

THE BROOKINGS INSTITUTION

GLOBAL DEVELOPMENT AT A PIVOTAL TIME:
A CONVERSATION WITH WORLD BANK PRESIDENT JIM YONG KIM

Washington, D.C.
Wednesday, July 18, 2012

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P R O C E E D I N G S

MR. TALBOTT: Good afternoon, everybody. I'm Strobe Talbott and it's my great pleasure to welcome you here to Brookings this afternoon for a conversation with the new president of the World Bank Group. Whenever we have a distinguished visitor here to Brookings, and particularly if it's somebody who's coming here for the first time, we're always careful to check with his protocol people on exactly how the distinguished visitor wants to be addressed, whether we use "Dr." or "Honorable" or whatever. And the word came back, "Jim." (Laughter) So welcome, Jim.

It's really great to have you here. A couple of your successors, your most immediate successors, were frequent visitors here, particularly Bob Zoellick as recently as just a couple weeks ago as he offered some reflections on his way out of the office that you now occupy. And Bob's predecessor, Jim Wolfensohn, was for many, many years an outstanding trustee of this institution and made it possible for us to broaden and deepen our own work on development. And it's great to see on your team Naftaj Dillon, who is an alumnus of this organization. Naftaj, great to have you back here as well.

Jim is going to give us a sense as he takes on this extraordinarily important and challenging job of his priorities and his overview of the challenges ahead. I think everybody here knows quite a bit about his career, his dedication to improving health and development around the world, among others things as the co-founder of Partners in Health and also as a former director of the World Health Organization's HIV/AIDS Department. And I think you also all know that immediately before taking on this assignment, he was the very highly regarded president of Dartmouth, a post that he held for three years.

Our order of the program is very, very simple. Jim is going to offer some

remarks from the lectern here and then he is going to enter into a conversation with Kemal Dervis, who is our vice president and director of Global Economy and Development here at Brookings, a former head administrator of the United Nations Development Program, and a former senior official of the World Bank. So these two gentlemen have covered a lot of the same ground in their careers. They will do so in an introductory conversation between the two of them and then open it up to all of you.

So, Jim, the microphone is yours and thank you again for being with us.

(Applause)

DR. KIM: Thank you. It's such a pleasure to be here, Strobe. But when you said that my successors have been here, as the man who knows everything about Washington, I thought, oh, my god, what does he know that I don't know? (Laughter) I still have five years, Strobe. (Laughter)

Thank you for the kind introduction. And I just want to share with you a few words before we jump into the discussion.

Kemal, I'm so pleased to be with you today. You're one of the heroes of the World Bank. And in many ways, The Brookings Institution and the Global Economy and Development Program that you head is a showcase for evidence-based policy research, an approach that's critical for the World Bank today. As many of you know, I'm in my third week at the World Bank, and I'm still learning about this great institution. So let me use this opportunity to share my early reflections on the role of the World Bank in global development today.

I want to start by making two points. First, the last decade has been very good for many, though not all, developing countries. Progress has not come easily. It's born out of hard work, learning from success and failure, bold reforms, and strong partnerships. This decade of achievement definitely inspires optimism for the next phase

of our development work.

My second point is that while we should be proud of the progress of the last decade, we must acknowledge that 1.3 billion people still live on less than \$1.25 a day. This is a stain on our collective conscience. Aggressively attacking poverty is both a moral and an economic imperative. The next phase of global development will require us to address critical challenges if we are to make progress. As a global institution with 188 member countries, the World Bank must play a pivotal role in brokering solutions to achieve a world free of poverty. But in order to succeed, the Bank must also evolve and become better. Let me elaborate.

For the last decade or so, remarkable things have been happening in the developing world. Since 2000, nearly 30 developing countries have growth by 6 percent or more a year. We've never seen this kind of rapid and sustained development across so many countries. High-income economies also grew about 1.6 percent, and so we witnessed both growth and convergence. Developing countries are now the engine driving the global economy, accounting for around two-thirds of global growth. We can fairly say that the concept of a development decade that eluded us for 50 years was finally achieved.

The story about transformational change is not just a story about emerging economies, like India and China. It is broad-based and extends to countries that are landlocked, like Rwanda, a country that I've visited many times; that are small, like Laos, and large, like India; that don't have natural resources, like Ethiopia. And it extends even to countries that were once mired in conflict, like Mozambique.

This story of transformational change is also about new gains in the fight against poverty. There are millions of people who are no longer poor. There are many more families who are sending their children to school. And there are many more

communities that have electricity, water, and access to health care.

The rate of decline in child mortality in Africa is double what it was a decade ago. The overall percentage of the population in the developing world living on less than \$1.25 a day was 22 percent in 2008, half the 1990 figure. The Millennium Development Goal of halving the 1990 incidence of extreme poverty has been achieved.

The lesson of the last decade is that progress is possible for everyone. Nothing is predetermined. Having come to the U.S. from a country that was once described as a basket case, I know in my gut that we have to take great care never to attach that label to any country again. Although a tremendous amount of work remains to be done as I take the helm of the World Bank, I carry with me an unshakeable optimism that all countries can boost prosperity and eradicate poverty.

There are many differences across countries, but there are some common elements to countries that have grown continuously. They have stable governments that pursue prudent economic policies, provide essential infrastructure and services, and take a long-term perspective. They use the opportunities provided by global markets and they have a dynamic and competitive private sector. Through its lending knowledge and expertise, the World Bank has been an important partner in supporting these countries in their success.

I've met with hundreds of staff over the last three weeks and I have discovered so many examples of where the Bank has been at its best. It partnered with China to undertake land terracing to enable small farmers to grow more and earn more, which today is being piloted on the hillsides of Rwanda. It's been working with governments to improve the management and transparency of public finances so that taxpayer money is better spent.

