

Speech by World Bank Group President Jim Yong Kim at the Second “1+6” Roundtable Session 1

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World’s Sustainable Development**

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As Prepared for Delivery

The global economy as a whole is in a period of strengthening growth. The recovery in global growth, which has been underway since mid-2016, continued in the first half of this year, reaching 3.6 percent in the second quarter, the strongest reading since the end of 2010. In January, we predicted that global growth will pick up to 2.7 percent in 2017, from a post-crisis low of 2.4 percent in 2016. The recent developments could result in better than expected global growth outcomes.

This momentum in growth is driven by global manufacturing activity and trade, broadly stable financing conditions, and stabilized commodity prices.

But this is not a time for complacency. Escalating trade protectionism in major economies threatens to derail the rebound in global trade. This could have severe consequences, especially for emerging markets and developing economies (EMDEs) that rely on trade for growth and development.

EMDEs are also susceptible to policy uncertainty and geopolitical risks, which could lower confidence and investment. And many low-income countries are affected by fragility, conflict, violence, and adverse shocks.

To end extreme poverty and building shared prosperity, we have to do three things: promote sustainable, inclusive economic growth; invest more – and more effectively – in people, through health, education, and social protection programs; and build resilience to shocks and threats. This three-pronged strategy must carry across all sectors of development: from agriculture to energy, infrastructure, water, transportation, urbanization, and human development.

Several trends in EMDEs – the need for regional integration and global trade, the expanding middle class, rapid and sustained urbanization, the urgency to lower emissions and combat climate change – all point to a continued increase in demand for infrastructure investment.

The sustainability of these new investments will require financing beyond what constrained government coffers can support, and the private sector can bring new technologies and operational efficiencies. We have to ensure that preparation is technically sound and incorporates social and environmental protection. The current level of investment in these economies – about 1.3 trillion dollars per year – is simply not enough.

The scale of investment needed to meet the Sustainable Development Goals, address the infrastructure financing gap, and meet ever-rising aspirations means that we cannot continue business as usual. We need to maximize financing for development by leveraging the private sector and optimizing the use of scarce public resources. (MFD)

We developed the Joint Principles for Crowding in Private Sector Finance. The G20 endorsed those Principles in July, and we're applying them to move capital to developing countries.

There's never been a better opportunity to attract capital that is desperate for higher returns. Right now, there's **more than 10 trillion dollars** invested in negative interest rate bonds; **24.4 trillion dollars** in low-yield government securities; and **8 trillion dollars** sitting in cash, waiting for better investment opportunities.

This approach isn't based on ideology, nor is it a pitch for privatization. It is evidence-based and focused on outcomes that support our goals to end poverty and boost shared prosperity. Our discussions with clients focus on a search for win-win solutions, drawing on the resources of government, philanthropy, donors, and the private sector – where each is appropriate. Crowding-in private sector finance is where the evidence and the reality of today have led us, and it is the best chance to make the global market system work for everyone.

Ambitious initiatives like the Belt and Road can bring substantial development benefits to participating countries through improved infrastructure, greater trade, and higher cross-border investment. We applaud One Belt, One Road, and we're working to support it in any way we can.

We hope to convene, along with the Government of China, a meeting every 6 months during our Annual and Spring Meetings to continue the momentum of the BRI.

We're also supporting the work of the Global Infrastructure Connectivity Alliance (GICA), launched by the G20 Finance Ministers and Central Bank Governors in Chengdu in July 2016, to enhance cooperation among various infrastructure connectivity programs.

Crowding in private finance should free up public funds to invest more in people. That has to start early, by ensuring that pregnant women have access to prenatal care, including the right nutrition, and preventing malnutrition in children so they develop properly. Right now, 156 million children worldwide are stunted – which means that their brains don't develop properly. They will

be locked into lives of poverty and exclusion before they reach their 5th birthday.

This matters. We believe that the premium on human capital will get higher and higher every year. The demands for digital competency are accelerating. Automation will replace scores of tasks, which will eliminate many of the less complex and low-skilled jobs. The remaining jobs will demand new and more sophisticated skills. So it's crucial that all countries invest early in their people. That investment has to continue with education and skill-development to prepare people for the jobs of the future. Some studies estimate that as many as 65 percent of primary school children today will work in jobs or fields that don't exist yet.

It's not effective to prepare students today for occupations. The challenge is to prepare children's cognitive skills to create and adapt to an ever-changing world. That means developing numerical, problem-solving, critical thinking skills, as well as soft skills such as perseverance, collaboration, and empathy. Last year at Davos, President Xi said that the global market system is the ocean we all swim in. At the World Bank Group, our focus is to make sure that everyone can swim. We know we can make the global market system work for everyone through sustainable development, including inclusive economic growth, investing in people, and building resilience to shocks and threats. It's the only way to meet the world's massive development needs and ever-rising aspirations.