

World Bank Group Korea Office Newsletter



September—October 2017

STI Conference Discusses Cluster's Role in Industrialization and Development



The *3rd International Conference on Science, Technology, Innovation (STI) and Development* held in Seoul on September 6-7 discussed cluster's role in industrialization and regional development. Co-organized by the Korea Science and Technology Policy Institute (STEPI) and World Bank Group Korea Office, the conference examined how cluster initiatives can better contribute to comprehensive national competitiveness efforts through effective policy planning, design and implementation. Participants also discussed how new technologies of university labs can be effectively transferred to businesses and commercialized, and how clusters can be sustainable and replicated.

In his keynote speech, the Ethiopian Urban Affairs Advisor Minister for the Prime Minister Mr. Mekuria Haile Teklemariam mentioned that industrial parks are starting to spring up across the country echoing Korea's development experience, but noted key challenges such as technology transfer, triple helix (University-Industry-Government) framework implementation, financing, and international cooperation.

The STI conference, which the World Bank Group Korea Office and STEPI have co-hosted since 2015, is grounded in the belief that science, technology and innovation underpin the economic and social development of low and middle income countries as evidenced by the experience of many countries, especially Korea. The Korea Office serves as a global knowledge and operations platform by supporting a broad range of development partnerships by leveraging the World Bank Group's knowledge and learning, and Korea's unique development expertise.

In addition to discussing the pivotal role of cluster in the economic development of Korea, the conference also benefited from sharing the experiences of other countries such as Indonesia, Ukraine and China.

"Korea's rapid economic growth is characterized by sustained technological innovation and trade liberalization—and industrial clusters played an important role," said Darren Dorwin, Acting Special Representative of the World Bank Group Korea Office. "Understanding the diverse state of clusters will increase capacities to specify and prioritize various shortages and impediments to competitiveness and growth."



Participants heard that innovation clusters often fail because there is often a mismatch between the management capability, authority and resources, and that technology-oriented selection of strategic industries without a careful consideration of regional capabilities can result in policy ineffectiveness. "Government initiated clusters often do not have the critical success factors that can be found in the naturally evolved ones," said Deok Soon Yim, Research Fellow at STEPI.

Also identified in the discussion was cross-country convergence of thinking on new institutional arrangements needed to support a more facilitative role for government. 'Unlike in the past, the development and utilization of science and technology take place through complex processes. To utilize the research results, we need more actors such as technology transfer centers, venture capitalists, banks, managerial consulting firms and entrepreneurs,' said Yim.

Seoul Center Expands Partnerships with Korean Financial Institutions



The World Bank signed an MOU with the Korea Deposit Insurance Corporation (KDIC), Korea's 21-year-old deposit insurer that played a crucial role for Korea to overcome the Asian financial crisis and maintain financial stability. The MOU, signed on September 21 by World Bank's Finance and Market Global Practice (FMGP) and arranged by the Seoul Center for Financial Sector Development (Seoul Center), formalizes the ongoing discussions and agreement between the two institutions that started several months ago.

The prospective policy areas of collaboration under this MOU would promote financial stability and establishment of efficient financial safety nets and foster strong deposit insurance systems and related regulatory strengthening and capacity development.

"KDIC is seen as a leader in Asia among the members of the International Association of Deposit Insurers (IADI) and many developing economies look up to KDIC for lessons to design and improve their financial safety nets," said Sameer Goyal, World Bank Program Manager of the Seoul Center. "There is ample opportunity for the two institutions to collaborate and provide enhanced technical assistance to developing countries."

In November, KDIC and the World Bank will jointly provide a one-week capacity building program for the Indonesia Deposit Insurance Corporation (also known as Lembaga Penjamin Simpanan, LPS) in Jakarta. KDIC will also host a knowledge exchange session in Korea for Cambodia's Ministry of Economy and Finance and the National Bank of Cambodia.

The Seoul Center for Financial Sector Development, housed in the World Bank Group Korea Office, is also under discussion with the Financial Services Commission (FSC), Korea's top financial policymaker, to explore and agree on areas for collaboration which is also planned to be formalized through an MOU in the next couple of months. The MOU builds on the senior-level meeting between the World Bank FMGP and FSC held in June 2017. "With FSC formally on board, the Seoul Center team expects stronger coordination among the 12 Korean partner financial institutions that they have engaged with since the location of Seoul Center in Korea in the second half of 2015," said Goyal.

Reducing Risks in Developing Countries is Key to Spur Investment and Growth



A new survey by the World Bank Group shows that a stable business environment, effective regulations, and political stability are among the key drivers of foreign direct investment (FDI) into developing countries.

