

CIVIL SOCIETY TOWNHALL WITH MESSRS  
ZOELLICK AND MESSRS ZOELLICK AND  
STRAUSS-KAHN

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**Session Transcript\***

MR. NDUNGANE: My name is Njongonkulu Ndungane. I come from the most beautiful city in the world, which is Cape Town, and I am most delighted to be here and honored to be chairing this session with civil society representatives together with the IMF and the World Bank.

Mr. Strauss-Kahn has been chairing the meeting. He is on his way, so we will start. I hope we will have the hour that is scheduled for this meeting, all right, so we won't be deprived of the time together.

I must commend the Bank and the Fund for their continued openness to civil society engagement. The fact that we are all here in one room shows how times have changed. It clearly shows that the Bank and the Fund recognize the significance of civil societies' engagement in the development agenda.

More importantly, the challenges that the world is facing today cannot be resolved by one group alone but concerted efforts. Today cannot be--concerted efforts between and among different groups, including civil society and faith-based groups, governments, donors, and business are of critical significance. We are in it together, and there are a lot of creative and innovative minds in this room within civil society, and if only we can *listen* to one another and act together, a lot could be achieved.

What is important is to have these dialogues, but also it is crucial that they do not just remain talks, or talk shops, but that the discussions here will result in action and policy change that will have a meaningful impact on the poor.

I am delighted that this year's World Bank/IMF Annual Meeting is focusing on the impact of the financial crisis, as well as solutions to help countries hit hard by the downturn to get back on the road to recovery. The impact of the current financial crisis is real for most of our countries, and especially Africa. And therefore, it is important that, while we deal with these issues--and of course we have the whole

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\* Grammatically edited for clarity

issue of climate change, which compounds all the problems, and I think that we need to everything to make it possible for people to eke out an existence.

At this stage, it will be critical to go beyond providing stimulus packages to those in need, but also to ensure that at least three things happen. One, development financing goes beyond aid to allow for increased investment in the diverse productive sectors of the economies to minimize the impact of the declining commodity prices. Second, there is increased intra-Africa trade, while at the same time improvement in governance. Third, donors honor their development aid commitments, while recipient governments also deliver to its people. Clearly, the contribution of civil society is very important in these areas.

As I invite the panelists to make a few remarks, I want to pose three questions that should make--that should inform our discussions. Firstly, how do we avoid another crisis? Secondly, what do the Bank and the Fund do differently this time around to ensure that the world does not fall back in yet another crisis?

Mr. Zoellick, in your paper "After the Crisis," you mentioned that a global economic crisis is contributing to shifts in polarizations in the world that will impact currency markets, monetary policy, and trade relations and the role of developing countries. My question: How will these shifts in power give those most affected a chance to shape the solutions to the crisis?

I think as we proceed today, I will ask Mr. Zoellick to make his remarks and then, hopefully, by that time Mr. Strauss-Kahn will be here and then he will make his remarks and hopefully we will then have time for comments. I will ask people to be very brief. I am a very nice person, but if you try to be long, I will stop you, because there are so many people who want to contribute to this debate. Mr. Zoellick, the floor is yours.

MR. ZOELLICK: Well, thank you very much, Archbishop, and I can see that there is a particular benefit to have an Archbishop chair a meeting or a congregation. There's a certain sense of directness and order. So, we appreciate this.

As the Archbishop mentioned, I was just at a meeting with Dominique that he was chairing, of a large number of parties, and I am sure that he will be here shortly, but I apologize for keeping you waiting.

I am very pleased to welcome all of you to this event. I know we have done this a couple of times and I think it is a very good addition to the rest of the sessions that we have. I am pleased that we are in host country Turkey that has a very vibrant civil society, but I know many of you have come a long way and I want to thank you for joining us.

I found, in different aspects of my work over the years, that it has been very beneficial to have a series of contacts and engagements with a wide variety of civil society groups. I know that President Wolfensohn really started this, and we're going to continue to try to hone and develop it.

With some of you, we've had a more intense focus as the food crisis really hit about a year-and-a-half ago and the prices went up and then the fuel crisis and now the financial crisis. For us, it is useful to try to reach out across groups globally, but also, for example, when I travel, I try to reach out to civil society organizations to help encourage and strengthen them in the countries in which we work.

For us, it is an opportunity to keep our ears and eyes open to learn things. A number of your organizations are very important partners in the delivery mechanisms that we have in the developing world, and you have insights from your on-the-ground experience. Sometimes you can be very important in the advocacy arena. And one point that I just want to recognize--it is one that Sam Worthington and I have talked about. We actually did a conference call on this not too long ago, is that this financial crisis, I know, has put a real blow to many civil society groups and their ability to gather their own resources, and where we can, I try to urge some additional support because of all the important work that all your groups do.

I am going to be very brief so we can have more time for exchange. I would just say that this is a dangerous moment in the international economy, not for the reasons that it was dangerous six months ago, because I think we've broken the fall of financial markets, but the danger now is one of complacency. I have been saying since the start of this crisis that we should expect that it will come in waves, that it will not be easy to predict all the different dimensions of it. I was just in a forum earlier today where the Egyptian Investment Minister was emphasizing that, for many developing countries, the food price crisis is still the strongest crisis they're having to deal with.

While I am hopeful that we are on the path to recovery, as all of you know, it varies considerably by country, by region. For developing countries, some have been hit by remittances; some, loss of tourism; some, loss of trade; some, loss of investment; and then there is the food and fuel and other issues that are continuing to affect them.