The Bank is helping countries share experiences across continents with

the Bank's facilitation of knowledge development and transfer, Turkey's economic transition is inspiring reformers in North Africa and the Middle East. India's IT services are emulated in many African countries. Brazil is offering its knowledge in agriculture to African countries. All across the developing world, the International Finance Corporation, our private sector arm, together with MIGA, the Multilateral Investment Guarantee Association, are leading the way in proposing innovative approaches to leveraging private sector investment in areas such as agriculture, manufacturing, and clean energy.

But just as these countries have shown success or failure is not predetermined, we also know that future progress is not preordained. A great deal remains to be done in order to accelerate our fight against global poverty and I see four major challenges. The first is protecting development gains against global economic risks. Secondly, we need to broaden development to countries that are being left out, especially the so-called fragile and conflict states. The third is that we have to ensure that growth is sustainable. And the fourth is demanding that growth is inclusive.

In our interconnected world we know that crises in one region or in one sector can affect all countries. For instance, even in the crisis in the euro area is contained, it could still reduce growth in most of the world's regions by as much as 1.5 percent. A major crisis in Europe could reduce GDP in developing countries by 4 percent or more, enough to trigger a deep recession everywhere. Such events threaten many of the recent achievements in the fight against poverty. To put it starkly, what's happening in Europe today affects the fishermen in Senegal and the software programmer in India. Therefore, it is urgent that European countries take all necessary measures to restore stability.

I am encouraged by the recent steps taken towards fiscal and banking union as well as the additional resources made available by some G-20 countries to the

IMF. The World Bank's ready to help developing countries protect growth, jobs, and the poor. Thanks to the generous IDA replenishment and capital increase, the Bank has adequate resources to increase lending and investments and to share unparalleled technical expertise. We can work with our clients to make rapid disbursements to maintain growth-enhancing investments. We can help countries improve the quality of their fiscal spending.

IFC's financing is providing credit to small and medium enterprises in business as well as for trade finance. IFC's also supporting subsidiaries of Western European and other banks in emerging markets to enhance liquidity and credit.

We can help countries in building cost-effective safety nets that can protect people against shocks. What I learned by working in communities around the world is that the poorest are the most vulnerable to sinking even deeper into poverty. When illness afflicts a breadwinner, it compromises the future of the whole family. I've seen this happen so many times in my own work. Three out of five vulnerable people lack safety nets in developing countries and four out of five in the poorest countries. Safety nets must be available on a continuous basis to increase resilience against shocks, such as ill health or financial crisis, and building them requires political will.

The good news is that effective safety nets need not be costly. Flagship Mexican and Brazilian programs cost only around 0.5 percent of GDP, much less than what other countries spend on untargeted and less effective programs or fuel subsidies. The World Bank has worked with government to expand safety nets in 40 countries, and our goal is to ensure that every developing country has an effective and sustainable safety net.

Second, beyond the current volatility there are regions and countries with repeated cycles of conflict and instability that are being left behind. One and a half billion

people live in areas affected by fragility and conflict. No low-income, fragile, or conflict-affected country is on track to achieve even a single Millennium Development Goal. These countries need a World Bank that is far more responsive than it is today and capable of delivering the right financial and technical support at the right time. Take Afghanistan, where the World Bank has partnered with the government to establish the National Solidarity Program. It's pioneering an approach where local councils are taking the lead in projects aimed at rural reconstruction and poverty reduction. To date, the program has benefited over 20 million people and it is active in 28,000 villages across all provinces of Afghanistan. This is the kind of successful engagement that the Bank must spread to other fragile states.

Third, even in successful countries the next stage of development will call for further structural changes in order to sustain growth. Middle-income countries have to diversify the sources of energy. They have to modernize their economic structures and government programs. They have to create quality jobs to match the growing expectations of their citizens. These countries have an increasing number of options for development financing, but many continue to look to the World Bank for its lending, expertise, and knowledge. In particular, they need a more flexible partner to help them address deficits and infrastructure and institutions.

Finally, growth and development have to be inclusive, ensuring that their benefits are broadly shared. Even as an unprecedented number of people in the developing world are ascending into the middle class, segments of the poorest populations are being left behind and other segments of the middle class are at risk of falling back into poverty. As young people in Egypt and Tunisia have reminded us, even in middle-income countries development gains have been uneven and incomplete. Demands for respect of individual rights, the rule of law, and the administration of justice

go hand-in-hand with inclusive development, requiring institutions to be more open and accountable. That's why the World Bank is broadening its partnerships. Informed by the lessons of the Arab Spring, the Bank is creating a global partnership for social accountability. It's providing seed money from IBRD income and leveraging resources from foundations and bilateral donors. This would be the first time the World Bank is allocating specific resources from its income to support a partnership with civil society.

We will try to do at the Bank what the most successful countries did during the last decade. We will work tirelessly, we will continue to learn about what works and what does not, and we will carry out bold reforms when they're needed. And more than that, we will hold ourselves accountable to the people we serve so that we are judged by our results, not just our intentions.

I started my remarks with the achievements of the last decade. I want to conclude with the promise of the next. Developed countries have made significant contributions through aid. They must continue this engagement, given their stake in a strong and dynamic global economy. Emerging economies must increase their contributions commensurate with their growing economic weight.

