

**Secretary-General's Joint Press conference with World Bank President  
Robert Zoellick, Hokkaido, Japan, 7 July 2008**

**[unofficial transcript]**

SG: Good evening, ladies and gentlemen of the media. It is a great pleasure to see you.

First I would like to thank Prime Minister [Yasuo] Fukuda for his leadership in hosting this G8 Summit meeting. I am delighted to be with you today in the company of World Bank President, Mr. Robert Zoellick. Our being here together reflects our joint commitment to work together.

As we stand before you today, the world faces three simultaneous crises: a food crisis, a climate crisis, and a development crisis.

The three crises are deeply inter-connected and need to be addressed as such.

The Millennium Development Goals – the MDGs – are the internationally endorsed agenda to address the development emergency. But at the midpoint in our efforts to achieve the Goals by 2015, progress in many countries is off track, particularly in Africa.

To accelerate progress in Africa, the Steering Group I have convened has produced a set of practical, costed recommendations to achieve the MDGs in Africa. This plan was endorsed by the African Union and its member states at their Summit in Sharm el-Sheikh last week.

The plan shows that the MDGs in Africa remain achievable. To do so, however, countries must agree to deliver on their previous ODA commitments. No new promises are needed. For Africa alone, donor countries must scale up to reach the Gleneagles target of US\$62 billion a year by 2010.

Maternal health stands as the slowest-moving target of all the MDGs. US\$10 billion would ensure coverage of basic services for maternal, newborn and children's health. More investment for training community health workers, would be a strong step towards strengthening health systems.

Leadership in mobilising action and increased funding to fight HIV/AIDS, malaria, tuberculosis and neglected tropical diseases is essential. This year, we must show commitment to ending malaria deaths by 2010 by funding 120 million insecticide-treated bed nets for Africa.

Addressing the MDGs is not enough. We must recognize the interconnectedness of extreme weather patterns, empty grain and rice storage houses, and poverty.

High food prices are already turning back the clock on development gains. To halt further suffering, we are calling on world leaders to deliver the full range of immediate needs, including food assistance, as well as seeds, fertilizer and other inputs for this year's planting cycle. They must also commit to long-term agricultural investment, to lift export restrictions and levies on food commodities in particular for humanitarian purposes, and to cut agricultural subsidies in developed countries.

In order to increase agricultural production and rural development, we need to increase ODA from the current 3 per cent of ODA to 10 per cent without diverting funds from existing education or health budgets.

Our progress on the MDGs, including on food security, has been severely undermined by climate change. We tend to think of climate change as something in the future. It is not. We see it now, most of all in Africa where drought and changing weather patterns are compounding the challenges we face in attaining the MDGs. We must take action now.

The Bali Roadmap agreed last December represents important progress on which world leaders must build. We must negotiate a new, comprehensive agreement on climate change to be adopted in Copenhagen in December 2009.

We need to set a long-term goal of at least cutting by half emissions by 2050. But we also need short and medium-term targets that will drive today's market forces toward technological change and market transformations that are needed. Advances provided by the G8 leaders will send helpful political signals to the United Nations Framework Climate Change Convention negotiators developing a comprehensive agreement.

But we can't leave everything for Copenhagen. Our immediate priority should be to focus on achieving concrete outcomes from Poznan beginning with a shared vision for what a new agreement would look like this year. We need to strengthen existing financial mechanisms and create new ones to assist developing countries to support their adaptation and mitigation needs. These mechanisms must be consistent with negotiations under the UNFCCC process, and the resources must not be at the expense of existing development finance commitments. By the end of this year, we must have a fully financed and operational Adaptation Fund. The leaders of the G8 [are] central to achieving these goals.

Our efforts so far have been far too divided, too sporadic, and too little. The time has come to take a very different approach. I can promise you that the UN stands ready to assist on all these global challenges as the world's universal, multilateral platform for making and implementing concrete actions.