Unemployment numbers will stay high globally for some considerable time to come, and that raises other dangers, including dangers of trade protectionism. Then, there are other dimensions. So, for example, developed countries, for understandable reasons, supported their financial sector by guaranteeing a lot of debt, but that has the effect of crowding out some of the financing from some of the developing countries. Some of the developing countries can tap their local

markets, but if they do, they'll be crowding out their private sectors. And one of the other phases we still have to work through is the hand-off from government stimulus programs to private sector recovery and job creation.

So, one of the key aspects of the discussions at this meeting is the fact that we need to try to build back better, and complacency can be the enemy of that.

Now, I'll just highlight a few of the items that I expect to be on the discussion list so that we can hear from you. One is the ongoing effort in food security, which a number of you have worked with us on. I was very pleased that the L'Aquila G7 Summit came up with \$20 billion of pledges for food security, but those are still words on paper; they have to get implemented.

Now, the G20 Summit in Pittsburgh asked the World Bank to work with a number of the UN organizations and bilateral groups and others to try to move that forward. Ngozi is going to be having a session later in the next couple of days to try to use this gathering of various partners to accomplish that.

Another area that comes out of our assessment of the crisis and that was given a boost by the Pittsburgh meeting was some of the particular problems of some of the lowest-income countries. We did an analysis that went at a subset of countries within the IDA group, the IDA group being 79 countries that receive grants or low-interest loans, and we looked at the particular challenge of core support for some 43 countries, and recognized that there was a gap just to hold even of about \$11.6 billion.

So, coming out of the Pittsburgh meeting--and I hope in this meeting with our 186 members, we can have a further discussion about trying to create a special window in the IDA process to help deal with countries with special shocks.

Another ongoing issue is the effectiveness of safety net programs. One of the lessons that has been learned in this crisis as compared with those in the 1990s was the fact that, even if you try to recover at a macroeconomic level, if kids don't get the proper nutrition, if they get taken out of school, you can lose a generation. So, we have tried to design and work with countries based on their capacity, different types of programs to meet those safety net needs.

Another issue will be voice and representation. Some of you probably saw, coming out of the Pittsburgh Summit, there was some, at least, guidance from that group of countries about trying to increase the shares for a second phase of reforms for the World Bank.

Our first phase took us up to 44 percent voting power for the developing and transition countries. We added another seat for Sub-

Saharan Africa. The G20 called for at least a 3 percent shift on top of that by the spring of next year. I've been urging a very ambitious result.

We're in a slightly different situation than the IMF because we also still need to raise a lot of funds and money through IDA and some of our trust funds for developing countries. So, while we look at the size of economies, we also, for developed economies, want to look at some of their contributions.

Climate change is an issue that looms large. There are a lot of sensitivities about this topic. We have tried to launch a number of ventures through carbon funds and climate investment funds to try to show on the ground how one can improve with forestry, with adaptation, with technology. We've started some low-carbon investment plans, but this is an exercise that is being done under the overall framework of the UN and the UNFCCC, in particular, in negotiations. So, we're trying to find, as you approach Copenhagen, the right place for us to connect development with climate change. Some of you probably saw that our World Development Report this year was on this particular topic.

Coming back to the Archbishop's question, which I will just address very briefly about shifts in power, one of the prime messages that we're trying to emphasize is, while developing countries certainly need assistance, we should see developing countries as part of the solutions and not just a group of wards for charity.

You'll hear in all the discussions the anxiety about the return of a growth path where the U.S. consumer no longer plays the role that he or she did in the past in providing demand, because that consumer is deleveraging and building up savings.

Well, there is the opportunity to expand demand in the world through many developing countries that come into this crisis with lower debt positions, better fiscal management. Some of this spending can help deal with safety nets, but some of it can also be investments in the future, for example, infrastructure and some of the human capital developments, but many of those countries need help.

They can't access some of the international financial markets the same way that developed countries do, and that's one reason why, in total, we did about \$59 billion worth of support last year across all our activities--that's through June 30. And so far this year, it looks like we'll be, again, at least as high if not considerably higher.

That raises the question for us, ultimately, about financial resources, whether they be support for IDA, whether they support for food security, or whether they be efforts to build our capital so we can continue to play this role given the uncertainties in the crisis.

So, I think Archbishop, the key message coming out of this crisis is the developing countries certainly weren't the cause of it, they've been hit in different ways, but for the short-term they can also be part of the solution, and for the long-term, we can create multiple poles of growth, not just the Chinas and the Indias but the Southeast Asias the broader Middle East, the Latin America, and Africa as well, and that is another area that we are trying to discuss in these meetings, ways that we can help channel some other sources of investment form sovereign funds and pension funds to what I think are some very good growth opportunities in Sub-Saharan Africa in particular.

MR. NDUNGANE: Thank you very much for your remarks, Mr. Zoellick.

We welcome Mr. Strauss-Kahn. Over to you for your remarks.

MR. STRAUSS-KAHN: Thank you, Archbishop.

First, I would like to apologize for being late, but I was just chairing another meeting, which Bob was attending, leaving before the end to be able to be with you. You know these days are very busy. So, again, I am sorry to join with some delay.

Since we met last time, there have been a lot of changes, and I guess that part of this has already been reported by Bob, so I just will try not to overlap too much, but I think there are some points that I would like to emphasize.

A lot of changes, first, of course, in the global economy, and you all know that we in the IMF believe that we are at the beginning, the starting point of the recovery, which means that, as we plan for a rather long time now, the first year with global positive growth will be 2010, but we may be in a situation where, finally, the process of recovery started a little earlier than we expected. That is for the good news.

