Statement by

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Minister of Finance

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Global Development Landscape

We are meeting at a time of fast changing development landscape. Despite decades of progress in development, important challenges remain, including persisting poverty, continued income inequality and increased forced displacement. Added to these are the new challenges of sustaining global trade growth that is critical to economic growth and job creation, addressing increased debt vulnerabilities in some developing countries, and adapting to the changing nature of work.

The agenda presented to us today is relevant to the emerging development landscape. It highlights the critical role of human capital and disruptive technologies, including Fintech, while recognizing that sound macroeconomic environment remains a pre-requisite for sustainable development. We commend the World Bank Group (WBG) for taking on this agenda and for reorienting its work to help developing countries embrace the opportunities created by the changing development dynamics. In doing so, we urge the WBG to remain focused on its core mandate and comparative advantage: where it can make the most impact and deliver optimal development outcomes. We also encourage the WBG to formulate a strategy for engagement on human capital and disruptive technologies in an integrated manner, while ensuring that traditional development priorities remain a critical part of its efforts.

World Development Report 2019 - the Changing Nature of Work

We welcome the World Development Report 2019, which discusses the potential benefits and risks brought about by the changing nature of work. We see a role for the WBG to support client countries in adjusting to the changing nature of work and implementing the needed changes in macro and micro policies, while recognizing their specific circumstances. Indeed, the WBG has a role in helping client countries make human capital investments that keep pace with a rapidly evolving technological landscape.

It should be recognized that the changing nature of work comes with risks, and those risks should not be underestimated. One such risk is a move away from traditional long-term employment contracts, and towards less secure job arrangements, which could push even more workers into the informal economy. This is reinforced by the changing nature of firms which, with technological changes, could be encouraged to follow more capital intensive (and hence labor saving) approaches. To maximize the dividends of technological advances and investments in human capital, it is important to strengthen regulations that prevent market concentration and implement policies that bring back workers into the formal labor markets.

It is important as well that human capital development is complemented by measures to strengthen labor markets that create and sustain employment opportunities. Through country level engagement, the WBG
should support the development of labor markets at the firm and industry levels to widen opportunities for productive employment.

**Human Capital Project (HCP)**

We welcome the launch of the Human Capital Project (HCP). It is an important and timely initiative because it highlights the importance of investing in human capital to improve people’s lives, enhance their productivity and prepare them for new skills brought about by the changing nature of work. Saudi Arabia has chosen to be an early adapter of the HCP and remains strongly committed to human capital development, which we believe is fundamental to inclusive, sustainable and strong economic growth. We expect the HCP to provide useful insights to policymakers and inform policy interventions that can help countries reach the frontiers of productivity potentials.

The new human capital index (HCI) sets the foundation for the HCP and could contribute to its success. It is critical that the index is based on a robust and rigorous methodology and accurate data. It is also vital that HCI scores are not used to rank countries against each other. Instead, the index should remain focused on informing countries about how close they are to reaching the desired health and education outcomes that maximize their future productivity potentials.

The HPC can provide guidance for scaling-up WBG engagement not only for achieving better health and education outcomes, but also for building a cross-country database and strengthening analytical work. In view of its importance to the Twin Goals, the WBG should be prepared to deploy the needed additional resources to mainstream human capital development in its operations. This will also require the WBG to re-skill staff so that they can provide effective support to client countries as they pursue human capital development.

**Disruptive Technologies**

Disruptive technologies will impact the evolution of the global economy and the jobs landscape. Indeed, it is likely to impact business models, shift comparative advantage between countries, generate demand for new skills, induce innovative ways of organizing work and may change the imperatives of national policies and strategies. It is thus appropriate and timely for the WBG to mainstream disruptive technologies in its operations, with the aim of unlocking new development opportunities while mitigating potential risks.

In this context, we would like to emphasize that the development impact of disruptive technologies can be maximized when it is complemented by capacity building, training and responsible use. The WBG should therefore build the necessary capacity internally and in client countries to adapt to disruptive technologies and should ensure that the roll out of disruptive technologies is carefully designed with a clear understanding of the challenges and limitations.

**The Bali Fintech Agenda**

We welcome the key elements of the Bali Fintech Agenda (the Agenda), which outlines high-level issues for consideration by member countries as they seek to develop their policy response to rapid developments in Fintech. As the Fintech ecosystem is changing fast, the Agenda needs to evolve and remain flexible to “support awareness, further learning, and ongoing work”.

We encourage the WBG and IMF to assist member countries through capacity building and continue to facilitate the exchange of information and experience on Fintech issues. This support should be tailored to country-specific circumstances, as capacity and progress in the application of financial technologies vary considerably across countries.
Given the potential financial stability risks arising from Fintech, efforts to strengthen financial integrity and resilience through appropriate regulation should continue. In this regard, we underline the importance of continued close collaboration and dialogue with the standard-setting bodies and other relevant international and regional bodies to avoid duplication and overlap.

Debt Vulnerabilities

We welcome that the WBG and IMF are working together to analyze and address debt vulnerabilities in both low- and middle-income countries through a multipronged approach. We would like to offer a few points of guidance as the WBG and IMF continue this important work.

First, while rising debt vulnerabilities in low-income countries (LICs) is an important concern, we need to be conscious that LICs constitute a diverse range of nations, each with its own unique circumstances and challenges. It is important to recognize this heterogeneity, and to understand what drives the rise in debt in individual country circumstances, whether it is exogenous factors such as natural disasters and health related shocks, inability to make timely adjustments in expenditure priorities or take additional revenue measures, or incentives created by low interest rates.

Second, debt vulnerability is exacerbated primarily depending on how resources mobilized through debt are utilized. Debt is a lesser concern if those resources are used to finance investment projects with high rates of return. Countries therefore need to be supported through policy advice and technical assistances to improve the efficiency of public expenditure and strengthen public investment and debt management.

Third, we agree with the view that cuts in investment to stabilize debt levels in emerging markets, if not well-managed, could squeeze investment and growth prospects. It is therefore critical for the WBG and IMF to elaborate on how growth-friendly fiscal consolidation can be best managed, including by tailoring their assistants to client countries’ circumstances.

Fourth, the WBG and IMF should continue to raise awareness of the risks entailed by financing long term investments with short term debt, which increases the debt service burden and refinancing risk. They should also explore if and what kind of policy response is needed to address excessive leverage in the private sector.