I’m very grateful to be speaking today at the United States Institute of Peace, whose core principles begin with a pledge to bring peaceful solutions to the world’s problems. Today the world’s problems seem daunting. Economic growth is slowing; many countries remain locked in war; the number of extreme weather events continues to rise; and every day we see, by the tens of thousands, the anguish of families, who have lost everything, in some cases risking their lives to cross from the Middle East and Africa into Europe. With such global threats and daily tragedies, it can be hard to imagine a world in which prosperity is shared by all. When we look at it all together—slowing growth, climate havoc, pandemic threats, families escaping conflict or poverty—it forces us to rethink fundamentally the development enterprise. But I know that we can succeed in achieving the twin goals of the World Bank Group: to end extreme poverty by 2030 and to boost shared prosperity for the bottom 40 percent of the population in developing countries.

In the face of all the shocks and crises I mentioned, the World Bank Group focuses on the extreme poor and the bottom 40 percent because they are the most affected and least able to recover. Over the last few years, a related discussion, on inequality, has taken hold, partly as a result of the financial crisis in 2008 and 2009. Last year, Oxfam laid down an unusually sharp challenge in its report, “Even It Up,” stating that the richest 85 people in the
world control as much wealth as the bottom 50 percent of the world – or more than 3.5 billion people. By highlighting the stark reality that so much of the world’s population shares almost none of the world’s wealth, Oxfam touched a nerve.

The World Bank Group’s approach to addressing this problem is embodied in a term that suggests a solution: boosting shared prosperity. In our work with governments, we support efforts to ensure that everyone benefits from growth, not just those who already control or have access to capital. We know that to boost shared prosperity, the incomes of the poorest 40 percent must grow, ideally at a rate that matches or exceeds the rate of income growth for the general population.

But since 1990, labor income in most countries has grown more slowly than national GDP. More recently, inequality has increased in the United States as well as much of Europe, China, India, and Indonesia—half the world’s population. But the news isn’t all bad. Of 94 countries in our Global Shared Prosperity Database, 65 of them, comprising 73 percent of the global population, have enjoyed mean income growth for the poorest 40 percent between 2007 and 2012, despite the financial crisis. And in 56 of them, growth in the bottom 40 percent has been faster than for the population as a whole.

So, the poorest people have not always been left behind. We know that people will earn higher wages when markets are more efficient for everyone and governments provide better access to quality health services and education. More income for more people increases demand and consumption, leading to still more investment, both public and private.

For us, then, to reach our twin goals, three things have to happen—inclusive economic growth, investment in human beings, and insurance against the risk that people could fall back into poverty. Grow, invest, and insure: that’s our shorthand for the strategy.

Of the three, economic growth accompanied by rising wages and job creation has been the most important factor in reducing extreme poverty over the past half-century. But we’re not focusing simply on GDP growth. We reject “trickle-down” notions that assume that any undifferentiated growth permeates and fortifies the soil and everything starts to bloom, even for the poor. We need to find an economic growth model that lifts up the poorest citizens rather than enriching only those at the top. But what do we do in an era of low global growth—such as we are living through now?
One answer is to encourage countries to do all they can to boost growth – which often means enacting reforms, like ending regressive fossil fuel subsidies, improving the business climate, and making public expenditures more efficient and targeted. Developing countries must also construct more equitable, efficient and transparent tax collection systems. IMF Managing Director Christine Lagarde and I pledged a few months ago that our organizations will do all we can to help countries collect more taxes more fairly. In too many countries, the rich evade paying their fair share. Some companies use elaborate strategies to not pay taxes in countries in which they work, a form of corruption that hurts the poor. More equitable taxation could easily eclipse official development assistance received by countries. At so many of the recent meetings I’ve attended, developing countries have been clear in their strong desire to improve their domestic resource mobilization and take important steps toward greater self-sufficiency, which will allow them to offer more services to their citizens.