The bad news is that recovery in terms of growth is not all the story, and even if growth is resuming, we know that there is a long delay between growth coming back and the peak in unemployment. This delay varies from one country to another, but it is something like 10 months, 12 months, 14 months, meaning that, if growth is resuming now, we still have in front of us more or less one year of rising unemployment. So, it is too early to declare victory and to be over-optimistic. The economic crisis by itself we may see the end of the tunnel, but the social consequences in terms of employment, of this crisis, we will have to deal with for a rather long time.

And as I said this morning in another meeting, if you consider the Turkish guy or the French guy or the U.S. guy was going to lose his job in November because his company is going to close for him, the crisis is not behind, the crisis is just in front.

So, don't be over-optimistic. Things are improving thanks to policy measures which have been implemented swiftly and very strongly, especially the fiscal stimulus and other measures, but we are still in the crisis, and that's why all the discussion about the exit strategy are certainly interesting because we need to prepare the exit strategy from what has been set up to face the crisis, but it is much too early to implement this kind of strategy.

We introduced large changes during the last period in the way the IMF is working, so I'm not going to describe it in too long sentences because it will be a bit boring for you. If you are looking at country programs and the way we are designing them, trying to focus them on the need of the country and the need of the population, taking care about implementing safety nets where they don't exist to try to protect the most vulnerable from the consequences of the program. All of these kinds of approaches is totally different from the way we designed the program previously.

Another example is what we are now doing, is lending to low-income countries. You know that as a result of the G20 meeting in April in London, we created a new facility which provides loans at zero interest rate, which cannot be lower, and is now available with a rather big amount for low-income countries. We are going to lend \$4 billion this year, which is four times more than what we did the year before.

I could have a lot of other examples and I am prepared to give them if you want it, but in many respects, not in all of them, as there is still a lot to do to change the institution, but in many respects, the institution has changed.

One area in which it has changed or is changing is the governance structure which is a question in which I know you are very interested in. One of the results of the Pittsburgh meeting was to give a target in terms of shift in quota that has to be completed before January 2011.

But besides the question of quota, even if the quota decision is an historic one and will have a lot of consequences, besides the question of quotas, there are a lot of points in which governance is changing in terms of diversity, in terms of decisions concerning the selection of Management in terms of transparency and all these kinds of things.

Still, there's a lot to do. I'm not at all trying to say that all that what has been done is enough. But I think that really you are facing now an IMF which is rather different from the one you were used to. To do that, the discussion we had in the IMF with many organizations, including CSOs, has been instrumental, and the fourth pillar which has been like the way I call it in the governance discussion has been very useful.

The report, which has been released a little time ago, you probably

have it, has a long list of possible reforms, a large part of it are already underway. I'm not saying that everything is underway, but a large part of it is underway. So, I think that on this side, too, the way we work, even if it's imperfect has been changing.

The question we have now to face together is to realize that all what we're doing is not only a question for the coming years, which is a question about growth and employment or prosperity. It is, of course, the question of growth trying to provide a stable financial and economic environment to make growth possible and see purchasing power increasing and unemployment decreasing.

It is much more at stake this time, because one of the big risks in my view of the period that we are in is that many countries maybe may have the temptation of trying to protect themselves from crises of the kind we just experienced by a kind of withdrawal from the global economy, which is understandable. The countries having less link with the global economy have been in some respect less hit by the crisis, or at least by the first wave of the crisis, although the global slowdown have hurt them also.

But the first wave, the financial wave, had mostly hit countries which were more financially integrated than countries which were not. The idea that if you carry your own business at home with less linkage to the global economy, is an idea which has gained some support. The problem is this is only the new phase of a very well known attitude, which is the protectionist attitude which took place in the past. We all know when it happens at the global level what kind of consequences may follow this practice, and the example of the 1930s is strong in all of our memories.

So that's why that's what I meant when I say it's not only growth, but prosperity which is at stake. It's also the stability of the world, and so the question behind growth and prosperity is the question of peace, which goes from economic problems to social unrest, from social unrest to threat to democracy, and from threat to democracy to risk of civil war or even of international war.

So, we're exactly working in our mandate, because the mandate, as it has been defined 65 years ago in Britain was a mandate to not only help provide financial and economic stability, but help prevent at the end of World War II in 1944 many of the underlying reasons for why this war took place.

So, considering the root of our mandate when we're working for economic growth and development, I think we're also working to try to help maintaining peace in the world. That's the reason why the question of legitimacy, the question of even handedness, the question of governance, taking this word as broadly as possible, is even more important than if you were talking only about traditional economic

questions.

We are talking about much more than that, and that's why the question of a fair system of governance is really at the center, the crux, of the matter that we need to solve. Hopefully the momentum which has been given in Pittsburgh will be helpful. I do believe that in the coming 12 months, a lot of changes will take place not only on the quota side, but on a many other questions which has to do with governance. Of course, your feedback on this, your criticism, candid and open, are very helpful for us because we try to do our best. Of course, what your comments on this are the mirror for us to see if the direction in which we are working is the one you believe to be the right one. So, don't refrain making your criticism.

MR. NDUNGANE: Thank you very much, Mr. Strauss-Kahn, for your comments. Now I'm going to open this to the floor, and I know you're very disciplined people in civil society. Say who you are, what your organization is, and please be brief, as I indicated. We're going to take the first three questions from my left and people who are sitting at the back there don't think you are denied because you're not in the table here. Raise your hands and there's a microphone there. Let's start with one young lady over here, in red.

