Building the New Global Agenda for Shared Prosperity

Iveagh House Lecture
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Minister Flanagan. Thank you for that kind introduction. It's wonderful to be in Ireland, especially this time of year.

As some of you know, I was born in Korea only a few years after the end of the Korean War. I mention this because I've often heard people refer to Koreans as the Irish of Asia. My family moved to the United States when I was only a few years old, in part because my parents sought to give their children more opportunity than what was imaginable in the extreme poverty of post-war Korea. In many ways, their decision was similar to one that Irish immigrants to the United States faced during the Great Famine of the late 1840s.

Though the Irish and the Koreans share a love of beer, pickled cabbage and potato pancakes, it's historical similarities like this one that make the saying resonate with me. Ireland and Korea are relatively small countries that have proudly maintained their national identities despite centuries of colonization. Both were recently very poor, populated mostly by farmers; and both have rapidly modernized using world-class education systems and export-driven growth to produce shared prosperity.

Between 1980 and 2013, Ireland's GDP per capita increased almost 800 percent; over that same period, Korea's GDP per capita increased more than 1400 percent. The recent history of these two countries' distribution of wealth is virtually identical and more equitable than the OECD average: Their Gini coefficients – a measure of income inequality where the lower the number the less inequality there is – were about .30 as of 2013.

Ireland has also shown a remarkable commitment to sharing its wealth with the poorest: Even during the years following the financial crisis, its per capita contributions to overseas development assistance placed it in the top ten of donors worldwide.

Given the World Bank Group's mission, Korea's and Ireland's rapid economic growth and relative equality make their development histories compelling. My institution's twin goals are to end extreme poverty by 2030 and boost shared prosperity. To accomplish the first, we must reduce the proportion of the global population living on less than $1.25 dollars a day to below 3 percent. To accomplish the second, we must grow the incomes of the bottom 40 percent of people in developing countries at a rate faster than the national average. Both goals seek to ensure that poverty does not prevent people from achieving their full potential.

It's not surprising, then, that the development experiences of both Korea and Ireland have shaped the World Bank Group's global agenda – as I will discuss, promoting economic growth, agricultural development, health and education is central to our strategy to achieve the twin goals. We're also developing plans for global action to protect against pandemics and climate change – global threats that push people into poverty, undermine prosperity and put at risk the human race's very survival.

Last year's reorganization of the Bank into Global Practices and Cross Cutting Solutions Areas will be critical to our ability to succeed. In addition to providing low-cost financing, we're now sharing with governments our best global knowledge in areas like social protection, energy, job creation, and gender. This expertise has positioned us to help countries all over the world build tailored solutions to their toughest development challenges.

The core elements of our strategy can be summed up in three words: Grow. Invest. And insure.

The world economy needs to grow faster, and grow more sustainably. To end extreme poverty and boost shared prosperity, it needs to grow in a way that ensures the extreme poor and the bottom 40 percent receive a greater share of the benefits of that growth. More robust and inclusive growth, like that of Korea and Ireland, is critical.

Sustained growth requires macroeconomic stability in the form of low inflation, manageable debt levels, and reliable exchange rates. Government policies also must prioritize growth in sectors that increase the incomes of the poor. In most of the developing world, this means boosting agricultural productivity.

Today, 70 percent of the world's extreme poor live in rural villages. They are mostly farmers or work in informal jobs – providing services to rural populations. Helping farmers improve yields is therefore essential to poverty reduction. Ireland is doing path-breaking work in this area, bringing better seeds, tools and fertilizers to countries in Sub-Saharan Africa. Expanding rural farmers' access to water, electricity and markets is also important. According to one study in Bangladesh, six years after constructing 3,000 kilometers of roads to connect communities to markets, household incomes increased by an average of 74 percent.

The second part of the strategy is to invest in people, especially through education and health. The opportunity to get children off to the right start happens just once. Investments made in children early in life bring far greater returns than those made later on. Given Ireland's history, you know all too well that poor nutrition and disease can have life-long implications for mental and physical health, not to mention educational achievement and adult earnings.

The work Ireland does on a bilateral basis, with more than 20 percent of Irish Aid's budget targeting hunger-related activities, shows the value you put on human capital investments. Ireland's aid priorities also reflect evidence showing that investments in girls and women have a multiplier effect on the well-being of the extreme poor. When empowered through education, mothers have healthier children; and, when they have financial resources, they're more likely to invest in the next generation.

