Creating Opportunity and Prosperity in East Asia

May 21, 2015

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As Prepared for Delivery

Good afternoon. Thank you for the warm welcome. It’s wonderful to be in Jakarta today.

Coming to Asia is always special for me. I was born in Korea, so it always feels a bit like coming home. And though I’ve spent a lot of time in the region, this is my first visit to Indonesia. Before I arrived, I received words of wisdom from one of your own -- Ibu Sri Mulyani Indrawati, the World Bank Group’s Managing Director, and, as you know, a former professor at this university. She told me about the many things that make your country so special. She and others talked about the richness and diversity of your culture, your expanding maritime economy, the dynamism of your democracy, and the natural beauty of your thousands of islands. I saw some of this on display yesterday in Yogyakarta.

Indonesia is indeed remarkable. Even as I learn more, one of the things that I admire most about Indonesia is its accomplishment in reducing extreme poverty. Over the past 15 years, Indonesia cut in half the proportion of the population living on less than $1.25 a day to 11.3 percent. That means Indonesia has helped 25 million people lift themselves out of poverty. That’s remarkable progress.

My admiration is both personal and professional. I believe deeply in putting the interests of the weak and the vulnerable first in order to ensure that everyone can reach their full potential.

A commitment to social justice has been an important guiding principle in my career. It motivated my efforts as an infectious disease physician serving poor and marginalized communities in Peru, Haiti, Lesotho, and Russia. And it shaped my work as a public health
official at the World Health Organization, where we started a movement to bring anti-retroviral treatment to millions of people living with AIDS in developing countries.

The World Bank Group works in more than 130 countries. We support farmers in Rwanda and provide technical support for public sector reforms in Brazil. We work with China on climate change and improving the quality of its health system. We help improve the business climate in dozens of countries. And we are motivated by social justice. We have aligned our work with two goals -- to end extreme poverty by 2030 and to boost shared prosperity for the bottom 40 percent of the population in low- and middle-income countries.

To accomplish the first goal, we must reduce the number of people living on less than $1.25 a day to below 3 percent of the global population. The world has made great progress in the last 25 years – helping lift roughly 1 billion people out of extreme poverty. This progress gives us great hope that we can end extreme poverty in the next 15 years. Nonetheless, there are nearly 1 billion people living in extreme poverty today, so our mission is far from complete.

To accomplish our second goal, we seek to increase the incomes and well-being of the poorest 40 percent at a rate higher than the national average. These goals symbolize our deep commitment to improving the lives of the poor and to fighting inequality. The global fight against inequality has become much more prominent in the last year, and it must receive even more attention if we are to find solutions in Indonesia and elsewhere that will boost prosperity for the poor and vulnerable.

The world has changed significantly over the past decades, and we at the World Bank Group are changing with it. We have made some major adjustments in our organization that will help us better serve our members, and, through them, the needs of the poor. Low and middle-income countries now have multiple sources for low cost development financing, but in the last year they have been asking us to increase our financial support and receive the technical assistance that comes with it. All countries need the best knowledge available to solve the many challenges they face. Over the past two years, middle-income countries such as China, India, Turkey and Brazil have all said they want to expand their borrowing and work even more closely with us.

Our new organizational structure allows us to focus on collecting and sharing with governments, companies, and civil society the best development knowledge and
experience on issues like agriculture, health and nutrition, education, gender, climate change, energy, sanitation, transportation and social protection.

As a result, we’re able to collaborate with governments to create customized poverty reduction programs that reflect more than 60 years of accumulated development experience. These plans are based on analyses of a wide range of local factors, including the demography and location of people living in extreme poverty.

Given Indonesia’s impressive track record for reducing extreme poverty, the World Bank Group has learned a lot from your successes. In particular, you have achieved impressive rates of economic growth in challenging times and developed policies that have helped to ensure that this newfound prosperity is shared. At the same time, you have become experts at protecting people from natural disasters and helping them recover so that they are able to quickly rise from the poverty imposed on them by crisis.

Over the last 10 years, economic growth in Indonesia has averaged 6 percent annually. This is a substantial achievement given uneven and sluggish global growth, Indonesia’s middle-income status and its size as the fourth most populous nation in the world. The Program Nasional Pemberdayaan Mandiri, or PNPM, has helped distribute the gains from this growth more equitably across the population. Its community-driven development has created hundreds of thousands of jobs and reduced by half the cost of many infrastructure projects. And the Rekompak initiative, which I visited in Jogja, applied this community-driven approach to post-disaster housing reconstruction. It has helped hundreds of thousands of people in Aceh and Java rebuild their lives, after tsunamis and earthquakes tragically killed many thousands and plunged whole communities into poverty. The reconstruction experience in Indonesia has been replicated in Haiti, the Philippines after the Typhoon Haiyan, and today in Nepal after the earthquakes.

Both of these programs show the world that Indonesia can be, as President Widodo said recently, a positive force for peace and prosperity beyond its borders.