PARTICIPANT QUESTION: Thank you. I'm Caroline Pearce from Oxfam, International. I thank you for describing me as young. Thank you for this opportunity to discuss with you. I wanted to address my question to Mr. Zoellick. We're very encouraged by some of the things you're saying about ambitious governance reforms, about moving towards parity of voice for developed and developing countries or developing and transitional countries. That's very welcomed. What worries us is that the statement that we're near to reaching that parity relies on a definition of developing and transition countries that, for instance, include Israel, Saudi Arabia, Singapore.

If you're looking at the share of low- and middle-income countries in the World Bank you're looking at about 35 percent. If you're looking at borrower countries in IBRD, you're looking at about 25 percent. On IDA, while we have a situation in which we see the need to recognize contributions to IDA, we have a situation where Poland, which is not an IDA donor, has more votes than Pakistan.

So given that we do agree with you that we're in a multi-polar world, that the developing world is part of the solution, and that at least parity of voice for developing countries is central to the effectiveness, legitimacy, and credibility of the World Bank, we want to hear how we can move towards parity for developing countries on a definition that doesn't include high-income countries.

MR. NDUNGANE: Thank you, ma'am. Very disciplined. Young man over there. Yes, sir.

PARTICIPANT QUESTION: Thank you. [Interpreted from Russian.] Mr. Zoellick, when you were elected two years ago, I had the opportunity to meet you in person so that I can tell you about my hometown. I told you about problems. I told you about the project in my hometown. My name is Govelpankoff, Igor Golvelpankoff from Russia. My hometown is called Tamar, and you asked me to send you information about our project which is called the Russian World II.

Now, as the World Bank is changing its policies and at least would like to achieve transparency, at least in its relations with the local populations, I would like to ask you to adopt a document that would confirm that our project has no support. I have a document signed by the local deputies and the local town council and this I have as a CD.

MR. NDUNGANE: Thank you very much. Can we have someone outside the ring, the last on the left. There's a microphone up there, sir. Yes, yes. Over there.

PARTICIPANT QUESTION: Thank you very much. Warren Nyamugasira from African Monitor. I think the President of the World Bank made a very powerful statement saying that developing countries should be seen as part of the solution.

Could you say a little bit more of what this means in reality? And related to that, what is the role of civil society in changing what you would call this dangerous moment. I know that as resources are beginning to dwindle, when they were already small, that the weaker groups are going to be squeezed even more and civil society tends to be the weaker partner in this relationship. Is the Bank and the Fund doing anything to ensure that that space is protected and there are resources for them to be able to do their work effectively? Thank you.

MR. NDUNGANE: Thank you very much. We have had three questions, and I'll allow the panelists to respond to those.

MR. ZOELLICK: I think the three are all for me, but I'm sure Dominique can join in.

For Caroline from Oxfam, International, this is obviously the question of the allocation of voting shares. For people to have the context, the point that I mentioned was about increasing development country shares from 44 to 47 per cen. And you were asking about the categorization of the country groups.

It's interesting you mentioned Saudi Arabia. While Saudi Arabia has a higher level of income, one of the issues we have to deal with is that they could actually lose some of their shares. So, it's not automatic that higher income countries will gain some shares in the process.

I think the developing and transition countries themselves have recognized that this has to be a dynamic and evolving process, but this is actually a subject I talked about with your Development Minister,

Douglas Alexander. I'm a little worried if we start to, at this point, reopen the categories and start to move everything around, we're not going to get this done by spring 2010.

Just to clarify, when we were at the G20 meeting, the countries had not agreed on any shift, and frankly a number of the developed countries in Europe, who would have to give up shares, are being quite reluctant on this. It took me, raising it in a dinner with President Obama, to say that if you and your advisors can't give me a number to move in the direction, I think it's highly unlikely that your staff at the World Bank are going to do it. And thankfully he helped push that process through. Frankly, I think three percent is not ambitious enough.

My own suggestion on this, and you make a very good point, is the overall issue of what constitutes 'developed' and 'developing' countries since we talk about working towards an equity or 50/50 split. Well, our real goal should be to have member become a developed country. I use the Singapore case. It doesn't make a lot of sense in my mind to count Singapore as a developing country, either. We actually could create an irony here where we call such countries developing so they get a higher share.

But I think at this point in order to advance, let's not make the perfect the enemy of the good. Let's work with the existing categories and try to increase the percentages. But one of the things that I think most parties have recognized is that it should be a dynamic and evolving process. Now there's one other point that I want to draw out here. If you do this by size of the economies, which has been recognized as important for some of the emerging economies, the African countries loose.

Remember that one of the reforms that we put in the first phase was to create an extra share for the Sub-Saharan African countries, and we have to make sure, and there are different ways to do this, that the poorest countries not only loose, but can gain some too. So, I mentioned this just because you'll hear a lot of debates. Frankly, what I've discovered with most of the countries is they don't want 100 percent. They want 110 percent, and as I've told them that while I like the new math, somebody has to give and somebody has to get.

I think at this stage, if we can increase the share for the emerging group of countries, build in a dynamic process, make sure that the poor countries aren't underrepresented and have some additional role for them, then it will be an advance in that process. But the shares are not the whole story. While they sometimes get a lot of the attention I actually think that it is more important what we try to do on the staffing side.

If you go through, for example, the officers that we've appointed since I've been at the Bank, the majority are from developing countries, and

I might add women as well, which were also underrepresented. That's at the high level, but, frankly, we need to do that all throughout the organization.

