Q and A with World Bank Group President Jim Yong Kim

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Transcript

JOHN HAMRE: I wish I could start everyday with that – makes you feel like your day is worth living. Thank you Dr. Kim. Now folks I have to tell you that Dr. Kim has a board meeting so he’s going to have a hard stop at 10:25.

DR. KIM: The realities of fighting poverty-you have to go to board meetings.

JOHN HAMRE: You gotta go to board meetings. So I will be ruthless and I am just going to moderate to bring questions out but I’d like to start with one question if I may, Dr. Kim, and that is, when you said this isn’t about spending billions of dollars, this is spending trillions of dollars. Now you’re talking about trillions, you’re talking about the private sector, the profit-seeking private sector. Governments usually know how to work with the non-profit sector, but they don’t really know how to work effectively with the profit-seeking. What are your thoughts about how you’re doing to establish this partnership?

DR. KIM: if you just look at the numbers John, you know official development assistance, foreign aid, was about $130 billion last year. And so all of us, the multilateral development banks, were part of that world. And if you add up every dollar that multilateral development banks can provide, it is somewhere in the order of $180-200 billion plus. But we’re talking about $1-1.5 trillion in just the developing countries. So there’s no way to get there without the private sector. Now it’s a very difficult time and capital now is, without question, beginning to move out of the emerging markets. And in order to be able to reach this goal, we’re going to have to be much more clever about how we utilize the extremely valuable grant-based development assistance that countries provide and link it to the kinds of
investments that we know will be the creator of jobs and our path to ending poverty. And so, how do you do that? One of the things we’re trying to do, and one of the papers we’ll be presenting at the Spring Meetings next week, is one in which all of the multilateral development banks and the IMF, we sat down together and said, let’s look at all the different sources for financing for development. Let’s put them altogether and let’s really think strategically how we use it most effectively. So if you look at all the different sources, and you start really with improved domestic resource mobilization. We’ve got to help countries collect taxes in a more fair and reasonable way. That’s got to be on the table. And you know I was in London literally paying tribute to the U.K. Government and Prime Minister Cameron for sticking with his pledge of providing 0.7 percent of gross national income to development. But there are a lot of criticisms inside the U.K., it is really remarkable that they stood up under this criticism and kept going. One of them was, why should we taxpayers, provide aid to countries that themselves don’t collect taxes, especially from the rich. This is the question that was put on the table. But one of the things we’re learning is that synergy between the public and private sector are part of the great hope going forward. And for us, we focus specifically on providing the small and medium enterprises in developing countries that will create the kind of jobs that will lift people out of poverty. It’s tricky, it is a very complicated business getting that right. Even within our own organization we have people who are very focused on the public sector and people who are very focused on the private sector and they’re now talking to each other much more, but it is relatively new. My own sense is that we have now got to bring the private sector into the conversation on development, like people like Paul Polman from Unilever who have been extremely dedicated to getting into the development conversation from the beginning. For the millennium development goals, the private sector was never part of the conversation, and we basically asked them to make donations after everything was decided. This time in Addis, for the first time the private sector will be at the table talking to us about how we can reach those goals.

JOHN HAMRE: I was a government guy for 25 years and I must say I had a bias about it, but it is not about going after the private sector for making profits, if we can channel them in a way where they can do good in the world. You’re pushing this.

DR. KIM: We really believe that there are many, many win-win-win situations out there. The bottom line is that unless we create bankable projects, projects in which there will be returns, we’re not going to get the infrastructure built. So we focus so much on doing this, we’ve created something called the global infrastructure facility. And specifically it’s focused
on using all of our literally 50 years of experience in doing this kind of thing and bringing it to the table so that we can prepare the projects. Now a sovereign wealth fund doesn't have a whole staff of people that are used to putting projects for bridges in Africa, but we do. So what we're hoping is that we'll put those projects together, we'll bring our safeguards and our preparement standards and everything for the table. We'll prepare those projects and then the decisions will be then whether to invest. We feel we'll be able to create a very clear picture of risk and reward. And a lot of these people especially at the pension funds and sovereign wealth funds have all these ideas about these projects being too risky. We think that by bringing our experience to the table, they'll understand that the risk to reward ratio is very favorable and they'll begin to invest.

