

Transcript: World Bank Group President Dr. Jim Yong Kim Remarks at the 45th Annual Meeting of the Association of American Chambers of Commerce in Latin America

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World Bank Group President Dr. Jim Yong Kim
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Transcript

MODERATOR: Now let me properly introduce Dr. Kim to this audience, not that he needs a lengthy introduction. But, by training, Dr. Kim is a physician as well as a noted anthropologist. He has dedicated himself to international development for more than two decades. As president of Dartmouth College, Dr. Kim founded the Dartmouth Center for Health Care Delivery Science, a multi-disciplinarian institute dedicated to developing new models of health care delivery and achieving better health outcomes at lower costs.

As co-founder of Partners In Health, he challenged the conventional wisdom that tuberculosis and HIV/AIDS could not be successfully treated in developing countries. He headed the HIV/AIDS Department at the World Health Organization and led the first-ever global response to AIDS treatment.

Dr. Kim, the U.S. Chamber of Commerce and AACCLA stand ready and eager to help you drive a better future for communities worldwide. We believe that open and efficient markets are part of the solution, and we look forward to your comments today, we look forward to

our continuing engagement with you and welcome you to the U.S. Chamber of Commerce today.

Ladies and gentlemen, please give a round of applause for Dr. Kim.

[Applause.]

DR. KIM: Thank you so much.

Damas y caballeros, gracias por haberme invitado a la cuarenta y cinco reunion anual de la Asociacion Americana de la Camara de Comercio. Es un placer estar aqui con tantos lideres empresariales , me gustaria agradecerles la oportunidad de estar aqui para compartir algunas ideas sobre como podemos trabajar juntos.

Should I just continue in Spanish, everybody?

[Laughter.]

[Applause.]

DR. KIM: I really want to thank everybody for inviting me to this 45th meeting. Myron, I'm especially grateful for your wonderful introduction. It's very thoughtful and chronicles, I think, effectively the long-standing cooperation between our institutions. I know that Tom Donohue couldn't be here today, but very grateful to him, and I think it marks a relationship that must grow.

Now, I just wanted to start by giving some comments.

The reason I speak a little bit of Spanish is that I've been working in Peru since about 1994, before that in Chiapas, Mexico.

And my engagement in Latin America has been wide and deep. I started off in the late 1980s working in Haiti, but since then I've watched as remarkable things happened in Peru. You know, my initial engagement in Peru was tragic in that I started working there at the invitation of a Catholic priest, whom I've known for years and had been a supporter of Partners In Health. He invited me to a community called Carabayllo on the northern cone of Lima. It was a squatter settlement, but it was even not yet quite a real squatter settlement. They called established squatter settlements pueblos jovenes this one was asentamiento humano[which is pre-becoming a squatter settlement, so it was an extremely poor area. Some said it was the bedroom community of Sendero Luminoso in Peru.

Our very first project was a communal farmacia or a communal pharmacy, and on New Year's Eve in 1993, terrorists blew up the pharmacy because they felt that it was an indication that we were going to put Band-aids on the wounds of the poor and not spur them to revolution.

And so we got a full taste of the great complexity of Peru, but we kept on working, and we found through a tragedy, Father Jack, the person who had invited me to go and work, developed a case of drug-resistant tuberculosis. We brought him back to Boston, because we didn't know what it was originally, diagnosed that he had tuberculosis that was resistant to all four of the most important anti-tuberculosis medicines, and he died. He died in a hospital, and I was caring for him, actually.

And so what we learned was that if he could get sick and die of drug-resistant tuberculosis, it must be pretty widespread in the community, and indeed it was. And so we led an effort that now--that fought against the conventional wisdom of the day, which was that with complex health problems like drug-resistant tuberculosis, there was no way that you could treat those diseases in poor populations, among poor people.

So, we fought that. This was at Partners In Health.

We fought other notions, like the idea that there's no way to treat HIV in developing countries. I mean it's hard to imagine there are some 7 million people in Africa on treatment today, but when we started treating HIV patients in Haiti in the late 1990s and when I worked at the World Health Organization starting in 2003 and launched an effort to treat people living in Africa with HIV, it was conventional wisdom that it was impossible and that all 25 million people in Africa living with HIV would, I'm sorry, have to die.

And so today, you look around. In Africa specifically, you see growth rates of around 5 percent over the last 5 years. In Latin America, you see the growth rates--and I'll talk a little bit about that later--but it's hard to imagine that those things would have happened without us intervening and providing essential health services.

