



2016

ANNUAL MEETINGS

International Monetary Fund
World Bank Group
Washington, D.C.

October 7, 2016

Address by **JIM YONG KIM**,
President of the World Bank Group,
to the Boards of Governors of the World Bank Group,
at the Joint Annual Discussion

Plenary Speech by World Bank Group President Jim Yong Kim

DAR Constitution Hall, Washington, DC

October 7, 2016

As prepared for delivery

Thank you, Chairman Cardenas, Madame Lagarde, Ministers, friends

Ladies and gentlemen, I am honored and privileged to lead an extraordinary organization.

Our dedicated staff have persevered, thrived and importantly delivered.

I thank them for always keeping their focus on the needs of our clients.

And I also want to thank all our member countries, for re-appointing me and in doing so, demonstrating your support for our work, and everything we are trying to achieve, together.

We have the same ambitions, we all want progress, we all want to end extreme poverty in our lifetime. And we all know it's possible.

As we push toward our shared goals, the job will become tougher and tougher, because those remaining in extreme poverty will become harder and harder to reach.

We are living through challenging times.

The World Bank Group must always be ready to act quickly and be flexible, to bring fresh thinking and to evolve our response as needed, in country after country.

In my first term as President, we have worked to transform the World Bank Group into an organization fit to tackle some of the most complex challenges facing our generation.

That's what you asked of us.

Today, I want you to know that we are fit for purpose.

And, we are ready.

The opportunity is enormous but our success will depend on our ability to work with each other and with you.

Time is not on our side. We all share a growing sense of urgency to act.

We have set ambitious goals, but our staff have shown that we are more than equal to the task.

Now, I'd like to take a moment to reflect on how far we've come.

In my first year, you endorsed two ambitious new goals for the institution: to end extreme poverty by 2030, and to promote shared prosperity – by boosting the income growth of the bottom 40 percent of the population in every developing country.

In pursuit of these goals, we agreed on a World Bank Group strategy that outlined a basic blueprint for reform.

The reforms weren't easy, but the most important things seldom are.

Today, I believe, we have the right structure to deliver more and more effectively for you.

Knowledge is flowing across the organization and to our client countries, driving creativity and innovation.

Let me give you an example of how we've successfully transferred knowledge and experience across regions.

Through our new structure of Global Practices, knowledge sharing across countries has become easier and faster. For example, when the Government of India came to the Bank to prepare a major program to expand sanitation services for the poor, we were able to transfer knowledge and experience from Egypt's Rural Sanitation Project and apply it in India.

That resulted in the 1 billion dollar Swachh Bharat Rural Sanitation Project in India, which applied knowledge of good service delivery – in the areas of local governance, transparency and accountability to citizens - that had already been taken to scale in Egypt. Thanks to our Global Practices, we are now working to share knowledge from these two projects globally.

The changes we put in place were done for a reason: to help us better deliver results for you on the ground.

It's important to note that as we were implementing these reforms, you showed your support with a record 52 billion dollar replenishment of IDA.

And you encouraged us to boost IBRD's lending power through our "Margins for Maneuver" program. I'm proud to say that IBRD's loan revenues will exceed administrative expenses in the next fiscal year for the first time in a long time.

As part of the Expenditure Review, we cut 400 million dollars in administrative costs and reinvested savings in the Bank's business. These reinvestments are allowing us to deliver results to our clients more quickly.

Since I arrived, we have met lending demand at levels not seen outside a financial crisis, with IBRD and IDA support climbing to more than 160 billion dollars over the past four fiscal years. IFC and MIGA also delivered respectively 70 billion dollars and 13 billion dollars.

The ability of our staff to leverage finance is remarkable. For every single dollar a donor contributes, IDA will commit three. Each dollar that IFC invests leverages at least four dollars in contributions from others. MIGA leverages at a ratio of 1 to 14.

Perhaps most impressive is IBRD's extraordinary record. With only 15 billion dollars in paid-in capital from all shareholders since its founding more than seventy years ago, IBRD has mobilized more than 600 billion dollars in lending in middle-income countries around the world. A strong IBRD has been – and remains – a pillar of our global financial architecture.

You asked us to deliver greater financial innovation and we delivered. In bringing these innovations forward we are challenging ourselves to find new ways to mobilize resources at the scale required and to make those resources work harder.

We've used our economic expertise and development knowledge to design several financial innovations. Based on the lessons of Ebola, we created the first-ever Pandemic Emergency Financing Facility earlier this year.

We have scaled up IDA assistance to the world's poorest countries. We're very glad that IDA received a AAA rating, an important first step to enable IDA to access capital markets. The ratings reflect the accumulated equity and strong management of IDA, our governance structure, strength of donor support, and our ability to deliver results.

And we recently announced the Global Concessional Financing Facility, a new effort to address refugee crises by providing concessional development financing for middle-income countries.

With your support, we've ramped up our work on climate change, both in terms of the breadth of our thinking and in financing, with an announcement in the fall of 2015 to increase climate financing to 28 percent of total commitments by 2020.

