

# **World Bank Group President Jim Yong Kim's Speech at Annual Meetings Plenary: One Group, Two Goals: Our Future Path**

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**World Bank Group President Jim Yong Kim  
Annual Meetings Plenary  
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## **As Prepared for Delivery**

Thank you, Mr. Chairman,

Mr. Chairman, Governors, honored guests,

Good morning. It is great to see all of you today. This is my second Annual Meetings, and as I look back on the last year, I am very grateful for all the counsel and support I have received from the Governors, from IMF Managing Director Christine Lagarde, and from so many of you here today. Thank you so much.

Today, I'd like to start with a brief overview of the state of the global economy, and lessons we can draw from it as we look to the future of the World Bank Group.

As all of us here know well, we remain in a period of uncertainty.

This year, we're seeing slow growth in the United States, Europe and Japan – but we must also note that this is the first time in several years that all three are moving in a positive direction. Growth in developing countries slowed in the first half of the year, but early indications point to stronger momentum in the third quarter.

Yet, the political gridlock today in Washington and the looming deadline on the US debt ceiling is starting to unsettle global markets. We urge policymakers here in Washington to come to a resolution as quickly as possible to avoid what could be catastrophic impacts from a default. Just two years ago, in 2011, we saw that a near miss of a US debt default had major impacts lasting for months. This time could be more serious. Uncertainty and volatility make it more difficult for developing countries to access needed finance, and this would both slow investment and negatively impact growth. And the poor and vulnerable would suffer the most.

The economies in the developing world already were unsettled a few months ago, following the US Federal Reserve's announcement in May of the eventual tapering of quantitative easing. Just the possibility of the scaling back of bond purchases resulted in declining capital inflows, higher interest rates and depreciating currencies in several major middle-income countries.

Three weeks ago, the Fed's announcement to delay tapering lifted markets and stopped the upward movement in global long-term interest rates. This provided a reprieve for those economies which are most vulnerable.

But this breathing space doesn't mean policymakers should relax. Instead, policymakers should take advantage of this small window to build their economies' resilience through appropriate macroeconomic management, to strengthen balance sheets, and to move their financial systems onto sounder footing.

Over the years, this is the kind of advice that many countries have learned to appreciate from the World Bank Group – even if it's painful to implement. But for too long, the World Bank itself has not followed its own advice. Indeed, we have often postponed tough choices.

That's changing. We are taking our own medicine. We're strengthening our financial discipline to become more efficient and grow our revenues. Just as we tell finance ministers, we also need to plan for the longer term, shore up our revenue base, seek ways to save, and build a stronger foundation for years to come. We're doing this for a simple reason: Six months ago, our Governors endorsed two goals -- to end extreme poverty by 2030 and to boost shared prosperity for the bottom 40 percent of the population in developing countries. If we have high aspirations for the poor, if our work is to be aligned with our goals, we must be as efficient and focused as possible.

In our search for savings, we'll aim to cut costs annually by at least \$400 million dollars in three years' time. We'll accomplish this by taking a fresh look at all of our policies and processes. This includes reducing costs from our travel and facilities, as well as simplifying our bureaucracy and strategically reviewing our staffing. These savings will directly benefit our clients, as we will reprogram these resources toward new loans.

Our financial review, though, isn't limited to finding cost savings. It's also about reforming the way we budget as a Group, aligning it with our strategy, and aggressively exploring new ways to grow revenue to better serve our clients. This could come from developing new financial tools and from accelerating the growth of the IFC, our private sector arm, and MIGA, which provides political risk insurance. Over the long term, I strongly believe the World Bank Group will become a more influential player in development for one simple reason: We are uniquely positioned to offer our clients global development solutions across sectors, countries, issues and partners. The diverse needs of lower- and middle-income countries will continue to evolve and we're determined to become an ever more indispensable partner in helping them meet their biggest challenges, such as creating jobs and addressing climate change.