There are aspects of the change that are the Management's role, and, of course, another part of it, which many of you have been involved, and I know Oxfam has been involved, is how we work with countries. I'm trying to develop a culture where we treat countries as clients. This has got to be a joint problem-solving exercise and this is the direction that the IMF has gone, too. So I think when you're talking about the overall shift of reforms, we have to see this as part of a larger package.

That takes me to the African Monitor question and then I'll come back to Igor's. When you asked whether developing countries are part of the solution, part of this is trying to encourage policies not only on the part of the Bank but on the part of the governments to add disclosure, transparency, and to build in more opportunities for civil society to participate.

Now I think this not only leads to better projects and better governance, but frankly it's a very important device for fighting corruption, because the more that we put out in the public realm, the more people will know what isn't being done, and they can help check on it, or blow the whistle where there's something wrong.

In addition, in terms of reaching out, as you know, civil society, as represented by all of you, has very different functions. Some are frankly, very critical partners, and others are humanitarian partner organizations in the field. As we support food security projects, we also want to be working very closely with research groups as well.

At one of the sessions that Sam Worthington of InterAction co-chaired with me, people were talking about some of the particular challenges of women farmers and access to credit and how we need to bring in those aspects. So, what we are trying to do with these programs is to create additional space and opening so we can learn how to try to improve their effectiveness and performance.

Now, at the larger level of developing countries being part of the solution, they can also be sources of growth in the international economy. I mentioned in the near term the problem of the U.S. consumer not providing the demand, and I mentioned how some of the additional financing for many developing countries can help create demand. But over a longer term the amount of demand a country could possibly have without inflation is based on its productivity.

Let me just give you the example. If we were sitting here during the East Asian financial crisis in the late nineties, the discussion on China would have simply been can China hold the currency peg so you don't

have another breakdown in currency markets. Now you can't open up a newspaper talking about the financial crisis without asking if China is growing enough; similarly with India.

Well, that's something that I believe we can build on. To take Sub-Saharan Africa as well as Asian or Latin or Middle Eastern countries, we saw some very good growth prospects in Sub-Saharan Africa. I was in the Democratic Republic of Congo, Rwanda, and Uganda just in August, and the messages that I was getting from those countries were the same messages that I have gotten over the past couple years, which is that countries want to get beyond the crisis so they can build regional integration linked to global markets, they want energy, they want infrastructure, they want to improve agricultural productivity, and they want a strong private sector. And I believe that not only through our basic programs, but through some of the things that we are trying to innovate to connect investors and sovereign funds and pension funds through our private sector platform, we can provide additional sources of financing.

As for Igor, I'm afraid I don't speak Russian--I hope our people got back to you the last time we talked. If not, and I will double-check, I will try to understand more about the particular project.

MR. NDUNGANE: Thank you very much. Mr. Strauss-Kahn do you want to add anything?

MR. STRAUSS-KAHN: I don't have a lot to add to what Bob just said. I think that it is a very difficult situation where the definition of what are low-income countries and what are developing countries is something that is more frozen in a list. If we go on considering that South Korea, for instance, is not a low-income country but a developing country, and then, in the shift after the quota, the increase for South Korea within the developing countries categories is not really fair.

So your point is the right point. But I think that Bob was perfectly right in underlining the fact that the question isn't only a question of quota, it is also a question of diversity of staff, it is also a question of the real voice of low-income and emerging countries in the institution. This is true for the IMF, and I'm sure it is true for the World Bank also, which goes much beyond the question of the quota. So it is very symbolic to see what is happening to the quota, but there are many other things in which the way the developing and emerging countries may express their view has to be enhanced.

MR. NDUNGANE: Thank you. Now, it's the turn of those on my right. This young man over there; there is a young lady at the back; and over there. We'll start with you.

PARTICIPANT QUESTION: Thank you, sir. My name is Akin Ongor.

I am representing WWF here. My question is to Mr. Zoellick. You mentioned the food, financial, and economic crises, and listening to Mr. Strauss-Kahn today, we know that the issues came together for developed nations and developing nations, to solve. In order to find solutions to economic crisis, they sit around the table in Pittsburgh or different places.

Now we have another crisis on the way which is a climate deal. According to the World Development Report which is published by the World Bank, we see that we need a binding agreement in Copenhagen in December, developing nations and developed nations all signing. Bearing in mind your influence--like your dinner with Obama or with others--what role will the World Bank play in this endeavor? What will the World Bank and you personally do to secure this agreement before it becomes too late to control climate change within 2 degrees Celsius increase? Thank you.

MR. NDUNGANE: Thank you very much. Yes, ma'am. The microphone is there on the table.

PARTICIPANT QUESTION: Good evening. My name is Miss Dabota Bull, and I am from the Foundation for Windows and the Less Privileged in Nigeria, and I represent leaders in poor rural communities and vulnerable persons.

I will start by saying that additional efforts are really needed in the current economic environment to support the growth and to protect the poor and vulnerable. And to that effect, I want to commend Mr. Zoellick's call to developed countries and pledging an amount equivalent to 0.7 percent of their stimulus package as additional aid over and above additional ODA commitments, and this is for the low-income countries and the poor and vulnerable in developing countries.

I want to also ask a question. How has the response been, Sir, to this call? Secondly, from Dr. Ngozi's speech she gave at the last UN Summit in June, you did say that the Bank expects to almost triple IBRD lending in this fiscal year from \$13 billion to \$35 billion. I don't know how far you are from that target. Thank you very much.

