

# Remarks by World Bank Group President Jim Yong Kim at the World Government Summit

February 8, 2016

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**Inclusive Governance: The Foundation for Building Human Opportunity and Prosperity**

**Dubai, United Arab Emirates**

**As Prepared for Delivery**

Hello everyone. I'm very happy to be here today with you. I'm grateful to the people of the United Arab Emirates and His Highness Sheikh Mohammed bin Rashid Al Maktoum for inviting me to participate in this year's World Government Summit.

For more than 60 years, the World Bank Group has been working with governments in developing countries to reduce poverty and promote human dignity. We're a proud supporter of this event because good governance is the foundation for all development. Delivering quality public services and creating conditions that encourage businesses to create jobs are fundamental to building opportunity and prosperity for all.

The focus of this year's conference – shaping future governments – comes at a pivotal moment in modern history. Last year, for the first time, the rate of extreme poverty was projected to fall below 10 percent. This is stunning progress. It means that today there are 1 billion fewer people living in extreme poverty than 15 years ago. But more than 700 million people still live on less than about \$2 dollars a day.

Our research and experience tells us that three things have been critical to reducing poverty and boosting prosperity: inclusive economic growth, investments in people's health and education, and insuring against risks that can plunge the vulnerable into poverty, risks like unemployment, illness, climate change and pandemics. Shaping future governments so they deliver

on these responsibilities is our shared responsibility and essential to achieving our twin goals of ending extreme poverty by 2030 and boosting shared prosperity.

The global landscape suggests that reaching these objectives won't be easy. Economic growth – the most powerful poverty reduction force the world has ever known – is slowing globally. Many emerging markets are suffering sharp reductions in growth because of declining demand from China and lower commodity prices. Warmer temperatures potentially linked to climate change made 2015 the hottest year in history; and the most powerful El Niño on record is affecting the lives and livelihoods of billions across the globe. Many parts of the world are becoming more fragile, making quality leadership and good governance ever more important.

The Middle East and North Africa, in particular, have been deeply affected by these changes. Lower oil prices are forcing governments across the region to reevaluate policies that have been in place for decades. Economies dominated by large firms are not producing enough jobs, and this is true for countries that both export and import oil. Furthermore, economies dominated by fossil fuels are currently not earning enough oil revenues to support large public sector expenditures and fuel subsidies. Throughout the region, highly centralized bureaucracies have not delivered the quality health and education services needed to enable young people to compete in the globalized marketplace. The net result is a long period that discouraged innovation and entrepreneurship.

This decline in economic prospects are causing increasing fragility in a region that has already experienced too much instability. Conflicts have now forcibly displaced 15 million people in the Middle East and North Africa, contributing to the worst humanitarian crisis since World War II. Fresh water and fertile farmland are becoming scarcer, creating more potential flashpoints. The human development consequences are worrying.

Violent extremists are using these challenging circumstances to rally recruits to their cause – with global implications. Deadly attacks in West and East Africa, North America, South and East Asia, and Europe, show that all of us have a stake in shaping future governments that are capable of tackling these challenges.

For people who feel excluded from or aggrieved by society, the feelings of anger and frustration can be overwhelming. When you have studied hard and can't find a job, or discover that your education did not help you develop the skills to get a job, the personal disappointment can be profound. These circumstances give people powerful motivations to challenge what they see as the source of their troubles.

Five years ago, in 2011, Mohamed Bouazizi, a 26-year-old Tunisian vegetable seller and breadwinner for his family of eight, lit himself on fire to protest treatment he had received at the hands of his government. Bouazizi's act was essentially triggered by the absence of good governance in his country. Ten days after his death, public protests brought down Tunisia's government. This anger exploded at a time when the national economy was growing. But opinion polls prior to the protests showed that, despite Tunisians' awareness of their country's increasing prosperity, over 80 percent considered themselves to be struggling or suffering. Many indicated that their unhappiness was rooted in low quality public services and infrastructure, and a government that made their livelihoods difficult. Poor governance had stretched the country's social fabric beyond repair.

