TRANSCRIPT: World Bank Group President Jim Yong Kim’s Remarks at the U.S. Global Leadership Coalition Annual Conference

June 25, 2013

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Washington, DC, United States

Transcript

DR. KIM: Good afternoon, everybody. It’s a wonderful honor to be here. Thank you, Ann for that great introduction and I just want you to know it’s a true pleasure to be here at the U.S. Global Leadership Coalition’s annual conference.

I accepted the invitation to speak at this year’s conference because of the critical role that so many of you play in improving the lives of the poorest people in the world. This conference brought together one of the most diverse coalitions in the international policy arena, from leaders in the business, NGO, and faith-based communities to scholars and national security experts. You have the breadth and depth of experience needed to tackle complex challenges.

The challenges are daunting, indeed, but today, and really I want to stress this, for the first time in human history we have an opportunity.

You know, Ann mentioned that we have two goals and it took a lot of work and time to get our board of governors, and the board of governors of the World Bank Group are development ministers, but mostly ministers of finance from 188 different countries.
And so, for this particular group, who is in charge of very practical decisions about, you know, how to distribute -- how to organize a budget, how to make sure that their own countries are growing economically, these really very busy people came together and gave us a great gift, and the gift was these two goals. The first is to end poverty by 2030, and what we mean by that is that we want to get the rates of poverty down below 3 percent. And the reason we picked that 3 percent number is that we looked and looked and looked at what we think is going to happen naturally.

So, if we keep at more or less the same rates of growth, the projection is it will be to between 6 and 9 percent poverty by 2030, and we've looked hard at that, and the reason that the rate of reduction of poverty would slow down a little bit is because many of the low-hanging fruit have been picked. So much of the success over the last couple of decades has been as a result of China's rapid economic growth. The Chinese lifted 600 million people out of poverty, which has never been done before. This is the first time in human history.

And so, now we have South Asia, we have Sub-Saharan Africa, we have many of the so-called fragile and conflict affected states left. So, to get the poverty rate below 3 percent is going to be a huge task. We refer to it as trying to bend the arc of history by actually pulling that poverty rate down below 3 percent. Once it gets to 3 percent, it's fairly clear that the nature of the struggle against poverty will change, in other words, major structural investments, the growth of the private sector, these are all going to be critical for bringing poverty down, but at 3 percent, it's going to be really what the economists call frictional poverty, poverty that happens as a result of extreme weather events, for example, poverty that happens as a result of disasters, poverty that happens as a result of famine, things that are difficult to control and that we'll have to respond to on a case-by-case basis.

But we think we can bring it down below 3 percent.

The other goal is to boost the incomes of the bottom 40 percent. This is the first time in history that the World Bank Group is going to publish every single year the extent to which the bottom 40 percent of any country is participating in economic growth. Now, there's two messages here, the first is that economic growth is critical, and economic growth, especially in the private sector, is critical.

On the other hand, what we know -- and, you know, the events of the last few weeks have made it even clearer -- what we know is that if you don't include the bottom 40 percent, if
you don’t include women, if you don’t include young people in that economic growth, you are building instability into your societies, even countries that have been doing so well in terms of sharing the fruits of growth, like Brazil, are now experiencing demonstrations that I don’t think will go away.

What did we learn from the Arab Spring? You can have growth in your GDP, but if it’s not inclusive, and if it’s not inclusive especially of young people, you’re going to have these kinds of demonstrations, because now, one of the great things about the new age is that people will be heard, people will make their voices heard.

And so, end extreme poverty, boost shared prosperity, and moreover, when we talk about boosting shared prosperity, we’re talking specifically about sharing prosperity with future generations.

Many of you may know, we’ve made a tremendous effort over the past year to increase the World Bank Group’s commitment to tackling climate change. We think this is absolutely a critical part of trying to fight extreme poverty. There’s no way that we will be able to end extreme poverty unless we tackle climate change.

Now, let me just give you a little bit of perspective. First of all, so many of you in this room have fought hard for increases in foreign assistance and I can’t thank you enough for having done that. It’s critical. Foreign assistance is absolutely critical, has made a huge difference in the world. Anyone who doubts that, please come talk to me and anyone else who’s been the beneficiary of foreign assistance for such a long time.