Efforts to boost shared prosperity will differ in each country. A low income country may need to ramp up agricultural productivity. Middle income countries may focus more on urbanization. For a country where most children don’t go to primary school, this is the first goal that has to be reached.

But for every country, we are doing everything we can to help our clients stimulate inclusive economic growth. But when growth is slowing we must focus even more on efforts to invest and insure. Investing in health and education can, as we know, promote economic growth. Furthermore, social protection programs have been shown to stimulate local economies as well as shield the disadvantaged from falling back into poverty.

Latin America, where we will hold our Annual Meeting in Lima, Peru, next week, has several programs that combine elements of a grow-invest-insure strategy. Latin America was one of the most unequal regions in the world throughout the second half of the 20th century, but in the 21st century it’s become less so.[3] Growth in these countries led to higher hourly wages, and governments adopted a number of policies that have had real staying power: enforcement of labor contracts and a minimum wage; greater access to schools; progressive educational spending that favors the poor; pensions; and above all, conditional cash transfers, for which there is abundant evidence that giving cash, rather than regressive subsidies for fuel or food, produces lasting positive effects.

Peru’s Programa Juntos, which began in 2005, has reached half a million poor families with conditional cash transfers worth $38 dollars each month based on regular health and
nutrition check-ups for young children. Brazil’s Bolsa Familia benefited 14 million families and helped cut poverty by 28 percent in the last decade at a cost of 0.5 percent of GDP. Oportunidades in Mexico, now called Prospera, is a conditional cash transfer program where one quarter of recipients’ income was saved and reinvested in productive small business or self-employment ventures. Throughout the hemisphere, 15 percent of the fall in inequality was attributable to these progressive social protection transfers.

No matter the level or prospects for economic growth, we have to increase our efforts to insure poor people against the risks and looming disasters of modern life. Well-off people already benefit from various forms of insurance; but everyone should have a safety net. Too many people are living just one illness or accident away from destitution, even in a rich country like the United States.

We also know that investing in people, especially in their health and education, is one of the most critical actions countries can take to promote economic growth.

Two weeks ago, 267 of the world’s leading economists organized by Larry Summers—a group that included Kaushik Basu, our chief economist, and several of our colleagues at the Bank—signed an appeal in The Lancet for governments to invest in what they call “a pro-poor pathway” to universal health care. In their declaration they state that over the past decade, health improvements accounted for 24 percent of full income growth in low-income and middle-income countries. The economic benefits of universal health care are 10 times the cost, and it’s a mission on which over 100 countries are now well underway.

One of our most cherished and broadly shared values is the notion of equality of opportunity. In our quest to achieve equality of opportunity for all, we will have to invest in health care that will lead to what Summers has called a “grand convergence” in health outcomes.

Among the investments in people we need to make, the most important one starts when a woman becomes pregnant. It’s the combination of health and education, of investment and insurance, known as early childhood development.

Twenty-six percent of all children under five in developing countries are stunted, a condition in which children are not only malnourished and under-stimulated but risk a loss of cognitive abilities that lasts a lifetime. In sub-Saharan Africa, some 36 percent of children are
stunted. That’s nearly four in 10 of sub-Saharan Africa’s children with limited prospects in life. This is a disgrace; a global scandal and, in my view, a medical emergency.

When an infant brain is not fully developed, whether from malnutrition, toxic stress, or a lack of stimulation, the neural connections just don’t form. Once a child loses those neural connections, the damage is permanent to areas of the brain involved in learning, emotions, and response to stress. An impaired prefrontal cortex affects the emergence of a young child’s self-regulatory skills, cascading in a short time to serious problems for their executive function, working memory, and adaptability to change.

What does this have to do with shared prosperity? Everything. Children who are stunted by age five will not have an equal opportunity in life. There can be no equality of opportunity without proper antenatal care for mothers; or the appropriate stimulation, nurturing, and nutrition for infants and young children. Conditions of poverty, toxic stress and conflict will have produced such damage that they may never be able to make the best of any future opportunities. If your brain won’t let you learn and adapt in a fast changing world, you won’t prosper and, neither will society. All of us lose.

