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Statement by the Hon. **LIM GUAN ENG,**
Governor of the Bank and the Fund for **MALAYSIA**

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Governor of the Bank and the Fund for Malaysia

Mr. Chairman, Distinguished Governors, President of the World Bank Group, Managing Director of the International Monetary Fund, ladies and gentlemen.

Global Economy

1. With rising economic and trade uncertainties, risks are tilted to the downside due to unresolved trade tensions, policy uncertainties and weakening business confidence. At the back of this, global growth is expected to be modest in 2019 and marginally improve in 2020. As growth in advanced economies is expected to moderate at 1.7% in 2020, emerging market and developing economies (EMDEs) would be the main pillar supporting global growth with a projected 4.5% growth rate in 2020.

2. Most economies in Asia, including ASEAN, are expected to register steady growth in 2019 largely driven by strong domestic demand. ASEAN is also expected to continue benefiting from China's large domestic market and increasing per capita income through exports and investment.

Policy Responses in Malaysia

3. The Malaysian economy remains robust amid increasing uncertainties in the external environment. Real GDP is expected to grow by 4.7% in 2019 and 4.8% in 2020, underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation rates. Despite the challenging global environment, Malaysia's resilient growth is a testament of strong economic and financial fundamentals as well as the diversified structure of the economy.

4. Various strategies and initiatives have been undertaken in elevating the domestic economy, including the recent Shared Prosperity Vision 2030 (SPV2030). SPV2030 sets a new economic direction to drive sustainable and inclusive growth whilst ensuring a fair and equitable distribution of wealth among all Malaysians.

5. Malaysia is also geared to raise its competitiveness and deepen its commitment to make the country an attractive destination for high technology and high value-added industries. The recent Budget 2020 initiatives are set to catalyse the economy through improved public private partnership (PPP), extensive access to SME financing and incentivising faster adoption of IR 4.0 among businesses. Malaysia has identified IR 4.0 as the key growth engine that will play a big role in ensuring sustainable economic growth for the future. Businesses are expected to benefit from the Government's efforts in facilitating the ease of doing business and leveraging opportunities in new priority areas, including green growth.

World Development Report 2020 –Trading for Development in the Age of Global Value Chains

6. We commend the WBG's efforts in providing support and assistance to developing countries in enhancing their participation, and promoting inclusiveness in global value chains (GVCs). We also welcome the WBG's assistance to developing countries to draw up trade and investment policies and build necessary infrastructures to GVCs. We believe that this will contribute toward increasing productivity and income growth in developing countries as well as promoting fair distribution of gains and benefits from participation in GVC.

7. However, GVC participation is uneven across regions, countries and sectors and GVC's rapid expansion poses challenges on the environment. In this regard, we urge the WBG to identify and outline specific initiatives to promote growth and development, particularly for developing and least developed countries so that no country is left behind.

8. We urge the WBG to assist in guiding policy makers of developing countries prepare for the transformation of their economies towards capitalising on GVCs as the global economy is currently being reshaped by new industry capabilities. The WBG in coordination with the IMF could do more for developing countries to ensure the benefits of GVCs can be shared equitably and accordingly.

The Human Capital Project – An Update

9. Malaysia welcomes the WBG's update on the Human Capital Project (HCP) on the implementation progress of the HCP's three priorities of sustainable and inclusive growth, investment in human capital and strengthening resilience. We are pleased with the progress thus far as over 60 countries have joined the HCP with many responding with concrete actions and adopting reforms. The WBG's HCP has successfully catalysed commitment for better investment in people and prioritised in the national development plans of HCP countries.

10. We also commend the WBG's efforts in addressing country and region-specific needs for HCP. We strongly believe that WBG engagements through the HCP will help member countries to improve its human capital investments.

11. Malaysia realises that human capital development is a critical enabler in driving and sustaining Malaysia's economic growth and included it as one of the priority areas under the Eleventh Malaysia Plan (2016-2020). The availability of skilled workforce is necessary to support the transition of the economic sectors towards knowledge-intensive activities, increase labour productivity gains and attract investments into Malaysia. In this regard, we urge the WBG to play a transformative role in promoting policies with a focus on region-level work for low and middle income countries to accelerate human capital investment progress.

Jobs and Economic Transformation (JET) – Drivers, Policy Implications and WBG Support

12. We commend the WBG's efforts in incorporating and implementing the JET agenda by bringing together analytics, policy advice and tools in country programmes to identify global job markets challenges, define economic transformation and highlight the speed of economic transformation in addressing these challenges. As JET is a continuous endeavour, the WBG's country diagnostics must systematically address policy coordination issues and provide a clear understanding of the linkages between diverse economic sectors both within and across national boundaries. In addition, the rapid pace of technological advancements renders the WBG's work on digital economy increasingly important. In view of this, the WBG should provide more technical support to its members to improve digital connectivity and interoperability across systems.

13. Malaysia began its journey on JET in the 1970s with the launch of the New Economic Policy aimed at to eradicating poverty and structuring societal imbalances towards sustainable development. Since then, significant progress has been made in terms of economic and social development with real GDP growing at an average of 6.3% per annum between 1970 and 2018 and attaining full employment by 1994. The country then embarked on Vision 2020 (1991 – 2020) as it continued its journey towards attaining the status of an advanced and high-income nation by 2020, moulded according to our national priorities and needs. Moving forward, Malaysia's Shared Prosperity Vision 2030 (SPV 2030) reaffirms the country's commitment towards the 2030 Sustainable Development Goals Agenda, which also incorporates elements of JET.

Review of the International Development Association (IDA)'s Voting Rights

14. Malaysia acknowledges the WBG's proposal to review IDA's Voting Rights to enhance and balance incentives for IDA donors that directly support the WBG's work and to protect the representation of recipient countries. We are also supportive of the WBG's proposed guiding principles, scope and roadmap of the Review and urge the Board of Directors and Management to provide regular updates to member countries.

Update on the 15th General Review of Quotas

15. We recognise the importance of the quota and governance reforms to strengthen the credibility, legitimacy and effectiveness of the IMF. While we take note of the progress of the 15th General Review of Quotas (15th GRQs) and that there is insufficient support for a quota increase, we urge the Fund to maintain its commitment and complete its work on a package of IMF resources and governance reforms under the 15th GRQs to preserve its role as the center of the global financial safety net.

Conclusion

The Government of Malaysia would like to congratulate the WBG and the IMF for successfully organising the 2019 Annual Meetings.