But if you look at the numbers today, total Official Development Assistance, the total package is about $125 billion. Now, that $125 billion is critical, but look at it compared to the needs in the world today. So, in Africa alone, every year there’s about a $95 billion a year need for funding for infrastructure, and that’s Sub-Saharan Africa by itself.

If you look at India, in my trip there, the Minister of Finance kept stressing to me, India has a $1 trillion infrastructure deficit over the next five years, so on average, about $200 billion a year. So, all of ODA can’t even meet India’s need for infrastructure for one year. All of ODA will cover the need of Sub-Saharan Africa in infrastructure for one year. And guess what it is that these countries want? They want energy, they want roads, they want an environment that will lure private sector investment so they can create jobs.
Now, some people have asked me -- and I have been talking a lot about the private sector. In fact, the last few months, I’ve been traveling to countries like Japan and Canada, very explicitly saying that the private sector needs to get in the game and help us achieve our development goals while at the same time making money. You know, there is something like $5 trillion sitting on the sidelines these days earning very low interest rates, and what we know is that 90 percent of all jobs in the world are created by the private sector. This came out in our World Development Report of 2013.

So, when people -- friends from my past life of working in some of the smallest communities, when they ask me why is it that you’re talking so much about the private sector, I say that, you know, it has nothing to do with whether or not I like or don’t like the private sector, whether anyone likes or doesn’t like the private sector. Fundamentally, it has to do with your aspirations for poor people.

If you think that all of development assistance is how we divide up ODA, then poor people are in big trouble. A hundred and twenty-five billion dollars is so critical because that money is going to pay for the kind of investments that no other source of financing will pay for. We need it and we need it to grow and we need your help in making sure it grows.

But what we also need to do is to make sure that every penny of foreign assistance, every penny of ODA that exists, is used to leverage, first, domestic resources, I mean, you know, many countries are getting better at collecting taxes and having a real foundation for making their own investments in infrastructure, but even more importantly, we’ve got to find a way of leveraging these precious ODA dollars to leverage private sector investment.

We’re trying to do that very directly within the World Bank Group. As some of you may know, we call it the World Bank Group because there’s one part, the public sector part, IBRD, the original International Bank for Reconstruction and Development, which is our so-called market rate lending to lots of middle income countries, mostly middle income countries, and then we have our concessional loan window IDA, the International Development Association, that provides zero interest rates and grants to the poorest countries.

But we also have IFC, the International Finance Corporation, our private sector wing, and it started from a relatively small operation to now it’s about a $20 billion a year operation, which is 40 percent of our overall operation. We also have another group called MIGA, the
Multilateral Investment Guarantee Agency that provides political risk assurance for investors who are investing even in the most fragile countries.

And just to give you a sense of how we’re doing, now, IFC, the International Finance Corporation, makes equity investments directly into some of the poorest countries in the world, and over the last 15 years, including over the last five years, the average internal rate of return on our equity investments has been 20 percent.

Now, we have been able to make a good return on our equity investments while at the same time advancing the development aims of the countries, the companies, the regions that we invest in, and this is going to be the key to ending poverty.

Now, you might say, well, but what about countries like Liberia? Here’s a country, a small country, racked with a long history, decades of war. I had a long conversation with President Ellen Johnson Sirleaf when I was in Tokyo for the Tokyo International Conference on African Development, and that meeting itself was really quite striking. You know, we had something like 50 heads of state from Africa together with the Prime Minister of Japan, and we spent three days together talking about what’s going on in Africa.

And, interestingly, as they were walking through the door, my vice-president for Africa said to me, it’s amazing, because the last Tokyo International Conference in African Development was five years ago in 2008, and in 2008, everyone was saying to themselves, in the developed world, oh, my goodness, the financial crisis, what is going to happen to Africa? These countries are going to be in such trouble. But as they were walking through the door in 2013, average rate of growth over the last five years was over 5 percent, not a single African country was experiencing hyper-inflation, their debt-to-GDP ratio was a lot better than a lot of countries in Europe. They were confident as they walked in the door.