But the other thing that I've learned in a very powerful way, and it's highlighted in our World Development Report, which is focused on jobs, one of the things we've learned is that, one, 90 percent of all jobs are created in the private sector. And while there have been arguments in the past about the appropriate way to development--do we close off our societies and just redistribute or do we open up our societies and try to spur the private sector to grow in a way that--and what did we learn from the Arab Spring? We learned that

it has to be inclusive, especially of young people but in a way that's sustainable, that only through growth in the private sector with jobs that are both inclusive and sustainable can societies reach their highest aspiration. It's something that I learned in a very real way in all of my work.

As good as we might be at delivering health and educational services in the small projects that we worked, at the end of the day, what everyone in the world wants is a good job, and 90 percent of those good jobs happen in the private sector. We simply must find a way to build the relationship between the public and the private sector so that the engines of economic growth can proceed.

Now, I wanted to talk to you a little bit about the outlook for the region, and for this, of course, we at the World Bank have an outstanding group of scholars and economists who are watching the economy all the time. But I wanted to start off with that fundamental insight.

You know, there's--everywhere I go, in every country that I visited to date as World Bank President, even during the campaign--India, China--everyone wanted to know the secret: How can we spur economic growth, especially in the private sector, so that good jobs are created for the burgeoning numbers of people, 7 to 10 million every year in Africa, millions in Latin America as well, who want a good job.

First, a little bit about how we see the economic outlook for the region.

The overarching point, I think, that has become clear is the global financial uncertainty is the new certainty. With the euro zone debt crisis, the slow recovery in the U.S. and the prospects of a slower growth in Asia, especially China, countries in Latin America are learning to cope with changing circumstances.

We all know that Latin America is not one story; it's many stories. After the economic crisis of 2008 and 2009, the region rebounded unevenly. In Mexico, Central America, and the Caribbean, the recovery was slower in part because of the dependence on the U.S. market for exports, including a slowing of remittances from the United States.

In South America, the recovery was more robust, fueled mainly by the export of commodities and, in some countries, by buoyant domestic demand.

As we look ahead, if we take the region as a whole, Latin America will still grow in 2012 at a higher level than the developed world. Current consensus forecasts GDP growth around 3

percent in 2012, after having expanded by around 6 percent in 2010 and 4 percent in 2011.

Within the region, some countries are expected to grow close to 8 percent and a sizeable number of nations are growing above the regional average. For 2013, growth may reach 4 percent. This makes Latin America an attractive place to invest. For example, mutual fund flows into the region, saw an eight-fold rise between early 2011 and 2012. In fact, markets continue to perceive the sovereign debt default risk of some Latin American countries as lower than that of a country such as France. Thirty years ago, that would have been unimaginable. That's a real reminder of how the world has changed.

The high growth rates and the expansion of public programs aimed at improving the standard of living of the poor have led to clear success. Seventy-three million people have been lifted from poverty in Latin America in the last decade, and the region as a whole has been reversing the rates of inequality for the first time in 30 years. This is good for Latin America, but this is also good for business.

Combined with the impressive rebound from the 2008-2009 crisis, Latin America's people and their economy have achieved important results that can serve as a source of pride. The region demonstrated that sound economic policies on the fiscal and monetary fronts can be successfully coupled with social equity.

But, of course, challenges and problems remain. Let me just offer a few.

Thirty million people in Latin America will enter the potential labor force by 2010. This will expand the region's workforce by one-fifth. The city of Bogota will need to double its housing stock by 2025. And today, a fifth of people living in Lima do not have access to running water, and Mexico City treats just 15 percent of its sewage.

The bottom line is that the region needs massive private investment in infrastructure. It needs private investment in health and education, and it needs economic diversification beyond commodities production. This is why it's so important for Latin America to make manufacturing and services more competitive. Increased productivity is essential.

Overall, there's a need for Latin America to improve the investment climate and the ease of doing business so that entrepreneurs with good business ideas can find a good environment to invest, create wealth, and bring more prosperity to the region.

To start a business in Latin America is still slow. It takes 54 days on average to get through the bureaucracy. That's far too long. Still, governments have played a key role in the overall success of the past decade. After confronting debt crises in the 80s and 90s, governments demonstrated that they could turn things around. They put in place comprehensive reforms that made them fiscally sound, credible, and able to adopt countercyclical measures when necessary. They played a role in generating the right conditions and a more level playing field for citizens and companies.

As governments and businesses work to tackle these problems, how can the World Bank continue to be an important player?

We have a wide array of tools at our disposal. We are more than a global development bank. We find solutions to innovative financial services, technical assistance, risk management, knowledge, and convening services.

