

Speech by World Bank Group President Jim Yong Kim on World Bank Group and Korea: A Dynamic Partnership in New Frontiers – Africa

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A Dynamic Partnership in New Frontiers – Africa
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Transcript

It's a truly great honor for me to be here today with all of you the leaders of the Korean business community. You know one of the things that I have learned and it has truly been one of the most important lessons for me, is the importance of the private sector in all development efforts in the future.

It used to be that if you wanted to do something around development, the focus was on official development assistance, foreign aid. Korea is one of the countries that benefited tremendously from foreign assistance. The World Bank made many investments in the Republic of Korea and to a great extent some of the greatest successes were related to the relationship between the Republic Of Korea and the World Bank Group.

But if you look at the world today all of official development assistance combined is about \$125 billion. Now if you look just at Africa, Africa alone requires \$100 billion every year just for its own infrastructure. So \$125 billion is the entire package of foreign assistance. Africa alone needs \$100 billion. In India over the next five years they have \$1 trillion in infrastructure needed, that's \$200 billion a year on average.

If you look at just the BRICS countries -- Brazil, Russia, India, China and South Africa -- over the next five years they have almost \$5 trillion of need. So what becomes clear is that if we want countries to have the same experience that Korea has had going from one of the poorest countries in the world to now being the 14th largest economy in the world the private sector will have to play a critically important role.

The message that I am bringing to all of you today is that Korean businesses can have a huge impact in helping countries in Asia, helping countries in Africa, Latin America, poor countries all over the world not only achieve what Korea has achieved, but you can also make a very good return on your investment.

Let me talk a little bit about a couple of places that I think have special significance on the Korean Peninsula. The first is Myanmar. Now many of you may already be working and making investments in Myanmar. But what we are trying to do is gather all of the forces, the Asian Development Bank, the World Bank, the International Monetary Fund many, many different bilateral development institutions and what we are trying to do is make sure that Myanmar immediately experiences a democracy dividend.

In other words they have made such courageous changes in their government that the global community now must move in quickly and provide the kinds of infrastructure they need in order for them to grow. Now you all know - I know Korean business professionals are extremely competent and are always looking at opportunities. You all know that Myanmar has a huge upside – that the potential growth in Myanmar, the potential for companies to do very well is very high. But right now they desperately need energy.

So we have in a very short period of time - we first of all helped Myanmar go through its own books and understand just what its situation was in terms of being in arrears to groups like the World Bank. Then we provided them with a grant before they even were eligible for a loan, we provided them with a grant. Now we are moving very quickly to put in place a very large energy project.

So understand what we are trying to do in Myanmar. The Generals who moved from being a very closed society now to being an open society their challenge is to ensure that their people and soldiers understand that there is a tremendous benefit to moving towards democracy.

Now I have said this before and one of the things that I want to make clear is that if there is a political opening, especially around North Korea, we could do the same thing there. Now if

you look at the path towards an opening of North Korea if you look towards a path for reunification I think there is no question that the World Bank, the Asian Development Bank, the International Monetary Fund would have to play a role.

I just want everyone here and everyone on this Peninsula to understand that first and foremost there has to be some political breakthroughs. We know that the nuclear question - there are many difficult issues on the table. But once there is a political opening organizations like the World Bank and all of our partners are ready to move right away to do the kinds of things we are doing in Myanmar. It is extremely important to let governments around the world know that commitments to democracy will lead to the kind of support that we are able to provide.

Now one of the things that I am here to talk more about though is Africa. I think that if you were to look back in history there may not have been much interest of Korean business people in Africa. But I can tell you that Africa is completely different today than what it was 10 years ago, 15 or 20 years ago. We have some of our esteemed ambassadors here from Kenya, Rwanda and Nigeria here with us. I visited all three of those countries and know them well. I can tell you that over the past five years, even during a period of tremendous uncertainty in the global economy, Africa has been growing steadily at five per cent and more.

