



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

NINETY-NINTH MEETING
WASHINGTON, D.C. – APRIL 13, 2019

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April 13, 2019

Statement by
H.E. Lim Guan Eng
Minister of Finance

Malaysia

**Representing the Constituency of Brunei Darussalam, Fiji,
Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore,
Thailand, Tonga and Vietnam**

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99th Meeting of the Development Committee

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The global economic outlook remains uncertain, with growth momentum expected to soften this year in both advanced and emerging market economies. Unresolved trade tensions and financial market volatilities have heightened the downside risks, potentially leading to a negative global growth spillover impact. While there is persistent financial fragility, growing inequality, weak productivity growth and unemployment in many emerging market and developing economies (EMDEs), vulnerabilities are amplified in small economies which are particularly susceptible to economic shocks and natural disasters.

Against this increasingly challenging global environment, our constituency is committed to lending our full support to the World Bank Group (WBG)'s continued efforts, particularly through The Forward Look vision which aims to realise the Sustainable Development Goals (SDGs) as well as to strengthen its position towards achieving the Bank's twin goals of eradicating poverty and boosting shared prosperity.

Overarching Vision through the Forward Look, Capital Package and Financial Sustainable Framework

The Forward Look and the Capital Package vision serves as a roadmap for the WBG to support its members towards advancing economic transformation, achieving the SDGs, and for the Bank to lead on global issues, create markets and improve its business model. We commend the WBG for implementing the Capital Package commitments promptly after the 2018 Spring Meetings, providing a solid foundation for reaching the targets and adopting innovative approaches to channel resources to those members in need.

The WBG has rolled out significant policy reforms and commitments to engage all its members in the income spectrum, promote innovative responses to issues that require coordinated global action, enhance market creation and mobilise private sector funds through Cascade approach to maximize available sources of finance for development. We strongly support the WBG's and International Finance Corporation (IFC)'s efforts in developing upstream policy operations and deploying new diagnostics and assessment tools to prioritise interventions and optimise development impact. We also welcome the operationalisation of the Human Capital Project across the WBG, with enhanced support for country engagement work and private solutions, as well as the further integration of global priorities such as fragility, climate and gender into country-specific work.

On the business model front, we look forward to seeing IBRD's new Financial Sustainability Framework and IFC's Workforce Planning exercise take full effect in FY20. Moving forward, our constituency believes that the WBG should emphasise on more innovative and cooperative ways of increasing its financial capacity without the need for additional financial commitments through paid-in capital from its members.

Accelerate Efforts to Build Fiscal Resilience and Enhance Debt Sustainability

At the Annual Meetings in Bali last year, the Heads of the WBG, IMF, WTO and OECD jointly emphasised the importance of trade and the multilateral trading system in fuelling economic growth. We call on the WBG to uphold an open and rules-based multilateral trading system and support member countries in adapting to shifting global trends through tailored policy advice and lending, taking into account country-specific structural challenges and implementation capacities.

According to the IMF's latest Fiscal Monitor report, the share of low-income developing countries in debt distress or at high risk of debt distress has increased significantly from 25% in 2012 to 50% in early 2019. The escalating debt stress level is a major threat to sustainable growth as it adversely affects investments in key areas such as human capital development. The urgency of the situation requires the WBG and the IMF to act quickly to assist affected economies in containing the rising debt vulnerabilities. We urge both institutions to accelerate the implementation of their multi-pronged approach to address this challenge by strengthening debt analytics, monitoring, transparency and management; regularly reviewing the IMF/World Bank Debt Sustainability Framework for Low-Income Countries to retain its forward-looking nature; and advancing the review of debt limits and non-concessional borrowing policies. We also reiterate our call for better engagement and coordination with non-Paris Club bilateral and multilateral creditors to expand debt solutions.

Leverage Disruptive and Transformative Technologies for Lower-Income Countries and Small States

We welcome the mainstreaming of the WBG's approach to disruptive and transformative technologies by pursuing five corporate priorities based on the Build-Boost-Broker value proposition: (i) country diagnostics; (ii) agile regulations; (iii) connectivity; (iv) GovTech; and (v) capabilities. We support the robust Build-Boost-Broker approach which includes the implementation of the flagship Digital Economy for Africa Moonshot programme, while stressing the need to incorporate technology diagnostics within the existing framework of country diagnostics and developing similar programmes for lower-income countries and Small States in other regions. For most EMDEs, including those in our region, one of the significant challenges is to escape the middle-income trap. In cognisance of this, it is our desire that the WBG focuses its efforts on supporting its middle-income members to catalyse their transition to high-income status by leveraging on the advancement of digital technologies. To this end, we hope that developing a uniformed approach and a policy framework for countries to graduate from the middle-income status is recognised as a focus area.

The WBG should also support its members in adapting to the rapid pace of technological change by strengthening its internal capabilities and diversifying skillsets through targeted hiring and training as well as strategic partnerships with other development institutions, leading organisations and academic institutions from a variety of countries including the middle-income countries. As the development of the digital economy relies heavily on reliable and affordable digital infrastructure as well as strong regulatory frameworks that protect users and promote innovation, focusing efforts on building regulatory capacity and facilitating infrastructure connectivity should be a priority. This would require the Bank to double up its efforts in enabling South-South cooperation and crowding-in private sector funds to boost investments in digital infrastructure.

Towards a Single Cooperative International System

Lastly, we encourage the WBG and other multilateral institutions to take concerted efforts to holistically explore ways towards enhancing the cooperative international order to ensure that our global, regional and bilateral institutions work together as a system. There are multiple discourses on this front including the

recommendations made by the G20 Eminent Persons Group on Global Financial Governance (EPG). The system-wide reforms proposed in the EPG report, which could serve as a reference point, aim to promote sustainable growth in a new global era. We note that MIGA has taken steps to engage other Multilateral Development Banks to maximise the ability to manage and subsequently reduce risks. However, there is room to ensure that collective action is being actively pursued by the WBG to achieve greater global development impact.