

Speech by World Bank Group President Jim Yong Kim: Fulfilling Iraq's Potential

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World Bank Group President Jim Yong Kim

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As Prepared for Delivery

Mr. Speaker, Members of Parliament, Mr. Secretary General, and distinguished guests. It is a great honor to address you today from the home of one of the first great legislator, Hammurabi. His Code helped shape Babylonian society into the form of government that Iraq strives for today – one that is united, prosperous and based on the rule of law.

So it is with great optimism that I deliver this message: Even in the face of substantial challenges, democracy is taking root in Iraq.

Iraq has chosen the path of political inclusion – a decision that created difficult challenges and holds great promise. It also makes for a noisier political climate. It requires acceptance of the Iraqi people's differences, diversity and plurality, and the creation of public space to allow for their expression. It requires political compromises to build the broad coalitions needed to achieve national goals. As complex as it may seem, as difficult as it may be, political inclusion is part of the critical path to long-term stability. All of these challenges are, in fact, signs of strength.

The history of the Mashreq shows this to be true. Inclusive societies here have been stable and prosperous. Drawing on the region's diversity to bolster governing institutions, they leveraged the skill and capacity of the entire population in service of the public good. Balancing central authority with local autonomy, leaders built legitimacy and earned the people's trust. And public investment in effective governance and infrastructure promoted social development and commerce.

In contrast, regimes that entrenched division – through sectarian appointments or discrimination based on identity – failed. Dynasties that over-centralized authority – leaving regions and municipalities with little control over local matters – fell. And where taxation and distribution of resources were unequal, grievances festered, generating challenges to authority.

In recent months, your parliament has heeded these lessons in working with the government to tackle daunting challenges, including conflict and economic crisis. For example, the forces fighting against Da'esh have used the skill and capacity of a variety of communities to reclaim Iraqi lands. This success shows the power and impact Iraqis can have when they work together in common cause.

You have also struck an effective balance between central authority and local autonomy, backing emergency measures to improve local governance and earn the public's trust in liberated areas. Your approval allowed \$350 million dollars of support from the World Bank for local authorities to help restore basic infrastructure and public services to Iraqi citizens in territories freed from Da'esh's control. Our joint work assessing the needs of regions, cities and municipalities affected by the conflict and displacement will continue to show the important interplay between local governance and federal leadership. Federal support of this important work by regional and municipal governments helps provide for the needs of the Iraqi people and promotes the State's legitimacy.

Meanwhile, investments in reforms at the federal level have helped cushion the blow of low oil prices and improved governance, laying the groundwork for future development and prosperity. Your efforts to strengthen the social protection system means that more public resources flow to the vulnerable. Ending the monopoly of the public banks and increasing the role of the private sector in power generation will increase competitiveness and improve the economy's strength and diversity. The World Bank Group has provided \$1.2 billion dollars to support this reform effort – the largest direct financing we've ever provided to a country in the Middle East and North Africa.

You have also paired investments in infrastructure with these improvements in governance, creating important opportunities to capitalize on the potential of Iraq's geographic location. The country is at the center of a strategic region,

where economic integration is a key to future peace and prosperity. This parliament approved, two years ago, an ambitious, far reaching and strategic operation aimed at opening Iraq to its regional environment. Repair and reconstruction of Route 1 in the south, and the border crossing from the north to Turkey, are key bridges to Iraq's future as an even greater trading hub. We plan to expand on these efforts, which were the product of a strong partnership involving the Government, the World Bank and the Islamic Development Bank, and illustrates what we can accomplish for the Iraqi people by working together.

Imagine what more progress in these areas could mean for the future. With a GDP of almost \$200 billion dollars, Iraq is one of the largest economies in the Middle East, even after years of conflict. Its central location and multiple frontiers mean that its stability and growth could have a transformative impact on the entire region. We believe that Iraq's success can bring stability and prosperity to hundreds of millions of people.

This is one reason the World Bank is deeply invested in helping Iraqis build a path to a better tomorrow. It's also why Iraq will feature prominently in our plans to invest \$20 billion dollars in the Middle East and North Africa's development by 2021 – three times the amount of the last five years.

Making the most of this opportunity means Iraq must continue building the foundations of an inclusive society. We believe that three steps are critical:

First: Looking beyond the traditional social, cultural and geographic boundaries in Iraq, let me suggest that the best way to protect and preserve the cohesion of the country is to do what your forbears did – empower all its regions, and give more capacity to local government, all the way to the municipal level.

The World Bank can help take this effort to new heights. We proposed using financial support to reward those local governments that can prove they are able to build an inclusive system of governance and deliver quality public services. This financing would build on the emergency measures you previously approved, delivering substantially more funds and technical knowledge to assist municipalities directly.

Second, Iraq needs to diversify its economy. The key to success is to create incentives for the private sector to invest in Iraq. This would unleash the creativity and the genius of the Iraqi people and help Iraqis produce cutting-edge services and tools. You, the representatives of the people, have the capacity to adopt laws that would open the door for young entrepreneurs, who are eager to take risks and engage in new ventures.

Third, Iraq needs to put its economic house in order, reducing waste of precious resources, strengthening accountability, and undertaking important, necessary reforms. In the energy sector, for example, reforms must address subsidies which contribute to chronic and pervasive shortages of electricity. When cash transfers targeting the poor and the needy replace subsidies, efficiency and equity improves and citizens' voices grow stronger. Inefficient State Owned Enterprises that stifle private sector development need to be reformed, so a more vibrant entrepreneurial sector can emerge. Better citizen engagement leads to more scrutiny on government spending –fighting corruption, right-sizing the public work force and instilling transparency are critical to promoting the legitimacy and sustainability of Iraq's public sector. Through demonstrating a commitment to such real changes, we hope Iraq can find the support it seeks to relieve its immense fiscal pressures in the light of significantly reduced oil prices.

Excellencies, members of parliament – the Iraqi people need you. As their democratically elected leaders, your work is critical to helping them reach their full potential.

For centuries, Iraq was the example of human development in the Arab World. Iraqi universities attracted students from all over the world; they delivered high levels of quality education. My hope is that Iraq will play this role once again.

To get there, you must foster individual opportunity through quality public services and an open and competitive business climate. You will need to ensure that oil revenues are shared by all Iraqis. Even in the face of immense setbacks and challenges, the only hope is to rely on the strength and fortitude of the people, through strong, inclusive and resilient institutions.

Let me close by saying that through war, violence and strife, the Iraqi people have shown the world the meaning of resistance, resilience, courage and nobility. Shahamaa.

Iraq has a deep and rich history, upon which to build a bright and prosperous future. You, the representatives of the people, have taken upon yourselves the responsibility to lead this great country towards that future.

I make this commitment here today: The World Bank will be on your side, and on the side of every Iraqi citizen, for each step of this long journey toward justice, development, peace and shared prosperity.

Thank you for the privilege of speaking with you today. Shukraan jazilaan.