So, Ellen Johnson Sirleaf said to me, look, we need energy. She had been in power for about seven years, but she said, we have been out of war for over a decade and still, to this day, we have 21 megawatts of installed capacity, about enough for a couple of city blocks here in Washington, DC. And she said, if we don’t have energy, we’re not going to get the private sector investment we need and we’re not going to be able to create the jobs that I desperately need for my young people, some of them -- she said, I have young men who are over 30 years old who have done nothing their entire lives except be soldiers. What do I do with those young men to ensure that they don’t pick up their arms again? What they need is energy, private sector investment, and jobs.
And so, we now are doing our best to move quickly and increase a really pitiful amount of energy. And moreover, let me tell you, not only does she only have 21 megawatts of installed capacity, she pays 54 cents a kilowatt hour, which is four or five times what we pay here in Washington, DC.

So, the message from the African leaders was clear, yes, we need your aid, but please, when you come to our countries, listen to our priorities. What we want is strategic investments that lead to our ability then to use whatever tax base we have to build, for example, healthcare systems that are going to sustain themselves, because people have jobs and can participate in insurance programs. More than anything else, we need jobs. We need jobs and we need to keep, in many cases, former combatants off the battlefield.

Now, so that's one part of my message. We need private sector investment and we need to do this in close cooperation with every single dollar of Official Development Assistance that's going into these countries.

The second thing that I'd like to raise, though, to you, is that when it comes to issues like ending poverty and battling climate change, we need social movements. I've had the great good fortune of being part of some social movements. Let me just tell you about one and why I think that a truly well thought out, rigorous, committed social movement has the greatest capacity to transform the world and help us reach our aspirations around things like poverty and battling climate change.

You know, we all know that the last decade in the AIDS world has just seen an unbelievable transformation. We've gone from, in 10 years, from about 50,000 people in treatment in development countries to over nine million today. Nine million people who would have been dead.

Now, what would have happened to the African economy if those nine million people or so, in Africa, were dead? What would have happened if no one was getting tested? What would have happened for people living with HIV there was no hope? I actually think the economic performance would not have been this good and that we would have been wondering, my goodness, what did we just let happen? But now this has happened.

But I want to tell you a little bit about the story of how it happened. It was a small group of committed souls who made this happen. It was people who were willing to risk their lives, go into the National Institutes of Health, for example, throw blood on researchers and say,
you need to focus on AIDS research. That happened. Then they said, once we have promising molecules, we need to make sure that it moves quickly from research laboratory into private sector companies. And then once promising molecules were coming out of the private sector companies, they worked to reduce the time it takes to get a drug through the Food and Drug Administration from 27 months, that's the fast track, to six months.

And this was done by people who had no specialization in those areas. You know, one of the people, Mark Harrington, a very good friend of mine, he was a very smart guy, he graduated from Harvard, he was involved in Act-Up, the movement to tackle HIV. He became an expert on the Food and Drug Administration, found out about all their rules and regulations, because he knew that in order for him and his friends to live, they needed to shrink the number of months it took to get a drug through the FDA.

After that, after the drugs got through the FDA, then they started saying, well, now that we have these drugs, we’re not going to let them only be available for people who have money, so now we’re going to work on making sure that everyone in the world has access to these drugs, and everything from having Medecins Sans Frontieres reduce the first prices, President Clinton and the Clinton Global Initiative brought the price down to $70 a year for HIV drugs.

The point is that with the public sector, with activists, with the private sector, all of them brought together, went from a brand new disease in 1981, to effective treatment in '96, and today in 2013, to the people -- nine million people in the poorest countries in the world, one of the most effective social movements ever.

And so, when I talk to people about poverty or climate change, I keep asking the question, have we done all the work we need to build a social movement that will stretch across the entire value chain, to use a word from business, that we need to tackle in order to get the results we want? And I would argue, and I think most people would agree, that today we don’t have that for climate change and we don’t have that yet for ending poverty.

But for the NGO representatives in the room, what would it take to build a movement to end poverty? What would it take to build a movement to tackle climate change so we have any hope of ending poverty?

Well, I’m here today to give you my personal message of enormous optimism of hope that we can actually make it happen. Today, and perhaps right at this moment, President Obama is giving a speech on U.S. efforts to tackle climate change. We have the
declaration of 188 ministers of finance and ministers of development that we are going to end poverty; that we’re going to put everything we have to ending poverty on this earth in a generation by 2030. You know, the only way that that will happen is if we all get past the suspicions we have of each other. You know, one of the most important things that I’ve tried to communicate to my team is that we are one small part of a much bigger plan to tackle poverty, to tackle climate change, to boost shared prosperity for the poorest 40 percent, and that we’ve got to find ways to work together.