The world has unprecedented resources, knowledge, and experience to push forward the development agenda. I hope that the coming decade is defined by a great convergence, where we reduce poverty to levels we might never have imagined, where more people join the global middle class enjoying better living conditions and greater opportunities, and where the world commits to the critical task of leaving a healthier planet to the next generation. The time is now. The task is urgent. I look forward to the conversation. Thank you. (Applause)

MR. DERVIS: Thank you very much, Jim. When Strobe told me you were coming after your phone call, I think he was in Asia and China and you had a phone

call, and you said you'd be willing to come as early as mid-July, we were all so excited. So thank you very, very much.

DR. KIM: It's my pleasure.

MR. DERVIS: It is a very important moment in the world economy. The changes have accelerated. The crisis was heavy in the advanced countries, but, as you said, it also has affected the developing countries. It is a world economy and you're coming to lead one of the, I think, greatest institutions in the world, which I had the privilege to serve for quite a while. And yet, one always needs priorities. You know, one can't do everything at once.

When you kind of look at the world today and at the World Bank, do you already see some priorities? Are you going to launch a process maybe to help you define them? What first?

DR. KIM: Well, Kemal, I want to make it clear I've been here for now two weeks and two days, right?

MR. DERVIS: That's right.

DR. KIM: Three days. And what I've begun to do is to really take the temperature of the organization, so I've been visiting a lot of the departments. Just this morning I visited the Middle East and Northern Africa Department. And what I've been discovering about the institution is really encouraging.

First, you walk in the door of the World Bank and it says on the wall, "Our dream is a world free of poverty." Now, I was so moved by that slogan on the wall that I actually had some ties made with that slogan on the tie. And the reason is because I think we need to remind ourselves that this notion that the work of the World Bank is to boost prosperity and eradicate poverty, those are the most compelling values and missions that you could ever imagine. So we have a great mission statement. We know

what we're doing in the largest sense, and it's really critical.

And so as I've walked around the Bank, I've been asking some pretty specific questions. And the question I ask is when do you remember the World Bank being at its very best? And I've heard some fantastic stories. Of course, I'll want to hear more about the story of Bosnia. Some of you may have read in Sebastian Mallaby's book that when you're in Bosnia, you actually -- the plan landed and it kept rolling and then you ran out of the plane and into the country. Now, that's dedication, Kemal. (Laughter) And people tell us about those times when the Bank moved quickly, really effective. Kyrgyzstan is an example. Right after the conflict, the Bank was in there very quickly, the first to engage. So throughout the institution people have very strong memories of when the Bank was at its very best.

And so I think one of the most important questions for us is what do we need to do at the World Bank to ensure that we're at our best every day for every country in every situation. So there are some things that we need to do to look inside the Bank.

But, of course, you know, we're living in a world where we have an ongoing crisis. And so on an almost daily basis we've having conversations about what we can do to understand the impact of the European crisis, especially on developing countries. So, you know, we're having conversations about what are the specific transmission channels through which the European crisis is going to have an effect on the different countries? And we're looking at everything from trade to remittances to commodity exports and the impact on the different regions in different countries. And we're having really wonderful conversations and we're, you know, often at a large table talking about lessons from one region that might be applied to another region. Our experts in so many different fields are coming in and talking about financial instruments that might be used to mitigate risk. And so we're having this conversation every day.

And so we have to be ready to respond to the crisis in whatever form it takes.

So the mission is great. We can do so much more if we build a World Bank that can be at its best all the time. And, of course, we've got to be aware of the current economic situation.

MR. DERVIS: With your permission I'll come back to Europe in a little while --

DR. KIM: Sure.

MR. DERVIS: -- because I think it's quite, you know, important and interesting and I have a question I really am burning to ask. But before that, when we say the World Bank, most people think it's one institution, but in fact, it's a group of institutions. There is IDA with concessional money and grant money for the poorest countries, there is IBRD, which is actually a profitable bank doing long-term lending to middle income and lower middle income countries, profitable in the sense that while it lends at very small margin, it covers its costs. And I'm sure you're going to bring this message to Congress and other parliaments around the world.

And there is, of course, the IFC, the private sector branch, which is highly successful. There are other parts, MIGA and so on, and as you said in your speech, the old kind of distinction between, you know, the poor and the rich, the poor countries, the rich countries, is kind of fading away, and yet, poverty remains a huge challenge.

How do you look at this diversity? Is it the strength of the World Bank, but maybe can it also lead to loss of focus? There are all these different constituencies out there.

DR. KIM: Right. Right. Well, you know, we have 188 member countries, so the diversity starts right there. So, in board meetings in discussion with our

executive directors and representatives from those countries, there are very divergent views on the direction the Bank should go.

But that's the whole point of multilateralism. The point of multilateralism is that we sit in a room together and then we try to find ways forward that make sense to 188 member countries. There are always dissenters, but I think that that discussion is one of the most important pieces -- I'm a believer in multilateralism and I've worked in the UN system before and I think that the ability to do great work in a multilateral context is critical for the world, so let me start with that.

You know, I've spent a lot of time now talking to the different people in different parts of the organization, and, again, as I walk the halls, there's an intense desire to integrate across the institution. So, if you look at IDA, IBRD, IFC, MIGA, ICSID, these are the five entities that exist, but the way I look at it is that in any given country, when we go to a country, we should be able to sit down and say to them, as a group, we can help you do an understanding of your role in the current macroeconomic context, we can help you with fiscal policy, we can help you with healthcare, education, social protection programs, we can help you with infrastructure, oh, and by the way, we can also help you think about, for example, which cluster you should invest in in the private sector.

The fact that we can do all of those things gives us, I think, an enormous relevance to countries all over the world, and the issue that now we're taking up day in and day out is how can we integrate more. Just this morning I was hearing, we are at our best when we collaborate across sectors and divisions and even regions, that's when we're at our best, and you know how that works, Kemal. When there's an emergency situation, you get on the phone and you call all your best people and they come and we have had transformational impact in certain countries.

