Speech by World Bank President
Jim Yong Kim: The World Bank
Group’s Mission: To End Extreme
Poverty

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Thank you, Strobe.

I don’t know if you know this about Strobe and me, but we’re both from the Mid-West.

He is from Dayton, Ohio.

I grew up in Muscatine, a small town in Iowa.

Many of the people I grew up with are still there today.

Only 10 percent of my classmates went to college.

Most left school and went to work at the local steel mill, on their family farms or in factories believing that they had a secure job for life. As they bought their first homes and cars, they made fun of some of us for being “professional students.”

In recent years the impact of globalization has swept through many towns in the United States like my home town, altering the very fabric of society and the quality of life.

Mechanization and the arrival of technology have disrupted traditional industrial production, upended manual jobs and called time on the work that has been done by generations of families.
This trend is not isolated to the United States – it is affecting people in countries around the world. When I was in China at the G20, many world leaders talked about the storm clouds of isolationism and protectionism that were gathering and becoming increasingly worrisome.

These trends come at a time when we need more cooperation, greater economic integration and stronger partnerships than ever before if we want the world economy to return to higher rates of inclusive, sustainable growth.

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Openness and partnership between countries have played an important part in ushering in an unparalleled period of growth and poverty reduction. Since 1990, over 1 billion people have escaped extreme poverty. Real strides towards ending extreme poverty have been made by countries like China as a result of trade and the openness of their domestic industries to global competition. Countries working together, and especially trading together, have delivered lasting progress.

So we have made progress.

At the same time, in most parts of the world we are facing strong headwinds – a slowing global economy hit by falling commodity prices and stagnating global trade.

Global growth is now projected at 2.4% in 2016; investments are soft and export prospects are deteriorating with commodity exporters facing particularly tough conditions.
But there is more worrying news.

We now have the highest number of developing countries in recession since 2009. Our latest growth forecast for Sub-Saharan Africa is only 1.6 percent for 2016, far below population growth which is around 3 percent.

Labor productivity growth, a key enabler of real wage growth, is negative in the United States, near zero in the Euro zone, and declining even in East Asian countries.

We also know that by 2030, almost half of the world’s extreme poor are expected to live in countries affected by fragility and conflict.

These are no ordinary times.

So we cannot rely on ordinary measures.

I would argue that this is precisely why the World Bank Group exists.

All of us at the World Bank Group feel an enormous responsibility to bring forward, precisely those innovative, creative measures that are needed in our world – at the scale required to meet the challenges.

When I joined the Bank in 2012, I worked with our board to set two clear goals.

The first, to end extreme poverty by decreasing the percentage of people living on less than $1.90 a day to no more than 3%.

And the second, to promote shared prosperity by fostering the income growth of the bottom 40% for every developing country.

I believe that measurable, time-bound goals are crucial to focusing our work and uniting the Bank Group around a common purpose.

You know, we have accomplished so much over the past four years, and this is thanks to the Bank’s dedicated staff.

There are so many milestones to recognize, record lending and investments, financial innovation on behalf of the poorest and for specific problems like pandemics; a Middle East and North Africa financing facility with so much potential that it is now being scaled up globally; and great strides on the overall Global Public Goods agenda, particularly our work on climate change.
I am especially proud of three financial innovations that will be critical to tackling the most serious problems.

The Pandemic Emergency Financing Facility, the Global Concessional Financing Facility and our decision to use equity from IDA, our fund for the poorest countries, to raise funds on capital markets for those countries. I will talk in more detail about these innovations later.

These are significant achievements.

But, findings from our first annual Poverty and Shared Prosperity report, which tracks progress towards our twin goals, make clear that achieving the goals will be extremely challenging.

The good news is that extreme poverty continues to fall rapidly worldwide, and many countries have made progress in boosting the incomes of the bottom 40 percent. But because of the multiple global shocks and crises we face, we will have to scale up our efforts dramatically.

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Progress is still too slow.