Just a couple of months I flew -- I went to the Great Lakes region. We visited the Democratic Republic of Congo, Rwanda, and Uganda. It was led by the Secretary-General of the United Nations and me. And I didn’t know this, but the Secretary-General told me that our trip together 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. I said, but I’ve seen pictures of them together before. It turns out that when disasters happen, they happen to show up at the same place and take pictures together, but they never went on mission together because to go on mission together, you’ve got to negotiate who’s going where, who’s going to take the first picture, all those kinds of things. And it’s been so hard over such a long time that no one’s done it. And so I think both the Secretary-General and I gave instructions to our teams to just lose arguments, lose more arguments than you’re used to, and we got it done. And we were able to put one billion additional dollars on the table. The Secretary-General was able to reinforce the peace framework that he had established several months before, and it was so helpful we’re going to do it again and again. But I remember what it was like on the ground when I was one of the mice when the elephants were fighting with each other, when the U.N. and the World Bank didn’t work so well together. And you can extend that all to when NGOs and the private sector were fighting.

Look, we have a chance to eliminate poverty from the face of the earth, extreme poverty from the face of the earth, in a generation. I hope that all of you in this room today will commit to that in whatever way that you can contribute. And think about what it will be like. Now, for me, it’s very real. I’m very involved -- the World Bank is involved in energy, agriculture, so many other things. And for me specifically the climate change issue is very, very real. I can just hear my 13-year-old and 4-year-old sons in about 20 years when they’re living in a 2 degree Celsius warmer world, where there are water fights and food fights every day, where there are extreme weather events happening all over the world on a regular basis. In that time my kids are going to look at me and say Dad, what the hell were
you doing when you were President of the World Bank? And by that time if the number of people living in absolute poverty increases, they’re going to ask me even harder questions. So we have a chance. We have a chance to leave something for our children and for our grandchildren that will be truly inspiring, but it won’t happen unless everyone in this room decides today that the ultimate goal is far more important than raising the flag for our single organizations. Thank you very much.

[Applause]

MODERATOR: Dr. Kim, I can speak for all of us in thanking you not only for being here, but for giving a talk that was both inspirational and straight; no platitudes, which we sometimes get. I can’t resist asking you to start with my favorite definition of a university president came from a former president of the University of Pennsylvania; that it’s like being a caretaker in a cemetery: “There are lots of people underneath you, but nobody listens.”

DR. KIM: Exactly.

[Laughter]

DR. KIM: There are more that I can’t tell you.

MODERATOR: Yes I know, some you can’t say in polite company. How did your experience at Dartmouth help you prepare for this job, and is it more challenging to deal with faculty and trustees than it is with 188 ministers of finance and development?

DR. KIM: Norm, you’re very famous for the way that you ask questions, and you’ve asked me a question that I can’t possibly come out alive from. But let me put it this way, Dartmouth is one of the great institutions in the United States and in the world. But it’s true; I mean, we have fought long and hard to have a tenure process that gives university professors complete freedom. So you’re literally in a situation where you’re the president, but you can’t fire a whole bunch of your -- of the people that work for you, and they can fire you.

So what you learn is that your tool really is mostly persuasion; that’s what you’ve got and so inside the World Bank Group that’s also really important. We have a live-in board at the World Bank Group. They actually live and work with us some 175 or so people from countries all over the world. And it’s a challenge to have your board literally living with you
every day. On the other hand, our board was critical in helping us get these twin goals of ending poverty and building shared prosperity. So there are upsides and downsides. I have to say I do have more leverage or influence at the World Bank Group than I did at Dartmouth College, but they are very similar in many ways. When I was interviewing for the job, one of them said to me the bank is confused because sometimes it thinks it’s a bank with a brain and other times it thinks it’s a university with a lending arm. So I think it’s actually quite different from either.

The great thing about the World Bank, what’s so different about the World Bank compared to a university is that we’ve got economists who’ve actually got dirt between their toes and under their fingernails because they actually have to go out and make these loans and grants work. At the end of the day you’ve got to have a bridge. You’ve got to make sure that the bridge is built. So we have a very unique group of people. I call them “master implementers.” These are people who understand the importance of getting the math of economic fundamentals right, but then also know how to negotiate with ministers of finance and even people at much lower levels to get the bridges built and get the roads built and get the health care systems in place. It’s a really unique institution. It’s been incredibly exciting to be part of it.