Now, is there a way for us to be able to do that all the time across all the five entities? Let me just say that I'm encouraged by the willingness and the desire of World Bank staff to move in that direction. Now, you know, the implementation is going to be complicated, but that's precisely what we have to do. We have to be the institution that integrates across all our different areas and provides enormous value to our member countries.

You know, we talk a lot about knowledge, you know, the Bank is a knowledge institution. There are many more PhDs at the World Bank than there were at the Ivy League institution I was president of before I came here, right, so for me it's just stunning the combination of direct, on the ground experience.

In coming in, meeting all these people who have been trying to solve problems in developing countries for 20 years, has been just the most exhilarating experience. It's what I've been doing, so it's really felt like I've met just an incredible group of people with a rich set of experiences.

At the same time over 66 years we have data. In fact, we have so much data that some of it is on onion skin paper sitting in salt mines in Pennsylvania.

Now, Bob Zoelick, among his many legacies, is going to be the fact that he's opened up the institution to make that data available to everyone, and that's fantastic, it's really important. But then we also have this analytic capacity.

So, on the ground experience, lots of data, tremendous analytic capacity, I just don't think that that kind of combination is matched anywhere in the world. So, for me, that means we have an even greater responsibility to be our best selves every single day.

MR. DERVIS: Yeah, the capacity is, really, as you say --

DR. KIM: Is enormous.

MR. DERVIS: -- is enormous. And on the internal data, we're trying to learn from you here at Brookings, but today is a breakthrough moment. I'm doing a little advertisement, also, for us, but we have the Data Visualization Project with poverty data, demographics, income, and all that accessible now on the website for everybody to see. But we're learning a lot from how the World Bank has done that.

Now, you mentioned this diversity and you've been a leader in social policy and social analysis and health, you led a very important part of the United Nations. What are the common features you see? Because, you know, everything is different, I mean, macroeconomics, finance, health, transportation, energy, but there are common features in policy --

DR. KIM: Sure.

MR. DERVIS: -- which I'm sure you've encountered in your career. What would you stress among these common features?

DR. KIM: Yeah. So, one of the things that has now affected every discipline, including economics, if I might say, is this notion that we can create an evidence base around -- and measure things that we never thought we could measure before.

You know, we talk a lot about evidence-based medicine. Evidence-based medicine, of course, is everywhere, but it's only about 30 years old. I mean, I remember when I started medical school in 1982 that it was just the beginning of talking about we can generate evidence around the things that we do and it's not, you know, any longer the sort of experienced clinician who's saying to you, well, we do this because that's what we do.

This is now a revolution that's happening everywhere. I mean, as you know, the randomized evaluations and data collection methods have expanded, but more

generally, I think that there's a commitment to evidence everywhere.

The other thing that I think is critical is that we have to now focus on actually delivering results on the ground. That's everywhere, right. So, there is -- the ability to collect more evidence has really focused on results on the ground and one of the things that I was working on before I came to the World Bank was that I thought that there could be a science of how to actually deliver results in the social sector and would say many times that the thing about working in the social sector is that so often we have been very tolerant of poor execution. Great idea, put some money to it, but we haven't really focused on the science of execution.

And so at the Bank, there are so many people who are really great implementers. We haven't done enough, I don't think, in terms of capturing that experience and knowledge about how to actually make something work on the ground, systematizing, and then spreading it to everybody.

So, there is a common sense, and let me just use healthcare as an example, the notion that if you have, you know, good research, good tools, put it in the hands of trustworthy individuals, and you're done, as opposed to thinking, what is it that you really need to do to make sure that you deliver value at the end of the day.

It's something that I hear a lot inside the Bank from our staff. We really want to turn the focus of the Bank more toward, what are the specific outcomes and results that we're achieving on the ground and how can we set up a system so that that is what you're rewarded for, actually delivering the results on the ground. And I think there's a science to it, thinking, you know, we have systems engineers at the Bank who are very good at thinking about how to make things happen like that.

So, you know, everyone is focused on results on the ground, delivery, what is the science of delivery, what's the science of execution, how can we look at the

things around which we have our greatest, highest aspirations -- health, education, social welfare, environmental sustainability -- and how can we be much more focused on actually being effective at delivering on the ground.

I think there is a -- I use the word science aspirationally, of course, but I think there is a science there and I think economics is critical to it, I think systems engineering, I think some of the management disciplines can be helpful to us, and so the very same problems we're seeing in global health, which is, you know, how do we take the money that we now have and make sure that it has a longer lasting impact and that actually builds systems, I think that's true throughout the work that we do with the Bank.

MR. DERVIS: Yeah, I think those are really important points and the systems approach, you know, in so many areas, is so effective.

DR. KIM: Right.

MR. DERVIS: The days when the just money output is what counted are gone.

DR. KIM: I think they're gone.

MR. DERVIS: I think we've seen in economic history you can spend a lot of money and have very little impact or you can spend less money and have more impact.

DR. KIM: Right.

MR. DERVIS: Now, I'm going to go to -- you mentioned the lessons learned and, you know, the cross-fertilization between developing countries, and I think that that's very important. Korea is one of the big success stories and many countries want to learn from it.

But now something else has come up, which is very exciting, but politically quite challenging. I've been working on Europe quite a bit lately and, you know,

fiscal policy, spending less, getting more government revenue is one part of the picture, but if that's all that we can offer to get the crisis countries over their difficulties, it's not going to be possible.

They need growth, they need supply side response, they need new ways of doing things, and, I am, of course, a little bit biased, but the Bank has a lot of that knowledge and, you know, we've seen the IMF in many ways over the last five years becoming, for the first time, a truly global institution.

