trade across borders. In the United States, there’s the Interstate Commerce Clause that encourages trade throughout the United States. Well, the same applies across national borders. Neighbors are some of the best trading partners, and that openness is important. I wanted to give that background, because trade and investment needs to cross borders, and fragmentation would subtract from the productivity of global capital.

Now, I think there will be a strong effort to have less dependency on Russia for energy supplies and on China for the supply chain. There had been an over-dependence on that, and that could be good for China. As specific supply chains are less dependent on China, it allows China to move into other sectors and to look forward to the markets of the future.

I don't see this as a negative step; it is a necessary step for the world to look at regional trade growth. Near-shoring is important for the United States. Mexico and Canada are key markets, powerful markets, and vice versa. For Mexico, a powerful trading partner is the United States. That can be built on and made into an even bigger trading relationship. I'm quite sure that the world will continue trading and we need to—there is
strong sentiment this week to keep markets open and, in fact, expand the market access during this crisis. That's the right response to the crisis.

I did a joint statement with IMF, with WTO, and with the World Food Program late last week stating these views, that it’s important that the world increase supply and not close markets, not fragment markets, as we move through this crisis.

MR. THEIS: Thank you. And we have time for one more question, from Kosuke Takami from Nikkei Asia.

Earlier this week, you said that there had been a misallocation of capital by central banks. Can you please clarify how you feel they are misallocating capital? Thank you.

MR. MALPASS: Prior to 2008, central banks--the large central banks, in general, did not own bonds. They would own bills, short-term instruments.

As they have moved into the ownership of long-duration assets, it fundamentally changes the allocation of capital around the world, away from small businesses toward large businesses. We see this also in the inequality statistics that have worsened over the years, and also in the slowness of nominal growth rates, even as the central banks were putting forward growth in their balance sheets. It didn't work to stimulate nominal growth and we have been left with median incomes often stagnant.

This is not unique to central banks. The fiscal policies have also contributed to this concentration of wealth at the top, which is a misallocation of capital. If you encourage the people that have the most capital to take on more debt and more capital, it can't be an optimal allocation of capital. I hope, as we look at the resolution to the current crisis, one of the key steps will be for the central banks and the fiscal authorities to use their tools to improve the allocation, to allow an allocation of capital that goes more towards small businesses, new businesses, and developing countries. This is critical to solving, to reducing the inequality problem, to reducing the fragility problem that is facing countries around the world.

I have been pleased to see in recent days the talk of the central banks moving beyond just interest rate increases and looking at balance sheet shrinkage as one of their tools. There has also been mention this week of using the regulatory tools so that capital could be better allocated to small business. And I think there should also be discussion of the duration of central bank assets. It has been very long duration which, itself, then directs capital away from small businesses toward big businesses and governments which is, again, not optimal from a growth standpoint.

Thanks.

MR. THEIS: Thank you very much. And this concludes the press conference opening the 2022 Spring Meetings. Thank you, Mr. Malpass.

MR. MALPASS: Thanks, everybody. Good to talk with you. Thank you.