**MODERATOR:** You focused on the private sector and appropriately so. My experience over the last 25 or 30 years dealing mostly with American companies and CEOs is that in part just because of the nature of markets now there is myopia. There’s a focus on the next quarter’s profits and not on the larger place in the society or in the globe. How big a challenge has it been for you to deal with companies, to convince them that it is in their own interests as well as the interests of the world to deal with problems that you have to make a little bit of a leap to take from the next quarter’s profits?

**DR. KIM:** I think -- Michael Porter has talked -- Michael Porter’s the guy -- is a person I’ve worked very closely with over the years, and Mike has talked a lot about shared value. He sees an evolution of what corporations are thinking about and for him thinking about corporate social responsibility, the next stage for him is shared value. And I think that’s a very good way of thinking about this because fundamentally, if you look at the Liberia situation, I think companies can make money off of helping to provide energy for the people of Liberia. But what they’ll do is provide energy, which will then pave the way for more private sector investment. But they’ll also increase assets and reduce the price of electricity at the same time, and we’re using the most expensive, sort of, duct-taped-together systems
in Liberia right now. So if you can make money, increase access to energy, spur other private sector investment, and lower the price of energy for the people of Liberia, who wouldn’t do that? But the hardest part is convincing people that we really do understand the nature of risk and reward in places like Liberia.

I just in -- one of my trips I was talking to an economic journalist from a developed country. And he said to me, you know, you keep talking about the importance of private sector investment, but after what happened in Algeria -- you remember the plant that had so much trouble -- how can we think about investing in Africa? And so my response was well, you’ve got to understand, Africa is not a country and there are differences in the investment environment in between Northern Mali and Southern Mali. And so I think people see Africa and many of the investors say, we understand investing in Asia and that took a while, but Africa, it’s just not so -- it’s really something that we’re working hard on. And we want to convince people that we, in fact, really do understand risks and rewards. We’ve increased our investment in Africa tenfold in ten years in the private sector.

MODERATOR: I do something called the World Forum on Governance every year, bringing people from around the globe to look at challenges in governance, and corruption just keeps coming up over and over again as an issue. As you look at the challenges that you face: you’ve got a challenge of resources, a challenge of bringing in partnerships. How important is corruption and what can we do about it to make sure, among other things, that the results-oriented approach that you’ve taken can actually prevail?

DR. KIM: My predecessor, Bob Zoellick, I think said it most clearly. Bob said, “Corruption is quite straightforward; it’s stealing from the poor.” And it really is. And so over the past, gosh, quite some time, Jim Wolfensohn, my good friend and also predecessor, in 1996 for the first time gave a speech on corruption as World Bank President. He called it “The Cancer of Corruption.”

Since then we have been putting so many systems into place to make sure that we can prevent corruption in our own projects. Let me just give you an example. As the various troops pull out of Afghanistan, the World Bank is going to take an increasingly large role in Afghanistan, but we have to make sure that we prevent corruption. So when I was there, I was riding around in Level 4 vehicles that I was told are capable of withstanding an IED attack, but not a guided missile. So I kept saying that’s more than I need to know. But the point is, the reason we had those vehicles, is because we actually send our team out to the
project site to supervise. And, moreover, we’ve given local residents cell phones in which they can take pictures of the project as it’s going forward. But because there are some people that might not like local residents taking pictures, there’s a button on their cell phone that if they just push it, all the pictures will be erased and they can’t get in trouble.

So that’s the extent to which we’ve gone to prevent corruption, and we’re pretty confident that our money is going to the right place. Is there corruption in the rest of this society? You bet there is. It’s something I talked directly with President Karzai about, and his response was that they’re working on trying to reduce it. So look, just because there’s corruption doesn’t mean that there’s not poor people who desperately need our services. So we'll keep going, and we think that we have found ways of minimizing the impact of corruption in our project.