The survey of 750 executives of multinational corporations is part of the *Global Investment Competitiveness Report 2017–2018*, the first of a biennial series exploring the drivers of investment competitiveness in developing countries. The report finds that international investors prioritize political stability, security, macroeconomic conditions, and conducive regulatory environment when deciding where to make investments that can spur growth and create jobs.

"A business-friendly legal and regulatory environment—along with political stability, security, and macroeconomic conditions—are key factors for multinational companies making investment decisions in developing countries," said Anabel Gonzalez, Senior Director of the World Bank Group's Trade & Competitiveness Global Practice. "Combining a survey of global investors with analysis of investment policy issues makes this report a powerful contribution to our understanding of how developing countries—including fragile states—can de-risk their economies and unlock FDI."

The report explores how FDI creates growth opportunities for local firms, assesses the power of tax holidays and other fiscal incentives to attract FDI, analyzes characteristics of FDI originating in developing countries, and examines the experience of foreign investors in countries affected by conflict and fragility. Combining first-hand investor perspectives with extensive research and data analysis, the report highlights the importance of a conducive and low-risk investment climate for multinational as well as local companies. It recommends specific reforms that can help countries attract foreign investment and maximize its benefits for development.

The report is produced jointly by the World Bank Group's International Finance Corporation (IFC) and Trade and Competitiveness Global Practice.

<https://openknowledge.worldbank.org/bitstream/handle/10986/28493/9781464811753.pdf>

World Bank and KEXIM Support Integrated Agricultural Information Systems in Uganda



Agriculture in Uganda is the single largest economic sector and employs about 69 percent of the labor force while contributing about 26 percent of the national GDP. The sector therefore provides great potential to contribute to economic growth with increased agricultural production and productivity.

A four-day Uganda-EDCF-World Bank Joint Workshop recently held in Kampala, Uganda discussed the strategic application of information communication technology (ICT) to the agricultural industry as personal ICT devices such as mobile phones and tablet PCs are becoming more widely available in the country.

The workshop brought together nearly 100 people to discuss the role of ICT for agricultural development and provided an opportunity for an intensive multi-stakeholder dialogue between the World Bank, the Export-Import Bank of Korea (KEXIM), Korean agricultural experts, and Ugandan counterparts. As the Ugandan government is in process of implementing a new National Agricultural Extension Strategy (NAES), the workshop provided technical assistance to address specific implementation challenges identified.

“The National Agricultural Extension Strategy 2016 has prioritized development of ICT as one of the tools in delivery of agricultural extension services, and this requires investments in infrastructure development, human and institutional capacity building,” said Joy Kabatsi, State Minister for Agriculture, Animal Industry and Fisheries.

During the workshop, it was noted that the major challenges affecting farmers and other value chain actors in Uganda include lack of access to appropriate information, knowledge and technological innovations for increased agricultural productivity, food and nutrition security and household incomes.

In Uganda, small scale farmers constitute major part of the supply base and therefore adopting ICT in agricultural extension system is crucial in facilitating sustained progression of smallholder farmers from subsistence agriculture to market oriented and commercial farming.



The World Bank Agriculture Cluster Development Project (ACDP) provides IDA credit of USD 150 million to Uganda with the development objective of raising on-farm productivity, production, and marketable volumes of selected agricultural commodities. To complement the World Bank’s ACDP, KEXIM, which manages the Economic Development Cooperation Fund (EDCF) of Korea, is developing a co-financing program, *ICT for Agricultural Development Program (IADP)*, largely in areas related to using ICT and digital approaches to improve the effectiveness of agricultural extension.

“There is a great need for extension services to bridge the gap between research yields and farmer yields, and we plan to use e-extension because 70 percent of our population is literate and can use ICT in agriculture,” said Beatrice Byarugaba, Acting Director, Directorate of Agriculture Extension Services, Ministry of Agriculture, Animal Industry and Fisheries.



Call to Act and Invest for the Future at Annual Meetings 2017



Global growth has strengthened over the past year, with a recovery in investment, trade, and commodity prices amid supportive global financial conditions. Still, downside risks remain, and prospects for growth vary widely across countries. The World Bank Group is uniquely positioned to help developing countries address the complex challenges that can threaten their gains in an increasingly interconnected global economy.

This was a key message from the Development Committee, a ministerial-level forum of the World Bank Group and the International Monetary Fund, in a communiqué issued at the close of the institutions' Annual Meetings in Washington on October 14.

The committee, which represents 189 member countries, reiterated its support for the Bank Group's role as an effective and accountable leader in the global development arena, with a strong track record of supporting countries' long-term development ambitions. The committee urged the Bank Group to enhance coordination and partnership across international financial institutions in leveraging the financing needed to achieve sustainable and inclusive growth, enhance human capital, and strengthen resilience.