MR. NDUNGANE: Thank you, ma'am. Yes, sir, over there.

PARTICIPANT QUESTION [Through Interpreter]: Good evening. My name is Hasan Kaya. I am representing the United Federation of Persons with Disabilities. I have a question to the Managing Director and the President. According to World Bank data, 20 percent of the world's population is living below the poverty limit. I am representing the persons with disabilities. In addition to what has been said by a lady participant a while ago, in developing and developed countries, the most vulnerable groups are those people with disabilities, and in order to elevate the living standards of persons with disabilities, do the

IMF and the World Bank have certain studies for the disabled?

MR. NDUNGANE: I recognize your hands, but in terms of the rules, we'll allow the answers to the three, and then we'll come back to you, sir, after the answers.

MR. ZOELLICK: Okay. The first question was from the World Wildlife Fund about the role that the World Bank will play and is playing with climate change. Our core mission is to supporting developing countries and to promoting development, so we have approached the issue of climate change from the perspective of developing countries and from development.

One step that we took after the first meeting of finance ministers in Bali that Minister Sri Mulyani organized to try to bring in finance and economic ministers along with the environmental topic was that each spring, I have hosted the finance and economic ministers to dig more deeply into a particular topic. We have done adaptation, we have done carbon trading, we have done general financing--and indeed, in a couple of days, Yvo de Boer, the Executive Director of the negotiations, asked me to bring together people to talk about possible structures for financing to support that--so as to have a more neutral, constructive context than a pure negotiating session to see how we can support those.

Now, in practical terms, we have also tried to use Climate Investment Funds and Carbon Funds to show what can be done in fact on the ground. And I think this is critically important. I have done a lot of international negotiations myself, and there is always a danger that people sit in the room, it is 3 a.m. at night, they are coming up with text--but what really works?

Let me give you a practical example. In the Kyoto Accord, there was some recognition of forestation but not of avoiding deforestation and not for developing countries. Well, everybody knows the tremendous benefits that could come from avoided deforestation--about 20 percent of emissions. So it makes sense to include that. But then, when you say how do you measure it, how do you deal with forest areas where you may have indigenous peoples, how do we make sure they have their livelihoods taken advantage--all of a sudden, you get a series of very practical and tough questions.

So we have been trying to work to show how this could be done. And in fact, since we are in Turkey, this is an interesting example. Turkey is one of the first countries that is going to benefit from some of the Climate Investment Funds we have dealing with technology, as are Mexico and Egypt. I think in Turkey, there are some special wind programs. Mexico is a good and interesting example. It doesn't have to be whiz-bang technology. It is actually energy-efficient technology that can reduce a lot of car pollution as part of an overall changing of

the transportation system.

So, in shorthand, I have often referred to us as "the blue-collar workers." While other people are doing the negotiation or the structure as they should, we're trying to show what can work on the ground. Now, as we move toward the final stage of the negotiations, we are not a negotiating party, but what we have tried to do is to show that there are ways that we can support developing countries to move toward low-carbon growth paths but also perhaps gain from it.

Let me give you another example. When I was in the Democratic Republic of Congo a month ago, I flew over Virunga National Park, which many of you may know as the home of the mountain gorillas. It is about half the size of Belgium. When I talked to the chief forest ranger, he said that for \$3 million he could explore an alternative to the charcoal that people, who were cutting down trees and removing the habitat, rely on. So, I went back with our team, and I'm trying to get him the \$3 million, but more importantly, what this is a signal of is that when the international system creates some of these funding mechanisms, a lot of the African countries don't have the capacity to apply for it, to use it.

China, to its credit, has developed a very effective mechanism for using the Clean Development Mechanism, but in many African countries, there are huge benefits in terms of forestation, hydropower, and other things. You can do well by doing good, and we can help them help create those systems.

Frankly, one of the sensitive issues is that since it is a UN negotiation, we are trying to be very careful as a support mechanism. At the same time, as people come up with funding mechanisms, they have to decide how they want to use the multilateral development banks, how do you want to use UN structures. To me, in some ways, this should be a no-brainer, because given the challenges of climate change, whether adaptation or mitigation, it is going to be part of the development challenge. We work with countries every day on these issues. I just met with the Governor from Vietnam today, and we were talking about the Mekong Delta and the flooding problems they are going to have. I met with the Prime Minister of Bangladesh about a week ago; they have glaciers coming down and flooding. It is a reality.

So you have to integrate climate change concerns into your development strategies, but developing countries also have to feel that they aren't being taken advantage of in this process and that this is not drawing away from their overall development assistance and aid. So, there is a lot that we can do in this as part of our global public goods agenda, but like the rest of the climate change agenda, it has to be done in a way that is "with" the developing countries as opposed to be done "to" the developing countries.

I'm sorry, I didn't catch the name of the woman from Nigeria, but I got the question. On the 0.7 of the stimulus packages that I called for early in the year, I think our total contributions, added contributions, are in the order of about \$8 or \$9 billion. It's an ongoing process. Ngozi just sent me an email today about Japan proposing additional support for a Rapid Social Response Program of \$200 million, so we continue to work the issue.

You mentioned about our IBRD lending which is for low- and middle-income countries. In the fiscal year that ended June 30, that was about \$33 billion as opposed to the \$35 billion, but we expect that this year, it will be \$40 billion or higher. And one of the issues that we're facing is we have always felt that we needed to earn any additional financial resources such as capital. We are stretching to do this. By the middle of next year, if we are unable to supplement some of what we have today, we won't be able to do it at the same scale.

