Remarks by World Bank Group President Jim Yong Kim at the Foreign Correspondents Club of Japan

March 13, 2015

World Bank Group President Jim Yong Kim
Tokyo, Japan

As Prepared for Delivery

Thank you all for coming today. For the first time in its history, the World Bank Group has two goals that shape its mission: ending extreme poverty by 2030 and boosting shared prosperity. To accomplish the first, we aim to lower the number of people living on less than $1.25 a day to below 3 percent of the world’s population within 15 years. To accomplish the second, we need to ensure gains from economic growth accrue at a higher rate to the lower 40 percent of income earners in developing countries than the national rate. We now know that the only way to reach these goals is to accelerate a kind of economic growth that’s more inclusive, socially sustainable, and protects the environment. That’s precisely our plan.

These targets are ambitious, but how humbling it is to know that we are the first generation in human history that can actually end the scourge of extreme poverty in a generation. If we succeed in just 15 years, close to 1 billion fewer people will no longer experience what one of my predecessors, Robert McNamara, called in 1973, “a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities.”

I’m in Japan for the UN’s Disaster Risk Reduction Conference because without better disaster risk management it will be extremely difficult to accomplish our goals. The government of Japan has shown exceptional leadership in improving disaster risk management around the world by supporting critical work in expanding expert knowledge...
and by sharing its own expertise with the world. Prime Minster Abe and his cabinet have been the lead partner in this area and Japan’s continued support is essential if we are to help countries prepare for future disasters.

We could not be more serious about this issue. Disasters – whether they be geological, meteorological or biological – tragically result in loss of life and significant reductions in economic growth. Over the past 30 years, the world has lost more than 2.5 million people and almost $4 trillion because of natural disasters. More than three quarters of these disaster-related deaths are in developing countries, with almost half of them in low-income countries.

In 2010, the earthquake in Haiti destroyed more than a decade of growth. In 2013, Typhoon Haiyan pushed nearly half a million Filipino households into poverty. In the worst affected areas, poverty rates rose to 56 percent. And over the past 16 months, the Ebola epidemic has killed nearly 10,000 people in Guinea, Liberia and Sierra Leone. Let me state clearly that we are still not done in controlling this epidemic and the economic consequences will be continue to be severe until we get to zero cases. In 2015, for example, the World Bank Group estimates that these three countries will forfeit $1.6 billion in economic growth because of Ebola. Prior to the start of the epidemic, these three countries had some of the highest growth rates in the world; now their rates are expected to be near or below zero.

The bottom line is that, to end poverty, we must continue to expand our understanding of how to manage disasters and deploy this knowledge aggressively. Because of climate change, the frequency, intensity, and duration of extreme climatic events will increase. Thus, the disaster risk posed by droughts, earthquakes, and typhoons will only become worse in the future.

Those with much to lose from these developments know these dangers well. According to a Towers Watson survey in 2013, insurance industry executives identified pandemics, hurricanes and earthquakes as the sources of risk that they feared most. And according to this year’s Global Risk Report, compiled by the World Economic Forum, environmental threats topped economic risks in the view of CEOs and business leaders.

These views are driven largely by our failure to adequately prepare for disaster risk. The World Economic Forum’s Risk Report attributed the CEOs’ and business leaders’ conclusions to, in its words, the “marked increase in experts’ negative assessment of existing preparations to cope with challenges such as extreme weather and climate
change.” We share this concern, and would add that risks and potential damage increase in those countries that can least afford it.

Over the past two decades, the international community committed just under $110 billion to disaster relief, prevention and preparedness. This is a small sum when you consider that costs related to disaster recovery worldwide now average close to $200 billion per year, with almost 75 percent of this due to weather-related disasters. And only a little more than 10 percent of disaster aid has funded prevention and preparedness. Compare this to Japan, which allocates about 80 percent of its disaster risk management budget to preparedness.

There’s good reason for Japan’s focus on doing things before a disaster strikes: it saves lives and money. In the fall of 2013, Cyclone Phailin in India tragically took the lives of 40 people. But a storm the same size in 1999 killed 10,000 people. The difference was that the people of India were prepared: A new early warning system and a growing network of cyclone shelters enabled 900,000 people to find a safe haven from the storm. We estimate that every $1 invested in early warning systems can provide as much as $36 in economic benefits because it prevents losses to property and businesses.