We know we can't end poverty without ensuring that we protect the planet and its people. You responded to this reality by approving a new Environmental and Social Framework. This new framework will promote better – and lasting - development outcomes.

You have given us permission to be bold.

You have challenged us. We have responded.

But today, we have to ask ourselves still: are we reaching the scale required?

Global growth is now projected at 2.4 percent in 2016. This reflects the slowing of global trade, weak investment and rising political uncertainty. We now have the highest number of developing countries in recession since 2009.

I know all of you share my ambition and sense of urgency – ambition and urgency have been at the heart of everything we've accomplished during my first term as World Bank Group President.

Together, we have been planning for the next phase of the World Bank Group's work.

The Forward Look exercise has set us on a path that will build on our achievements. It is also encouraging us to think anew about our role and purpose and ensure that our governance reflects the global realities of today.

As I look toward my second term I want you to know that we are committed more than ever to end poverty and boost shared prosperity.

And we will achieve these goals in three ways:

First: by accelerating inclusive and sustainable economic growth,
Second: by investing more and more effectively in people, and
Third: by fostering resilience to multiple global shocks and threats.

We have two clear goals and three ways to get there.

On the first, there is overwhelming consensus among all of you that fostering robust, inclusive and sustainable growth must remain our top priority.

We have an enormous opportunity. But we need you to take action and we need you to push us.

The private sector tells us that unpredictability of government policies and actions, corruption, and tax regulations continue to present the largest obstacles for investment.

We want to continue working with you to make real progress as you tackle corruption, build stronger institutions, and reform tax structures which will remove the constraints to private sector investment, foster better service delivery and promote better governance.

We also want to work with you to make investments more attractive by lowering real and perceived risks, both in established and in emerging sectors.

Although not yet at the scale that we'd like, I am encouraged by the work that we are doing now to crowd in private sector investment.

India has one of the largest networks of roads in the world, but the roads are overwhelmed—just 2 percent of its national highways carry 40 percent of traffic, causing bottlenecks that can limit productivity and slow economic growth.

In India, as in every other developing country, infrastructure is key to integrating economies and delivering services. To help improve India's roads, IFC invested 250 million dollars in the Singapore-based firm Cube Highways. The firm is acquiring a portfolio of toll roads in India, injecting much-needed funds for road developers to complete their projects.

In Ghana, we worked with the government to arrange financing of 1.5 billion dollars through IBRD, IDA, IFC and MIGA to support the 7.7 billion dollar natural gas project.

This is the largest foreign direct investment project in Ghana.

It will provide up to 1,000 MW of reliable and cleaner energy, representing about one-third of the country's current electricity supply. It will generate over 2 billion dollars in present value of taxes and royalties, and reduce greenhouse gas emissions by about 1.6 million tons of CO₂ per year.

Just yesterday, IFC launched a new lending platform that will, in the next five years, raise 5 billion dollars of private capital for investment in emerging market infrastructure loans. The Managed Co-Lending Portfolio Program that will focus on infrastructure, will enable institutional investors to invest together with IFC in a portfolio of projects. Investors will benefit from credit enhancement provided by IFC and the Swedish development agency, SIDA. The first partnership, signed

this week with Allianz, demonstrates the potential of this platform to mobilize institutional investment to close the infrastructure financing gap.

This is an important step toward establishing infrastructure projects in emerging markets as an asset class.

Governors, colleagues I want you to know that 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 to compete in the economy of today and tomorrow.

And we must also take great care in ensuring that those investments benefit the poorest and most marginalized.

Already, technological advances have led to the building of new industries as others have declined. This is transforming the nature of many jobs and the skills needed for the future.

This brings me to our second pillar, increasing the volume and effectiveness of investments in human capital.

It is hard to overstate the urgency of making more and more effective investments in people.

It seems clear that digital competency will be an increasingly important requirement for the workforce of the future. We worry that the traditional economic path from more productive agriculture to light manufacturing and then to large scale industrialization may be disappearing for many poor countries.

Our job is to work with you to understand what the future economy might look like and structure our investments to put you in the best place to compete.

We will stand with you as you make those investments in your people, throughout the lifecycle, to spur economic growth and give your citizens the skills to compete effectively in the global economy.

You can count on us to walk with you into the future no matter what the future might bring.

We are ready and we are committed, to you.

Each of you have your own story of how your people and your economies have been affected by the multiple global crises we face -- forced displacement, climate change, and pandemics.

Our third pillar, then, is a much expanded role for the World Bank Group in the Global Public Goods agenda.

We are determined to work with you to foster resilience against some of the most severe shocks that threaten to roll back decades of progress against poverty.

We need everyone to know that IDA has been one of the most important tools in history for building resilience for the poorest people.

In the first year of IDA17, several crises—Ebola, cyclones in Vanuatu and Tuvalu, floods in Malawi and the Solomon Islands, and the earthquake in Nepal—led to the depletion of all Crisis Response Window funds. You provided an additional injection of 900 million dollars to enable us to respond to exceptionally severe crises in the second half of IDA17.

Thank you.