World Bank Group President Jim Yong Kim addressed these priorities in his opening speech at the beginning of the meetings. He noted that the upturn in the global economy has made it "an especially important time for tackling global poverty, because we have more room to take bold action to grow the economy, protect countries from major overlapping crises, and invest in people."

The committee's communiqué and Kim's speech emphasized the Bank Group's efforts to maximize finance for development, while helping ensure that public and private investments are complementary.

Based on shared principles agreed on at the recent G20 summit, the Bank Group and other multilateral development banks will help countries scale up their development resources by drawing appropriately on private sector solutions where these can boost growth for the poorest and most vulnerable.

For the Bank Group, this includes an effort that brings together IDA, IFC, and MIGA to mobilize private investment and create markets in the most challenging environments.

The committee embraced the Bank Group's emphasis on human capital, noting that systematic approaches to health, nutrition, education, and social protection create the foundations for long-term development. The communiqué cited the focus on education in the newly released World Development Report and efforts to close gender gaps in women's access to property, finance, and jobs, including through the Women Entrepreneurs Finance Initiative, which launched during the Annual Meetings. In his speech, Kim also announced the Human Capital Project, an accelerated effort to help countries invest more, and more effectively, in their people.

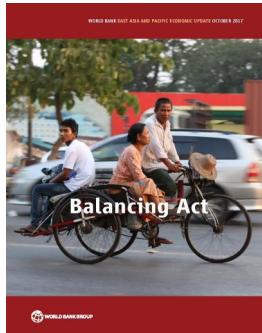
The communiqué noted the Bank Group's leading role in global efforts to strengthen resilience to crises and macroeconomic shocks. Kim's speech highlighted key initiatives to address the challenges of climate change, refugees and forced displacement, and pandemics. For its part, the committee noted that cyclical shocks place pressure on vulnerable financial systems. It called on the Bank Group and the IMF to help countries strengthen domestic resource mobilization, reduce illicit financial flows, and create instruments to help prepare and recover from crises and disasters.

In his speech, Kim called for more resources for the Bank Group, remarking that, "With enormous development needs and rising aspirations, demand is overwhelming." He stated that the Bank Group institutions have provided exceptional value for money over the decades, but that global goals and countries' development ambitions now require financing on an unprecedented scale. The committee has asked the Bank Group's Board and management to review all measures to enhance the Bank Group's financial capacity and to identify options in the months ahead.

This article originally appeared on the World Bank website.

Watch key events of the 2017 Annual Meetings here-
<http://live.worldbank.org/annual-meetings-2017-events-recap>

Favorable Outlook for Developing East Asia Pacific



The October 2017 edition of the World Bank East Asia and Pacific Economic Update reports that the uptick in growth in 2017 relative to earlier expectations reflects stronger than expected growth in China, at 6.7 percent, the same pace as in 2016.

In the rest of the region, including the large Southeast Asian economies, growth in 2017 will be slightly faster at 5.1 percent in 2017 and 5.2 percent in 2018, up from 4.9 percent in 2016. China's gradual rebalancing away from investment and towards domestic consumption is expected to continue, with growth projected to slow to around 6.4 percent in 2018.

Several external and domestic risks could impact this positive outlook however. Economic policies in some advanced economies remain uncertain, while geopolitical tensions centered on the region have increased. Monetary policies in the U.S. and the Euro Area could be tightened more quickly than expected. Many countries in the region have high levels of private sector debt while fiscal deficits remain high or are on the rise.

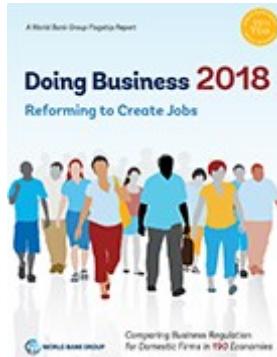
"The challenge will be for countries to strike a balance between prioritizing short-term growth and reducing medium-term vulnerabilities, so that the region has a stronger foundation for sustained and inclusive growth," said Victoria Kwakwa, World Bank Vice President for the East Asia and Pacific Region.

The improved prospects for global growth offer a window of opportunity for countries to reduce vulnerabilities while pursuing reforms that can yield growth dividends over the longer term," said Sudhir Shetty, World Bank Chief Economist for the East Asia and Pacific region.

To maintain resilience against risks, the report calls for a move away from measures aimed at short-term growth towards policies that address financial sector and fiscal vulnerabilities. These measures include: strengthening supervision and prudential regulation in countries experiencing rapid growth in private-sector credit and debt; reforming tax policies and administration to help boost revenue collection; and being ready to tighten monetary policy if warranted by the pace of interest rate increases in advanced economies.

