Banker to the Poor

A Conversation With Jim Yong Kim

Jim Yong Kim

Conceived at the 1944 Bretton Woods conference to help rebuild postwar Europe, the World Bank has expanded over the ensuing 70 years into a global organization dedicated to promoting economic growth and reducing poverty -- goals it aims to meet by giving the billions of dollars in gets in contributions from developed countries to developing ones in the form of loans and grants. In 2012, U.S. President Barack Obama broke with tradition by nominating Jim Yong Kim to serve as the institution’s president. Unlike his predecessors, Kim came not from the world of finance, economics, or politics but from that of public health. Trained as an anthropologist and a physician, Kim co-founded the nonprofit Partners in Health in 1987, gaining renown for his work on drug-resistant tuberculosis. He then directed the HIV/AIDS Department of the World Health Organization, taught at Harvard Medical School, and served as the president of Dartmouth College. Kim spoke with Foreign Affairs deputy managing editor Stuart Reid at the bank’s Washington headquarters in June.

What are the major challenges to economic development, and what is the World Bank doing about them?

We’ve set two goals: ending extreme poverty by 2030 and boosting shared prosperity. How are we going to get there? Generally speaking, it divides into three main categories. One is economic growth. If you look at the greatest achievements in lifting people out of poverty, China, almost through brute economic growth, lifted 600 million people out of poverty. The second big block is investment in human beings. In other words, making sure that the poorest people have some kind of income or sustenance to be able to consume and, potentially, participate in economic growth. And a third category is social protection. There are some governments that found that even if you’ve had a tremendous amount of success, if you have a little bit of a downturn and you don’t have that safety net in place, people plunge right back into poverty. This happened in South Korea in the late 1990s.

If those are the strategies generally speaking, how can you help countries go down that path? In 1990, East Asia, South Asia, and Africa all had the same percentage of people living in extreme poverty: 55 percent. Now, East Asia is at ten percent, and South Asia has gone down to 30 percent. In Africa, it’s still 55 percent. Why did we succeed in East Asia, and why are we falling behind in Africa? This year, we’re going to be lending over $60 billion. That seems like a lot of money, but every year, sub-Saharan Africa requires about $100 billion in new investment in infrastructure. Just the BRICS countries [Brazil, Russia, India, China, and South Africa] need about $1 trillion. All official development is about $130 billion. Even all that assistance is just a drop in the bucket. So our most critical role is to say, “Here’s what we’ve now learned over 70 years about why countries grow and why countries grow in an
Is one way of figuring out how to spend that money through such things as randomized control trials?

Absolutely. We have a whole group engaging in randomized control trials. But that’s only one part of it. Randomized control trials tend to ask very focused questions: In this particular setting, is this intervention better than that intervention? These kinds of insights help shape the direction of our lending. But what we’re doing now is something that’s really quite unique. Every single time I’ve ever done a project in a developing country, I thought someone had solved this problem somewhere, but I didn’t know how to get to them. In the private sector, companies have experts running all over the place figuring out the details of how to solve particular problems, and then they share them with the rest of the organization. But in global health, global education, or global development, that’s been really difficult to do.

What we’re trying to build at the World Bank is, for example, an energy group. We brought all the people working on energy together into one technical group that can say, “OK, your problem is building solar-based or wind-based micro- or mini-grids to supply electricity to villages in India or in Africa.” They have to ask the question, Where has this been done better than anywhere else in the world? We’ve done that at our best. With conditional cash transfers, pioneered in Brazil and Mexico, we’ve been able to spread that particular intervention to 40 other places. We want to capture, curate, and then spread great solutions that don’t spread on their own.

Let me give you an example. Probably the best-functioning health institution I’ve ever seen is based in India. It’s called the Aravind Eye Institute. They are the best at doing cataract surgeries and a lot more. They do it for a tiny fraction of the cost in the developed world, and their outcomes are just as good. There are lessons there for every health-care system in the world, even for the U.S. health-care system. Who’s in charge of capturing that experience and making sure that it spreads to other parts of the world? Universities can’t really do it, because professors have to do their studies and publish their papers and get tenure. That’s who we want to be.

The critique of your reform is that you’re empowering the issue experts at the expense of the regional experts. And when it comes to development for any given country, the most important thing is to get the government to buy into the plan. Don’t country experts know better than issue experts what will work in a given place?