The World Bank is at its best when it can bring all of these tools to bear in a coordinated way. Let me give you some examples of the kinds of investments we're making.

Our most widely known tools are loans to governments. In fiscal year 2011, we committed almost \$15 billion worldwide for loans in areas like health, education, and social safety nets, among others.

We're also providing knowledge and creativity to figure out how to do things in a different and better way. If governments are willing, we can help them make programs more efficient and targeted.

Much of my work has been focused on the science of delivery, that last mile where precision and efficiency are so critical. That will be a theme you hear throughout my time at the World Bank.

Now, let me just talk about that for a brief second.

After years and years and years of working in programs and projects through Partners In Health, ten countries, and through the World Health Organization in another thirty countries, working on projects for many, many years, I was struck by the fact that when it comes to our most cherished social goals--health, education, social protection, environmental sustainability--not only did we tolerate poor execution, often we celebrated poor execution. Poor execution at times was a symbol of just how much we cared about our social mission. That is no longer acceptable.

When I came back from the World Health Organization, I began working with--now one of my closest friends and colleagues, Michael Porter of Harvard Business School, and we began talking about how to harness systems engineering, operations science, managerial science, leadership, and of course his field, strategy, and bring them to our efforts at improving execution in the social sector.

I recently was in South Africa. We had a conversation with the leaders there who told me that they had wonderful policies but now they had actually execute and maintain their promises to their people. When I--in other countries, I always meet with the private sector, and the private sector has told me again and again, if you can just help the government execute on the things that they've already told us that they're going to do, we would be so much better off.

I think this a big hole in our effort to achieve the goals that we all want to achieve. How can we bring insights from successful practice, how can we learn deeply from failures and bring it together to aspirationally strive to build a science of delivery. Not only around social goals. What would it take for us to have a science of helping countries make their business environments more open and inviting for investment. We have our Doing Business Report, and we're trying to ensure that we're constantly learning and, as a bank, providing that kind of information for anyone who actually wants to deliver on the promises they're making, either to their shareholders or to their people for governments.

We think at the World Bank that we can do that in a unique way.

We're making investments also in productivity, because the key to the region's economy-- and because that is the key to moving the region's economies up the value chain. You can see the extent to which I've been influenced by Professor Porter. Increasingly, countries are asking the Bank to look at logistics bottlenecks more holistically, from Mexico and the Caribbean to the Southern Cone, and we're called upon to work with governments to unclog bottlenecks.

For example, in Colombia, the World Bank's Facility for Investment Climate Advisory Services has helped reduce the time and cost to import and export goods through electronic submission of documents and implementing a single window system. Preliminary estimates indicate a medium-size firm in Colombia would save over \$3.5 million a year in reduced trade transaction costs.

Honduras, the third-poorest country in Latin America, has traditionally had low competitiveness. Through the Bank project, 150 small producers of mango and vegetables received new equipment and training. In the first year, many mango producers became first-time exporters, and saw their average yearly income more than double from \$2,500 to over \$5,200.

Through the International Finance Corporation, we make significant investments directly into the private sector, through loans, equity, or other innovative tools.

In fiscal year 2012, IFC provided \$5 billion in financing for companies and banks in Latin America. Of that, \$1.3 billion was raised from investment partners. We now have something that we call the Asset Management Corporation. This was the largest volume of financing for Latin America's private sector from any multilateral agency.

In addition, MIGA, or the Multilateral Investment Guarantee Agency, is an arm of the World Bank Group that provides insurance--political insurance--and guarantees for private sector investments. MIGA is supporting investments that build critical infrastructure, create jobs, and provide lending services to the real economy. MIGA's gross guarantee exposure in the region currently stands at over \$1 billion.

These are some of the array of tools that the World Bank can bring to Latin America: Loans to governments, loans to companies, equity investments, private equity funds, insurance and guarantees. As World Bank President, I will work to bring all these tools in a coordinated way to help Latin America's private sector prosper.

This work, of course, isn't easy. We have to work together to address issues like climate change, women's empowerment, corruption, the trade--the drug trade, and others.

I've committed my life to helping the poor escape poverty. I've committed so much of my time and energy and dreams to this part of the world. I learned from the people of Carabayllo.

My experience in Latin America and around the world tells me that in the fight against poverty, you need to boost prosperity. That prosperity comes in part from a healthy, robust, and inclusive private sector.

I hope you'll join me and my colleagues at the World Bank to wage this battle together.

Thank you very much.

[Applause]

MODERATOR: I think we have time for two questions, and what I suggest--Dr. Kim, thank you again for your remarks--just take a few questions and then you respond to them [unclear 27:01].