Our report also lays out how income inequality between all people in the world has decreased, and inequality within nations has been falling in many countries, both rich and poor. But inequality is still far too high, both globally and within countries. This constrains growth and breeds instability.

This means that not only do we need to focus on growth, but we must also continue our work to reduce inequality – we have to make growth more equitable.

Today’s report identifies strategies to address inequality that even the poorest nations can adopt – whether through conditional cash transfers, connecting farmers to markets or rural electrification.

The lesson is that inequality is not an unsolvable mystery. Pro-equality policies are not luxury goods and can work in any country.

If we are going to end extreme poverty by 2030, we have got to focus our efforts. We have to be more effective in fragile and conflict affected states.
Economic growth has to be more robust and more inclusive and human capital investments have to grow in size and effectiveness.

So how are we going to do that? That is what I would like to talk about today.

Ending extreme poverty and boosting shared prosperity is our bottom line.

We will achieve these goals in three ways:

One: accelerating inclusive and sustainable economic growth,
Two: investing in human capital, and
Three: by fostering resilience to global shocks and threats.

Two goals, three ways to get there.

FIRST, we have to be much more creative about fostering the right kind of economic growth.

You know, I am four years into the job and I am still waiting for my first upward revision of growth expectations.

We know that stimulating growth in our client countries has to be our top priority.

We also know that the fundamentals do not change.

To support long-term growth, we will continue to work with countries so they can collect sufficient revenue, spend their resources well, adopt the policies that enable private sector investments and improve governance overall.

One particular bottleneck for growth is of course infrastructure. In recent years the demand for infrastructure investment has far outstripped available resources. Some 1.2 billion people in the world do not have electricity.

At least 660 million people lack access to safe drinking water; about one billion people in low-income countries lack access to an all-weather road. While more than three billion people now have access to the internet, still, more than four billion people (60% of the global population, most in developing countries) do not have access.

It is estimated that emerging markets and low-income countries face an annual gap of up to $1.5 trillion dollars a year in infrastructure finance. We
know that traditional development aid alone will not meet this demand. This financing gap is why we have welcomed new players such as the Asian Infrastructure Investment Bank and the New Development Bank.

But even with the money they bring, investments by all Multilateral Development Banks together only make up about 5-10% of the overall annual spending in infrastructure in developing countries (it is about $50-$75 billion).

We have to face up to the fact that we are not reaching the scale required to make the kind of impact on growth that is needed in developing countries.

You know, we have been talking about more public private cooperation on infrastructure investment for many years now. I believe it is time to have a much more serious conversation about how we can aggressively take this agenda forward.

We have an enormous opportunity.

There are trillions of dollars of funds currently earning very little, looking for higher returns, and opportunities for public private partnerships in emerging markets could substantially boost global economic growth.

So we have to put the deals together that will attract those funds to emerging markets and even the poorest countries.

We know that all of the parts of the World Bank Group have to work much more closely together to mobilize private sector investment in the most challenging sectors and countries. We have to do much more to tackle some of those risks that constrain the private sector in these markets.

I want you to know that going forward, we will be much more aggressive in putting on the table, capital and specific instruments that can reduce risk. In doing so, we feel that we can create new markets and encourage investors to venture into countries and projects that they never would have considered before.

When our International Finance Corporation, or IFC, invests in projects in the poorest countries and even in fragile states, often IFC presence alone reduces the perceived risk of these projects and more investors are willing to engage. If we can make concessional resources available as risk capital, then we can reduce risk further. MIGA, our multilateral investment guarantee agency, can provide political risk insurance or credit enhancement to reduce
risk even further. Also, we can now use IDA equity to mitigate currency risk for countries where hedging solutions are scarce.

We are committed to bringing this entire suite of tools together, in a much more systematic and consistent way to bring much larger investments from the private sector to our clients to fill the infrastructure financing gap.