We at the World Bank Group have made Africa one of our very top priorities. IFC, the International Finance Corporation, our private sector group, even here in Asia, Karin Finkelston is here with us, the Vice President for Asia, part of her portfolio is to ensure that Africa grows. So in other words even though she is Vice President of Asia, we judge her on how much she has been helping Africa.

Here is what I want you to know about what has been happening. Now we think the growth this year will be around five per cent and we think it will continue to grow. You probably also know that there has been the discovery of tremendous mineral wealth in Africa. But the other thing I want you to know is that between - in the years the 80s and the 90s there were many very difficult discussions between African leaders and the World Bank Group.

But what the African countries did was they separated the central banks from the ministries of finance. So not a single country in Africa is going through hyperinflation right now. They created fiscal space and really looked hard at their social expenditures, their public expenditures to make sure that they were in line with what they could afford. They moved in

the direction of creating business environments that were open to and welcoming of businesses.

So three of the highest ranked countries in the world or the fastest moving countries in the world in our doing business ranking are from Africa, Rwanda is one of them, Cote d'Ivoire is another, Burundi is another. All three of those countries were in terrible conflict not too long ago - debt less than 20 years ago. Now they have among the best business environments of any country in the world.

So Africa is open for business and we are in a situation, we think, to help you understand the nature of risk and reward in places like Myanmar, in places like Africa, in a way that you might not expect. Now IFC the International Finance Corporation makes direct equity investments in projects and also provides financing for companies that want to work in the private sector. But the most important thing is if you go in on a deal with IFC you will know that we have done the due diligence to actually find out what the nature of risk and reward is.

Kevin Lu is here from MIGA the Multilateral Investment Guarantee Agency. The Multilateral Investment Guarantee Agency does two things; it provides political risk insurance and also does credit enhancement. So in other words if you go in and make an investment in a country and the country for some reason nationalizes that particular industry, we provide you insurance in the case that that happens. But because we have such close relationships with governments, the likelihood of something like that happening is quite a bit lower.

Now my own experience over the years has been one of great good fortune. I was born in this country in 1959 and a few years before I was born the GDP per capita in Korea was \$67 per person, lower than many African countries. Maybe three or four per cent of the high school graduates would go to college. The literacy levels were around 10 per cent at that time and as a student of anthropology I looked hard at what development economists were saying about Korea in the 50s, 60s and 70s.

You probably remember but if you read the literature of development economics they said things like, Korea is a basket case. There is no hope for Korea. They would say things like other countries in Asia have a much better opportunity for growth and one of the countries that was pointed to always was The Philippines. The notion was that they spoke English and they had more exposure to Western culture; therefore they would grow. So the

overwhelming consensus among development economists was that Korea would have no chance at ever developing.

Now probably 20 or 30 years later a new group of development economists came along and said well - in fact of course Korea developed because of Confucianism. Now before they were saying Confucianism was preventing it and then they turned around and said Confucianism is the reason that Korea developed. I am an anthropologist. I have great suspicion about those kinds of cultural arguments. Korea's success is multi-faceted. But what I want you to know is that development economists are saying some of those same things today about Africa.

They are saying that there is no hope. They are saying that Africa cannot possibly grow. They are using all kinds of cultural and other arguments. But I have been there myself and I see enormous opportunity even in the places that we think are the most difficult, the Sahel for example.

The Secretary General of the United Nations Ban Ki-moon and I have been travelling to Africa together. The first trip we took was to the Democratic Republic of the Congo, to Rwanda and to Uganda. A place that has tremendous potential, huge natural resource reserves and also the possibility of growing very rapidly. But because of conflict it has been difficult. When we went there it was the first time in history that the Secretary General of the United Nations and the President of the World Bank went on a mission together. What we found were all kinds of opportunities. Then just last month we went to the Sahel. This was Mali, Chad, Niger, Burkina Faso – again some of the most difficult, poorest countries in the world.