At the World Bank Group, we’re committed to effective action on early childhood development. We’ve identified five packages of 25 services for families with young children all based on strong evidence. From 2001 to 2013, we invested $3.3 billion dollars in early childhood development programs around the world – in Haiti, Indonesia, Jamaica, Lesotho, Mozambique, Russia, and Vietnam. More programs in more countries are in the works. But we must do even more. Every country has to invest.

What we need now is an ambitious goal that will help drive our work in early childhood development. For childhood stunting, there is in fact a goal, set in 2012: a global target to reduce stunting in children by 40 percent by 2025. But that would still leave 100 million stunted children, and that’s not ambitious enough. With strong leadership from UNICEF, the World Health Organization, and from new partners such as the world’s No. 1 men’s tennis player, Novak Djokovic, whose foundation is working with us and the Serbian government to improve early childhood development programs, we must aim higher. If equality of opportunity is a value that we indeed all share, and we are serious about boosting shared prosperity, we need to work together to set a target to end stunting for all children as quickly as possible and well before 2030.
But we shouldn’t stop there. Even before primary school, all children should have access to preschool. In New York last week I met with President Santos of Colombia who had just signed a peace agreement that will bring an end to the last remaining conflict in Latin America. Even in the face of conflict, President Santos has moved aggressively to increase access to preschool, knowing that it’s not a luxury. This is the kind of leadership we need. Preschool is another great investment: every dollar spent closing the gap in pre-primary education between the well-off and the poor will return between $6 and $17 dollars. For shared prosperity to endure so that people, once having lifted themselves from poverty aren’t plunged back into it, we have to rethink our role in an unstable world riven by conflict, crisis, pandemics and climate change.

Who is most at risk during times of crisis? Poor people. Last year, Ebola struck three of the world’s poorest countries – Guinea, Liberia and Sierra Leone. The months of global inaction to fight the epidemic – and the deaths of more than 11,000 people – can be directly tied to the poverty of those countries. Many of those who died were among the extreme poor, whereas the survival rate among Americans who contracted the virus was 100 percent. We must not do now as we’ve always done – panic while the crisis rages, neglect when the headlines fade.

The World Bank Group will not forget the lessons of Ebola. We are now working on a global pandemic facility that will effectively provide insurance to poor countries for whenever the next epidemic strikes. To prevent the outbreak from reaching pandemic proportions, the facility would rapidly release funds for trained personnel to respond immediately. Disbursements of up to hundreds of millions of dollars will support first responders: If they can stop the epidemic quickly, they will save many, many lives and prevent enormous economic losses. The facility will be a critical part of a larger pandemic response capacity we are current building that we hope will finally be equal to the challenge. If a flu outbreak like the one that killed millions of people in 1918 happened today, it could claim tens of millions of lives and cost the world 5 to 10 percent of global GDP, roughly $4 to $8 trillion dollars. But today, we’re not ready to stop such a pandemic. And as with all natural disasters, it’s the poor who will suffer the most.

In difficult times, when we’re concerned about growing inequality, worried about the health of our planet and future pandemics, and outraged that one-quarter of all children in developing countries are stunted, we must tackle the biggest problems with only the highest aspirations. Only then will we be successful.
I’ve said it many times: When you’re fighting extreme poverty, optimism is a moral choice. Pessimism in the face of extreme poverty can become a self-fulfilling prophesy that is deadly for the poor.

Our goals of ending extreme poverty by 2030 and boosting shared prosperity are not just slogans.

We’re serious about them.

It starts with the pregnant woman who lives in a conflict zone. We must do whatever it takes to support her so that her newborn child will have a world of opportunity, equal to that of any child in the world.

Bringing the rate of stunting down to zero will be an enormous task but it is in fact our task, our shared responsibility. Now is the time to get serious.

Thank you very much.