Remarks by World Bank Group President Jim Yong Kim at the National Press Club Headliners Luncheon

November 20, 2017

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National Press Club Headliners Luncheon

Washington, DC, United States

As Prepared for Delivery

Thank you, Mark for the introduction. And I want to thank the National Press Club for the invitation to speak here today.

In the midst of frantic news cycles and competition for our attention, I want to step back for just a bit and reflect on what we've been doing at the World Bank Group to try to build new foundations of human solidarity, at a time when those foundations are questioned and even under attack.

Peace and stability are critical to our efforts to grow economies and help people lift themselves out of poverty. We recently launched a report that surveyed 750 multinational investors and corporate executives. We asked them – what are the biggest factors when you consider investing in developing countries? The top three were political stability, security, and the right regulatory environment – all of which are key areas of focus for our work.

I'll start with the good news about the global economy. Growth is robust – worldwide, the economy grew 2.7 percent this year. The second quarter of last year saw the highest quarterly growth rates since 2010. Trade is picking up. Around the world, millions of people each year are lifting themselves out of poverty.

But this is also a time when multiple crises are in full swing, or looming:

- Conflict, pandemics, climate change, and famine are impacting people all over the world, and contributing to an historic number of people being forcibly displaced;
- Countries in nearly every region are turning inward;
- International and home-grown terrorism affects every corner of the world.

It often feels like our increasingly interconnected world is, in fact, falling apart, and countries and peoples are pulling away from each other.

The World Bank Group was founded to tackle just these kinds of challenges. We have a specific mission and goals – which I'll talk about later. As an institution, we're part of the post-1945 world order predicated on the notion that what affects one city, one country, one region can have immediate and lasting impacts on us all. That's a notion that drives our work around the world.

The global order that has helped ensure decades of relative peace and prosperity was, in many ways, an American vision. Long before it was clear that the Allies would win World War II, President Franklin Roosevelt began looking ahead to the world beyond the war. He knew that it wouldn't be enough to shape the post-war order; the United States had to lead an effort to build an entirely new system that wouldn't just prevent world wars, but would ensure a lasting peace.

Roosevelt knew that a stable global financial system was critical, so he tasked his Treasury Secretary, Henry Morgenthau, to design it. The Treasury Department's plan – for a fund to oversee global financial stability, and a bank to support reconstruction and development – was the foundation for what became the IMF and the World Bank Group.

In the summer of 1944, as Allied armies were pushing through Normandy, delegates from 44 countries gathered in Bretton Woods, New Hampshire for an historic set of meetings. When Secretary Morgenthau opened the conference, he said that the goal was to create

"a dynamic world economy, in which the people of every nation will be able to realize their potentialities in peace…to raise their own standards of living and enjoy, increasingly, the fruits of material progress… For freedom of opportunity is the foundation for all other freedoms."

For the past 70 years, that world order – the UN, NATO, the WTO, the IMF, and the World Bank Group – has helped ensure relative peace and stability. And from the very beginning, the mission of the World Bank Group has been to help ensure opportunities for everyone.

The World Bank's first mission was to fund reconstruction in Europe, but after the Marshall Plan, the focus shifted to development and poverty reduction. The institution grew and evolved into the World Bank Group that exists today – a cluster of institutions that provides our client countries with specialized financial tools and global knowledge to support their development efforts.

The very first institution formed in Bretton Woods is the International Bank for Reconstruction and Development, or IBRD. IBRD uses its Triple-A rating to issue bonds, borrow money on the capital markets, and provide loans to middle income countries. It's critical to invest in middle-income countries, because they represent about one-third of global GDP, are major engines of global growth – and that's where more than two-thirds of the world's poor live.

Another arm of the Bank is the International Development Association, or IDA, which was founded at the request of President Eisenhower in 1960 to provide concessional – close to zero interest – loans and grants to the world's poorest countries.

Our private sector arm, the International Finance Corporation, or IFC, invests in the private sector in developing countries. IFC makes equity investments in companies, uses tools such as first loss guarantees to de-risk sectors, and creates markets to bring in other private sector investors.

Our Multilateral Investment Guarantee Agency, or MIGA, helps de-risk projects, sectors, and entire countries by providing political risk insurance and credit enhancement.

And finally, our International Center for the Settlement of Investment Disputes facilitates arbitration between international investors. Over the past two decades, ICSID has helped settle many disputes around the world, including several related to NAFTA.

Every day, when World Bank Group staff enter our main building, they pass a large sign at the entrance that reads, "Our dream is a world free of poverty." In different ways, each arm of the World Bank Group has helped millions lift themselves out of poverty.

We've made great progress, especially over the past three decades. The percentage of people around the world living in extreme poverty – living on less than a dollar and ninety-cents a day – has gone from 35 percent to now less than 10 percent. Nearly 1.1 billion people have lifted themselves out of poverty since 1990. But there's still so much work to do. Today, 767 million people still live in extreme poverty.