**QUESTION:** Thank you. John San with CTI T.V. of Taiwan. Sir, the question is about China’s initiative to establish the AIIB. What do you think of this event, and what are the ways that the World Bank can cooperate with AIIB? Thank you.

**DR. KIM:** Thank you. The World Bank has a very close relationship with China. It’s really a remarkable relationship, and it goes back a long way. The recent relationship was really shaped in many ways by my predecessor, Bob Zoellick.

Bob initiated a really brilliant process where he worked very closely with the Chinese government to put together a report called “China 2030.” In that is really the blueprint for the reforms that are taking place today, changing the Chinese growth model from one focused on investments and exports to one focused on consumption and services.

All these things that despite the lower, still very high, but lower growth rate of seven percent, they are continuing. This is a part of a long conversation that we have been having with China. We then did a report on urbanization. We are now doing one on health.

Our communication with them is very close. We have been talking about this Asian Infrastructure Investment Bank from the very beginning. My position on it has been the same from the very beginning. My goodness. We have so much need for infrastructure that we welcome any new players.

The Chinese government has been very clear to us that this is not competition for us, they have been very, very clear they want to cooperate, and we have already been cooperating. It's still early days. They don’t have Articles of Agreement yet. They have not decided what kind of instruments they are going to put together.
I can think of many potential joint projects. We have this global infrastructure facility, they
could invest there. The conversations are just beginning, but the fundamental issue for us
is your enemy cannot be other institutions. Your enemy has to be poverty. If your enemy is
poverty, the natural thing to do is welcome any new players that are interested in
developing the kind of infrastructure that will end poverty.

JOHN HAMRE: In the second row here, in the blue jacket, please.

QUESTION: Good morning, Dr. Kim. My name is Simon Daji. My question is pretty much
from the African point of view. Most of the things you raised was pretty much about how
developed countries use tax to aid most of their developing countries.

What is the World Bank doing in a situation regarding having to build in developing
countries’ social safety or social security or a situation of a tax system? If you as World
Bank Group actually engage these developing countries in these aspects, then they will
learn as a policy of the World Bank, to engage their citizens to come into that line, if there is
no money in terms of poverty for the low income or the poor people, but the system and the
infrastructure is already in place. That’s one aspect.

JOHN HAMRE: I’m going to limit it to one question because I have too many other people.

DR. KIM: Let me take what I think I understand your question to be. On the one hand, if
there is one thing that I think has changed most dramatically about the World Bank Group,
it’s the extent to which we engage our clients in discussions about what the right thing to do
is.

In the early 1990s, I was part of a group called Fifty Years is Enough. We were on the
streets trying to argue for the closing of the World Bank Group. We lost that argument, and
very good, because I have this job now.

I have to tell you, I have not seen any institution that is as open as the World Bank in taking
criticism and also changing its practice over time. Now, the World Bank Group works very
closely with countries to try to figure out what is it they want in terms of their own
development path, and secondly, we are now aggressively moving forward so that every
single project will have beneficiary feedback. In other words, that people that are actually
benefitting from the program, we are going to get feedback directly from them.
We have also worked on programs that increase the accountability by just, for instance, very simple things, like putting posters on the outside of schools saying to the community the hours that the teacher is supposed to be there, and giving them a number to call if they don't show up.

Working with countries, accountability, working with the citizens themselves is extremely important.

A critical part of it and one of the things I mentioned is building institutions is extremely important. We are working very hard to build institutions.

Some of the problems are inability to collect taxes. There are countries, extremely poor countries, where the top 1,500 wage earners are exempted from paying taxes. We have to call that what it is. This is not acceptable.

We want to bring about fair tax systems, and we think what we will find is that often the collecting of higher taxes or doing other things, like removing fuel subsidies, which are basically the most aggressive tax system you can imagine, those kinds of things bringing more money into the public budget will allow countries to be able to provide the kind of social support mechanisms, like cash transfers, that we know to be effective.

The strategy that I laid out, grow, invest, insure, it was not always the strategy of the World Bank Group. For a long time, we focused a lot on growth of GDP. This particular formulation is new, that putting growth investment in people and insuring the poor against plunging into poverty, this is something new for us.