This is a huge misconception. Our footprint in the countries has not changed, even a little bit. The difference is that now, when there are road experts in a particular country, they’re going to be part of a group that includes every other road expert in the world. The fear from the beginning was that all these technical experts would parachute in and try to sell their goods. We just had a three-hour meeting this morning where we looked at the situation in each different region and asked, “How’s it working? Are people parachuting in?” And believe me, if the technical folks want to take over the relationship, I will hear about it. We were functioning almost as six regional banks. It’s very difficult to take an organization that was so siloed and turn it into an organization that collaborates.

Is that why there’s so much grumbling?

There’s grumbling for lots of other things. We’re also going through an expenditure review, and there’s grumbling about parking, and there’s grumbling about breakfast. But it’s a culture change that everyone in the organization told me was necessary. We’ve got to move from a siloed system, where everyone is afraid to take risks and everyone pushes the decision up to the next level because they don’t want to get in trouble, to one in which everyone sits at the
table and we actually collaborate.

You’ve focused a lot of the World Bank’s energy on eradicating extreme poverty. What about the moderately poor? What’s your strategy for creating opportunities for them and, more broadly, the general process of economic development?

This is exactly the question we’re asking right now. And that’s why having these two separate goals is so important: ending extreme poverty in 2030 but also boosting shared prosperity, specifically, trying to make sure that the bottom 40 percent participate in economic growth. It’s pretty straightforward. We’re going to follow the income growth of the bottom 40 percent and compare that to the growth of the entire economy. My own sense is that the goals are going to overlap a lot, that we’re going to be able to suggest infrastructure investment strategies, for example, that both provide a foundation for strong economic growth but also lead to greater inclusion.

Let me give you one example. We just put out a study that said that if India builds 1,000 kilometers of bus rapid transit, this would create 120,000 jobs, save lives from both reduced pollution and reduced road traffic accidents, and contribute to the growth of the Indian economy. We should be the ones who find those twofers or threefers.

How much do you worry about inequality? If everyone’s better off than they were before, why does it matter that some are even better off?

The world has changed. Even very poor people are more empowered and demanding more. This is happening everywhere. Even in places like Brazil, where the last two governments have been so committed to reducing inequality, there were protests last summer. It’s just a political reality for leaders that they’ve got to pay attention to inequality.

Then, we have this phenomenon of the Thomas Piketty book [Capital in the Twenty-first Century]. It’s a 700-page book. But there’s literally one page -- and I’ll give you the page number -- in which he says there are two forces that have led to decreasing inequality, both within and between nations: one, the diffusion of knowledge, and two, investment in people, especially in training and skills. His policy conclusions -- a global tax on wealth and increasing the top tax rates -- have been very controversial, but there hasn’t been much of a real attack on his methods, his conclusions. People generally agree that r is greater than g -- the return on wealth is greater than the growth of the economy -- and therefore, those who control wealth will always get richer, and those who depend on the growth of the economy and their salaries increasing will always be poorer compared to the rich.

But one page suggests that the diffusion of knowledge and investment in people can actually change the formula. Well, I called Thomas, and I said, “We only see that on one page.” He said, “We just don’t have a lot of data on that, but that seems to be the case.” So I said to Thomas, “Then don’t institutions like the World Bank have an incredibly important role in boosting greater inclusion by ensuring that knowledge diffuses even more quickly, that we find even better ways in investing in people to improve their skills and their productivity?” And he said, “Yes, that is one of the potential conclusions of the book.” The reality of global market capitalism is with us. The Chinese Communist Party and the Vietnamese Communist Party embraced global market capitalism fully. So if the way to move this seemingly inexorable drive toward greater inequality is by diffusing knowledge and investing in people, then that is a huge part of our role.

Let’s talk about democracy. Do economic growth and political openness go hand in hand?
The Articles of Agreement of the World Bank prohibit us from interfering in the domestic politics of another country. We are supposed to be apolitical. In terms of democracy, the way that we come at it is that we look specifically at how various systems are functioning. So we do a lot of work on helping countries put effective judicial processes in place. We spend a lot of time focusing on how governments deliver services. We spend a lot of time thinking about openness. In terms of democracy itself, there are different definitions of what that means. We, generally speaking, are for rule of law. We encourage governments to be as open with their data as we are. We think it’s extremely important to have lots of feedback and input from civil society organizations. Something broad like, Does democracy lead to growth? -- these are very difficult questions to answer. It’s almost academic.