DR. KIM: Yeah.

MR. DERVIS: Maybe in some ways, not the same way, perhaps, but in some ways the challenge is there also for the Bank. I can think of countries such as Spain or Greece that would greatly benefit from the knowledge of the Bank from the experience of Korea, from the experience of other countries, such as you mentioned, Brazil and Mexico, but it's politically, of course, a challenging task, in a sense.

DR. KIM: Sure. One of the things we know -- so, as we look around at the different regions and the different countries, we know that Latin America weathered the financial crisis fairly well. And if you look at the reasons, I mean, this is not -- you know, many people may have their differing opinions, but as we look at it, we think, well, what did they do? They opened up their economies. They developed regionally in a very effective way. They developed social protection programs like Progresso and Oportunidades, in Brazil. They reduced income inequality.

So, there's a lot of things that they did that seem to have prepared them to weather the financial crisis.

Let me give you another example. And, again, these are, how can we learn from the developing countries, middle income countries in thinking about responding to the current crisis?

So, take a look at Korea, and let me just give you one example that was very close to my heart, when the crisis of the late '90s hit, one of the most astounding things to me was that Koreans started going into their jewelry boxes and they took out gold, they gave away rings, and there were places where Korean citizens could just put their gold. And that added up to a billion dollars, right, so it might not have been the cash that turned the situation around, but the issue was solidarity.

MR. DERVIS: Sure.

DR. KIM: Right. The issue was a very fundamental solidarity. The Korean people, everyday people were saying, we want to contribute to the recovery, and they did that.

Now, it strikes me that solidarity is a major question in the crisis today. So, I think the world has changed and I think there are many lessons from the developing countries that can be useful anywhere. I mean, I'd love to hear more about Turkey. Again, Turkey, our work in Turkey with you, is one of the times when our staff remember we were at our best.

MR. DERVIS: Thank you very much. Well, I think there are lessons and there are big successes. Sometimes there are also mistakes and failures one can learn from, but as I look at the very severe situation in southern Europe with unemployment, you know, in some countries, above 20 percent, youth unemployment 40 percent, you can't fix this just with macroeconomic tools. You need the sectoral knowledge, and who has the best sectoral knowledge globally? It is really the World Bank.

So, I hope the world community will find a way to access that and to help overcome this crisis, which, as you said, is affecting the whole world.

So, we're now going to open it up to the floor. I will propose, if it's okay with you, to take three questions at a time.

DR. KIM: Sure. Sure.

MR. DERVIS: So that, you know, we gain a little bit of time, and then you can answer. Sometimes questions overlap. You can answer in the most efficient way.

Yes, we'll start with here. Please, do identify yourself.

DR. KIM: And use a microphone.

MR. DERVIS: And use the microphone. Yes.

SPEAKER: Thank you very much. I'm from JICA, Japan International Cooperation Agency. I thank you very much, first of all, for your comprehensive remarks and very interesting discussion with Kemal, and I'm also glad that you kindly meet up with our new president, Mr. Tanaka, Dr. Tanaka quite soon. And I'm looking forward to seeing you there as well.

My question is your view about the role of government in development. You know, in this country, it is always, you know, discussed whether the government is a problem or the solution, or at least part of the solution, and in the developing world there is a discussion between like the Washington consensus, there is also like a Beijing consensus, even though the definition of Beijing consensus is different, you know, among various experts, I believe.

I wonder, you know -- but given the experiences in Korea or other countries in Asia or ASEAN countries, or even including Japan, I think, you know, there might be a big role that government can play although the market is a kind of driving force of the economic development.

So, I just would like to know your view about the role of government and how you rely on the developing partner's country government for the World Bank development assistance.

MR. DERVIS: Thank you very much. We'll take two more questions.

Yes?

SPEAKER: Hello, I'm (inaudible) Rubin. I'm with the Information Technology Industry Council and I previously worked for Senator Luger on the staff of the Senate Foreign Relations Committee and helped him campaign for transparency and anti-corruption reform as related to development banks. And I was intrigued by your comments about social accountability and I was wondering if you could tell us more about your goals for that and what you envision the structure to look like and how you expect the social accountability arm to interact with the private sector and civil society.

MR. DERVIS: Antoine?

SPEAKER: Antoine (inaudible), former World Bank and IFC staff member and have been investing in emerging markets.

I had a question on the social safety net that you mentioned very prominently, I think, as a theme. What is the evidence that it has buffered crisis, and is there also evidence that it sometimes has delayed the response or the recovery?

MR. DERVIS: All right, we'll take these three.

DR. KIM: Okay. So --

MR. DERVIS: Each one of them a big subject in itself.

DR. KIM: Yes. Yes. So, in terms of the role of government, I think one of the things, again, that I'm learning as I walk the halls of the World Bank, is that I hear it repeated again and again, there is no one-size-fits-all solution.

I think the Bank, at one point, has been criticized for taking that position. So, in terms of the role of government, I think the -- every country is a little bit different and I think there's no question that there is a role for government, even in setting up an environment where private sector investment can be enhanced.

But I think the most important answer to your question is that the Bank now prides itself on taking every country on its own terms and not making any across-the-board kinds of recommendations about the role of governments or markets. I mean, this is very important that everyone understand. The Bank is different now and it's evolved -- I would say it's evolved as much or more than any institution I've ever seen in terms of the way it works in individual countries.

