Transcript: Keynote Speech at the International Economic Forum of the Americas by World Bank Group President Jim Yong Kim

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World Bank Group President Jim Yong Kim
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Transcript

DR. KIM: (Speaking in French)

Now, I apologize to my actual French-speaking friends -- French is my fourth language. And it still needs a lot of work.

I've been working in development for the whole of my professional life. My background was rooted in the world of NGOs, working in some of the most difficult environments in the world, ranging from rural poverty in the central plateau of Haiti, to the prisons of Siberia, where we treated a form of drug-resistant tuberculosis that persists to this day.

I was implementing our programs, but I was also an activist -- pushing establishments like the World Health Organization to develop policies that were grounded in the principles of providing quality health care access to all, especially the poorest.

The institution that I now lead, the World Bank Group, is at the forefront of so many issues in development -- ranging from gender equality, to climate change, to helping lead the
efforts to end poverty by 2030. And it's now also at the forefront of leveraging private sector investment in the developing world. And that's what I'd like to talk to you about today.

I can give you many examples, but I'll pick one, in a country that has a very close connection to Canada, and to Haiti. By the way, I want to thank the Minister for those fantastic announcements that the World Bank failed to make, but it's extremely welcome. And, as you know, we are deeply committed to private sector investment in fragile and conflict affected states.

But let's get back to Haiti. Canada is home to more than 200,000 Haitians. And Haiti is home to many Canadian businesses. The country's commitment to helping Haiti rebuild -- whether it's through government aid, Haitian-Canadians sending money back home, or the private sector's investments have been incredible. More than a half-dozen Canadian businesses that were operating in Haiti before the January 12, 2012 earthquake have maintained their operations. They include the Bank of Nova Scotia, Air Canada, the Desjardins Group, the largest cooperative financial group in Canada, and Gildan Activewear, a clothing manufacturer and marketer.

The impact from private sector investment is often overlooked. But let me the story of one business that I visited on my trip to Haiti.

The E-Power story is truly inspirational. A group of young Haitian entrepreneurs decided that they wanted to do something about the fact that only 25 percent of the people in Haiti have access to electricity. But they also wanted to do something about the cost of electricity in Haiti which, at the time, was around four times what you pay here in Montreal. IFC our private sector group, invested $29 million in starting E-Power. But then the earthquake hit. And, rather than stop, they decided that they were going to build E-Power right next to Cité Soleil, the infamous slum area that is both unsafe and mired in deep, deep poverty. When I went there, I found out that they were in an area that was thought before as being completely vulnerable and hopeless.

Not only have they been able to increase the overall supply of electricity in Port-au-Prince by 35 percent, but they reduced the cost almost in half. This is the potential of the private sector.

And so the first message I want to bring to you today is that the private sector is essential if we're going to meet our goals of ending poverty by 2030, and building shared prosperity so that the bottom 40 percent of any population shares in economic growth.
Foreign assistance alone is not enough -- the Minister said it very well. Foreign assistance now stands at $125 billion a year. And, as my good friend (inaudible) from (inaudible), for the first time in a very long time it has gone down for two years in a row.

But when I look at the prospects for ending poverty, I'm extremely optimistic. Because while official development assistance might be limited, there is so much capital sitting on the sidelines right now, and we want to make the case that investing in the developing world is not only the smart thing to do economically, but you can get so many other benefits for the poorest people on the earth with the work that you do.

Let's just take a quick example -- $125 billion a year, that would be overall (inaudible) growth for official development assistance. India, over the next five years, is facing a $1 trillion infrastructure deficit, $200 billion a year over the next five years. So, all foreign assistance couldn't even meet India's requirement for infrastructure development.

In our World Development Report this past year, we pointed out that, globally, 90 percent of all jobs are created in the private sector. What do people around the world want more than anything else? The Gallup Institute, now based in Washington, D.C., has been doing surveys of the poorest women on the planet. And, guess what -- what they want more than anything else is a good job.

So, if 90 percent of jobs are created in the private sector, and there's all this capital sitting on the sidelines, I look at this as an extraordinary opportunity to do well and to do good at the same time.

We need to help to create a favorable environment in which it's easier to start a formal business. Improved regulation and technology can help. Between 2007 and 2012, the time required to start a business had fallen from 50 days to 34 days in developing countries as a whole. Some countries have made major advances. In Georgia or Macedonia, anyone can create a business in about two days. But in other countries -- in Latin America, Asia, and Africa -- it takes more than two months to create a business.

Poor logistics remain a key constrain to trade in Africa. Today, it takes two weeks, and costs up to 21 cents per ton, per kilometer, to transport a container between the port of Douala, in Cameroon, and N'Djamena, in Chad -- 21 cents -- compared to only 5 cents in the United States. And this doesn't take into account the two to three weeks' delay at the Port of Douala, or the 70 to 150 checkpoints along the way. These costs are ultimately
transferred to the population through higher food prices -- prices for food and goods -- and they contribute to poverty.

With our "Doing Business Report," the World Bank Group monitors the conditions in which the private sector operates in specific countries. We're committed to this work, because we want to help governments focus on areas which can help the private sector create jobs. We also want countries to be able to know where they stand with regard to other countries, especially countries they're competing with.

Now, I can tell you that focusing specifically on trying to improve the ratings in the "Doing Business Report," countries in Africa and developing countries have made extraordinary advances in getting rid of just these kinds of barriers to doing business. And our intention, going forward, is to help them even more with even more effective and well-researched "Doing Business" reports in the future.