Finally, let me suggest that we must take an investment approach -- every dollar, Euro, or Yen invested today, as well as every ounce of effort, is worth ten tomorrow, and a hundred the day after. I urge the world leaders present here in Hokkaido, Toyako, to be the catalysts for this collective effort.

I would now like to turn to Mr. Zoellick who has been a steadfast partner in all our efforts to achieve the MDGs, address the food crisis, and fight climate change.

Thank you very much.

Mr. Zoellick: It's a pleasure to be here today with the Secretary-General. I'd like to commend him for his leadership on the Global Food Crisis and for guiding the preparation of the Comprehensive Framework for Action. We are united in our determination to address the crisis that now endangers millions of people around the world.

How we respond to this double jeopardy of soaring fuel and food prices is a test of the global system's commitment to help the most vulnerable. And it is a test we cannot afford to fail.

This G8 Summit must bring hope to those without hope [and] food to those without food.

For globalization to succeed and to achieve its promise, it must be both inclusive and sustainable. We must protect the most vulnerable even as we offer a pathway to opportunity. Never has such protection been more needed than now. Food and fuel, sustenance and energy, malnutrition and health -- it does not get more basic than that.

We need resources, action, and results in real time, starting in three areas:

The first is to meet immediate needs. This means safety net support and programmes such as school feeding, mother and child nutrition, food for work, and conditional cash transfers, which can get nutritious food and cash quickly to the most needy.

We must boost support for food assistance provided by the World Food Programme. The WFP usually requires about \$3 billion a year in voluntary contributions. But this year it could be between \$5 and \$6 billion, and it is likely that the WFP will need a similar sum next year. Money should not be earmarked or tied, since this reduces its effectiveness. We should think about a special UN funding assessment, or a commitment to core funding, which would reduce the need to raise the full amount every year from scratch.

If the UN makes assessments for peacekeeping after societies have broken down in conflict, why not commit to resources in advance to prevent the breakdown of societies?

A second pressing step is to give small farmers, especially in Africa, access to seeds, fertilizers and other basic inputs. For a number of countries - for example in Southern and West Africa - the farming season is from September to December. Others will need help for their next growing season. We have now an opportunity to boost yields in the short term.

Overall, we estimate that short-term financing requirements for safety nets and rapid agricultural inputs in over 50 countries that we have assessed, through teams on the ground, is about \$3.5 billion. In addition, the WFP and IMF assessments amount to approximately \$6.5 billion, bringing total short-term needs to about \$10 billion. The international community must step up to this challenge.

A third step should be to ease export bans and restrictions that have contributed to higher world food prices. Some 26 net food exporting countries have maintained or introduced such measures.

These walls are leading to a breakdown in the international agriculture system. They make it hard to acquire and ship food to the most needy, even when funds are available.

At a minimum, governments around the world should ensure access to local purchases for the WFP and for humanitarian purposes. These humanitarian purchases should be exempt from export restrictions and taxes. This is not the case now, and it is an outrage.

I urge the United Nations General Assembly to vote in September for a resolution to scrap such restrictions on WFP's purchases. This is a step that all the world's countries can take to demonstrate a common determination to tear down the barriers that stop food from reaching the hungry. These beggar-thy-neighbour policies are placing lives and countries at risk.

While responding to the immediate needs of this crisis, the G8 should also consider measures to ensure that this disaster never happens again. One such measure would be to study the value of having an internationally coordinated "virtual" humanitarian strategic reserve system for food emergencies.

As I have previously urged, the U.S. and Europe also need to take action to reduce mandates, subsidies, and tariffs benefiting grain and oilseed[-based] bio-fuels that take food off the table for millions. We must move quickly to further develop second generation cellulosic bio-fuels which won't put fuel in gas tanks at the cost of food in stomachs.

Even as we take these immediate steps to get beyond the danger zone, we need to turn this crisis into an opportunity for development over the long term. With wise investments, we can vastly expand production and yields in developing countries, especially Africa, to increase the incomes of the poor while producing more food.