For more information, please visit:
<https://openknowledge.worldbank.org/handle/10986/28396>

Korea Ranks 4th Place in "Doing Business 2018"



In its annual ease of doing business rankings, New Zealand, Singapore and Denmark retained their first, second and third spots, respectively, followed by Republic of Korea; Hong Kong SAR, China; United States; United Kingdom; Norway; Georgia; and Sweden.

For the first time, the group of top 10 improvers includes economies of all income levels and sizes, with half being top improvers for the first time – El Salvador, India, Malawi, Nigeria, and Thailand.

"Public policy plays a decisive role in enabling small and medium businesses to start, operate and expand. Governments around the world are increasingly turning to Doing Business for objective data to underpin their actions," said Shanta Devarajan, World Bank Senior Director for Development Economics.

Since its inception, *Doing Business* has recorded business reforms in 186 of the 190 economies it now monitors. Rwanda has implemented the highest number of business reforms over the past 15 years, with a total of 52 reforms, followed by Georgia, which advanced this year into the top 10 ranked economies (47 reforms) and Kazakhstan and the Former Yugoslav Republic of Macedonia (41 reforms each).

The report also monitors hurdles faced specifically by women in the areas of Starting a Business, Registering Property and Enforcing Contracts. This year's report records a welcome reform by the Democratic Republic of Congo, which eliminated the requirement for women to obtain their husband's permission to register a business. However, 36 economies continue to place obstacles for women entrepreneurs, with 22 economies imposing additional steps for married women to start a business and 14 limiting women's ability to own, use and transfer property.

This year's report includes two case studies on transparency, which analyze data from business registries and land administrations and find that economies with more transparent and accessible information have lower levels of corruption and bribery.

The full report and its datasets are available at www.doingbusiness.org

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UPCOMING EVENTS

Workshop to Share Seoul's Remarkable Lessons on Cultural Heritage, Sustainable Tourism and Urban Regeneration



From November 27 to December 1, the World Bank and the Seoul Metropolitan Government will host a technical workshop to provide policymakers and practitioners with Seoul's transformative experience in achieving sustainable tourism and local economic development through cultural heritage conservation and urban regeneration.

Government officials from 12 countries including Ethiopia, Pakistan, Indonesia, Philippines and Papua New Guinea will participate in this five-day workshop as they try to conserve and ensure sustainable use of their heritage, while managing increasing development impetus from rapid urbanization.

This Technical Deep Dive (TDD) workshop will feature presentations on the experiences of Seoul and practical measures to integrate Cultural Heritage and Sustainable Tourism (CHST) and Urban Regeneration (UR) policies and physical interventions at the local and national levels. Participants will also share key challenges and seek advice from peers and resource experts from Korea, Japan, UNESCO and the World Bank.

Learning materials for the workshop will be based on the report, "*Seoul's Experience in Cultural Heritage, Sustainable Tourism, and Urban Regeneration*," recently published by the World Bank in partnership with the Seoul Metropolitan Government (SMG) and University of Seoul. This report elaborates on chronological changes in policies and present in-depth analysis of five case studies in Seoul—two World Heritage Sites (Changdeokgung Palace, Jongmyo Shrine), two historic quarters (Bukchon Village and Jangsu Village) and a former water filtration plant which was regenerated into a park (Seonyudo Park).

Forum to Discuss Enhancing Job Creation and Skills for the Fourth Industrial Revolution



Recent trends in automation and rapid technology advances, collectively dubbed 'The Fourth Industrial Revolution' ("4IR"), are radically shifting the economic landscape, and changing the nature of jobs and the profile of skills required in the labor force. For economies in the ASEAN+3 region, adapting to these evolving trends will be a critical challenge in terms of human resources development and job creation in the future.

From November 7 to 9, the "*Enhancing Job Creation and Skills to Prepare for the 4th Industrial Revolution*" conference in Seoul will bring together global knowledge and country experiences to discuss the resulting challenges in the region, and to identify policy responses. This forum is the third in a series of annual events on skills development in the ASEAN+3 region, organized in collaboration between the World Bank and the Korean Government.

The forum aims to increase our understanding of the 4IR and its impact on the region in terms of jobs and skills. In particular, it will explore what these changes entail for human resources development and job creation; the skills needed to adapt to changing labor market needs; and how the private and public sectors can best work together to meet evolving challenges.

For more information about the forum, please contact Ms. Hayeon Kim hkim18@worldbank.org



For inquiries about this newsletter,
please contact
Mr. Jung Choi, Communications Officer,
World Bank Group Korea Office
jchoi4@worldbank.org / 032-713-7031