Statement by

Hon. Nam-Ki Hong
Deputy Prime Minister and Minister of Economy and Finance
Korea

On behalf of the constituency comprising Australia, Cambodia, Kiribati, Korea (Republic of), the Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu
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Overview

Global growth has been disappointing in helping improve living standards in many countries and the outlook remains concerning, particularly given ongoing trade tensions and rising public sector debt.

As a consequence, we are increasingly at risk of not achieving our twin goals of reducing extreme poverty to 3 percent of world’s population and boosting shared prosperity, let alone making a meaningful impact on the UN’s Sustainable Development Goals.

Given this context, we welcome the three papers on the Global Value Chain (GVC), Job and Economic Transformation (JET) and Human Capital. Their collective messages reinforce the importance of national policies working within an integrated, global (and open) system to encourage investment, and the importance of people, and our investment in them, in lifting productivity and encouraging innovation.

This focus on investment, productivity, and innovation is critical to overall growth and wellbeing.

Ensuring this growth and wellbeing is sustained requires tackling climate change. The climate change crisis facing Pacific Island countries is the single greatest threat to the livelihoods, security and wellbeing of the peoples of the Pacific, including many of our constituency members. We continue to support action by all countries to address the threats and challenges of climate change.


We welcome, but are not surprised, by the finding that Global Value Chains (GVCs) play an important role in raising incomes and reducing poverty. Participation in GVCs can be a key driver of enhancing productivity, as hyper-specialization incurred through GVCs increases efficient division of labor and durable firm-to-firm relationships as well as promoting the diffusion of technology and access to capital.
The report reinforces the importance of appropriate national policies in realizing these benefits. Notably the importance of policies that reduce (if not eliminate) tariff and non-tariff barriers as this encourages firms to invest in GVCs and for the resulting trade to flow to the benefit of all participants. Countries with low tariffs are more likely to participate in GVCs, and opening domestic sectors to foreign investment and trade spurs economic transformation and helps create better jobs.

While national policies are important, we strongly agree with the report’s findings that also critical is “All countries need to cooperate within the rule-based trade system” and “the multilateral trading system has a role to play”.

**Job and Economic Transformation (JET)**

Job creation is an urgent issue for developed and developing countries. We share the view expressed in this paper that “a business as usual approach will not be enough to address the challenge.” We welcome the two pillars of the JET framework: creating markets and enhancing workers’ capabilities. These pillars provide a useful framework for developing policies that ultimately lead to economic transformation and job creation.

The challenge is applying these pillars in a way that reflects country circumstances and recognizes the transition challenges involved in economic transformation. Our constituency illustrates the importance of being agile in how we apply these pillars. Our constituency contains vast diversity, whether in: geography, from landlocked Mongolia to small island countries such as Tuvalu; natural resources such as the arable land in Cambodia and commodities in Mongolia and Papua New Guinea to the ‘large ocean economies’ of the Pacific such as Kiribati; and in human capital with our rich tapestry of cultures and languages.

We look forward to the World Bank Group working with our countries to develop specific policies that, while building on these pillars, recognize various endowments and geographic reality require different policy approaches.

**Human Capital Update**

We appreciate the progress and engagements of the World Bank Group in highlighting the importance of Human Capital to overall development and the need for quality sustained investment in education and health to unleash the full potential of our people. This work has assisted many countries, such as Papua New Guinea, in prioritizing human capital as the national development agenda.

We support the World Bank Group in sustaining this effort and focus on the Human Capital Project and therefore welcome the ambitious work programme in this update. We welcome expanding the country coverage of the Human Capital Index so that the 2020 release will cover a wider group of small island nations, and for the index to be gender-disaggregated. We encourage the World Bank to continue expanding country coverage of the Index so that all countries can participate from the insights it provides.

The complementary research into other dimensions of human capital, such as skills of the working age population, the utilization of human capital and non-communicable diseases, is critical to strengthening the World Bank’s depth of expertise in this area, and hence the quality and breadth of support it can provide to developing countries.
IDA Developments

We understand good progress is being made with the IDA 19 replenishment. We welcome the approach of building on the IDA 18 themes, such as Climate Change and Gender and Development, as well as increased attention to cross-cutting issues such as debt vulnerabilities and promoting inclusion of people with disabilities. We encourage the World Bank to continue to help Pacific countries make effective use of increased IDA assistance, including by expanding Bank staff presence and ensuring timely, high quality project oversight and implementation.

We support the approach in the IDA Voting Rights Review paper of this review being separated from the IDA 19 replenishment and 2020 shareholder review. IDA is a critical development partner for many of our constituency members and so we look forward to a successful, timely replenishment.

We also support the proposed guiding principles, objective and scope of the voting rights review. We expect the review process will be inclusive, will give consideration to IDA’s financial sustainability, and continue to recognize the importance of voluntary contributions.