

The World Bank

Kim selection

The new boss of the World Bank has a tough job. The manner of his appointment has made it tougher

FOR the past decade, two big trends have been reshaping development. One is the growth of new sources of aid and loans, notably middle-income countries such as China, private capital flows and charitable organisations such as the Gates Foundation. This is undermining the dominance of Western institutions. The other is a new way of thinking about development, which focuses less on national plans and more on the rights of individuals and specific groups.

Both trends are profoundly affecting the World Bank, the world's foremost development institution, which got a new president on April 16th. Jim Yong Kim, the head of Dartmouth College in New Hampshire, won the job after a controversial and unprecedented contest. His background and the manner of his appointment raise awkward questions about how the World Bank will adjust to the changes affecting it.

Just before Dr Kim's appointment, Michael Woolcock of the bank's development-research group posted a blog entry on the group's website. He argued that the contest to lead the bank reflected different models of development. In one corner is "Big Development": its aim is the transformation of countries through investment in

large-scale projects such as education, transport and public health. Governments are essential to Big Development: they are responsible for policy overall and are best able to organise nationwide change.

Set against that is "Small Development". "Inspired less by transformational visions of entire countries," Mr Woolcock writes,

and more by the immediate plight of particular demographic groups (AIDS orphans, child soldiers, "the poor") living in particular geographic places (disaster zones, refugee camps, urban slums), Small Development advocates focus not on building systems in the medium run but on compensating for the failure of systems in the short run. "Development" thus becomes an exercise in advocacy, in accurate targeting, in identifying particular "tools" that "work".

The contest for the World Bank's presidency reflected these extremes. Dr Kim's main challenger was Ngozi Okonjo-Iweala, Nigeria's finance minister and its main official in charge of national spending plans. Dr Kim has almost no experience in government. He was head of a small medical charity which pioneered new techniques for identifying which policies work and which target-groups need help.

The question is whether his appointment implies that the World Bank will now move towards the "Small Development" model. Dr Kim himself said almost nothing in public during the contest, so it is impossible to tell what he aims to do. Several bank insiders claimed the selection process had nothing to do with the candidates' merits and everything to do with their nationality (by ignoble tradition, the head of the World Bank has always been, like Dr Kim, American). So little can be inferred from his selection. On the other hand, officials of the Obama administration say they nominated him because he reflects their priorities and could challenge the way the bank works, having not spent half his life working in it. That would seem to imply the bank's largest shareholder wants a shift in emphasis.

Over to him

If so, it would be hard to achieve. The World Bank is the Big Development institution *par excellence*. Lending to governments is its reason for being. There is no consensus in favour of changing this dramatically. As Lant Pritchett, a former bank

staffer and critic of Dr Kim, argues, "humane development, while terrific and noble and important work, is not the same as national development. Famine relief is a holding action, not an agricultural strategy." Since Dr Kim did not outline his ideas in public (when a Washington, DC think-tank invited the candidates to question-and-answer sessions, he did not show up), he can hardly claim a mandate for change.

He may also find it hard to forge a different relationship between the bank and the new donors. In 1990 more than nine out of ten of the world's poorest—those living on \$1 a day or less—lived in poor countries. Now, three-quarters live in middle-income states such as China, India and Brazil. This is a problem for the bank because it mostly still lends to poor countries, not poor people. Since the middle-income states have aid programmes of their own, the bank's direct lending to them is shrinking as a share of total lending.

So Dr Kim needs to figure out what, if anything, the bank's role should be in the countries where most poor people live. That task will be hampered by the manner of his victory. Several emerging nations complained that his appointment was fixed by America and Europe. South Africa's finance minister talked about "serious concerns over the levels of transparency". Guiding the bank through the shifting landscape of development will be hard. By saying nothing about how he intends to do so, Dr Kim has made a bad start. ■

China's current-account surplus

Fair play or foul?

The Chinese yuan now looks close to its fair value

AT ITS peak, of over 10% of GDP in 2007, China's current-account surplus offered firm proof that the yuan was undervalued. The evidence is much less conclusive now. China's currency is 30% stronger in real trade-weighted terms than in 2005, when its peg to the dollar was scrapped. Partly as a result, the country's current-account surplus fell to 2.8% of GDP last year.

Even the International Monetary Fund (IMF), which has been consistently more pessimistic than most economists (see chart on next page), has slashed its forecasts for the surplus. The fund now expects it to dip to only 2.3% of GDP this year, and then to rise gradually to just above 4% of GDP by 2017 (compared with predictions in April 2011 of 6.3% and 8%, respectively). It may still be overegging things, even so. The IMF assumes that China's real trade-weighted exchange rate will remain con- ▶▶



Kim, tight-lipped