Next spring, when we meet again, additional outcomes will be apparent from this financial review. In April, we will present a new roadmap of our finances. We will incorporate measures to grow our revenues, increase our financial capacity to serve clients, and improve our efficiency. Tomorrow, the Development Committee will discuss the first-ever World Bank Group strategy that brings together all parts of the institution, working toward achieving our two goals.

But let's step back for a moment, and look at the state of extreme poverty in the world and what it will take to reach our goals. Just yesterday we released a report showing that of those in extreme poverty around the world, one in three is a child. That equals more than 400 million children. What more motivation do we need to accelerate progress toward the goal of ending extreme poverty by 2030? How can we in good conscience not do all we can to lift 400 million children, their families, and hundreds of millions of others out of poverty and into a life of opportunity?

Some have said that we need to make this goal more urgent. Just two days ago, we announced that if we are going to be on the path of reaching 3 percent of the population living in extreme poverty by 2030, we must get to 9 percent by 2020. This would be an historic accomplishment. But it will not be easy.

Our economists found that if developing countries were to grow at the same rate as they have over the last two decades, the percentage of people living in extreme poverty will be roughly 8 percent globally by 2030. That will also mean that poverty would remain stubbornly and unacceptably high in many low-income countries. We've found that the only way to end extreme poverty will be for many developing countries to grow at their fastest rates during periods of the last two decades.

That illustrates the true nature of the challenge before us, and it means that we can't revert to business as usual. When I started my tenure at the World Bank Group some 16 months ago, I discovered a staff with a tremendous depth of knowledge and experience. I also found a staff frustrated with the institution. Many wanted their work to have greater impact. They chafed at a bureaucracy that had turned our six regional units into silos, with each one reluctant to share its technical expertise with the others. So if you were the leader of a country, and you faced out-of-control health care costs, with new hospitals going up in district after district, and you turned to us for advice on how to control costs, we gladly gave you advice – but it was almost always limited to your region alone.

Under our new organizational model, when you ask us for help, we'll look across our entire institution and offer the most up-to-date, state-of-the-art global knowledge and experience, with a deep bench of experts who know what has worked and what hasn't in all regions of the world, from inside and outside our organization. In six months, new leadership for all the Global Practices will be in place, and this will have set in motion the realignment of a vast portion of the institution -- involving roughly 4,000 technical experts.

We're also committed to being a partner that will be easier to work with. Last year during the Annual Meetings in Tokyo, a Minister of Finance told me in front of a large group that, for the first few months in his position, he felt it was his job to spend hours learning about our complex organizational structure to understand how we worked. He said the bureaucracy was so complex that out of frustration he reduced his engagement with us.

That should never happen. A development institution can't operate effectively when its clients are confused, and when its most prized possession – knowledge – is walled off into disjointed, non-communicating silos. A development institution, like a business, needs to find innovative solutions, capture best practices, and share lessons of success and failure widely and as quickly as possible.

This is my promise: The World Bank Group will openly share our knowledge and experience with all 188 member countries, the private sector, and civil society.

The frustrated finance minister's story also helped me define what success should look like: In the future, I expect Finance and Development Ministers to say that we are more responsive, easier to work with, and provide them with invaluable global knowledge to solve local development challenges. As we become *that* World Bank Group in the next few years, we'll not only succeed in the eyes of ministers, we'll also succeed in the eyes of those who matter to us most: the poor and vulnerable.

But we know we must do more than change our structure. We must change our internal culture as well. For our staff, this means we will reward collaboration, performance and accountability, all tied to our goals of ending poverty and boosting shared prosperity. We want to create a culture that retains our most motivated and talented people and attracts the best and brightest to the World Bank Group. We must all embrace the change.

We will use our knowledge to become a bolder institution. Let me give you one example. We're launching today an initiative to provide universal financial access to all working-age adults by 2020. Globally, 2.5 billion adults have no mechanisms to save money, let alone pay bills through a savings account or a mobile phone. We believe we can chart a path toward universal financial access by bringing together multiple approaches and technologies. This is exactly the type of ambitious project that can help lift many people, especially women, out of poverty.