You know, although not nearly at the scale that we would like, we have had some very positive experiences in crowding in the private sector. The airport that was built in Amman, Jordan is an example of how public private finance can deliver infrastructure projects that bring enormous economic benefits for the country. This was a billion dollar project. The original plan in Jordan was to take a sovereign loan to pay for the airport and then manage it with government employees.

We all know that this would have been difficult and expensive. But on the recommendation of World Bank staff working with the government, Jordanian leaders changed course and asked IFC to make the first investment of around 270 million dollars.

The airport operator pays an annual fee to Jordan to run the airport. Jordan receives 54% of the net revenue and they are making money every year. Over the last nine years, without putting any money into the project, Jordan has received over one billion dollars in revenue.

But it is not just middle-income countries that can benefit from public private approaches to infrastructure finance.

Our Scaling Solar program has been helping governments like Senegal and Zambia develop clear policies and practices to attract investment and set new tariff benchmarks for Africa. Scaling Solar is a one stop shop solution in which both the IFC and the World Bank provide everything from appropriate forms to financing to ensure that the lowest possible bids are received. Zambia’s recent auction was a milestone for sub-Saharan Africa with the lowest bid coming in at 4.7 cents per kilowatt hour and an overall price of just over 6 cents per kilowatt hour. Demand for Scaling Solar has now exploded and we are working in more and more African countries.

As we continue to encourage more investment in infrastructure to promote growth, we also know that we have to think more critically about the kinds of infrastructure that countries will need in the economy of the future.
We all know that technology is fundamentally reshaping the world.

The traditional economic path from productive agriculture to light manufacturing and then to large scale industrialization may not be possible for all developing countries. In large parts of Africa it is likely that technology could fundamentally disrupt this pattern. Research based on World Bank data has predicted that the proportion of jobs threatened by automation in India is 69 percent, 77 percent in China and as high as 85 percent in Ethiopia.

If this is true, we need to understand the paths to economic growth that will be available for these countries and then adapt our approach to infrastructure accordingly. Moreover, with increasing reliance on private sector investments, we will have to increase our vigilance to ensure that privatization does not equal exclusion of the poor and marginalized. Our top priority is to end extreme poverty and boost shared prosperity, and our engagement with the private sector must be anchored in these two core values.

If technology leads to fundamental transformations in the kind of jobs available in developing countries, we have to increase our focus on our second major pillar in pursuit of the twin goals - investing in people.

You know, I have learned that when faced with a choice of how to use the resources of the World Bank Group, developing countries will tend to prioritize investments in energy, information technology, roads and airports – what many people refer to as “hard infrastructure.” This is understandable and precisely why we have to be successful in increasing resources for infrastructure through crowding in private capital.

Without more capital, we will have difficulty convincing countries to increase their investments in people at the scale we think is necessary to build a workforce that can be competitive in the economy of the future.

We have seen, throughout East Asia, that investments in people make a huge difference to a country’s ability to grow their economy in an inclusive way.

But, it is not just increasing budget expenditures for education that matters. Learning outcomes are critically important. What students learn in classrooms is a strong predictor of economic growth.
One striking study shows that if student learning achievement had been as high over time in Latin America as in East Asia, Latin America could have matched East Asia’s much higher rate of economic growth.

It is hard to overstate the urgency of making more and more effective investment in people. I believe it will determine the very future of nations.

This is especially true in considering the importance of investing in the early years. Millions of young children do not reach their full potential because of inadequate nutrition, lack of early stimulation and learning opportunities, and exposure to stressful environments.

Making investments in the earliest part of people’s lives will make a big difference in countries’ ability to compete. The cost of falling short in equipping children with foundational skills is unacceptably high, and the evidence supporting this conclusion grows every day.

Governments that do not invest early in a skilled, healthy, productive workforce are undermining their current and future economic growth.

