

Speech by World Bank Group President Jim Yong Kim: “The Importance Of Safety Nets: Mexico’s Leadership”

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World Bank Group President Jim Yong Kim
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As Prepared for Delivery

Buenos días a todos.

Señor Presidente de la República , Enrique Peña Nieto

Señor Secretario de Hacienda y Crédito Público, Luis Videgaray Caso

Señora Secretaria de Desarrollo Social, Rosario Robles

Distinguidos Secretarios

Delegados estatales de Prospera

Amigas y amigos todos

Es un gran placer para mí estar aquí hoy con ustedes, y atender a la amable invitación del señor Presidente Peña Nieto.

Hace unos años, en otra visita de un alto funcionario del Banco Mundial a México, tuvimos la oportunidad de conocer a Antonio Montes, un joven de 17 años del estado de Morelos, que aspiraba con llegar a ser un chef profesional. Aunque no sabemos con certeza si lo logró, el entusiasmo con que compartió en ese momento su sueño de un futuro mejor a pesar de ser ya “papá y mamá” de sus dos hermanos menores, nos hace pensar que sí lo hizo. Lo que sabemos con certeza— porque así lo comunicó Antonio en esa ocasión -- es que sin la transferencia de efectivo que recibían entonces, él y sus hermanos, no habrían podido siquiera alimentarse bien y mucho menos acudir a la escuela y soñar con llegar a ser alguien en la vida.

Friends, Antonio's story is like the tale of millions of children in Mexico and around the world. Despite hardship, they fiercely desire to pursue their dreams and improve their lives and those of their loved ones. However, to pursue opportunity – to stay healthy, to learn skills, to find a job and to generate income – they often need help to overcome many obstacles.

We are here to talk about the importance of safety nets and social protection that countries provide to their citizens. But it would be wrong for me to be in Mexico today and not reflect for a moment on the tragedy regarding the disappearance of the 43 young people. I want to add my voice in support of the families of the disappeared students. They deserve truth and they deserve justice. I am sure the government today is doing its utmost to uncover the full story of what happened and then prosecuting those responsible for this injustice. Terrible tragedies like this one underscore the need to continue investing in the future of the most vulnerable, improving their wellbeing and providing them with better opportunities and good jobs.

Over the past generation and more, Mexico has been a world leader in providing this assistance through *Oportunidades*. It was one of the world's first national conditional cash transfer programs that provided incentives to families to invest in health and education, linking income support to their investment in their children's futures. This innovative structure was also combined with a cutting edge focus on what we at the World Bank Group call the Science of Delivery – an approach that aims to capture and curate what works best in development and then spread that knowledge to countries around the world. *Oportunidades* had high standards for good governance and transparency and, crucially, it collected real-time program management information and used it to make evidence-based reforms. This relentless focus on execution was critical to its success – and helped make it one of the world's largest social safety net programs. Mexico also should be proud that *Oportunidades* has been the model for safety net programs in 52 other countries. The World Bank Group is one of its biggest supporters, providing the program with \$2.75 billion dollars in low-interest loans since 2009.

Mexico's track record as a global leader in social safety net design and implementation is one of the reasons we are excited about today's announcement of the PROSPERA program. As I will explain, by linking *Oportunidades* to the country's wider social protection system, it represents the next generation in social safety net development. It creates new possibilities for *Oportunidades* beneficiaries across a range of sectors, and shows the

flexibility to accommodate their increasingly mobile and urban way of life. All of these reasons helped persuade us to partner with Mexico in supporting the program. We're very pleased to announce today that we'll be providing \$350 million dollars in the form of a low-interest loan for the development of PROSPERA.

PROSPERA and social safety nets more generally will be critical for achieving our goal of ending extreme poverty by 2030. Over the last few decades, income growth has been responsible for about 70 percent of countries' success in helping people lift themselves out of extreme poverty. However, our latest forecast is that the average rate of economic growth for Latin America is expected to drop to 1.2 percent this year. This projection is far below the 4 percent rate that has helped reduce poverty across the region in recent years. For the benefit of the poor, governments must adopt appropriate structural reforms to bolster economic growth. Given the trend toward increasing inequality in recent years, however, governments must also take steps to ensure that the gains from growth are shared equally, especially with people who have little or no income. This type of progress comes from investments in people, such as improved health care services and education.