Today, 65 million people are displaced from their homes. 21 million are refugees. The vast majority of them now live in developing countries.

You know the data and you asked us to engage, and we did.

To help countries prepare and manage population flow we are developing advance warning systems so that we can anticipate where people will be moving and then respond quickly.

In Yemen, we are working with UNDP to finance a public works program to help people cope and earn money. We are working during crises to help host countries improve the business climate and use the private sector as a driver to stimulate economic growth.

In Jordan, we are helping to create special economic zones to generate more than 200,000 new jobs for Jordanians and Syrian refugees, and in Lebanon, we're planning an education project to allow 200,000 Syrian children to enroll in Lebanese public schools.

We are now looking for longer-term solutions in a number of countries, including Afghanistan, Kenya, and Somalia, on issues ranging from increasing agricultural productivity in areas hosting refugees to helping refugees return to their countries.

With your support we're fundamentally rethinking the way we use finance in response to forced displacement by establishing the Global Concessional Financing Facility. If we really want to solve the problem, then concessional

finance should follow the refugees and not be limited by rigid rules that follow only GNI per capita.

What you have told us is that we need to be flexible and that you expect us to have real impact. So we will.

Ebola and more recently Zika exposed lethal weaknesses in our ability to respond to pandemics.

There is a high probability that the world will experience another severe disease outbreak in the next 10 to 15 years. This could cost thousands of lives and trillions of dollars.

You told us to respond and once again we did.

If the Pandemic Emergency Financing Facility that we launched this year had existed in 2014 during the Ebola outbreak in West Africa, we could have mobilized 100 million dollars months before money actually flowed at a time when the epidemic was only one tenth as severe. Instead, it cost 10 billion dollars for emergency response, recovery efforts and in economic losses to the affected countries.

Preparedness is the best form of response; and it's less costly. From natural disasters, we know that investing in early warning systems has a cost-benefit ratio of at least five dollars saved for every dollar spent.

This is why your role is so crucial.

With your support, we will explore how innovative financing instruments like the PEF, can be used for mitigating other kinds of risks that will provide the poor much needed access to insurance and other kinds of safety nets.

Climate change is another global risk where we must change the way we work and the urgency with which we do it.

The good news is that the world must now enforce the commitments we made in Paris.

But we need to move much more quickly or the door will close on 1.5 degrees Celsius.

August was the hottest month since record-keeping began. And there is a fairly good chance that 2016 – a year after the signing of the historic Paris agreement – will be the hottest year on record, again.

In almost all parts of the world, extreme weather events, whether record rainfall or droughts, are becoming more common.

Right now, our thoughts are with the people of Haiti, whose country was devastated this week by Hurricane Matthew with the death toll nearing 300. The storm's dire impacts have already been felt across many vulnerable, small island countries across the Caribbean.

We are sending a rapid assessment team to coordinate with Haiti's partners in appraising the extent of the damage. Haiti has also requested support from the Caribbean Catastrophe Risk Insurance Facility, which was developed with assistance from the World Bank to provide insurance against natural disasters.

Disasters like this remind us of the need to help countries build greater resilience against ever-more frequent shocks.

More often than not it is the poorest people in the world who are most vulnerable to the impacts of climate change, making action on climate change core to our mission of ending extreme poverty.

We need to get far more serious about financing the promises that countries have made but we also need to be more creative in how we use available resources.

We did this when we began looking at the refugee crisis; now we need to do the same thing with greenhouse gases. Our approach to the refugee crisis was "follow the refugees"; with climate change, we must follow the greenhouse gases and finance the projects that will reduce them, at the scale required.

We have achieved so much but there is still so much to do.

We have to raise our ambition if we want to spur economic growth for the poorest countries and people in the world.

We need to make the right investments in people that are critical for countries to be competitive.

With all the global threats that we're facing, we have to put in place the measures that will make a difference on the scale that's needed.

We have created a better World Bank. Now we need a stronger World Bank.

You may recall, in my first plenary speech in Tokyo, I quoted the American civil rights leader Dr. Martin Luther King, who said "the arc of the moral universe is long, but it bends toward justice."

Today, I will close with a different quote from Dr. King, which has to do with what he called “the myth of time...the strangely irrational notion that there is something in the very flow of time that will inevitably cure all ills.”

Speaking only a few blocks from here in 1963, Dr. King talked about the “fierce urgency of now” – the need for immediate, purposeful action toward a vitally important goal.

I call on all of us here today to act with that same fierce urgency toward our goal – the end of extreme poverty.

At the end of the day our aspirations for the poor have to meet the aspirations of the poor for themselves. Or we will have failed.

You have given us the best mission in the world – to end extreme poverty and boost shared prosperity.

Push us to work across the institution to bring new resources, especially from the private sector, to our clients.

Demand of us to be even more creative with our knowledge and respond more quickly to your needs.

But also, give us the flexibility we need to solve the most important problems and make sure we have the financial capacity to change the world for the poorest and the most marginalized.

Let’s be bold and together, not only will we bend the arc of history toward justice, we will remake history for ourselves, our children and all future generations.

Thank you.