According to initial research by the World Bank and others, neglecting disaster prevention may also cause slower economic growth, undermining the most powerful engine we have for ending poverty. Specifically, inadequate prevention measures can lead to a culture of excessive risk aversion when it comes to investment, especially for people who have previously experienced a disaster. People and businesses simply choose not to put capital at risk. We see a form of this in the Ebola epidemic. According to our models, aversion behavior – where people decide not to engage in economic activity in attempts to avoid the risk of exposure – has been driving much of the declines in growth in Guinea, Liberia and Sierra Leone.

Based on this knowledge, we are working to refocus developing countries on prevention and preparedness when it comes to disaster risk management. For example, since last July, we’ve been evaluating the development projects funded through the International Development Association, our fund for the poorest countries, for exposure to these risks. We’ve also incorporated this information into the country partnership frameworks, which define our work in any given country. This means that, going forward, our projects in the poorest and most vulnerable countries will be much better prepared for disasters and climate change.
We’re also working with partners to reduce developing countries’ vulnerability to natural hazards and adapt to climate change. Japan has been an especially good partner in this regard. After the Sendai Dialogue in 2012, we set up a $100 million program to assist countries in managing disaster risks. Run out of Tokyo, this initiative guides countries’ national programs, investors’ investment strategies, and the World Bank Group’s operations.

One of the most important steps we can take to prepare for disasters is to ensure the immediate availability of funding preparedness – something again that Japan knows well. In 2008, a Japanese agricultural cooperative, JA Kyosai, purchased a catastrophic bond from a German reinsurance company, Munich Re, which would pay up to $300 million to the cooperative in the event of certain pre-defined metrics. After the Great East Japan Earthquake of 2011, this instrument became the first catastrophic bond to pay out on the occurrence of a geological event.

Japan has been supportive of the World Bank Group’s efforts to make similar kinds of innovative financing mechanisms available to governments of developing countries. Since 2008, we’ve approved $1.38 billion in contingency loans to help nine countries secure response funding before disaster strikes. Using capital from Japan, we’ve also provided financing for the Pacific Catastrophe Insurance Facility, which helped countries in the Pacific Islands secure $43 million of earthquake, tsunami, and tropical cyclone risk insurance coverage in 2014.

Given the success of these initiatives, we’re examining whether similar approaches could work in crisis situations where financing is absent, such as pandemics. The Ebola crisis shows why this is needed. Once we recognized the severity of the epidemic, the World Bank Group committed more than $500 million quickly to the governments of Guinea, Liberia and Sierra Leone, to help finance their immediate response. But this money only started flowing about eight months after the outbreak began because we and the international community failed to recognize the urgency of the crisis.

We must remember this important lesson from Ebola: We need to respond much more quickly to the next outbreak. To help do this, the World Bank Group is currently developing the concept of a pandemic emergency facility. Our goal is to work with partners to create a financial instrument that rapidly disburses a large amount of funds within eight hours, not eight months, of an outbreak that meets certain objective criteria.
The other main goal of a pandemic facility is to promote greater country investments in preparedness, which starts with having a strong, resilient health system. The Ebola crisis lays bare the consequences of inadequate public health capacity, from disease surveillance and laboratory analysis to frontline health services and community health workers: People die; economic growth rates decline; and countries, their neighbors, and the entire world, are put at risk. These consequences show why Japan's recent $20 million contribution to support our Ebola recovery efforts is so important.

As we take a look at all we’ve learned from the largest Ebola outbreak in history, we can begin to piece together what a global response capacity that's truly equal to the challenge of even the worst pandemic, might look like.

It might look like this – rapidly disbursing financial mechanisms, strong global technical coordination led by a much bolstered World Health Organization, and well-rehearsed and tightly choreographed interventions involving corps of medical professionals; logistics experts; transport, pharmaceutical and communications companies; a United Nations-wide response; and support from multilateral and private sector financial institutions.

And perhaps the most important element of preparedness is to build strong health systems in every country.

The goal of a strong health system must be to achieve universal health coverage: Everyone must have access to essential health services; and poverty must not be a litmus test to qualify for care. We know that investing in health systems is an investment in both better health and stronger economic growth. Japan has once again been the global leader in promotion of universal health coverage, and ensuring access to health care for all has been very important for both low and middle-income countries. We are proud to have such a close partnership with this country around two concepts that will hold the key to protecting millions of people and the global economy from the next pandemic – disaster risk management and universal health coverage.

We expect to present more detail on this pandemic emergency facility proposal in the next few months. For the reasons I’ve stated, we’ll be drawing on Japan’s experience in preparing for disasters and universal care. That accumulated wisdom has shown the world that taking the proper precautions can save thousands of lives as well as billions of dollars in lost economic growth. It also can help end extreme poverty.

Thank you. I'm happy to take your questions now.