But again what we found was just enormous opportunity. In one country Burkina Faso they have been growing as six per cent a year while at the same time paying \$0.75 per kilowatt hour for electricity. That is seven times the global average. So growing at six per cent while paying seven times the global average, I walked away from there thinking my goodness what an opportunity. What an opportunity potentially for Korean companies. If we can lower the cost of electricity by using - by growing solar micro grids and mini grids the opportunity for growth there and for investment will be enormous.

Everywhere I go in the world people ask me about Korea. I went to Ethiopia and the leaders in Ethiopia all wanted to talk to me about Saemaul Undong, They had been studying Saemaul Undong and what the Prime Minister of Ethiopia told me was it would be

impossible for us to follow a Chinese growth model, because China is so big. We cannot follow that model. They also said it will be impossible for us to follow the Japanese model. Japan had very high literacy rates even in the 1890s, we cannot follow that model. But Korea that is a model we might be able to follow.

So everyone in the world is looking at Korea as a beacon of hope for what their countries can do as well. So that is why we are especially proud of starting - inaugurating our center in Songdo. The reason that is so important is because we feel, first of all that IFC and MIGA can work with Korean businesses and encourage them to invest along with us in developing countries.

But the other thing that is really exciting is that we can then bring people from Africa, from South Asia, from all of the places in the world that want to understand how Korea did what it did and then learn directly from all of you.

To have been born in a country that had a GDP per capita of \$67 per person per year and to now be President of the World Bank Group and having people from all over the world asking me about Korea is a source of great pride for me. So I want to leave you with several messages.

One, what all of you in this room have done to grow this economy is just extraordinary. I admire enormously what you have been able to do. Korea in a very real sense owes a debt of gratitude to organizations like the World Bank and many others. But what we are saying is there are many, many different ways of paying that back. I hope that one of the most exciting ways for all of you is by investing in the countries, helping them to develop and at the same time make a good return.

But you have got to start exploring now the possibilities in these countries. Other countries are already moving. China is very quickly moving into the African countries. I have been talking a lot with Japanese investors in terms of getting much more interested in Africa. In the United States of course many of the private equity firms are looking at Africa as a potential source of very rapid growth in the future.

So what I am suggesting is that you should start as soon as possible. Come see us, Karin is here, Kevin is here. Come see us as soon as possible because getting to know those countries, having them get to know you is a very important part of taking the next steps forward.

As I look in the future there are so many exciting things about Korea. I was just in Paris and the Head of OECD Angel Gurría told me that one of the most interesting things about Korea is that if you look at the PISA scores and some of you may know, PISA scores are tests of academic ability that were developed by the OECD. That our - some of the most interesting scores because they seem to correlate with economic development and growth.

So Korea is one of the places that has the highest differential between PISA scores going into the workforce and PISA scores leaving the workforce. In other words the academic ability of the young people entering the workforce is quite a bit higher than the academic ability of the people leaving the workforce and that is just what you want. You want an ever improving workforce. It has got one of the highest differentials in the world.

Korea is also fourth in the world in terms of the number of patents that this country holds. It is fourth in the world and it has three times more patents than the number five country in the world which is Germany. So - so many exciting things are happening in Korea. But what I would suggest to you is that given the history of this great country of going from such a low position to where it is right now, there is a tremendous opportunity for all of you in this room to help countries like Kenya, Rwanda and Nigeria reach the kind of levels of development that Korea has understood.

My great hope as I think about my role as President of the World Bank Group, my great hope would be that because of Korea every country in the world has hopes for the kind of future that we see right here right outside this door. This is the message I take everywhere I go. In the middle of the Sahel in one of the most difficult places in the world I talked about Korea. I talked about being born in a country with a lower GDP per capita at that time than Ghana. I talked about what it meant for me to be an immigrant, to get an education and now be the President of the World Bank Group.

I think that it is part of the moral responsibility of all of us, especially here in Korea to think about - to invest in, and to help people in Africa and Myanmar and I hope eventually in North Korea attain the kinds of heights that we have seen here.

I thank you very much for your attention and I look forward to continuing to come back to Korea. I look forward to working with you in Africa and I look forward to some questions right now.

Thank you very much.