In terms of the social accountability, this is very new and I don't know very many details about the particular social accountability program that I mentioned, but it's one that Sanjay Pradhan in the World Bank Institute is heading up, and it is really significant in the sense that, you know, for a long time civil society organizations were outside the door at the World Bank meetings, and Jim Wolfensohn, one of his great legacies is that he brought them inside the door. And now, I think, this sets us up for a partnership with civil society organizations that is just much more -- much more advanced than I think ever before.

And of course, the intention is that our engagement with civil society will increase over time.

In terms of the evidence of social safety nets, I actually don't know, and if you do, I'd love to hear. I don't know either. But I can tell you this, in walking through today the Middle East and North Africa unit of the World Bank, there are pictures all over the unit that are from the Arab Spring and they're very beautiful, poignant pictures about what happened. And so, the notion that that would happen in the states that it happened is something that we couldn't have imagined.

Now, I worked in Peru, and I worked in Peru right after some of the shocks, and I was there witnessing just enormous social movements. There was one in particular called the *Comedores Populares*, the popular soup kitchens. And so, in Peru,

it's sort of been a part of the fabric -- the social fabric, for a long time. But no one would have guessed, no one would have guessed, that it would have happened in those countries, but it did, and I think it sent a message to everybody that if you don't focus on inclusion, if you don't have these safety nets that will protect people from, for example, a catastrophic illness that just sends an entire extended family into poverty, if you don't have these social safety nets, you are at risk.

That's the message that everyone has gotten. Whether there's been some sort of specific study, I'm just not aware of it, but inside the Bank, I can tell you, that the lessons of the Arab Spring have been very strongly taken and it suggests to us that one of the things that we can do to add value, in just about any country, is to do an assessment of the public sector expenditures that one is engaged in and to say, well, you know, actually you're not getting much value from, for example, fuel subsidies, but there are other, like these conditional cash transfer programs, that can have an enormous value.

And so, that's what the bank has to do. We're not going to come in and dictate to any particular country what you should do, but what we can do is to say, boy, there's a lot of evidence that this form of social protection is going to give you much more value than this other form of what you might think is social protection.

MR. DERVIS: Yes?

SPEAKER: Thank you for coming here. There are a good number of people from the Bank who are working now in Brookings, so -- I spent 20 years at the Bank, we all love the Bank.

Now, you just spoke about the social part of the Bank and the need to base Bank policy on evidence. The Bank has a longstanding problem, has an imminent problem, which is economic research, has no department, no unit specialized in doing

systematic social research and producing the evidence for social policies, for basic policies and program on evidence.

Second issue which concerns many of us is one of your predecessors, Jim Wolfensohn, also Jim, spent two terms to build many things at the Bank, one of which was a central vice presidency for environmental and social sustainable development, which was in charge of crafting Bank policies, policies to which you just referred.

Well, it happens that the immediate successor to Jim, abolished one vice presidency from the 25 the Bank had because there were too many and he found to abolish exactly the policies -- the vice presidency focusing on social policies, elaborating the social policies with the Bank and the environmental policies.

So, at this time that staff was moved, for instance, in infrastructure, there's a good job there, but does operational work and the Bank has now nerve center to develop further and update the Bank's social policies and environmental policies, which are in big demand.

Do you have any intentions, plans for that?

MR. DERVIS: Thank you.

MR. MCDONALD: I'm Lawrence McDonald from the Center for Global Development. Thank you very much for your remarks and congratulations on becoming President of the Bank.

My question concerns the scope for the World Bank to become more active and effective in addressing problems of global public goods. Many of the problems that confront poor people in developing countries are problems of the global commons. Climate is just the most obvious, the collapse of the fisheries, emerging diseases, and yet the Bank's primary instrument, of course, continues to be country loans.

Do you see an opportunity to seek a mandate to become more active in addressing global public goods problems? And would that require a new instrument or do you already have the instruments that you need? Thank you.

MR. DERVIS: All right. There's one gentleman there. Yeah.

SPEAKER: Thank you. My name is (inaudible) and I work Institute for Development Policy. It's a CSO based in Prishtina, Kosovo and my question to Dr. Kim, it's a great pleasure, actually, to be here and listen to you. Congratulations on the post.

My question has to do with the role that the World Bank you see should be taken in terms of developing energy projects worldwide.

Now, I'm sure you're very well aware of the social and environmental costs that relates to many energy projects around the world and the reason why I'm putting this question forth right now is because the World Bank is, at this stage, considering a project in my country, in Kosovo, to invest in lignite and build a new lignite based power plant. And we have -- as civil society organizations in Kosovo, we tried to be as loud as we could that that probably is a bad idea because of all the social and environmental and also economic reasons as well, and we have worked with many people who have been also working within the World Bank and just recently left the World Bank, and one of them is Dr. Daniel Kammen, of U.C. Berkeley who was a chief renewable and energy efficiency technician there and who is now publicly also calling the World Bank to drop the idea of still investing in lignite in third world country, which Kosovo is, and it's getting the IDA money for these projects now.

The project hasn't been yet done. I don't want to be very specific because I know it's just your 17th day in your office and you probably don't know all the aspects related to it, but I would really appreciate to know what path do you see the World Bank should take in terms of investing in energy in the future and do you see that it

should still be investing in lignite in a country such as Kosovo. Thank you.

MR. DERVIS: All right.

DR. KIM: Easy ones.

MR. DERVIS: Yes. (Laughter)

DR. KIM: So, I'm not really familiar with what you're talking about, which department was eliminated, but we have a very active -- in fact, the largest group in the VP, Vice Presidential Unit in the Bank, it's the Sustainable Development Network. It's headed by a wonderful professional named Rachel Kyte, who came to first the IFC from environmentally-focused NGOs. So, there is quite a bit of research going on and we have a huge investment in our Sustainable Development Network and that will certainly continue.