DR. KIM: [Unclear.]

MODERATOR: [Unclear], raise your hands.

QUESTION: Unlike the President of the World Bank, I worked in foreign aid for half my career and then went from making poor people to richer to making rich people richer. My question for him is, one of the most intractable problems has been influencing governments in the direction of the kind of policies that lead to growth. It's been very frustrating and difficult. I wondered if he had any news for us on that score.

MODERATOR: As we take a second question, I'm just going to pick up on that theme.

I would say, in my 25 years of being [unclear 27:54]--okay, can you hear me now?

AUDIENCE: Yes.

MODERATOR: From my 25 years of being in this business, the private sector does a pretty good job of working with the Bank tactically and on projects but not always aligning in dealing with these strategic goals and how to deal with the macro challenges we face across not just the Americas but around the world. That is an area where we continue to need to do a better job on. So that links in.

Can I get a second question?

Go ahead.

I wanted to have gender equality here but I didn't--

QUESTION: First, thank you, sir.

The United States of America is made up of 50 states which broke down trade barriers early on--in fact, eliminated them. I believe that this is the example that perhaps the rest of the

Americas needs to start following in order to spread out the equality, spread out the money, and spread out the knowledge.

MODERATOR: Okay.

And then finally, do I have someone of the other gender? Anyone who wants to raise a question.

Go ahead.

I was about to pretend my feminine voice but [unclear].

[Laughter.]

QUESTION: Why don't we do this as a duo.

I used to be an advisor to MIGA years and years ago, and at the time I was there we were working on something called EPA Net [ph 29:35] and something called InfoDev. Today we're in the distribution economy. I was so happy to hear you mention logistics. So I would really love to hear how the Bank is looking at logistics on a global scale because there's so much waste in this area.

Thank you.

DR. KIM: So these are all great questions.

You know, reflecting on the first question, this is exactly what I was asked when I went to Côte d'Ivoire. They specifically--the private sector folks--wanted to talk to me about how we could influence the government to do the things they said they were going to do, stick with it, and continue in their reforms. You know, we're about to publish our Doing Business Report, and we have pretty clear ideas in there, and the goal of the Doing Business Report is to help countries figure out how to modify, change their rules and regulations so it makes it easier.

There are some great stories.

In Rwanda, the amount of time it took to register a business went from 99 days to 2 days. And guess what? Rwanda is growing very effectively.

Here's my angle on all of this.

It's not that I'm coming to this because I have a lot of experience in business; I don't. But I come to this as a person trained in science and as a person who for now close to three

decades has been concerned about poverty, and I've worked directly with the poor. And I am going to come to governments and say, "Look, we have evidence. We have evidence that for your country to be stable and to grow and for your people to be able to afford health insurance, because eventually, you know, have to build these programs, you need to create jobs, and we know a lot about how to create an environment that will be conducive to having businesses grow and having the production, and having the creation of good jobs. We know this, and I'm telling you this because I care so much about your country and about the poor people in your country that I insist that you look at this evidence for what you need to do to create good jobs for your people."

So, that's going to be my approach. I'm not sure if it will work or not, but that's as authentic and direct as I can be. And the evidence is now just overwhelming that every country has to really think hard about how it can encourage growth in the private sector. There's no argument about that anymore.

In terms of boosting free trade, this is an issue everywhere I go, and all the different--there are five different regions in Africa. I think it's happened effectively. You know, we at the World Bank are very engaged in this question of looking at how trade can flow among regional partners and throughout the entire region, and that's not traditionally the way the World Bank has worked. The World Bank works with individual nation states.

Some of the other regional multilateral development banks are better at it, but I can guarantee: This is at the top of everybody's list. We've got to figure out a way to reduce the transaction costs--just even build a road between countries and create the free flow of materials and services and goods and even labor. So, this is a question that is being asked of us all the time and that we take very seriously.

And so the last question was on--I forgot--on MIGA and--what was it again?

Logistics, okay.

So, this is precisely what I meant when I talked about a science of delivery, because we can have the best ideas, have wonderful policies, and then fall apart on logistics. I happen to be an aficionado of procurement. And why is that? Because in my projects to treat patients with tuberculosis and HIV, if procurement and supply chain management failed, I would have resistance in my patients-- drug-resistant bacteria in my patients, so I had to get it right. And the thing that killed me was that so many projects were all about the sort of grand idea of helping the poor and always got the logistics wrong. Right?

