

Dr Kim's hypertensive patient

by Robin Davies

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The **choice** of physician-anthropologist **Jim Yong Kim** to lead the World Bank causes no immediate disturbance of the status quo: an American leads the bank, a European the International Monetary Fund, the year's at the spring and all's right with the world. The other candidates, Nigerian finance minister **Ngozi Okonjo-Iweala** and former Colombian finance minister **José Antonio Ocampo** (who withdrew late in the race) are sour but unsurprised. Ocampo's view from the outset was that he was putting "a stone in the road toward a democratic process". Okonjo-Iweala said just before the vote, "you know this thing is not really being decided on merit".

The process by which the choice was made has deservedly generated much discussion. It had at least four notable features. First, it was the first time the position had been opened for nominations and contested, and almost certainly the last time that being a US citizen will be an unwritten prerequisite for appointment. Second, it was the first time even a rudimentary **process** had been established to identify candidates and assess their merit (regardless of whether all agree that relative merit was reflected in the outcome). Third, it demonstrated – if this needed demonstrating – that the emerging economies are far from being ready to act as a policy bloc in such matters: they could not unify behind a single candidate (South Africa nominated and Brazil supported Okonjo-Iweala; Russia and Mexico supported Kim). And fourth, though President Obama was not ready to concede the job to a non-American, he wielded his de facto appointment power to put in place a person very different from the **eleven preceding presidents** (a non-economist and a development expert, born in developing Korea) – a person who, by virtue of that difference, never would have been selected by the Bank's directors in a genuinely competitive process. Obama presumably believes that he dictated benevolently.

The debate about Kim's qualifications for the job is now academic: what matters is what he is going to do with it. He is nothing if not a fresh and surprising choice. We can be reasonably sure he will, at least for a time, look at the operations of the bank from first principles and contemplate significant changes. We cannot be entirely sure this would have been true of Okonjo-Iweala or Ocampo, despite their both calling for a "shake-up" of the institution. What is of most interest, now, about the

contest for the position is what the candidates said about their visions for the bank's future. A corollary of the first two points above is that this was the first time any contender for the presidency has had to justify his or her claims on it. All three candidates published **pieces** in *The Financial Times* and gave **interviews** to *The New York Times* and other news outlets, and two of them (not Kim) appeared at extended **question-and-answer sessions** organised by *The Washington Post* in conjunction with the Centre for Global Development. In addition, the US Treasury published the **statement** Kim made to the Board of Executive Directors in support of his candidacy. While the three candidates did not engage in a stand-up debate as archly suggested by Okonjo-Iweala, we have had a fairly good look at their ideas.

To an extent, the candidates all couched their claims in terms of their credentials, including in each case their experience of growing up and working in developing countries (Kim left Korea at the age of five). Much of the criticism of Kim's nomination has concentrated on the obvious hole in his CV – he has not previously managed an economy or a bank – so he was at pains to stress the undeniable point that nobody who runs the bank can possibly have strengths in all the areas required. But the candidates all, in varying degrees, went beyond their credentials to explain their visions – which gives us a rare chance to consider the views of three people who are not merely commentators but who, each for a time, must have thought they had at least an outside chance of running the bank.

Reading or listening to the three candidates in turn, common themes emerge – some of which are already reflected in the bank's **six strategic themes** as articulated by Robert Zoellick early in his presidency. Certainly, there are differences: Okonjo-Iweala is particularly strong on job creation and internal process reform, Ocampo on the bank's role in middle-income countries and its relationship with the rest of the multilateral system, and Kim on inclusive growth (though keen to put *Dying for Growth* behind him) and evidence-based, as distinct from “ideological”, approaches to development. But all agree on essentially the following points: that the bank needs more capital, that it must deal more effectively with the special needs of weak states (interestingly, Kim singles out small states), that it must deal more effectively with the special and very different needs of middle-income countries, that it needs to focus more squarely on reducing inequality and promoting employment, particularly for the young, that it has a central role to play in helping supply global public goods, that it must become more nimble and better at knowledge-sharing, and that it must learn to operate more collaboratively. All three candidates, and many **other commentators** on bank affairs, are more or less explicit on these points.

But, in the above, there are some gaps and partial insights – which I think reflects the fact that the candidates were marketing their visions to a series of stakeholders, each of whom might have only one or two major interests in the future of the bank:

executive directors who represent individual countries or groups of countries; client governments; donor governments; non-government organisations; and various thematic interest groups. If, instead, we adopt the more private and practical perspective of the leader considering an integrated process of policy and institutional change, then we start to see some shortcomings. For example, we heard nothing from the candidates about just how the bank should differentiate and balance its poor- and middle-income-country work, nothing on how it should balance its country- and global-level work and actually execute the latter, nothing on how the bank should define and manage its relationships with other international financial institutions, and nothing concrete on how it might modify the instruments and processes it uses to achieve results.