But for the poorest countries, I also want to emphasize that we use IDA, which are the grants and no-interest loans. We increased IDA commitments by about 25 percent to \$14 billion, but we have an envelope for three years of \$42 billion by the donors. So one of the other issues we'll be discussing here is what are countries willing to do to either increase that amount, or increase their support for the next IDA replenishment process. And this is not going to be easy, because all of them are facing tough budget times, and this is, frankly, where I hope you can have your voices heard as well.

Then, IFC, our private sector side, financed about \$10.5 billion, and the reason I want to emphasize that is that now, 50 percent of their projects and about 44 percent by financial terms are now going to IDA countries. So there is a great opportunity here to not only develop the private sectors but develop in the poorest countries, and they also mobilize additional resources. We also have MIGA, which does the overall guarantee business, and that's how we did about \$59 billion worth of business last fiscal year, and I expect this next one will be higher.

For Hasan, for the disabled community, we agree that this has to be a very important part of an overall development plan. In fact, I just met a representative of a number of disability groups recently, and what we will follow up with you on is we have a whole series of special projects, outreach. We sometimes try to work with countries. I remember when I was in Vietnam, I visited a facility that had disabled people building wheelchairs for other disabled people, and it was based out of an NGO operation that had expanded. So we will follow up with you with some of the specifics, but we try to not only see it as a partial activity, but we try to integrate it much more actively in the full range of things that we do.

MR. NDUNGANE: Thank you. We are left with five minutes. I will take two questions to start with, one man and one lady. That gentleman over there, and this lady over here.

PARTICIPANT QUESTION [Interpreted from Turkish]: Mr. Chairman, distinguished Presidents of the IMF and the World Bank, distinguished representatives of foreign countries, first of all, I would like to express my pleasure in seeing you all in Turkey. My name is Hasan Eksi. I am the President of the Blacksea Region NGO Confederation in Turkey. It is a great honor for me to share with you this evening, and I would like to welcome you on behalf of my people.

As you know--now I come to my question--one of the dimensions of the present economic crisis today is related to the food crisis. With regard to food production, Turkey is a central location. We are producing many foodstuffs. We have the Southeast Anatolian Project which is an agricultural project for irrigation, and we are launching the introductory information on this project, and we are inviting everybody to come together with us and invest in the food industry, the food sector, because the world will be needing foodstuffs at most in the coming years.

My second question--seeing so many dignitaries here in front of me, I can only mention the very poor countries in the African continent where people live beyond poverty level. Could any nation or all nations contribute at a rate of one percent of their annual budget for these people so that they might find a drop of water or something to eat?

MR. NDUNGANE: Yes, ma'am.

PARTICIPANT QUESTION [Interpreted from Arabic]: Thank you. I am going to be speaking Arabic. I am from Morocco, and I would like to share with the dignitaries here some of the concerns that workers in Morocco or elsewhere encounter. You know that the financial crisis had a negative bearing on the labor and employment because they are losing their jobs, and they are in the millions. You know that very well--and be it in developing or in other low-income countries.

The crisis came at a time when the labor markets are already fragile, and we, as trade unionists discussed that at the African level and discussed the possibilities of what the Fund and the Bank should do to protect employment. So my questions to you, sirs, are: Do you have any special program on labor and employment protection? And also, when we talk about the groups that will be hit hard by the crisis, like women, young women, my question is also do you have any programs that are in the benefit of those two groups.

You also spoke about the role of CSOs and civil society at-large in terms of good governance, transparency and related issues. My third

question is against a backdrop of poor transparency of some of the programs, do you have any possibility to have leverage on the existing policies? Thank you, sir.

MR. STRAUSS-KAHN: I'm going to answer you in English, if you agree. Well, you know, the IMF is working with countries in two different ways. One way is the program we may have, and we only have programs with countries when they want them. So, for instance, Morocco has no program to date and its overall economic situation is exceptionally good these days. And so we had the only channel, through technical assistance, to deal with the country.

But again, the technical assistance answers only two requests by the country. If the country doesn't want to see us, we don't go. If they want to see us, of course we are ready to help. So, we may have, in different countries, program of technical assistance, and when they are asked, we are happy to help.

In most, since technical assistance has little to do with vulnerable groups when we are working on the vulnerable part of the population, it is in the other case, in the program case, because when we have a program with a countries, it is mainly that the country has problems that we need to fix, and the way to solve huge budget deficit, for instance, or something like this, may have consequences on those vulnerable groups.

So, in the framework of the program, we asked to dedicate some specific amount of resources to help the most vulnerable. It can be in terms of employment, it can be the groups you were talking about, especially female unemployment or things like this, but that is in the case of programs.

When we are not engaged through programs, it is mostly technical assistance which has to do with the tax system, the way the central bank is working, and the question of developing programs specifically for these groups when we don't have a program is more a job for the World Bank and my friend Bob Zoellick than the kind of things that we are doing ourselves.

Now, on transparency, I think you are right, and I think we are not transparent enough in the programs, and we try to do it better than in the past, but probably we are still not as good as we should be. It is important for us not only for a question of being fair and just being open, it is important because I do believe that when we have a program, the ownership by the population is one of the conditions of the success of the program, and you can't have this ownership if you don't explain exactly why you are doing things, how you are going to do it.