We will also measure more effectively whether our programs are successful. This means getting delivery right – what we've been calling the science of delivery, which is fundamentally a much more rigorous and systematic focus on outcomes. To help us get these results, I am creating a Presidential Delivery Unit, which, as far as I know, is the first of its kind in a multi-lateral organization.

Initially, we'll be looking at several aspects of our work that are good indicators of how we're performing in the field and inside our organization. I'll be personally following all of them. Here are three examples:

First, we know that we must decrease administrative barriers. We promise to reduce transaction times by a third from conception of a project to first disbursement of funds

Second, we must become a better listener. Last year, we had beneficiary feedback on 34 percent of our projects. We promise that for our projects with clear beneficiaries, we will get feedback – from every single one of them, 100 percent.

Third, we know that our partners and clients need to know where we work in order to better coordinate all of our collective resources. We promise to add rich detail to our maps so that anyone will be able to go online, click on the maps, and immediately learn where we are working and what we are doing.

We also are recommitting ourselves to work in fragile and conflict-affected states, and we will substantially increase our funding through IFC and IDA, our fund for the poorest. IDA has achieved transformational results for the poor in these difficult contexts, and IDA17 will help us accelerate this work over the next three years.

In Afghanistan, this means building on successes--achieved with many partners--in educating girls. Just 12 years ago, Afghan girls were largely shut out of primary school. Today, with the help of IDA and other donors, nearly three million girls are in primary school, while female enrollment has skyrocketed in universities, vocational schools, and in enterprise development programs

In Mali, which has returned to democracy after 18 months of upheaval, we are working together as one World Bank Group—IDA, IFC and MIGA--to help scale up clean hydropower potential, increase food production, and improve education and governance. IDA is critical to sustainable progress in Mali by funding programs which help those shut out of the development process--women, the poor, and minorities. Through these programs, we are trying to get at the root of the problem.

And in Myanmar, which is in the midst of a transition to democracy, we're helping the government move from a state-centered economy to one that is more market oriented. We've helped them set up a politically independent central bank just weeks ago, which will promote economic and financial stability. And, because three-quarters of its citizens are without power, our board recently approved an IDA credit of \$140 million dollars to build a clean, energy-efficient natural gas-fired plant.

These ambitious efforts in Afghanistan, Mali, and Myanmar represent just a few examples of how the World Bank Group is working to become a more effective solutions bank for fragile countries.

Over the past decade, IDA has had a stunning impact, including funding immunizations for 600 million children, and giving better access to water and health services for about 120 million people. To build on this work, have a transformational impact, and reach our goals, we need a strong IDA17 replenishment this year. It will help create more jobs, increase educational opportunities for girls, and address climate change risks.

IDA is also helping to build strong institutions--from the management of natural resource revenues, to tax administration--that help countries finance their own development. But we need your help. We're asking you to increase where you can and to at least maintain your precious contribution to IDA. I'm committed to ensuring that IDA is the best instrument for the global community to tackle the toughest, most complex development issues in the most difficult places.

In closing, let me note that our institution, founded 69 years ago, has had many great successes. Working together with governments and development partners, we have helped lift hundreds of millions of people out of extreme poverty.

We are committed to becoming even better, and we will act boldly, without fear.

And always we will speak loudly on behalf of the poor and powerless. As Martin Luther King Jr., once said, "Our lives begin to end the day we become silent about things that matter." Our purpose is clear, our voice unwavering. No one should live in the abysmal conditions of extreme poverty, living on less than a dollar and 25 cents a day. Extreme poverty in our world is morally reprehensible, and more painful to witness with each passing day. Together, we must urgently lift a billion people from extreme poverty, help them to regain dignity, help them find hope, and help them change their own lives -- and the whole world's future -- for the better.

Thank you very much.