Interesting as the candidates' various statements were, a more nuanced discussion of the future of the bank is needed. The challenge facing Kim is not merely better to serve a series of clients by better operating a series of funds. That, in fact, might be a defensible caricature of Zoellick's approach. Kim's challenge, rather, is to resolve or at least creatively manage a set of current and emerging tensions, many of which are present just under the surface of the candidates' stated visions, so as to be able to capitalise on the bank's undeniable strengths. I would summarise the tensions facing Kim in the following four points:

1. Competition or collaboration?

The bank needs capital to be credible; it can't be a "knowledge bank" alone, particularly in times of crisis. However, how much capital you think it needs depends on where you draw the boundaries around its role. Unless you really believe that competition between multilateral organisations is a healthy thing (and this is sometimes said), the bank needs not only to collaborate with other multilateral organisations but also to divide labour with them. Regional development banks in Africa, Asia, Latin America and Europe are generally seen to be more aligned with the interests of the governments they serve, and are strong investors in infrastructure and regional integration. All these banks' capital requirements will increasingly need to be considered in a holistic way, in the context of an agreed division of labour.

2. One Bank or two?

Zoellick has said much about the new "multipolar" world but in the bank's world there are two main poles, south- and north-tending: the category of low-income countries, steadily shrinking toward a stubborn core, and the **growing** category of middle-income countries. The way the bank works in these two country groupings is basically the same, with adjustments. The **International Development Association**

(IDA) and the [International Bank for Reconstruction and Development](#) (IBRD), while notionally distinct, are the one institution, providing finance on softer or harder terms to two sets of clients. Now this single institution is being called upon to redouble efforts to reduce poverty in middle-income countries, which on [one estimate](#) contain three-quarters of the world's poor, and to deliver solutions to entrenched poverty in the poorest countries. Perhaps this is simply unfeasible. Perhaps there's a case for institutional differentiation in the way the bank deals with poor and middle-income countries – a real, rather than notional distinction between IDA and the IBRD as institutions, which would allow for a sharper differentiation of skills, resource allocation policies, and tools. As part of this, each institution could be allowed greater flexibility to offer financial products that meet specific circumstances – softer terms to middle-income countries for high-risk social or environmental programs, harder terms to low-income countries for high-return turnkey investments. At the same time, the rather distant relationship between IDA, IBRD and the [International Finance Corporation](#) (IFC) might bear reconsideration from a [poverty impact](#) perspective.

3. Local or global public goods?

The bank's approach for most of its sixty-year life has been primarily country-based: money was lent to governments in support of their national development priorities. Now, though, the bank operates numerous large [trust funds](#) that are generally intended to support action on global public goods: climate change mitigation and adaptation, environmental protection, food security, and so on. Many of these came into being in the Zoellick era, largely at the behest of thematically-minded donors but also as a way of getting around inflexibilities in the resource allocation models used for IDA and the IBRD. Decisions on how to spend these funds are often made by fund-specific councils rather than the bank's own management or board. In the end, though, this money either gets spent at country level or passed to other multilateral organisations. The bank does not itself “supply” global public goods. How then should the bank actually execute support for the provision of global public goods, which so many people want it to provide? In particular, how can it avoid cutting across the country strategies it negotiates with governments, or moving unduly into the territory of other multilateral organisations with thematic mandates, or simply becoming the World Trustee? At least part of the answer here is a more strategic approach to the construction and use of thematically-based funding vehicles.

4. Responsiveness or innovation?

Okonjo-Iweala and Kim, in particular, were emphatic that the bank needs to be more receptive and responsive to the needs and requests of its members. But there are

obviously potential trade-offs between doing what clients want (that is, lending money as cheaply and with as few strings attached as possible, or providing rapid-fire technical advice) and using resources efficiently and effectively. Certainly it would be better from a client perspective if the bank could process loans and grants faster or get high-level advisers into position in days rather than weeks. However, from a wider perspective, it would also be better if the bank could stretch its resources further by using guarantees and aid-backed bonds more extensively, or create a larger contingency for post-crisis reconstruction in poor countries, or better integrate funding for thematic priorities into resource mobilization drives and country strategies (point 3, above) or achieve greater integration between the work of the IFC and that of IDA (point 2, above). This requires innovative thinking about resource mobilization and allocation and about institutional arrangements. Some of this might be welcomed by clients but much of it needs to be driven by the bank's leadership.

Much more could be said about each of these tensions. My point here is that, when Kim is done **listening**, he will need to start grappling with these things. Publicly, it is to be expected he will talk about the need to meet the needs of different client groups in different ways, with greater speed, flexibility and integration; about the need to promote growth that is inclusive and sustainable; and about the need to address, somehow, global public goods. That is all right, but the answer is not just raising more money, allocating it a little differently, or ensuring programs are more evidence-based. The bank needs to address the fundamental tensions above and move toward a genuinely differentiated approach in its dealings with low- and middle-income countries, a more strategic approach to supporting the provision of global public goods, a clearer compact with its regional cousins and more creative ways of using money.

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