Governments that operate in opaque, exclusive and unaccountable ways, or fail to empower local authorities, often plant the seeds of discontent. When governments don't allow the public to participate in decisions, they breed suspicion; when governments make decisions on the basis of favoritism, social or ethnic divisions, discrimination or corruption, citizens become deeply aggrieved.

The demands for good governance, in fact, are not a recent phenomenon. The demands are rooted in the traditions and history of many cultures, including the Arab and Islamic world. The scholar Imam Muslim recounted words said by the prophet, quote, "One whom I appoint to a public office must render account on everything, big and small." The Arab philosopher Ibn Khaldun wrote in his opus, the *Muqqaddimah*, that the social compact between the individual and tribes was a sacred bond based on mutual accountability, protection, and proper and reliable delivery of such basic services as security and justice. Ibn Khaldun said the worst kind of state is a tyranny wherein government usurps property rights and rules with injustice against the rights of men.

So what's the best way forward today? We believe that the answer is what we call inclusive governance. At the core of inclusive governance is a social compact between government officials and their citizens that is based on three principles. First, governments must be transparent in their actions and fully engage with citizens. Second, governments must invest in their people to give them opportunity to reach their full potential. And third, governments must create business environments that encourage innovation, competition and private sector investment, which will, in turn, create jobs and increase economic growth.

A story from Brazil illustrates the benefits of governments being held accountable for their actions. The World Bank Group helped the government build a program called *Bolsa Familia*, which is a targeted conditional cash transfer program. It promotes opportunity for the poorest by providing money to needy families who keep their children in school and ensure they receive vaccinations and regular health check-ups. The program has helped one of the most unequal countries in the world reduce income inequality, which is a powerful driver of social instability.

*Bolsa Familia's* success is due in part to accountability through its structures – a single register, eliminating the layers of bureaucracy, and making the system transparent. The outcomes from this program have been remarkable: Studies show that the program funds help parents buy food, clothing and school supplies for their children. Since 2003, *Bolsa Familia* has been responsible for up to 21 percent of the country's decline in inequality. And the total cost of the program is only 0.6 percent of GDP.

Here in Dubai, input from communities and parents has helped the Knowledge and Human Development Authority improve education quality. Today, more than half of the emirate's students are in good or outstanding schools, compared to 30 percent in 2010, and student achievement has steadily improved over the last five years. Sheikh Mohammed bin Rashid, your invitation last week to the UAE's universities – which you tweeted! – to identify a minister under age 25 to represent youth and “give them a voice and role in governing the nation,” is among the most inspiring gestures in governance of this still-new year.

Community engagement in Brazil and the UAE has helped their governments promote investment in people – a second important element of inclusive

governance. We know that investing in people, especially in their health and education, is critical to promoting opportunity and prosperity.

Research has shown that education helps people escape poverty at very high rates – starting at the earliest ages. Globally, earnings increase an average of 10 percent for every year of education for employed workers. Educated women and girls can be particularly effective agents of social and economic progress, both for society and their children. Educated mothers earn higher wages and invest more in their children’s health and education. In Pakistan, children whose mothers have even a single year of education spend an extra hour studying at home and achieve higher test scores.

Governments that invest in people’s health and education also create a powerful counter-narrative to violent extremism. Instead of sowing seeds of discontent, these governments promote opportunity, and that opportunity, if coupled with improving the business environment, can lead to more job creation.

Governments must ensure that the business environment helps spark innovation, entrepreneurship, and competitiveness. One example is China. China has produced a remarkable record of economic growth and job creation over the last 15 years – with the vast majority of those jobs created by the private sector. In the last five years – up to the end of 2015 – China created 64 million jobs.

When governments do not promote a fair and competitive business environment, when they limit opportunities by favoring allies, they foster a form of crony capitalism that can lead to instability and chaos.

Experience shows that governments can safeguard the fairness and integrity of their business climates by using special initiatives that reduce regulatory costs for the private sector. Under Denmark’s “Burden Hunters Project,” officials work with companies to simplify rules that the business community perceives as most burdensome. This cooperative approach helped Denmark rank first in Europe and fifth in the world on the ease of doing business in the World Bank’s Doing Business report this past year. These are just a few examples. No doubt you will hear about many more innovations in governance over the course of this conference.