The final part of the strategy is to insure. This means that governments must develop social safety nets such as cash transfer and public insurance programs, which can prevent personal crises like unemployment and illness from pushing people into poverty. As the European Union's best performing country in reducing poverty through social transfers, Ireland is a global leader in this area. Since the financial crisis, you've gone even further, merging public employment services with social welfare offices to facilitate unemployed people's return to the labor force. The World Bank Group has incorporated this approach into our knowledge sharing efforts with middle-income countries, providing Irish officials the opportunity to share this work with leaders from Armenia, Georgia and Western Balkan nations.

Our goal to end extreme poverty in 15 years is ambitious – nearly 1 billion people today live on less than $1.25 dollar a day. However, I'm confident this strategy of grow, invest, and insure will enable us to fulfill this commitment, especially since we've already made so much progress: Over the last 25 years, we've reduced the proportion of the world's population living in extreme poverty from 36 percent to 12 percent.

At the same time, our agenda must guard against threats to our present prosperity. Immediate action to protect the world against pandemics and climate change is therefore critically important.

Ebola revealed the shortcomings of international and national systems to prevent, detect, and respond to infectious disease outbreaks. We must never allow this to happen again.

The next pandemic could be far deadlier and move much more rapidly than Ebola. The Spanish Flu of 1918 killed an estimated 25 million people in 25 weeks. Bill Gates asked researchers to model the effect of a Spanish Flu-like illness on the modern world – they predicted a similar disease would kill 33 million people in 250 days. Other researchers have estimated that the cost of a severe pandemic would be 5 to 10 percent of global GDP – or $4 to $8 trillion dollars. It should come as no surprise, then, that in a global survey of insurance industry executives in 2013, they said their biggest worry was a global pandemic.

The World Bank Group has been working with partners on a new concept that would provide much needed rapid response financing in the face of an outbreak. The idea behind a pandemic emergency facility is to mobilize and leverage public and private sector resources through public funding in the billions of dollars, and through market and private insurance mechanisms. In the event of an outbreak, countries would receive rapid disbursements of funding, which would, in turn, help contain outbreaks, save lives, and protect economies.

The G-7 has endorsed the concept, and we will present a more fully developed plan to G-20 leaders later this year.

Remember that global survey of insurance executives I just mentioned? The executives' second-biggest worry was natural catastrophes, including extreme weather events like hurricanes and flooding that are occurring more frequently due to climate change. Over the past 30 years, natural disasters took over 2.5 million lives, and caused almost $4 trillion dollars in damage. Almost 75 percent of the losses were from extreme weather events.

Each year, the damage they inflict on many small-island states and other developing countries often amounts to more than a percentage point of national GDP. And, according to our assessments, the future economic effects of additional warming may be severe. Caribbean countries and the southern Philippines could lose as much as 50 percent of their fish catch by 2050 to warmer temperatures and ocean acidification. In Brazil, crop yields could decrease by up to 70 percent for soybean and up to 50 percent for wheat. A warmer world will also accelerate the spread of vector borne diseases like malaria, undermining worker productivity and health.

Putting a robust price on carbon and eliminating fuel subsidies are two critically important steps to mitigate rising global temperatures. Ireland is leading the way in another important area – climate smart agriculture. Its Origin Green program has mobilized Irish farmers and food producers to set and achieve measurable sustainability targets, including reduced greenhouse gas emissions and lower water consumption. This compact now covers three-quarters of Ireland's food exports. At the World Bank Group, we're helping other countries learn from this model, sharing the approach with Uruguay, Rwanda, Bulgaria and Romania.

When world leaders gather in Paris for the climate summit in December, country plans for tackling climate change should address all of these issues. Wealthier governments must also deliver on their pledge to invest $100 billion dollars a year in developing countries for climate action by 2020.

I started today talking about why Koreans are the Irish of the Orient. Our ancestors in Ireland and Korea shared the horrible experience of living in extreme poverty. They also shared the experience of lifting themselves out of poverty. Now, both Koreans and Irish are committed to using that painful history to help give others a chance at a better life.

At the World Bank Group, we want to give all people an opportunity for prosperity. We're helping the poorest through a strategy of grow, invest and insure. We're coordinating with others globally to protect against pandemics and climate change.

We're also seeking much more financing to do the job. We can turn billions of overseas development assistance into trillions in development spending. Stopping illicit financial flows, leveraging private sector investment, and increasing domestic resource mobilization will be critical to our success.

This agenda, the poverty data, and our accumulated development knowledge show that we're closer than ever to achieving our dream of a world free from poverty. It's time to make it our reality.

Thank you.

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