We want to help every country, especially in Africa, get there. A huge part of our focus is going to be on Africa. That's where I think some of the most difficult challenges exist, but it is also the place where we have the highest ambition.

JOHN HAMRE: In the fourth row, the lady with the light green blouse.

QUESTION: Thank you. I'm Julie Howard from USAID's Bureau for Food Security. Thank you very much for your focus on agricultural productivity. I wonder if you would comment then on The World Bank's decision to withdraw core funding from the CGI centers of international agricultural research and seeming withdrawal of World Bank leadership from those very important institutions.
DR. KIM: So we haven't withdrawn funding from CGIR. We recognize the importance of agricultural research and we're simply in the process of finding how we can support it over time. Our focus on agriculture research, getting better seeds, the expansion of extension services, this is all very real, and it's just simply, what we did, is there was a part of the budget that had been without review, simply renewing different grants to different groups over a very long period of time. We're simply moving that up into the light of day, and finding the right way to support through other parts of the budget, these particular efforts.

JOHN HAMRE: Right here in the third row please?

QUESTION: I'm John Harbison, adjunct at SAIS and George Washington University. You've said almost nothing about the institutional foundations and requirements of the strategy articulated. I'm thinking particularly about land tenure, civil society and democracy.

DR. KIM: It's a twenty minute speech. (laughter) But those issues are critical, right? So the involvement of civil society the reference to it was on accountability. And we've been working very closely with civil society organizations to increase accountability and there are many ways that we've been doing it. For example, in Afghanistan, where travel is so difficult, we actually have brought villages and members of civil society into the project itself by giving them cell phone cameras so they have cell phones and cameras and they actually take pictures of the projects. They also have a function where they can get rid of all the pictures if there are ever questions so they don't get in trouble, but that level of involvement with civil society just wasn't happening 20 years ago. And it's part of the tremendous change in The World Bank group. Also land tenure is a critical issue. Land tenure is one that sorting out land tenure issues is often one of the most difficult things to do. In a country I know well, Haiti this has just been a constant problem. But we work on it and you're right, it's extremely important, especially in Agriculture.

JOHN HAMRE: The first row right here Alex.

QUESTION: Ahmed (inaudible) from Al Jazeera. You talked about violence and how it increases chances for poverty and could you elaborate on any World Bank initiatives or plans to encounter the poverty emanating from the hot spots in the Middle East like Libya, Yemen, Syria, Iraq, Gaza and so on?
DR. KIM: So you know, when I meet with leaders of governments in the area, especially the new leaders, sometimes they ask us for support for arms, and we can't do that. We don't do that. We don't supply funding for arms. But it's a constant conversation that I've been having with the great thinkers and leaders in that particular region. To what extent is the problem ideological? And to what extent is the problem economic? And so I get a surprising variety of answers. And they span the entire range, from people who say you cannot approach this from an economic development perspective, it's an ideological problem to those who say it's very much an economic problem. So my guess is it's somewhere in the middle. And right now, what we're really really focusing on is to try to do everything we can to at least eliminate the potential recruits that are there because they can't get a job and they don't have an education. So what are the major things that we're trying to do? One of the things that I've agreed with Dr. Ali, the revered President of the Islamic Development Bank, the thing that we've agreed on is that we're going to work together on a major education initiative. So what we know is that even though the GDP per capita of some of the countries in that region have gone sky high, educational outcomes are still very low. And so I think that something fundamentally different has happened in the prospects for quickly improving educational outcomes. So the Bridge International Academy I've told you about it they essentially take learning modules from the Khan Academy, and any of you who have children who have done the Khan Academy I've done the Khan Academy myself. Sal Khan is an amazing teacher. And there are fantastic teachers out there in every language and what they do is essentially put very simple but effective lessons into a very simple format on software. So what Bridge Academy does is essentially put very low cost tablets and tablets are as inexpensive as $25 to make, and they put them in the classrooms and as the students learn, the great secret is the teachers are learning too. And that rather than waiting 25 or 30 years to improve the quality of teachers, you bring great teachers into the classroom right away. And for six dollars per student per month, they're able to do that and then what the teachers do is walk around and help the students who need the most help. And you know, the great news about the Middle East is that there's a shared language, there's a shared literature, there's a way that we think we could take to scale a new kind of educational program. We focus on the areas that are weakest math, the STEM disciplines Science, Technology, Engineering and Math. And will that make a huge difference? I'm not sure, but we know this is a huge issue and we know that we can have a region wide discussion on education. And then take on others and another huge issue of course is water. We're not naïve in thinking that measures that are focused on economic development will stop all conflict. But we now are convinced that we've got to try and we've got to be aggressive about it. We've got to think
anew about the kinds of interventions that we may be able to take to scale that might have an effect on the conversation.