Today, only 4.9 percent of the cultivated land in Africa is irrigated, compared to 40 percent in South Asia.

In 2006, only 11 percent of Sub-Saharan African land was planted with improved seed varieties, compared with 55 percent in Asia and 48 percent in the Middle East.

We need to fund more research through the Consultative Group on International Agricultural Research, so we have seeds that can grow with droughts, floods, and salty conditions, as well as boost yields.

We need to boost public and private investments all across the value chain, from property rights to inputs, irrigation, storage, logistics, markets, and risk mitigation measures, especially for small-holder farmers. We need to complete the Doha Round in the WTO to overcome the barriers and subsidies that block an efficient global trade in agriculture.

To solve the problem we don't need a scientific breakthrough. We know what it is we have to do. In May, I outlined a 10 point plan. The Secretary-General, the High Level Task Force, the World Bank and others have now worked together on a Comprehensive Framework for Action. The points are the same. What we need now is resources, action and results in real time.

Summits cannot solve all the world's ills. Nor should we expect them to. For a start, many of the important players are missing. But I believe this Summit can make an important start, here and now, to focus on the needs of the most vulnerable, as we work to boost production of food and fuel over the medium and long term. I urge the G8 leaders to seize this opportunity.

Q: On food, there are obviously differences on whether bio-fuels are a cause of this crisis. I would like your personal view on that. And also, there is a view among some experts that good harvests this year could lead to a significant drop in food prices, if not back to former levels. I would like to know whether you share that optimism.

Mr. Zoellick: On your second question, about harvests, there are some reports of good harvests; there are still conditions of drought, for example, in Australia, so in general, while we certainly hope that there will be some supply response to the higher prices, it is our estimate that prices will generally stay higher through at least 2012, above 2004 levels. As you have seen, the recent prices are up so many times higher – that, combined with the fact that food stocks are relatively low in the world, that unfortunately we don't see a great relief. That is all the more reason why, and it is one of the points that both the Secretary-General and I emphasized, it is important to try to get seeds and fertilizer, particularly to sub-Saharan Africa, because you could take advantage of this opportunity of higher prices, but many of the countries are struggling with the inputs. I just met President [Jakaya] Kikwete of Tanzania – Tanzania is a good agriculture-producing country, but as he pointed out, fertilizer prices are up some six-fold. Many of the poor farmers can't afford the inputs even if they have the high prices.

As for the first point about bio-fuels, there are a range of estimates about the effect. But I think there is no doubt that it does have an effect. In our work we have distinguished some of the bio-fuels that are sugar-based, both because of their efficiency and some of their environmental benefits, from the ones, as I mentioned in my statement, that are either oilseed or corn based, as you have in Europe or in the United States. One statistic that I find telling is that for the corn production globally, the use of corn ethanol in the United States has, I think, taken about two thirds or three quarters of that added marginal production. When you look at overall production,

you look at the demand functions of different uses, but I think there is no doubt that it has had an effect, and that is one reason that I have urged, at a minimum, that the United States and Europe look at some ways of lessening the combination of mandates, subsidies and tariffs, at certain price points. If they cannot change the policies, at least they could ease them at certain price points. Some people have said to me recently, 'well, given the high oil prices, we really don't need the subsidies, so then, get rid of the subsidies'. That would be another option. So, one thing for certain is that if you are going to require something, and then subsidize it, it is certainly unusual to have a high tariff at the same time.

The last point I wanted to make on bio-fuels is that I do think there is a good argument to be made, given the challenges one sees on the energy side, for the development of the cellulosic bio-fuel industry. That is certainly something worthy of additional research and attention, and support.