More and more, we are trying to have outreach sessions in countries

where we have programs to try to explain the unions, the business organization, in universities and other stakeholders what and why we are doing, and when a program appears to be something which is only discussed between the government and IMF and the people of the country don't understand what is going on, the chances of success are much lower than in the other case. So, transparency is not only necessary for ethical reasons, but it is also necessary for the effectiveness of the program that we are building.

MR. ZOELLICK: Well, first, I want, through you, to thank the people of Istanbul and Turkey for hosting this event. They have really done a fantastic job. I know that this conference center is just recently completed, and I know from talking with your Prime Minister and Deputy Prime Minister have really put a lot of effort into this, and I'm sure that there have been inconveniences for people in the city, but it's a real delight to be here with you.

On your point on food security, I just want to draw a word that you used which was "invest," and this is a word that I want to emphasize because, as we look at the challenges of food security, we are trying to look across the whole value chain, everything from property rights to seeds to irrigation to fertilizers and to storage. In many developing countries, 50 percent or more of the product is lost in storage. We need to make things available to markets in order to increase the potential for productivity as well as production, but also to help people get access to markets.

And as I mentioned, sometimes in particular countries there are especial challenges. For example, in Sub-Saharan Africa, well over 50 to 60 percent of the production, maybe a higher percentage, is done by women, but they are often cut out of the credit and finance systems and are unable to get access to some of these resources. So, we again, see this not as a charity, we see it as an investment, and we see potential to connect our work with some of the work being done by some of the humanitarian agencies like the World Food Programme.

Not far south of here in East Africa you have a terrible drought. When the world buys food supplies to try to meet the needs of the people of Kenya, they should be able to buy them from other developing countries and be able to ship them to other developing countries.

So, while we can do a lot on the production side, we have to remember there are always going to be natural events, terrible tragedies that require the need for food assistances, and we need to connect some of the humanitarian food assistance with production in the developing world.

On Morocco, I want to take this in three parts. First, I want to start with the social safety net, because you mentioned women and young men and women, and this is particularly important, because one of the

lessons we learned from past crises is that when somebody loses a job or income falls, it is often the girls and women that get hit disproportionately. If there is not enough food at the table, the boy will often get fed and not the girl, and if this goes on for months or a year, you can have a nutrition effect that can stunt somebody not just physically but mentally their whole life.

Mothers will often go without food to be able to feed their children. If somebody has to get taken out of school, it will often be the girl who is taken out of school. But the reverse is also true. We've also learned that if we direct some of the resources to the women in the families, you get more benefit for the families in the communities.

So, again, in the area of lessons learned, there have been, over the past ten years, development of programs, like Mexico's Oportunidades program, which is called the conditional cash transfer program, where the money is given to the woman who heads the household under the condition that the kids go to school and that the family gets healthcare checkups, and it has probably done more for women's health in Mexico than anything since the founding of the Republic.

Brazil has a conditional cash transfer program, and I think we might have been discussing one in the case of Turkey as well. They are spreading. But for some countries, they don't have the capacity to set those up. So, there may be a school feeding program or a maternal and child health program, or, critically, microfinance.

In most countries, microfinance primarily helps women entrepreneurs. And so, in this crisis, one of the things we could see happening was, even though microfinance lenders were doing relatively well with their loans, and people were paying them back and they got their money across border, many of them didn't take deposits. And so, we created a new fund with the French and the Germans and the Dutch to try to help provide liquidity for financing and microfinance which would help women entrepreneurs in particular.

The reason I'm mentioning this and flagging it is that many of your groups will also have experience in these, and we partly have to continue to get better to learn how we can help those that are disproportionately hurt.

You connected this to a broader labor protection, and the reason I wanted to start with safety nets is we have learned some things over the past ten years, but your question is a particularly interesting one, because in the past couple of weeks at my morning staff meeting, I've said, I noticed that a number of countries have been experimenting with different types of labor protection programs, some developed, some developing. Sometimes it's, you keep your job but you work fewer hours. For some, people have been willing to accept less pay. Some have had subsidies from the government with the idea that the

government said, look, it is better to keep people in a job than to pay the unemployment insurance.

Now, one has to be careful with some of these things because they can build in entitlements, and as you know, some of those workers are actually better paid than some at the bottom. But frankly, I want to take a look to see what's worked and what hasn't worked and what are some of the tools that might be used so that we can build these in to the types of policies, just like we have tried to do on the safety net area.

Finally, on transparency, I had earlier said what we try to encourage countries to do, but obviously, if we are going to talk the talk, we have to walk the walk. And so, one thing I wanted to flag for this group because I know many of you are interested in it, we are in the process of changing our disclosure policy at the Bank. And for many of you that know this field, we are moving from what is called a positive list to a negative list.

A positive list is where you list the areas you can get the information. A negative list is, you can get everything unless there's an exception made. The U.S. Freedom of Information Act is based on the negative list concept. So, we're moving to that system, and Jeff Gutman, who is one of our Vice Presidents who is running this operation, is actually having a session here on October 6 to brief people about it so we can provide more information, and we want to try to institute that by the end of this fiscal year which is 30, 2009. So, this is something that we would welcome comments on as we go forward.

MR. NDUNGANE: Thank you very much.

Dear friends, our enemy is time. We're on to injury time already, and it remains of me to thank our panelists, Mr. Zoellick and Mr. Strauss-Kahn and say it is a great joy that, when we face crises, the Bank and the Fund don't play off their philosophy, they stick to a system and invite us to make those contributions.

There will be fora for further discussion, exploration, and of course, we have been told that the doors of both the Bank and the Fund are open for us to make our comments.

Tessekkur Ederim. Thank you very much and have a great evening.