So, we are pretty darn good at logistics at the World Bank. But I don't think we've elevated it to the level of saying, "This is critical and we're going to turn it into a science, and we're going to help all the other groups that are doing this in the world to also get better and better and better at logistics."

So it's a hugely important issue for me, and, again, it doesn't come from my business background. It just comes from my background of trying to make a project actually work, and I think that's what we're going to be the best at.

You know, when I came to the Bank, I started meeting--and one of the things I've been doing is just walking the halls. I visited, I think, now 18 or 19 of the Vice Presidential units. We have a lot of them. We have over 30. And I've just been visiting them and sitting down and talking. And what I found is that we have literally thousands of people who have got Ph.D.s in engineering in--and a lot of them in economics and sociology, and they've spent 10, 15, 20 sometimes 30 years actually solving problems in the field. So, they're not people who just sit in an office and do studies. They're actually people who go out and do things like assess risk, which is what MIGA does, assess political risk in difficult countries so that they can help private sector investors take the risk of investing in an energy project in a poor country.

So, this is a very special kind of practitioner. And as I got to know them, I started calling them the master clinicians of development--right?--and so excuse the medical analogy, but it's not scientists in a laboratory studying a phenomenon. It's people with the client in front of them who have to make tough decisions based on every bit of evidence that they can find, but at the end of the day, they have to make a decision. All of you in the business world know exactly what I mean. But at the Bank we've had this wonderful experience of having to do that.

So I think that the practitioners in the Bank who know how to solve problems, who've seen so many different situations, who, for example, have worked in the late 1990s--when Korea was going through its crisis; in Indonesia, when it was going through its crisis; in Turkey, when it was going through its crisis--we have a very unique set of individuals who are not just sort of in the clouds thinking about economic theory. They've taken that theory and applied it when a client has to make a decision. To me, that's the foundation of what I'm calling the "science of delivery." And if we can push that idea forward, I think we can make ourselves relevant to just about any country. And a big piece of what we do, what we're offering to even high-income countries in Europe, for example, is that among the things we

do really well is to help people think about the quality of their business environment, how inviting is their business environment for new investment, how long does it take to register a business. We're actually very good at helping countries go through that process of improving their business environment. So we offer that up. We're going to do it in a very intentional way. We're going to build the science, and we hope that we can partner with all of you to help every country down the path of growth.

This is what I'll leave you with.

You know, one of the things that we have to remember is that this is not a zero-sum game. It's just really important to remember it's not a--I mean, the historical evidence has been that it's not a zero-sum game, that growth throughout the world is good for everybody.

And also the other thing that I'd like to leave you with is that in the 1950s, when I was born in Korea, the overwhelming consensus among development theorists was that Korea was a "basket case country." Impossible to grow. The only countries that are going to grow in Asia are the ones that have enormous influence from Western culture. The Philippines is probably going to grow. Korea, no chance. Confucian culture is holding them back. Et cetera, et cetera. And then a few decades later, all of a sudden everyone changed their tune. Ah! Confucianism is the key to Korean growth.

[Laughter.]

DR. KIM: So, what I've learned from that experience--a country with very few natural resources--what I've learned from that experience is that we can never ever again call any country a basket case. Every country can grow, and, as every country grows, the space for being more generous with each other, the space for the development of new technology, all of this will grow, and that's the vision of the future that I hope we can share as we go forward.

Thank you very much.

[Applause.]

MODERATOR: Dr. Kim, you clearly bring a unique voice in your role as Bank President, and we're looking forward to working with you.

I would say there are some challenges facing you. As we talk about the world economy and the health of it, we see a rise in protectionism around the world including in the Americas. We see competition for economic models. That's why we support the World Bank Report with China's think tank, the DRP [ph 38:40] 2030 report. And these are going to be issues that impact your ability to combat some of the issues that you want to address in your tenure. We look forward--the business community, the private sector--in engaging directly with you and your colleagues in trying to address these real challenges to growth, to dealing with the prosperity needs of people around the world, and thank you for coming here, and look forward to having more time with you.

DR. KIM: So again, I think the issue is that there is now evidence, there is an evidence base for how you go forward on these issues, and I think we don't have to resort to ideological argument. You know?

What we're learning over and over and over again is you can do any sort of thing you want in your government, but then because we're such a highly integrated global economy, the market will respond. No matter what you do, at the end of the day, the market will respond and you have to take that into account.

So, what we hope is that we can go forward, country by country, offering the evidence for what has worked in other countries and offering the evidence for the potential implication of any number of different policy choices.

MODERATOR: Well, your success will ultimately be our success. So we wish you good fortune, look forward to continued engagement, and thank you for being with us today.

[Applause.]