For the Middle East and North Africa, for all regions in the world, the path to stability and prosperity is through inclusive governance – actions that foster

individual opportunity through quality public services and an open and competitive business climate.

Tunisia today shows this is possible. After the country's revolution, the government adopted laws and policies that made its budget decision-making more transparent. The public now has the right to official government information. Simplified and yet detailed data on state revenue and expenditure, treasury funds and public administrative entities can be accessed by anyone online. In 2013, when assassinations and social unrest threatened to undo these and other advances, the Tunisian National Dialogue Quartet, a coalition of trade unions and legal and human rights organizations, used its moral authority to bring together citizens, political parties and authorities in peaceful dialogue. While this process still has a ways to go, this dialogue has started to bring accountability and government engagement with citizens to the constitution-building process, helping develop consensus on a range of issues across political and religious divides. It also reduced violence and earned the Quartet the 2015 Nobel Peace Prize.

Now is the time for even greater ambition for the Middle East and North Africa. Last week, in London, we committed to using innovative financial tools to provide new support to Jordan and Lebanon, Syria's neighbors who have been shouldering so much of the burden in hosting Syrian refugees. First, our Board of Directors is working with World Bank Group management on an extraordinary measure to provide \$200 million dollars in direct concessional financing to create jobs and increase access to education in Lebanon and Jordan. Second, with assistance from the UN and the Islamic Development Bank, we're seeking donors who will provide \$1 billion dollars in grants that will then be leveraged to supply \$3 to \$4 billion dollars in concessional financing to help fund public service delivery and other needs.

These new financing initiatives, combined with our existing programs, are expected to total about \$20 billion dollars in the next five years – which is roughly triple our investment in the region from the previous five years.

We must act much more quickly in response to such humanitarian crises because we know that a refugee can remain a refugee for years, even decades. We must find ways to bring knowledge from development organizations such as the World Bank Group to improve the lives of refugees soon after they arrive in a host country – not years later.

Indeed, I believe we must all respond to what Martin Luther King Jr. called “the fierce urgency of the now.” He wrote, and I quote: “There ‘is’ such a thing as being too late. This is no time for apathy or complacency. This is a time for vigorous and positive action.”

I also believe that we must move urgently not just in response to humanitarian crises but also to prevent these crises from happening in the first place. In this region, in Latin America, in Africa, and in Asia, that means building good governance.

Another inspiring figure to me is the Palestinian intellectual and writer Edward Said. His book *Orientalism*, which is largely about how Westerns perceive the East, had a profound impact on my thinking. He also focused on the power of good governance. He once wrote, and I quote:

“Power, after all, is not just military strength. It is the social power that comes from democracy, the cultural power that comes from freedom of expression and research, the personal power that entitles every Arab citizen to feel that he or she is in fact a citizen, and not just a sheep in some great shepherd’s flock.”

This is the moment for all enlightened leaders in the region and around the world to act and to build inclusive governance. It means that leaders must be transparent in their actions and engage with people so that -- as Edward Said says -- they feel they are in fact citizens; it means leaders must invest in their people; and it means they must create business environments that encourage private sector investment. The greatest strength of the Middle East and North Africa is its people -- especially its youth. If leaders invest in young people’s education and health, if they give youth opportunities by diversifying their economies and sparking the dynamism of the private sector, the future of this region will become far brighter. With good governance, there will be greater opportunity and prosperity for all.

One last note that I’d like to make directly to Sheikh Mohammad bin Rashid. During this visit to the UAE -- my first -- I’ve been very impressed by what you, Sheikh Mohammed bin Zayed, and other leaders here have accomplished. If the rest of the region can commit to the kind of good governance that has built the modern and dynamic UAE, the prospects for peace and prosperity would greatly improve.

I pledge that we will continue to learn from you and share the successes here with other countries around the world. I also pledge that we will stand by your side and offer our assistance as you accomplish things that we can't imagine today, but that all of us will experience in the years ahead.

Thank you very much.