SG: I basically share what President Bob Zoellick said about bio-fuels. It is true that bio-fuel has made some contributions to the price rise of fuel, but it seems it is not clear about the extent of the impact, how much bio-fuel has contributed to the global food crisis. There seems to be no clear cut tradeoff between agricultural production and the price rise. Therefore, I believe there needs to be more analysis and research, including on the second generation of bio-fuel. I understand that the Brazilian Government has plans to hold an international conference on bio-fuels in November of this year. Thank you.

Q: You referred to soaring food and oil prices. We cannot ignore the effects of the declining dollar. What are your views with regard to concerns about the declining dollar, and what are the possible responses to that situation?

Mr. Zoellick: People point [to the dollar] and its effect on the energy market because of the fact that oil is denominated in dollars, so it is one dimension of the issue. I think in a world where you have the dollar as well as the Yen and the Euro traded on international markets, it is not so clear what you would do to change the value of the dollar, other than potentially increase in interest rates, and then you would have to value the effect of that policy at a time when you are trying to restore growth to the economy. And so, people will talk about the dollar policy as an issue and I think the United States has stated that it would like to see a stabilized and strong dollar, but these are really determined in international markets by buyers and sellers of the currency. One also needs to look at the different exchange rate relationships, so you have some that are obviously reflecting in terms of trade issues and the current account deficit of the United States, and you have some countries in East Asia that do not have a free exchange or float of their currencies. And so those can lead to some of the trade imbalances that have probably led to the building of reserves and some of those reserves may have led to development of international liquidity, so it is one of the issues that one wants to have the type of discussion that the leaders are going to have on Wednesday, where you have not only the G8 leaders but some of the other rising economies that are part of this puzzle.

Q: We are talking about common responsibility and common efforts, but what do you think about individual responsibility of the G8 states?

Mr. Zoellick: One of the topics that was discussed today, and I think some of the leaders have focused on in their preparation, is that when the G8 leaders make various commitments for their countries, it is important to have a monitoring system. This is something that coming out of Gleneagles there were certain promises of countries in terms of their commitments to increase overall development aid, as well as to particular aid for Africa – those are monitored by the

OECD, something called the Development Assistance Committee, which monitors those. But in addition, in the discussion with the African leaders today, there was a desire to have greater comfort on both sides on the delivery, and so there was some movement towards the idea that the G8 and in their process, perhaps with their sherpas, may engage with the African Union Commission, which is also responsible for the NEPAD development effort. So, I think countries need to deliver on their promises, and I think that was the tone that was generally set in the discussion today.

SG: To mobilize the necessary funding and financing support, it would of course be the G8 countries' responsibility. But to address these MDG issues, I think you need all the parties in a concerted effort. First of all, I think the G8 leaders should implement what they have committed in Gleneagles by providing the necessary funds. There were some concerns, as well as demands, from the African countries that they need to have a better predictability about their aid, as well as aid efficiencies, so that they can plan their national economic policies. At the same time, I would think that it would be necessary for the recipient countries to enhance their level of good governance and transparency and effectiveness of using this funding.

Q: With regard to climate change, have you reached agreement between the two of you on funding mechanisms for providing assistance to developing nations, particularly with regard to adaptation assistance?

Mr. Zoellick: The international system has developed some funds already, including one called the Adaptation Fund, which is part of the UN system. At the World Bank, last week, our Board approved action on creating some climate investment funds, including one for technology, and another was a strategic fund that will probably have early efforts in pilots for adaptation and also for forestry. And we have some other funds, some carbon trust funds, and another fund that we announced at the Bali meeting to try to help with avoiding deforestation, which is another key component of greenhouse gases. All our work at the Bank is designed to try to be in support of the UNFCCC [UN Framework Convention on Climate Change] process, and even these funds that were done with an understanding that at the completion of the negotiations, that they would sunset unless people wanted to extend them. So we felt it was important, and when I came to the Bank I felt it was important that we try to help mobilize resources to support the climate change process - both mitigation and adaptation - but that since there was going to be a negotiation going on that we needed to do so in a way that was supportive of the process that Yvo de Boer is running, out of the UN system. In the process of doing so, I hope we can learn something about ways that we can either transfer the technology, support the adaptation effort, so that when the negotiators get into some of the nitty-gritty that they may be able to draw on some of the practical experience that we have been able to develop. And that climate investment fund, as you may know, is something that I think the leaders will be talking about over the next couple of days. The initial contributions were from the US, the UK and Japan, but I think there are others here that look like they are willing to contribute. We were hoping to get some US\$5 billion for those Funds over the course of a number of years, which is a very huge start in terms of trying to meet some of the financial needs, but I will let the Secretary-General speak about some of the other funding that is done through the Adaptation Fund.