The scale of this problem is massive. One quarter of children under age five worldwide – 159 million children – are stunted – meaning that they literally do not have the same number of neuronal connections as their non-stunted age-mates. The proportion in sub-Saharan Africa and South Asia is higher than 36 percent. Even in countries that have done relatively well in terms of economic growth – such as Indonesia, Ethiopia and Guatemala – over one-third of children remain stunted. And nearly half of all three- to six-year-olds do not have access to pre-primary education.

The stark reality is that countries cannot walk into a more technologically complex and digitally demanding future with 40% of their workforce unable to compete. We need to help countries understand that investments in human capital are just as critical as investments in “hard infrastructure” if they actually want to spur economic growth and compete effectively in the short, medium and long term.

We need to encourage leaders to see that these investments will not only lead to inclusive economic growth but will also establish the social foundations that can act as a bulwark against instability, violence and conflict.
I believe that we must dramatically increase our aspirations for both the quantity and quality of investments in health, education and skills. If we do not, and if we do not do it quickly, not only is it a recipe for poor economic growth, but we will leave a large population of people living in countries where the traditional low skilled jobs are not available and who, often through no fault of their own, simply cannot compete.

To allow this to happen is to sow the seeds of future crises – crises that we can ill afford. Indeed, one of the themes that came up repeatedly during the G20 leaders meeting is that we are living in a time of multiple overlapping crises.

The number of refugees are at historic highs, the climate is in distress and we face the prospect of pandemics that could cost trillions of dollars and millions of lives.

I believe that the World Bank Group can play a critical role in building resilience to these multiple shocks both in developing countries and for the world as a whole.

Our third pillar, then, is a much expanded role in fostering resilience in our client countries against some of the most severe shocks that threaten to roll back decades of progress against poverty.

Currently, there are about 65 million people displaced from their homes, with 21 million refugees, 90% of whom are living in developing countries. Left without support the displaced face hardship and marginalization, and put at risk the development progress of host communities.

Along with human suffering, immense pressures have been placed on the resources of host countries that were already facing economic challenges.

In Lebanon and Jordan, the refugee population is now at nearly 20% and 10% of their country’s respective total populations.

The global community owes these countries a debt of gratitude for their willingness to open their borders and help those in need.

This is why the World Bank Group has pledged to support them, not only in responding to the current refugee crisis but in building the infrastructure they will need to grow their economies in the future.
To do this, we have had to rethink the way we use concessional finance. In addressing the crisis of forced displacement we have now concluded that concessional finance should follow the refugees and not be apportioned simply by using GNI per capita.

At last year’s annual meetings in Lima, we launched a new Middle East and North Africa financing facility to provide Jordan and Lebanon with access to low cost loans and grants.

Recently at the UN, we announced the Global Concessional Financing Facility, for middle-income countries, which will raise about US$1 billion in grants over the next 5 years explicitly for Jordan and Lebanon, and an additional US$500 million in grants to help other countries address future refugee crises wherever they occur, including in middle income countries.

We will blend these grant contributions from donors to ultimately provide $4.5 billion to $6 billion of concessional finance.

This decision to put concessional financing on the table in response to the refugee crisis prompts other questions about the way we support middle-income countries.

These are the exactly the kinds of conversations that the Global Concessional Financing Facility has opened up for us.

The rules of the game are changing.

Let me now address another global risk, climate change, where the way we respond must also change.

Extraordinary, collective effort has given us the Paris Agreement. More than 170 countries have signed it and we are on the brink of ratification, which will make it a legally binding commitment.

During the COP 21 process our collective ambition was made clear. We left the meeting with ambitions that were even higher than when we walked in. We agreed that instead of keeping global warming to 2 degrees, we will try to keep it below 1.5 degrees Celsius.

Look, ambition is great, but here is the evidence that worries me.
If we look just at the temperature during August of 2016, we are very close to 1.5 degrees Celsius above historic norms. The pattern of global warming is such that the last 16 consecutive months have been the hottest 16 months on record.

The seas are rising faster than was once imagined.

The trajectories of cyclones and typhoons have shifted.

And as I have said before, many of the poorest people in the world are now the most vulnerable to extreme weather events although they had very little role in putting the carbon in the air.