The second point I want to make is that many leaders in the developing world are actively looking for ways to work more closely with private sector. I was just in Tokyo, at the Tokyo International Conference on African Development, and I met many heads of state from Africa. But one meeting in particular struck me. The great Ellen Johnson Sirleaf, the first woman head of state in Africa, winner of the Nobel Peace Prize, we sat down, and here's the story she told me.

She said, you know, we've had peace for 10 years now. And when I took over as president, we had zero megawatts of installed capacity. The World Bank came in and immediately put in 5 megawatts, but now we only have 21. Now, I would guess that a couple of city blocks in Montreal consume about that much energy.

And what she told me was, "I need your help today. I need to quintuple my energy supply right away, because what I want most is for the private sector to invest so that we can have jobs for former combatants." She said, "I have 30-year-old men who've done nothing but fight their whole lives. And the one thing that will keep them off the battlefield would be the jobs. I need your help in building energy, and I need the private sector to invest."

Another important area for the private sector, of course, is investment in the extractive industries. Canada has a long mining tradition, and the extractive industry is an important part of your economy. The Mining Association of Canada reported that 308,000 employees work in mineral extraction, smelting, fabrication, and manufacturing as of 2010, and are
contributing $36 billion to the national GDP. Or Latin America, for instance, 60% percent of total mining investments come from Canadian investors.

The extractive industry is important to us, because an estimated 3.5 billion people live in resource-rich countries, and many of those poorest countries, including several in Africa, have under-exploited mining resources. These resources could have a transformative impact to boost economic growth and alleviate poverty. In Mozambique, Niger, Sierra Leone, and Zambia, recent discoveries of oil, natural gas, copper, and other minerals, or the possible expansion of existing mines, have brought fantastic new growth opportunities.

However, many people living in developing countries are not seeing results of the extraction of their countries' natural resources. The so-called "natural resource curse," where natural resources are abundant, but economies don't grow and people don't participate, doesn't have to happen. In Botswana, for example, we've seen how mining revenues, when they are well used, when they are invested by countries in health and education, can help boost development. In Sub-Saharan Africa, Botswana is both the country which is the most dependent on minerals, and the country that has the highest ranking in the human-development index.

We need Canadians and other international firms to invest in the developing world. Canada is an international hub for many mining companies, including several IFC clients, such as Guyana Goldfields, working in Guyana, Unigold, working in the Dominican Republic, and Sama Resources, working in Côte d'Ivoire.

Many Canadian firms are among the world's leaders in corporate and social responsibility. In fact, the government of Alberta's International Development Office recently launched an initiative to connect the private sector with the development community. This will help transfer knowledge from Canadian companies and firms to the developing world.

At the World Bank, we're trying to help countries get the most out of their mineral resources. We're managing the Extractive Industries Transparency Initiative to ensure the transparent handling of government revenues from the mining and hydrocarbon sectors. 23 countries are already in compliance with this initiative, and 16 additional ones are candidates.

My last point is that we at the World Bank are ready to be the best possible partner for all of you in investing in developing countries. The International Finance Corporation, our private
sector arm, last year invested $20.4 billion in 103 developing countries and, moreover, in the last seven or eight years, we have increased our investments in Africa tenfold. And we're doing it because we believe in both the growth potential and the development impact of the investments we're making.

You know, the average return on investment for our equity investments over the last 15 years at IFC -- and this includes during the last 5 years -- has been, on average, 20 percent. We made good investments, we do well, and we also help countries meet their development targets.

We're also very proud that one part of the World Bank Group, the International Center for the Settlement of Investment Disputes, which is led by Meg Kinnear -- a Canadian -- they register almost 40 cases a year, and contribute to enforcing investment treaties, and to improve the investment climate for foreign direct investments.

In concluding, I'm often asked how my perspective on development has changed in the last few years. And one group of high school students particularly asked me: What have you learned over the last 20 years? Is there anything that you've really changed your mind about in all of your work in development? And my answer is that for far too long I grossly underestimated the power and importance of the private sector in helping develop potential to lift people out of poverty.

It's not a question of whether you are for or against the private sector in development. It's simply a question of how high your aspirations are for lifting people out of extreme poverty.

We cannot reach our goal without the private sector.

I'd like to ask all of you to look more closely at opportunities in the developing world. I know that the reaction from some is that it's too risky, or that you don't necessarily know where to find promising investments.

But we at the World Bank, we can help. We have MIGA, the Multilateral Investment Guarantee Agency, which provides political risk insurance in developing countries. We do everything we can to prevent countries from nationalizing (inaudible), but if that happens, we provide insurance.

And we have many experts at IFC who, for decades, have been making this private sector work in some of the most difficult settings. And we've made investments that, as I've mentioned, have been extremely profitable.
You know, we have a historic opportunity. The developing world has been the engine of growth, or one of the most important engines of growth in the economic crisis that began five years ago. More than half of the world's growth in the last couple of years has come from the developing world.

There are clearly opportunities for business to profitable in many developing countries, but you have another opportunity here, as well. You have a chance to join the government of Canada, the World Bank, and many other countries in multilateral organizations, to help lift millions of people out of poverty. Think about that. You can satisfy your shareholders, and you can lift people out of extreme poverty.

"Extreme poverty" was described by one of my predecessors, Robert McNamara, in a speech in Nairobi some 40 years ago. He called it "a condition of deprivation that falls below any rational definition of human dignity." Let me repeat that: A condition of deprivation that falls below any rational definition of human dignity.

You can be part of this global movement to end extreme poverty within a generation. We need the private sector to help bring energy to Liberia. We need the private sector to help rebuild Haiti. We need you to help bend the arc of history and banish extreme poverty from this earth.

We look forward to working with you.

Thank you very much. Merci beaucoup. (Applause.)