SG: I am not going to tell anything more about the details since President Zoellick has explained at full length, but I would like to tell you, as a matter of our policy, how we are coordinating and how the United Nations system cooperates as one UN team. Through the Chief Executives Board meeting where I work as Chairman, there belong all United Nations Funds and Programme and Specialized Agencies and Bretton Woods institutions - the World Bank and the IMF. We have agreed that as far as climate change is concerned, we will work as one UN team. Therefore, you

can be sure that we have been working very closely as one team, and that has been very effective when we participated in the Bali meetings in December last year. That is why we were able to help member states along on the Bali roadmap.

Q: A brief follow up – would the World Bank Fund be new money, or would it be programmed? And also would this be provided as grants?

Mr. Zoellick: It would be additional; it's additional funding. The countries that are contributing to this, some are contributing to grants, and some are discussing very concessionary financing, because we want to provide the support on what we basically call IDA terms. IDA is the fund, the International Development Association, we have for the 80 poorest countries, and IDA is monies that are either given on grants or, for example, no interest rate, or one percent interest rate, for very, very long maturities. So those are the terms that we are seeking to provide the money to, to those that would receive it, and so we need to receive it from the donors in a similar way. And so, I believe the US is done as a grant fund; I believe the UK is done as a grant fund. I would have to check on some of the others that are looking at how they would give us the money. But as a package we want to be able to give it to the developing countries on IDA terms. It is additional to the other funding.

Q: You have identified bio-fuels as one of the possible factors behind high oil prices. I would like to know if you have a position on government subsidies for fuel in countries like China, India and the Middle East, and in Latin America. And would you have a message for the leaders gathering here on state fuel subsidies?

Mr. Zoellick: A number of countries have state fuel subsidies, and obviously those have grown increasingly expensive as the energy crisis has risen. So, we at the World Bank have tried to work with countries to lessen those subsidies, because they may not be able otherwise to afford them. Obviously this is a very politically sensitive issue for governments, and so the governments have to make these decisions, and obviously it depends somewhat on their overall fiscal posture, the nature of whether they are an oil producing country or not. From an environmental perspective you also wouldn't want subsidies of fuel use, because obviously it means people would use more fuel, and that obviously is not good if you are trying to reduce carbon in the international system. So it is an example, in a way, going back to the question about the nature of these funds, some of our initial discussions with some developing countries might be how they might develop some state of the art mass transit systems, and there are other ways. There can be huge gains in terms of energy savings from energy efficiency from technologies as well as reducing carbon production. So one win-win area for developing countries is the area of energy efficiency, which would save governments money from subsidizing, meaning less fuel would be used and would produce less carbon in the air, so it is very similar to the one in avoiding deforestation, where you have potential win-win benefits as a policy mix, as developing countries are understandably trying to figure out how they can support climate change efforts without impinging on their overall growth objectives. President [Felipe] Calderon of Mexico will be here for the discussion on Wednesday. I have spoken to him about this at length. Mexico has really led a number of efforts and he is quite committed to developing a low carbon growth strategy. At the World Bank we are working with South Africa, China, India, Indonesia, Mexico on low carbon growth strategies because there are a lot of economic benefits, and so it all flows from the type of issue that you mentioned.