To make that dream a reality, we're using powerful financial tools. The World Bank Group has always been an innovative financial institution. In 1981, the World Bank invented the swap – where parties exchange cash flows to achieve positions that better match their respective risk profiles. We use swaps to mitigate currency risk and interest rate risk, and we're developing new derivative instruments to manage all kinds of risk such as commodity risk, disaster risk, and weather risk.

For decades, the rich have been using sophisticated financial tools such as leverage, swaps, derivatives, insurance. We're using all of those tools – and creating new ones – to serve the poor.

After I became president of the World Bank Group, we set two goals: to end extreme poverty by 2030; and to boost shared prosperity among the poorest 40 percent around the world. And a year ago, I outlined the three ways we will get there: by accelerating inclusive, sustainable economic growth; by building resilience to shocks and threats; and by investing more – and more effectively – in people.

The first pillar of our strategy is to accelerate inclusive, sustainable economic growth.

Last spring I called for a new approach, where we maximize finance for development by systematically crowding in private sector investment and making it work for developing countries and poor people.

Everywhere we operate, we're asking a very straightforward question: How can we maximize the resources developing countries have to do the things they must for their people, while minimizing the burden of public debt? We answer that question by finding win-win solutions, where investors get a good return, and countries utilize these resources to meet their development goals.

There's never been a better time to crowd in private sector investment. Right now, there's more than **10 trillion dollars** invested in negative interest rate bonds; **24 trillion dollars** in low-yield government securities; and **5 trillion dollars** sitting in cash, waiting for better investment with higher returns.

This approach is part of our ongoing effort to move toward market-based development. When it came time to replenish our IDA fund last year, we worked to secure a Triple-A rating for IDA, so that we can borrow from the capital markets and boost IDA's resources by 50 percent – without asking for more money from donors.

The second pillar of our strategy is to build resilience to overlapping shocks and crises.

We're helping countries build resilience by finding new ways to share risks with the capital markets. Too often when it comes to crises like pandemics, we fall into a cycle of panic and neglect: we deal with outbreaks when they become a global threat – and then we quickly forget about them after the threat subsides.

This year, we took a large step to break that cycle with an instrument we call the Pandemic Emergency Financing Facility. For the first time, we have actual pandemic insurance – a 450-million-dollar policy that will automatically disburse funds to the poorest countries when an epidemic reaches a critical stage.

We learned a lot from the Ebola outbreak in West Africa – if we had had this kind of instrument, we would have been able to disburse a 50 million dollar cash window at the first sign of an outbreak to try to contain it. Larger sums would have been disbursed if the pandemic grew worse, saving thousands of lives and billions of dollars.

We can move faster to prevent pandemics. And now, for the first time, pandemic risk in low-income countries is being shared with the financial markets. Why can't we do the same thing for famine, or other humanitarian crises? I believe we can, and we're working on it right now.

The third pillar of our strategy is to invest more – and more effectively – in people.

Last month, we announced a new, accelerated effort called the Human Capital Project. We're partnering with some of the world's best health economists, and we're using supercomputing power and new methods to analyze and quantify the stock of human capital in the world and its impact on economic growth.

We always knew that investing in people is the right thing to do; now we're learning that, economically, it may very well be the smartest thing to do. Over the past year, we've done several different analyses, and we're finding that investments in human beings – especially in health, education, and social protection – are far more powerfully correlated with economic growth than we ever thought.

Too often, we still hear from leaders in developing countries, “First we’ll grow our economies, then we’ll invest in our people.” Investing in people **is** investing in economic growth. The Human Capital Project will eventually include a ranking, which will be controversial. But I believe that we have a moral responsibility to reveal to our shareholders the powerful relationship between investing in people and economic growth. And more importantly, we’re ready to help every single country rapidly accelerate the quality and quantity of their human capital investments.

Some of you may wonder why I use the term “human capital.” I do so because I want to communicate as clearly as possible with ministers of finance – this isn’t charity; it’s about securing a country’s economic future.

All of these efforts are focused on ensuring equality of opportunity, so that everyone around the world has a chance to achieve their highest aspirations. Aspirations, linked to opportunity, can breed dynamism and inclusive, sustainable economic growth. But if there’s no opportunity to achieve one’s aspirations, rising frustration may very well lead countries down the path of fragility, conflict, violence, extremism, and eventually migration.

As we work to end poverty around the world, the World Bank Group plays an important role in maintaining stability, opening markets, and boosting economic growth.

Global stability and open markets are critical for the United States. I grew up in Muscatine, Iowa, and most of the people I went to high school with went to work in small factories or on family farms. I talk to friends back home, and I know that many people have fallen on hard times.

But the answer is not to turn inward. According to the U.S. Chamber of Commerce, international trade supports more than 41 million American jobs. Our work helps support those jobs and create new ones – more than 50 percent of U.S. exports are to countries where the World Bank has lending programs, and where we're helping open markets.