So what do you do when a country embraces economic reform but not political reform? China, Singapore, Ethiopia, Rwanda come to mind. Should the bank have a mandate to promote democracy?

The great strength of the World Bank Group is that no matter the political situation in a particular country, as long as they’re in good standing, we try to maintain a relationship so that we can continue to work. Part of the thinking is this: if, in fact, political instability and conflict, for example, are related to poverty, then it’s better to try to address the problem of poverty even while there are regimes in place that some of our members might disagree with.

We’re trying to thread a needle here. We’re trying to keep our operations going because even inside governments that some have critiqued severely, there are still poor people. There are still needs for infrastructure and there are still needs for health care and education. There are countries that are not actively working with us right now. Venezuela is not actively working with us right now. North Korea is not a member of the World Bank Group. But our role is to remain ready to work with any of them, as long as they abide by our rules. For example, we keep good relationships with both Ukraine and Russia right now.

Does the World Bank try to protect human rights?

Human rights specifically is not part of our mission statement, as it is written right now. But what are the other things that are part of our values and our mission that I work on every day? Gender equality is now very much on our agenda. Fighting discrimination was not necessarily in the original Articles of Agreement, but it’s something for which I have very strong support from my board. You may have heard about the Uganda case [in which the government passed an anti-gay law]. Not only did I make my own personal view on discrimination known, but we delayed a specific loan because I wasn’t convinced that that loan would not lead to discrimination or even endangerment of the LGBT community.

Should you refrain from praising autocratic leaders who have presided over economic growth?

First of all, the definition of autocratic leader differs from person to person. But we have criticized leaders for choices that they made that we thought were bad. In the case of Uganda, I was pretty specific. At the same time, I have praised those same leaders for decisions they have made that are good. The important thing for me is to not be seen as politically partisan. Our mandate is economic growth, ending poverty, boosting shared prosperity. As long as I focus on those areas, then I can do a lot. But the minute I move into the realm of deciding whether a leader is autocratic or not, deciding whether human rights have been violated or not, I’m actually moving beyond the Articles of Agreement. I can do that when I become a private citizen, but I cannot do that now. I probably would lose my job.

Should emerging countries have more influence in the Bretton Woods institutions, of which the World Bank is
a part?

The Bretton Woods institutions were started as a banking cooperative. The decision early on was that the voting shares would be based on original investment and investments over time. The voice from the developing countries is higher in the World Bank Group than, say, the IMF. The IMF is trying to move in the same direction, but they’ve been thwarted.

By the U.S. Congress [which blocked a reform package].

Well, yeah. But there’s no question that the movement has been toward giving developing countries greater voice. In the last IDA [International Development Association] replenishment -- our fund for the poorest countries -- both China and India played a much larger role than they did before in providing these funds for the poorest countries.

This is something that has to be decided by our board members. It’s an intense and difficult negotiation, with a tremendous amount of jockeying. The ones who have the position they now have don’t want to give it up. The countries that are growing rapidly want a greater share. At the end of the day, the decisions have consistently moved toward giving greater voice to developing countries. Will that keep happening? I suspect it will.

Is it time to allow someone who’s not a U.S. citizen to head the World Bank?

Is it time to allow it? You bet. And that’s what actually happened. I know there’s been a lot of talk that this wasn’t a real election. Well, it felt like a real election to me. [Then U.S. Treasury Secretary] Tim Geithner told me from the very beginning, “Jim, it’s different this time. You’re gonna have to get on the road, and you’re gonna have to make the case.” And I did. I visited 35 countries. I went to the African Union. I went to the Ethiopian government. I was running like crazy from the time of the nomination to the election, and it was not a unanimous vote. There was an extremely credible, very accomplished candidate that I was running against. But at the end of the day, I feel like I won the election. You can analyze why I won the election all kinds of different ways, but I have very clear ideas about what it’s going to take to end extreme poverty and to share prosperity. In fact, this is what I’ve been doing my whole life. I feel like I’m here for a reason.

Note: This interview has been edited and condensed.

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