In terms of the global public goods, again, on my 17th day, we're having these conversations. I'm not sure exactly whether we need new instruments or not, but I can just tell you this: We just had a presentation to the board on the Rio+20 meetings and Rachel and our Sustainable Development group were very involved in that meeting, and, interestingly, many of the most interesting discussions happened really outside of the main meeting with CSOs and NGOs and I think really as part of a shift that's been occurring over time, the World Bank was right in the middle of those discussions, and, so, our commitment to global public goods is very strong.

Now, the social accountability arm, the instrument that we're just building is increasing our ability to work directly with civil society organizations. Are we going to need to do more of that in order to be able to really have a broader impact on global public goods? I certainly hope so. My understanding of global public goods has been from my global health background, tuberculosis crosses borders, the epidemics that cross borders and you absolutely need global mechanisms to deal with those problems. I think our governors -- the board and the governors -- expect the World Bank to play a very large role in climate change

issues and other environmental issues and trying to make contributions around global public goods. We'll simply have to figure out over time the best mechanisms to do that. The commitment to it is there, the notion that we need to reach beyond the traditional mechanisms, work with civil society organizations, get outside of the standard ways that we've been doing business before. I think we're already there.

In terms of Kosovo, well, you can imagine these are very difficult questions and energy is a critical part of boosting prosperity and eradicating poverty. We talk about this all the time with relation to Africa. We know that we want more private sector investments in Africa to create the kind of jobs that are needed in Africa, but if you don't have access to power, it's impossible for that kind of development to happen.

So, there are differing views within the World Bank, there are different views about this tradeoff between our need to keep the environment clean and poorer countries' need for energy. So, I would simply say this is part of my new job and my new experience in trying to deal in a multilateral organization where people have very different views. One group will say we must protect the environment; the other group will say but wait a minute, you also use coal and they said this to the wealthy countries. You also use coal and you fueled your development on the basis of coal. We simply want to provide power to our hospitals, we want to provide lights for the schools, we want to provide energy so that the private sector can develop; we need to do that.

Now, our standards on clean energy are very high. Our efforts to develop clean energy projects is also as high as it can be, but we're dealing in a complicated world where you have these competing demands for energy for development versus our desperate need to keep the environment clean.

Look, I've been trained in science and I think I'm actually the first one trained in science as president of the World Bank, and, so, I have to tell you that the data

that I'm seeing about changes that are happening today that we didn't think would happen for three or four years, the impact of a one degree rise in the temperature of the oceans that we didn't think would happen until we got two or three degrees rise in the temperature of the oceans, this is extremely disturbing to me and I think we have to put the science of climate change in front of all of our member countries and I guarantee you that I will do that. But having said that, you should also know that there is a need for energy to lift people out of poverty and boost prosperity. And, so, we're going to be constantly having to balance those needs and those interests and that's part of my job.

MR. DERVIS: Okay, we'll take quick -- but please, because we're running out of time, quick three questions. First one here, yes.

MR. MITCHELL: Thanks very much. I'm Garrett Mitchell and I write the *Mitchell Report*.

And I want to ask a question that's slightly off subject not about the work of the Bank itself, but because I notice you're also an anthropologist about its culture. About 10 years ago, I happened onto a book called *The Springboard* story by Stephen Denning, which talked about the use of springboard stories to create a knowledge management system at the World Bank. And, so, my question is twofold. One, is the knowledge management system at the World Bank alive and well and an operating part of your mission delivery process? And second, does the concept of the springboard story play a role currently and into the future of the bank communicating its mission and delivering on that mission?

MR. DERVIS: Yes, gentleman all the way in the back there.

MR. YU: Thank you.

MR. DERVIS: Quick and succinct, please. Okay, yes.

MR. YU: Okay. Thank you, Dr. Kim. My name is Donghui Yu with China

Review News Agency.

What role do you expect China to play in the World Bank and the international financial system and do you support to further increase the leading share and more say for China and also other emerging countries? Thank you.

MR. DERVIS: Thank you. All right, I'm going to try to create some balance. Yes, to you. Sorry, maybe very quickly we'll add you to be the last, okay? But yes, the lady there. Right. The gentleman at the back was trying very hard for a long time so I can't pass him by.

MS. MALOUF: Hi, my name is Katie Malouf with Oxfam International.

And I was interested in what you were saying inclusive growth being one of the four challenges that we all face in global development and I wanted to know to what extent do you see investments in public education and health systems as being central to realizing inclusive growth and also what do you think is the most important contribution the World Bank can make to achieving universal access to basic health services in developing countries?

MR. DERVIS: Thank you and the last question now. Yes.

SPEAKER: Thank you very much. My name is Hormano. I come from Latin America, the division of the Voice of America.

So, you have talked about how opening the markets has been very useful in Latin America. In the last months, we have seen how some countries are now going the opposite direction, closing the markets again. I want to know do you see that as a challenge and also how do you see the role of Latin America in the future years? How is the World Bank going to act if you have any ideas so far? Thank you very much.

MR. DERVIS: Thank you.

DR. KIM: Okay. So, I don't know *The Springboard* story, but I will get that

book and read it. So, I would say knowledge management is among the most important things that the World Bank can do and there have been many efforts to try to do that.

I mean, first of all, one of the things we're trying to do is to measure the impact of our knowledge work. Now, again, 10 years ago, you'd say oh, that's impossible to do, but actually, we're making progress in understanding how to measure the impact of our knowledge, but knowledge management is critical, and, so, now we're asking ourselves questions like: Well, so, how should we get all of the best of the knowledge inside the Bank to every place that we need to be and do it quickly and effectively? I think technology gives us some opportunities, but I think there are a lot of new insights in how matrix organizations and systems can work more effectively together. So, I would just say this is at the very top of my priority list.

