



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)

ONE HUNDREDTH MEETING
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Statement by
H. E. Mohammed A. Al-Jadaan
Minister of Finance
The Kingdom of Saudi Arabia

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100th Meeting of the Development Committee

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This milestone of our 100th meeting comes at a time of a fast-changing development landscape, with persisting poverty and income inequality. Trade tensions, economic uncertainties, and geopolitical risks pose challenges to attain the and World Bank Group (WBG)'s Twin Goals and the Sustainable Development Goals (SDGs). However, some important opportunities to tackle the challenges are emerging across the landscape such as promised by technology and an improved policy environment in many countries.

Continued softening of global growth recovery with subdued investment especially in emerging markets and developing economies (EMDEs), impedes progress on the development track. The downside risks to the outlook remain elevated, with major challenges to boost resilience and foster long-term growth. Needless to say, that uncertainties, whether emanating from trade, technology or other source, if not resolved, are bound to heighten geopolitical risks that loom larger in FCV situations and in countries already facing slow or negative progress towards the Twin Goals and the SDGs. In this context, I look forward to the FCV strategy which I hope will lead to better and more targeted assistance to countries in need.

Many countries are burdened with rigid economic structures to suit the new development landscape and require an urgent but careful structural transformation that corrects the current mismatch between their demographics and their economies. A new generation of reforms to enhance economic transformation with technology is critical for the needed private sector job creation and more inclusive and vibrant economies. Trade and commerce within a conducive governance framework are also important for business formation in the private sector. Likewise, a smart framework for human capital formation with prudent social expenditures key to skilling people for the jobs of the future.

We commend the WBG for taking on this agenda to help developing countries embrace the opportunities created by the changing development dynamics. The quality papers presented today on Job and Economic transformation, Trade and Global Value Chains, and Human Capital Project are interlinked and contain a set of comprehensive policy options to achieve a stronger, sustainable, and inclusive growth. In designing and implementing country support programs, WBG needs to recognize the heterogeneity between countries and have a tailored support for macro and structural reforms, trade policy and human capital development that yield maximum impactful outcomes. The WBG is even more tasked to analyze the tradeoffs involved and the missing parts in the agendas addressed in each of the papers while reinforcing traditional development priorities.

The WBG, the International Monetary Fund (IMF), and other international and regional Financial Institutions (FIs) need to play their part to better assist policymakers in deepening reforms through better coordination of their respective mandates and comparative advantage.

World Development Report 2020 - Trade and Global Value Chains (GVCs)

We welcome the World Development Report (WDR) 2020 on Trade and GVCs, which analyzes the implications of the changing face of globalization for development. The WBG has a role to support client countries in taking advantage of the benefits brought about by the trade and GVCs, while managing the associated risks. Indeed, Trade and commerce have played a critical role in economic development and enabled productivity gains. The stress on the enabling environment of a rules-based trading system is appropriate. It will serve as a bedrock for gainful participation in GVCs and maximize its benefits through building solid national value chains and adequate regulatory bodies to oversee the liberalized financial and product markets.

GVCs can also create adverse income distribution and market concentration that involve important trade-offs. These issues should be more thoroughly assessed such as, for instance, between boosting growth and widening income inequality, and between the demand for skilled workers and non-skilled job seekers. Going forward in operationalizing the WDR, we encourage WBG to prioritize policy support for the development of local supply chains to make them more competitive in the regional and international value chain markets, including by thinking more innovatively with the objective of integrating local firms in GVCs through better access to digital technologies and technical know-how.

Job and Economic Transformation (JET):

We welcome the renewed focus on Job creation and economic transformation and its prominence in IDA19. Getting the right enabling environment, while necessary is not sufficient for Job creation. The WBG is encouraged to elaborate a strategy for engagement on JET with greater clarity on issues of the informal sector, industrialization, income inequality and economic opportunities, as well as on how countries could benefit more from GVCs. Lack of necessary coordination between markets often results in market failures and this need to be addressed given the size of informal activities in Low Income Countries and Fragile, Conflict and Violence situations.

Going forward, more analysis on how successful economic transformation happens and the path of inclusive and sustainable job creation would be helpful. Discussion of some missing issues is needed such as fixing the business climate during structural transformation, the role of SMEs in effectuating the change. We would also like to see more on how to increase productivity and the related tradeoffs between inducing more adoption of technology or increasing factor employment. WBG engagement will be more fruitful with enhanced operational clarity on country platforms and more specificity on country programs.

Human Capital Project:

We are encouraged by the growing list of adopters, which demonstrates commitment to improving the health and education outcomes. We propose that the Bank further explores the lag between the market demand and the supply of human capital to make this project relevant to the issues faced by countries. We welcome the refinements to the human capital index (HCI) and urge the Bank to further strengthen the methodology to make the index a guide for country policy formulation and programs and ensure that the HCI help bring countries, especially in IDA and FCV, closer to frontiers of education and learning outcomes. We also call for more efforts to ensure that informal, self-employed and unpaid work is not underestimated.

IDA Voting Rights:

The current voting system has worked effectively over the past decades, including the Part I-Part II differentiation recognized in the IDA Articles. Although complex, the system has proven to be ‘fit for

purpose' and discussion on whether and how the voting system may be adjusted is difficult and challenging. In view of this, it is even more important that, in undertaking the proposed new review, the WBG Board bears in mind the need to move in small and manageable steps. This is an important takeaway from the 2015 IBRD Shareholding Review and it is equally pertinent for the IDA voting rights review. Consensus would be more likely if we retain the basic features of the current system and keep our ambitions realistic in terms of adjustment of voting rights.