JOHN HAMRE: Colleagues, the press of time will allow us only one last question, and the gentleman in the third row, we'll get a microphone over real quick. Thank you.

QUESTION: Thank you. Good morning. Charles Newstead from the State Department. Given the fact that the Soviet's and the Chinese Systems are so different, both economically, politically and ideologically from those in the West, Is it really possible to work with them, to help end extreme poverty, and particularly are they seriously interested in doing that? And what would the strategies be that the West and The World Bank in particular, would have to use to work with them on this problem.

DR. KIM: Did you say you are from the State Department?

QUESTIONER: State Department. I've taken (inaudible).

DR. KIM: Okay. All right. Because you used the term Soviet, and I was wondering if that's still, but I know –

QUESTION: Oh, sorry. I should -- I guess that happened, I'm too old to change.

DR. KIM: You know, one of the lessons that I know that the leaders of the Asian Infrastructure Investment Bank, and the New Development Bank are going to learn, is that multilateralism is really hard. It's always been really hard, it continues to be really hard, and the reason it's really hard is that for us, anyway at The World Bank Group, the reason I have to run back is that our Board lives with us. Our Board is right in the building, you know, and all of the conflicts that exist in the world are present on that Board.

But one of the great things about having a Board that lives with us is that the people who are on the Board get to know each other, and what happens is that they find ways of getting past difficulties that they wouldn’t, I don’t think, if they only came a few times a year.

So, is China serious about reducing poverty? Oh, my, God. I mean, the Chinese have lifted more people out of extreme poverty than any country in the world, by far, probably 600 million people, and they did it through a very aggressive strategy, focused on growth. And it
was growth that happened to great extent in the manufacturing sector, but also in agriculture.

So, are they serious about it? Absolutely! You know, are the Russians serious about us? Well, you know, they are also a member in very good standing of course of The World Bank Group, and endorsed fully our goal of any extreme poverty. So I would say that the end of extreme poverty is one of those things that the world has been to agree on. It’s probably the one sustainable development goal going forward in September that, again, everyone seems to agree on.

And so for us, it’s not a question of ideologically whether we agree on it or not, for us it’s really a question of just ensuring that we get every single bit of experience, advice, solutions that have worked in other areas, and then provide them to everyone who has embraced this target.

You know, or the first time in history, and my understanding -- and I may be wrong -- but my understanding is that in April of 2013, when the 188-member Governments of The World Bank Group endorsed the Poverty to -- endorsed the Goal to End Extreme Poverty, it was the first time that The World Bank Group, as a whole, had ever had clear goals.

You know, one of those sort of fundamental lessons in management is if you are going to try to accomplish something you’ve got set a clear target with a clear end date, so we have it now. End of extreme poverty by 2030. And then if you go backwards, you have to rethink, fundamentally, if your organization is structured in the right way to get to the end of poverty. We restructured the organization because we knew that global knowledge was not flowing as well as it could throughout the organization.

I think we are all very happy we did that, because with the emergence of these new banks, the one thing that they are not going to be able to do quickly is to have 50 years of global knowledge inside their institution. We want to be the group that provides that to them and to everyone else.

JOHN JOHN HAMRE: Colleagues, I know there are at least 50 other people here who would like to ask questions. We don’t have time, because President Kim has to get back to The Bank. Let me just say, this was an agenda that these outline, not just for The World Bank but for all of us. This is a goal, everyone in this room, and everybody in the country should embrace.
We should all say, thank you to you, Dr. Kim, for your vision, for your leadership. And would you please thank him with your applause.

**DR. KIM:** Thank you.