The Economist

The World Bank

Opprobrium from the atrium

Jim Yong Kim's efforts to reform the World Bank are in trouble

Nov 8th 2014 | WASHINGTON, DC | From the print edition

Development begins at home

THE fury would not have been much greater if anti-capitalist activists had taken over the vast atrium of the World Bank's headquarters in Washington, DC. Yet the protesters who did so last month were the Bank's own employees. The goodwill that first greeted the modernisation plans of Jim Yong Kim, the Bank's president since 2012, has turned to rancour.

Mr Kim (pictured) stressed the need for reform from the moment he took charge. He saw, correctly, that the Bank had to do things differently to remain relevant in a world with no shortage of the two things that used to guarantee it lots of business from the governments of poorer countries: cheap capital and economic expertise. In July the Bank started to implement a new structure which shifts power and money away from country and regional executives to some 14 centralised thematic "global practices" (water, health etc). On October 30th it announced 500 lay-offs over the next three years.

Whether or not these changes are the right ones, they have not been well executed. Staff in the countries where the Bank operates, who used to be charged with looking for new lending opportunities, complain that their budgets have disappeared while the new global practice leaders seem more focused on impressing Mr Kim than on assisting borrowers. Lending remains strong, but the pipeline of future deals is said to be weak.

Meanwhile, the Bank has been slow to identify much of the $400m in annual spending cuts that Mr Kim says are needed, adding to feelings of insecurity at a time when many staff already wonder what role, if any, they will play in the Bank's new, more centralised structure. All the job losses announced so far come from the central administration. Rather than meekly await their fate, many employees have been polishing their CVs.

Among the Bank's 16,000 strong staff, Mr Kim, a health-care expert and former president of Dartmouth College, is increasingly seen as an outsider who does not understand the institution he runs. He has appointed outsiders to many senior jobs and brought in consultants from McKinsey and Booz Allen Hamilton. Bertrand Badré, the Bank's chief financial officer, whom Mr Kim hired from Société Générale, a French bank, became a target of attack during a meeting held last month to placate the restive staff, after it was revealed that he had been awarded a special bonus of $94,750 on top of his tax-free salary of $379,000. Mr Badré is now giving up this bonus.

Organisational change on this scale is rarely painless. Past efforts to reform the Bank were also tempestuous. Mr Kim seems to take it for granted that things will settle down once the reforms are in place. He airily dismissed the complaints in an interview earlier this year, saying, "There's grumbling about parking and there's grumbling about breakfast." His supporters claim, implausibly, that the unrest has largely been whipped up by one disgruntled mid-level officer, Fabrice Houdart. Yet even loyalists are increasingly frustrated by Mr Kim's seeming inability to focus on his reforms. His current hyperactivity around the Ebola crisis, which has won him favourable comparisons in the media to Margaret Chan, the head of the World Health Organisation, is privately described as yet another distraction by one of his closest lieutenants: "Last year, he was Mr Climate Change, now he is Mr Ebola."

Since the protests in October, Mr Kim has adopted a more conciliatory tone towards his staff, promising better internal communication and a quick end to the uncertainty over jobs. "Details of budgets hadn't filtered down to some country offices, and they didn't understand their new roles," he concedes. Yet he is unwavering in his belief that his reforms will enable the Bank to remain the world's leading development-finance institution. He is proud of negotiating an increase in the ceilings on how much the Bank can lend to fast-growing middle-income countries such as China and India, whose frustrations with the previous arrangements helped spur the recent creation of a "BRICS" development bank by Brazil, Russia, India, China and South Africa.

Mr Kim denies that the 14 new practices will make the Bank even more bureaucratic, as his critics contend. Rather, he says, they will enable the Bank to tap its network of expertise around the world more quickly and efficiently, making it more valuable to customers than competitors which offer just capital or consulting. When Narendra Modi, India's new, reform-minded prime minister, met the World Bank chief recently, he was so impressed by the new practices, Mr Kim notes, that "he tweeted about it". Mr Kim may think he has time on his side. After all, he is unlikely to lose his job, if only because America, which forced his appointment over objections from developing countries, has little appetite for another such row. Yet unless Mr Kim now moves decisively to fix the budget problems and win round the staff, his presidency risks becoming a costly failure.

From the print edition: Finance and economics