MODERATOR: You know, Liz started by pointing to the cell phone and the new opportunities to charge them even where you don’t have electricity. And one of the things -- I met last year with somebody who’s formed an organization called Not In My Country to try and use the new technology to reduce corruption or to report on it at least. How important are things like access to cell phones, access to the Internet, and are some of these innovations like the new Google balloons going to be a key to moving forward to deal with this problem?

DR. KIM: Let me give you one example that helped and spread very widely. Nandan Nilekani, one of the founders of Infosys is working on -- he retired and then he started working on a unique ID system. Right now there’s 300 million Indians who are registered, and everyone has a 12-digit number, plus they take all 10 fingerprints, plus two iris prints. So with those 12 pieces of data, plus the 12-digit number, they can identify they think anyone anywhere. So right now it’s a very simple system. All you do is you go in and you say this is my number and you put your fingerprint, and the system will say yes, it’s that person or no, it’s not that person. But think about what that has meant in terms of the government. The Minister of Finance told me, “This is great because now instead of putting money into the system and not knowing where along the path it’s going to get diverted, I can know instantaneously whether this person has received the support that we want them to receive.” Now, there’s so many possibilities of where you could take that. Right now it’s very simple -- yes, no, are you the person, or are you not the person.
But with cell phones, with identification systems like that, we have the opportunity to not only sort of get feedback on projects like we’re doing in Afghanistan, but one of the really big issues is access to financial services. There are still billions of people in the world who don’t have a bank account, and if you don’t have a bank account, you don’t have an identity, you can’t get a small loan, there’s all kinds of various things that don’t fall into place. So I’m convinced that these kinds of new technologies have huge potential to sort of leapfrog us past generations of sort of bad bureaucracy to being able to get services directly to people.

MODERATOR: You’ve had quite a remarkable career. You went through all kinds of educational experiences and then decided to devote your life in different ways and in different places to problems that were pretty remote from you. What inspired you to do this? Did you have a mentor? Was this something that emerged at an early age?

DR. KIM: That’s a great question, thank you for that. You remember when I was born in the ‘50s, ‘60s, and ‘70s, Korea was a very poor country. So the Korea I was born into in 1959 had literacy rates of less than probably 20 or 30 percent, less than 5 percent of the people had college educations. This was a really poor country and, moreover, the development experts, the development experts at the World Bank used to say that Korea is a basket case. No way is Korea going to develop. And they used to say things like well, you have no natural resources -- South Korea didn’t have any of the natural resources; it was the North that had all the natural resources -- no natural resources, low literacy levels, there’s no way that they’re going to develop. And as an anthropologist I was fascinated and I read all this literature that said the reason they’re not going to ever develop is because the Confucianism in South Korea is much too fundamentalistic. So there were all kinds of reasons. And then 30 years later they say “Oh, Korea is developing so beautifully because of Confucian culture.”

So it was very real. I came from a very poor country. My mother was a refugee during the war and my father escaped from North Korea alone at the age of 19 by himself because he knew a border guard. So the fact that there was this poverty, but moreover, the fact that you could see transformations like South Korea have made me convinced that the last thing we should ever do is to ever call any country a basket case. So it’s very personal for me in a way, but also my mother’s a philosopher and in the late 1950s I remember as a 9-year-old kid, 8-year-old kid, watching Martin Luther King give speeches. I was inspired by this. But my father’s a dentist, a very practical guy – and so I told this story last year so if you’ve heard it, I apologize -- I came home from college and I got in the car and my father was
driving. This was in Iowa, about a 30 minute drive to the airport. And he said to me, “Jim, what do you think you want to study?” And I said, “You know, I want to study political science and philosophy because I really want to do something about social justice.” And so quite literally he pulled the car over to the side of the road and he said, “Once you finish your residency you can do anything you want.”

[Laughter]

DR. KIM: Now, I have to tell you --

MODERATOR: Are you sure your father wasn’t Jewish?

[Laughter]

DR. KIM: The thing is, though, when I tell this joke in front of an Asian audience, nobody laughs.

[Laughter]

DR. KIM: They shake their head and say, “Of course.”

MODERATOR: I want to speak for everybody in this room, which I think I can, in not only thanking you for being here and for being so inspiring, but in saying all of us pledge to do whatever we can to help you fulfill your goals, which are shared and inspirational to all of us.

DR. KIM: Thank you. It was honor sharing the stage with you.

[Applause]