

Jim Yong Kim

‘Private investors are crucial’

The World Bank President firmly believes that governments alone cannot mobilise sufficient financial resources to stabilise African countries.

Ahead of his meetings with Chancellor Merkel and African heads of states, World Bank President Jim Yong Kim speaks with Handelsblatt reporter **Donata Riedel**. His main message: In the Internet age, dissatisfaction in Africa could become a threat.

Mr Kim, does the G20’s Compact with Africa initiative mark the beginning of an efficient reorganisation of development cooperation?

The decision to try to encourage companies to invest in developing countries is more than just a new experiment; it is based on analysis. During the negotiations on the UN’s new development goals, it became clear that trillions of US dollars would be needed in order to improve living conditions sufficiently across the world. But development assistance currently amounts to only \$140 billion in total. So private investors are crucial.

How much do living conditions need to improve?

Broadband Internet and smartphones have completely changed the world. By 2025 at the very latest, everyone in every corner of the world will be able to see how people live elsewhere. As a result, people in poor countries have demonstratively higher expectations. They are no longer prepared to put up with a lack of prospects. Instead, they decide to leave, or there are uprisings such as those seen in Tunisia, where extremely high rates of dissatisfaction were recorded shortly before the Arab Spring. The German government has recognised the threat that this could pose to Europe, too.

So what can the Compact initiative achieve?

We can already see that, in Compact countries in which reforms have been initiated, investments have increased much more quickly than in other African countries. Our Doing Business indicator also shows that economies are growing more quickly in countries in which small and medium-sized businesses are being set up. So involving the private sector is not based on ideology; we know from experience that it works.

Did last year’s G20 summit in Hamburg lead to improvements?

Yes. We call the agreements reached at the summit the ‘Hamburg Principles’. They define clear funding hierarchies: Projects that are already economically viable do not receive funding. If investments are not made due to unfavourable general conditions, we help the

governments with reforms through international institutions such as the World Bank, for example by providing budget subsidies. If the risk is too high for companies, we have to improve insurance. That is how we can increase efficiency.