I'm also the first Bank president to ever have run a knowledge institution before. So, I would come to this job with a lot of ideas about how to manage knowledge, but how to make it effective and be present where we need it, but the key to doing that is to have a lot of great people who actually have knowledge and the good news is we have plenty of those. So, now it's really a management task more than overhauling our staff. We have great staff.

In terms of China, China has an extremely critical role to play in the World Bank going forward as not only as a recipient of loans, but as a contributor and China's also been making contributions to the World Bank.

In terms of share, this is a very difficult and complicated issue and it's one that our governors are going to take on again going forward. So, in this particular case of whether or not we're going to adjust shares, as you can imagine, this is a highly lively debate that happens within our board and among the governors and I look forward to participating in that discussion going forward, but I'm not sure which direction it will go. There are many

different ways that it can go, there are many different ways to have that conversation, there are many different ways to understanding what "share" really means and I think after two-and-a-half weeks, I don't have strongly-formed views about it, but I look forward to the conversation.

In terms of health and education, both of those areas are critical and there are two areas of expertise that, again, are areas that I've worked on in the past. Let me talk specifically about universal access to health care. So, next week, we have 45,000 people coming for the International Aid Society meeting. There have been enormous investments in HIV, but if you go back and look at the stuff that I was saying in 2003 and 2002 when we first started seeing those investments, what I said over and over again is the investment in HIV is our opportunity to really invest in systems. The critical thing about investing in HIV treatment was that for the first time we invested in chronic treatment, lifelong treatment for disease in the poorest countries in the world that forces you to put systems together. So, I think the discussion is moving in a great direction.

What the HIV people are now saying is well, what about MDGs four and five? What are childhood mortality and maternal mortality? What are we going to do to tackle those particular problems? And I think the most important thing is related to what I said earlier: We have to understand this as a systems and delivery problem and not as a disease problem. The aspects of this problem that need to be handled by highly-trained physicians are actually quite narrow. The real problems are setting up the delivery systems that can not only protect people from the diseases of today, but from the diseases of tomorrow and there's enough money out there in the world that we can begin moving in that direction. That's how I would like to see the World Bank engage. We are really good at thinking about systems, we are really good at managing processes at a country level and we're also really good at thinking about how to set up systems that deliver. So, wouldn't it

be great if we could take all this investment in global health and in every single country build systems?

At Partners in Health, the organization I worked with before, every country we've gone into, and Rwanda's a good example, we've gone in and said we're going to take this money for HIV treatment and turn it into primary health care systems and I think the evidence is overwhelming that it's both doable and cost effective. And the other thing that we've seen that we didn't expect was that once we built those systems, the economy sprouted up around those health care systems and actually contributed to the economic growth of those countries.

So, one, health and education are critical to economic development in my view. I think the evidence is very good for that. But also, I think the Bank is a very unique and wonderful contribution to make, which is to say hey, folks, these really aren't medical problems, they're partly medical problems, but the big chunk of it that we can help you with is what's going to give you the long-lasting impact, protect you from future disease outbreaks, and also help to build your economy.

And Latin America. So, I'm not quite sure I understood the question. Again, let me just say that for the World Bank, again, the mantra that's repeated over and over again in the halls of the World Bank is there's no one-size-fits-all solution, and in terms of learning the lessons of Latin America, I think that one of the really remarkable aspects of programs like *Bolsa Familia* and *Oportunidades* is that the lessons are being learned everywhere.

So, one of my favorite stories is the fact that Michael Bloomberg, the mayor of New York City actually flew down to Mexico and was with Julio Frenk at that time trying to understand how *Oportunidades* was working and built a program in New York City called Opportunities New York with the notion that these conditional cash transfer programs could

have an impact even in places like New York City.

So, let me just say that the approach to Latin America both as a place where we still lend money, but also as a fountain of innovation that can be useful in other parts of the world. This is something that we already recognize, the model of social protection that has been pioneered in Latin America now we're taking to many others parts of the world. And I think that's just the future. I think we have to realize that it may be that it's in the most financially-constrained areas where the greatest social innovations can occur. But it's under the pressure of those financial constraints that you really see the create innovations and we have to be open to it.

There's a health care program in Camden, New Jersey, run by Jeff Brenner that's using a community health worker model that we started in Haiti 25 years ago because they know it's not only cost effective, but you get better health outcomes in Camden, New Jersey, when you use community health workers.

I think that's the new world. Lessons are going to come from everywhere. It's not rich countries imparting their lessons on poor countries, but lessons are going in every direction.

MR. DERVIS: Thank you so much. There's no way to summarize and that's not my role anyway, but I have to say that you gave us an amazing combination of confidence and optimism, which is so important in a leader. Wide array of knowledge and the questions were not easy. And familiarity with so many areas where the Bank is active, I think many of also felt the enthusiasm you have for the Bank staff and for the people, the women and the men who are going to work with you, and I think that's key because, after all, it's the strongest resource of the World Bank.

DR. KIM: Absolutely. Absolutely.

MR. DERVIS: So, I'm very deeply grateful on behalf of this whole audience

and on behalf on Brookings, President Talbot, that you came here and talked to us. I think it's your first talk outside the Bank. We'll be restrained. We won't kind of invite you immediately again. (Laughter) But I really hope that maybe a year or 18 months from now or maybe in Aspen next summer, after 1 year of experience and we can have some follow-up. We're very grateful, we wish you all the best and really I think our hearts are with you. Please, the audience, remain seated. Strobe will accompany Jim, but let's first thank him. (Applause)

DR. KIM: You're welcome.

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