The reality is stark. We have a planet that is at serious risk, but our response has not been equal to the task.

During my medical training, I learned that in an emergency room, if lives are at risk you have to triage – take action where and when it is most needed first and then go from there. We need to do some triage in determining the most urgent tasks to avert disastrous climate outcomes.

The political victory of COP 21 has brought us so far.

But we now have to recover from the hangover of our COP 21 celebrations and get to the task of financing and incentivizing the actions that will keep global warming below 1.5 degrees Celsius.

I believe there are three things which we need to do now, which can dramatically alter the trajectory of global warming:

- First, phasing out hydrofluorocarbons, HFCs, could reduce warming by ½ degree Celsius by the end of the century. We need to get finance flowing to the countries that commit to phasing out HFCs and ramp up energy efficiency.

- A second major focus is to slow down the growth of coal fired power plants, across Asia in particular. Scaling Solar, which I mentioned earlier, is a perfect example of how rapid action can lead to dramatic changes in the energy mix in even the poorest countries.

- and, third, if we are going to mobilize private finance for climate, the financial system needs to be fit for purpose to assess climate risks and opportunities – in other words we need a Greener finance sector.
Delivering on Paris comes with a high price tag, running into the trillions. We need to help countries manage their energy transition towards renewables, and unlock the necessary finance.

As I head into our Annual Meetings this week, on climate change, I will be doing everything I can to push for immediate, scaled up action. I will do so with a new sense of impatience and urgency.

We need to act now or the door will quickly close on 1.5 degrees Celsius.

And, finally, we have to be better prepared for the threat posed by pandemics.

The Ebola crisis and Zika taught us once again we are not prepared for pandemics.

If a pandemic as fast-moving and lethal as the Spanish Flu of 1918 struck today, we could face the possibility of tens of millions of people dying and a loss of as much 5 percent of global GDP – or more than $3 trillion dollars.

Because pandemics tend to disproportionately impact the poor, managing pandemics is even more critical as we seek to end extreme poverty.

Ebola kick started a chain of actions that is bringing us closer to where we need to be. In trying to understand why we waited so long to provide resources for Ebola, we began to understand that there has to be an automatic mechanism for dispersing funds so that we can stop pandemics as early as possible.

What we have created is an entirely new pandemic insurance instrument linked to an entirely new pandemic bond.

We got the idea from innovations that we had made in disaster risk management and we are now looking to see if we can use these instruments for mitigating other kinds of risks.

One of the greatest inequalities in the world is the inequality of access to insurance. It is our responsibility to make these kinds of financial tools available for many more poor people.

Now, I want to be clear that the role of the World Bank Group is not to be the world’s first responders, to directly intervene in pandemics or in humanitarian
response. Our role is to take the work upstream, to bring innovative financial tools that can reduce the likelihood of disasters happening in the first place.

You cannot impact the magnitude of a volcano or an earthquake through early intervention but you can impact the magnitude of pandemics.

I lead an extraordinary organization.

It was created more than 70 years ago, in another world to tackle the problems of another century.

In my first term as president, we have worked to transform the WBG into an organization fit to tackle this century’s problems, with this century’s tools.

Today, I have outlined what I think we exist to do. If we did not exist, we would have to invent ourselves.

But we do exist, and we are ready, and we are fit for purpose to tackle the world’s most complex challenges.

We have to raise our hand if we want to spur economic growth for the poorest countries in the world and ask, is what we are doing helping?

If we want to make the investments in human beings that we know are critical for countries to be competitive, are we actually making a difference?

COP21 resulted in one of the world’s greatest and most ambitious agreements. But how does that help unless we actually start doing something about it?

With all the global threats that we are facing, are we really having an impact? We have to ask ourselves these questions over and over and over again.

We have to raise our hand.

We have to reach a new level of seriousness.

When we do, then finally, our aspirations for the poor will meet the aspirations of the poor.

Thank you.