I’m also hopeful that the potential role you will play in the Asian Infrastructure Investment Bank can be another demonstration of your global development leadership. With strong environment, labor and procurement standards, the AIIB can become a powerful new force in development. We at the World Bank Group see the AIIB as an important new partner in the fight against a shared enemy: poverty.
The world’s existing international financial institutions, including the World Bank Group, the
International Monetary Fund, and here in Asia, the Asian Development Bank, are now
collaborating more than ever before. In less than two months, at the Financing for
Development conference in Addis Ababa, we will present to the world a shared vision for
substantially increasing funding to help the world’s poor, moving from billions to trillions of
dollars in development spending. For infrastructure projects alone, the gap in global funding
amounts in developing countries to between $1 trillion and 1.5 trillion dollars a year. We’re
doing all we can now with our private sector arm, the IFC, and through our public sector to
support countries in funding bankable infrastructure projects. But it should be no surprise
that, when China starts a new development organization and more than 50 countries sign
up as founding members, we at the World Bank Group warmly welcomes the new
institution. More funding for infrastructure will help the poor. That’s why we’re already
working with the AIIB to share our knowledge as they get ready to do business. We always
have to remember: the enemy is not another institution, the enemy is poverty.

In Indonesia, the gap for funding infrastructure also is large – estimated at $600 billion
dollars over the next five years. It’s plain to see – even for a first-time visitor like me. Earlier
today, I visited Sunda Kelapa Harbor and Tanjung Priok Port. The difference between them
was striking. If the facilities at Sunda Kelapa looked more like those in Tanjung Priok, it
would help goods move in and out of the country more quickly, reducing costs. Better
infrastructure also makes the country more attractive for global manufacturers. I was
inspired by President Widodo’s vision for a vibrant maritime economy that, if the logistical
problems can be solved, could add 2 percent a year to GDP growth.

A number of other investments are needed for Indonesia to move from middle- to high-
income status. The decline in commodity prices in the last few years has reduced the value
of the country’s exports and made higher economic growth more difficult to achieve.
Incremental growth can be derived from other sources, like higher value manufacturing. But
Indonesia’s labor force presently lacks sufficient training to perform these skilled tasks, and
the lack of training could become even more acute because of the country’s expected
growth rate of 15 million people in a little more than five years.

Two health-related issues also are a major cause of concern. The first is that 37 percent of
Indonesian children under five suffer from stunted growth as a result of poor nutrition.
Stunting not only hurts physical growth – it also diminishes mental capacity. These children,
and this country, pay a devastating price for this entirely preventable situation. It should not
be allowed to persist. A second concern is the country’s high rates of maternal mortality.
Indonesia has been able to reduce this slightly in recent years, but the rate is still excessively high considering Indonesia’s economic status and the fact that women are supposed to have universal access to maternal health coverage. We would very much like to bring the whole of our global knowledge on both of these issues to help Indonesia find solutions and dramatically reduce the incidence of both stunting and maternal deaths.

Solutions can come from anywhere. One came to Indonesia from the Philippines, where a conditional cash transfer program backed by the World Bank Group has benefitted millions of poor children by helping reduce school dropout rates and increase health visits. Indonesia is replicating the initiative with its Family Hope Program, or Program Keluarga Harapan. That program reaches about 3.5 million families. We expect it to yield improved health outcomes and build basic skills.

Just a few days ago, I was in Korea to attend the World Education Forum. There, I had many discussions with Koreans and I was struck once again by the fact that even though the country has the highest student test scores in the world, parents still were complaining about the poor quality of the teachers. Korean parents constantly tell their children – Yeolsimhi gongbu hay – which literally means: Study with your hearts on fire. I firmly believe that Korea – which had none of the natural resources that many countries, including Indonesia, possess – was able to build its economic miracle based on its investments in education, even when experts, including from the World Bank, said Korea was spending too much on education.

In my discussions yesterday with President Widodo and Vice President Kalla, I was very impressed with how committed they are to make critical investments in people, including in quality health care and improved learning in schools. I’m now confident that Indonesia will do the right thing and invest aggressively in its people. I’m encouraged to know that Indonesia will invest in its young children so that they will have nutritious food, and that the country will improve maternal health care so that giving birth is much, much safer.

But for all the students here today, I have a challenge for you. You must demand of your professors and your leaders to invest in you. If you get that support, and if you are committed enough to study with your hearts on fire, you can become part of a workforce that attracts investment fuels Indonesia’s rapid economic growth. Indonesia can be a shining beacon where equality of opportunity for all becomes a reality. But that won’t happen without the kinds of investments in people that this administration has endorsed.
As all Indonesians know, President Widodo and his administration are not afraid of taking bold initiatives. For instance, we applaud the government’s decision to cut fuel subsidies, which amounts to a regressive tax on the poor, and which should help mitigate climate change. In addition, the government has started streamlining procedures for business licensing, which should reduce barriers to job creation and vulnerability to corruption. We expect all of these measures to have a positive impact on economic growth.

We are also impressed with Indonesia’s talent for innovation. President Widodo showed what new ideas, grit, and entrepreneurial spirit can do for a city – under his leadership, his hometown of Solo, became a model for progressive urban renewal.

I’m very much looking forward to a deeper relationship with Indonesia. Over the next three to four years, we expect to pledge up to $12 billion dollars of development support to this country.

This will build on our long and productive partnership. The World Bank Group’s very first office outside of Washington, DC, opened in 1968 – right here in Jakarta! Since then, our office has grown and grown – it is one of our largest country offices. Over the years, we’ve worked together in numerous areas to reduce poverty and promote shared prosperity. We were an early supporter of your efforts to expand the tourism sector and, today, Bali alone attracts more than 3 million visitors a year, generating $5.5 billion dollars in revenue for the industry.

Our success as a development institution is built on the strength of partnerships with countries like Indonesia. These partnerships are vital to navigate the difficult path to continued strong economic growth. Working together, we can build on Indonesia’s already impressive record of reducing extreme poverty and boosting shared prosperity. And by working together, we can make sure your successes help build a more just and equal world. Thank you very much.