Crowding in the private sector in developing countries is the ultimate win-win. A growing and robust private sector is a critical driver of economic growth, and one of the keys to reducing poverty. We're cultivating an economic and business climate that allows U.S. companies to sell and compete in the developing world.

One example is in Côte d'Ivoire, where cocoa exports are an economic mainstay. For years, Ivorian farmers used dilapidated trucks because they didn't have credit to buy new vehicles.

So IFC, our private sector arm, teamed with Cargill, a Minnesota-based company, to start the Cargill Co-op Academy, which trains farmers on business skills, financial management, and best agricultural practices. IFC supported a program that made affordable credit available to farmer co-ops for new trucks and tractors.

Today, more than 120,000 farmers in Côte d'Ivoire have received training; more than 66,000 farmers in 50 co-ops participated in the credit program; and Cargill has a more dependable supply of cocoa. Cargill and IFC are working on another joint venture to train more than 50,000 farmers in Cameroon.

Keeping markets open – and creating new ones – requires stability, so we're focusing even more of our work in areas of fragility, conflict, and violence. This is critical to our goal of ending poverty: if current trends in conflict and instability continue, we estimate that by 2030, 46 percent of the extreme poor will live in Fragile and Conflict-affected States.

So, we're innovating, with our private sector window in IDA, which will bring more investment to countries affected by fragility, conflict, and violence. And we're working with partners like the UN to prevent conflict in countries at risk of instability. In addition to the lives saved, if we could prevent conflict in countries that bear the direct costs – casualties and losses to economic growth – we would avoid over 34 billion dollars in losses per year.

This isn't new work for the World Bank Group. In 1995, as war raged in the former Yugoslavia, World Bank experts began preparing for post-war reconstruction. Just days after the ceasefire, when the Serbian section of Sarajevo was still in flames, a World Bank team landed on the ground and began assessments. They quickly finalized an emergency recovery project of 160 million dollars, and when the Dayton Peace Accords were signed, the Bank had helped line up 500 million dollars from donor governments to accelerate reconstruction.

America's military leaders understand the necessity of development partners. Earlier this year, more than 120 retired generals and admirals affirmed in a letter to Congressional leaders that,

"The military will lead the fight against terrorism on the battlefield, but it needs strong civilian partners in the battle against the drivers of extremism – lack of opportunity, insecurity, injustice, and hopelessness."

The World Bank Group is often that partner. In places like Iraq, for example, we're supporting the government and finding new ways to bring private investment into the country, even under difficult circumstances. Years of war and neglect have damaged Iraq's energy grid, leading to daily blackouts that cripple the economy. We helped the government bring in 375 million dollars of private financing to bring power to 3 million people in the Northern region. That funding also supported the completion of the first phase of a new power plant that will supply about half of Baghdad's energy.

We do all of this with exceptional value for money. Over the last seven decades, the international community has contributed 19 billion dollars to capitalize and fund IBRD and IFC. Since 1945, the United States has invested 2.5 billion dollars.

We’ve been able to use those investments to fund more than **900 billion dollars** in loans and financing in developing countries, leverage 50 billion dollars in reserves, and transfer 28 billion dollars to IDA and other programs for the poorest countries. For every dollar that countries invest in the World Bank Group, we’re able to have an impact that’s tens and even hundreds of times more powerful than if they put their money in the form of grants directly into government budgets.

For most of my adult life, I worked to provide health care to people in some of the poorest parts of the world. The organization that I co-founded, Partners in Health, has worked for three decades around a principle we call a Preferential Option for the Poor.

Borrowing from Latin American Catholic Theology, a preferential option for the poor required us to work to ensure that *everyone* in our communities of focus had proper nutrition, healthcare, education, a safe place to sleep. When I became president of the World Bank Group, I brought some of that philosophy with me – a moral obligation to provide *everyone* in our client countries with opportunities to achieve their highest aspirations.

Helping poor countries develop is not an exercise in charity – it’s an investment in a stable, secure, more prosperous world. Improving stability in countries emerging from conflict, and investing in poor countries wracked by hopelessness and frustration are good for the entire world – including the United States. As I said before, investors are looking, above all, for stability, and we’re working towards that goal every day.

Let me make one other, less obvious point: strong American participation in multilateral development is an opportunity to promote the principles that we value as a nation: respect for self-reliance; equality of opportunity; openness and fairness; and our regard for the beliefs, dignity, and aspirations of others.

Those principles are embedded in the foundation of our institution. In July 1944, Henry Morgenthau also told the delegates assembled in New

Hampshire that the new financial order would be based on an elementary economic axiom – that *“prosperity has no fixed limits. It is not a finite substance to be diminished by division. On the contrary, the more of it that other nations enjoy, the more each nation will have for itself.”*

For seven decades, we have helped billions lift themselves out of poverty, and we have contributed to maintaining peace and stability around the world. If we have the right resources and fully commit to this effort, we can do the same for decades to come, and help build a kind of world that we will be proud to leave to our children.