Social safety nets like PROSPERA provide a financial cushion to poor people, allowing them to achieve a higher level of health and security and giving them the chance to learn skills and find good jobs. Ultimately, they become more productive workers, raise their income levels, and promote economic growth.

Today, about 345 million people living in extreme poverty around the world are helped by a safety net program. The expansion of social safety nets, especially cash transfers, has been substantial in Africa. In 2010, 21 countries had some form of cash transfer in place; today, social safety nets operate in 37 African nations. These programs have helped break the vicious cycle of being born poor, without opportunity, and remaining so from one generation to the next. Take the example of Morocco: It launched a conditional cash transfer program in 2008 that recommended recipients to ensure that their children attend primary school. In just two years, the student dropout rate fell by 70 percent and the country has expanded this program to more than 800,000 students.

But we must expand these safety nets to an even greater scale. Today, 870 million people living in extreme poverty still do not have access to any kind of social assistance program. Research shows that, where this support is absent, many families tend not to send their children to school. They also lack the financial means to provide their children

basic nutrition, which has long-term negative consequences. It's clear that if we are to achieve our goal to end extreme poverty, we must expand and improve social safety nets. The World Bank has supported the development of these programs in 122 countries and regions, committing \$16 billion dollars for this purpose over the past seven years.

We are proud to support Mexico's second-generation safety net program, PROSPERA, which builds on the core responsibilities of both the government and the recipients and aims to reach and support the most marginalized populations in the country. PROSPERA will connect families in multiple ways to the country's social protection system. For instance, PROSPERA will support vocational training and technical education; it will link people to 29 federal programs and give them preferential access to services; it will help teach financial literacy and show people how they can access low interest rate loans; and it will help young people living in cities enter the National Employment Service.

As countries have scaled up their social protection programs, we have learned some important lessons.

First, we have learned that safety nets DO NOT lead to dependency or laziness. To the contrary, evaluations show that the only groups systematically working less due to safety nets are children and the elderly – and that is a very good thing. In South Africa, for instance, cash transfers increased labor force participation and employment, as beneficiaries were able to afford bus fares to commute to more vibrant labor markets.

Second, we now know that safety nets are, in fact, cost-effective and efficient ways to quickly provide security and stability for the poor. Governments in developing and emerging market countries spend on average 1.6 percent of GDP on social safety net programs. Less effective alternatives, such as fuel subsidies, can often cost three to four times as much – and do not effectively target the poor. Safety nets can also provide assistance to millions in short amounts of time and with minimal effort. For example, when a drought hit the Horn of Africa in 2011, Ethiopia was able to expand the number of people covered by its safety net by more than 40 percent. As a result, Ethiopia made sure that an additional 3.1 million more people had an adequate food supply.

And third, we have learned that cash transfers are one part of a suite of services required for helping people pull themselves out of poverty. PROSPERA is a good example. By connecting beneficiaries of *Oportunidades*' conditional cash transfers to other government sponsored initiatives, PROSPERA will promote access to financial services such as credit,

savings, and insurance. PROSPERA will also offer the poor a way to finance investments in education and skill development that are essential to increasing productivity and raising incomes.

Because we believe so strongly in the role that safety nets can play in ending poverty, we're committed to promoting further programmatic innovation. For example, we're working with the Secretariat of Social Development – or SEDESOL – in the design and development of their new and powerful social policy. This will help Mexico pull together efforts in different areas of the government toward providing more opportunities for the poorest.

We're also helping to ensure that governments around the world are aware of best practices. Earlier this year, working with Brazil, we helped host a global conference on social protection systems, as part of our on-going involvement with South-South Learning Forums. We also helped organize a smaller regional workshop on inclusive growth last week in Lima. Mexico played a crucial role in the success of both events, sharing lessons learned from its leadership in the sector and responding to presentations on the experiences of other countries that have faced similar challenges.

Mexico is a world leader in social protection, especially now through PROSPERA's approach to making many more government services available to the poor. Countries around the world look to you for ideas on how to help their poorest citizens. We are eager to continue to support you as you grow in your knowledge of the best ways to build effective social protection systems. We also want to disseminate knowledge of your best practices throughout Latin America, Africa, Asia and, even, the United States. Your success has helped millions of Mexicans – and it has helped many more millions of poor people around the world. Your work has brought hope, opportunity and prosperity to many who dreamed it would never be possible.

We are all very grateful and we at the World Bank are humbled to have played a small role in your great success. Muchisimas gracias.