



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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Statement by the Temporary Alternate Governor for Korea

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1. I am delighted to join the 54th IDB/IIC Annual Meetings on behalf of the Korean government.
2. Let me first congratulate Mr. Carl Muñana for his appointment as the new IIC General Manager. I trust that his extensive knowledge and experience will contribute to private sector development in Latin America and the Caribbean. Korea looks forward to closely working with IIC and Mr. Muñana.
3. I am also thankful to President Moreno for his outstanding leadership and to the government of Panama and the Inter-American Development Bank in preparing the Annual Meetings.

Latin America and the Caribbean Emerging as a Key Player in the Global Economy

4. Recently, the pace of economic growth in Latin America and the Caribbean has decelerated as a result of the decrease in exports caused by the delay in the global economic recovery as well as the decline in raw material prices. Due to the delayed recovery in advanced economies from the fiscal crises, I believe the slow growth in the region will continue for the time being.
5. However, I think the regional economies are in better shape than before. In the past decade, major countries in Latin America and the Caribbean have improved their economic conditions through fiscal consolidation, accumulating foreign reserves, and reducing foreign debt. In addition, countries have continuously built their capacity to respond to crises by introducing policies that increase investment in public infrastructure and create employment.
6. On the other hand, the poverty rate in the region also declined by almost 15 percentage points in the past decade to 28.8% in 2012. The expanding middle class is not only facilitating demand-driven growth, but also contributing to social integration.

7. Korea recognizes the importance of Latin America and the Caribbean, which is emerging as a key player in the global economy.

8. In addition to the FTAs with Chile and Peru, the Korean government also signed an FTA with Colombia last year. Since becoming an IDB member in 2005, Korea is playing a leading role in providing support in the areas of science and technology development, SMEs, poverty reduction, and public capacity building.

9. Thanks to such efforts, Korea's trade with the region more than doubled since joining the IDB, reaching \$56 billion in 2012. We look forward to continuing in strengthening our cooperation with the regional economies.

IDB's Role in Starting the Region's New Growth Engine

10. Nevertheless, Latin America and the Caribbean face multiple challenges. While poverty and inequality are being reduced, 30% of the population still live in absolute poverty. Raising labor productivity and savings are also urgent tasks.

11. In addition to the efforts to reduce inequality, starting new growth engines is critical for countries to avoid the middle income trap and to continue their economic development.

12. I think the IDB needs to strengthen its role in three areas for this purpose.

13. First, the IDB needs to increase support to strengthen public sector capacity in Latin America and the Caribbean.

14. Unlike in the past, the region was able to weather external shocks due to better policy responses by the governments.

15. Strengthening the capacity of governments is critical for development outcomes to translate into additional economic growth.

16. Korea believes the role of the government was essential to its economic development experience. For this reason, Korea established the Public Capacity Building Fund in 2012 and pledged to provide \$40 million over 5 years. The trust fund is intended to support the regional economies in strengthening public sector management in fiscal-related sectors as well as national planning and budgeting.

17. In addition, Korea will continue share its development experiences with regional members by increasing the number of recipient countries for the Knowledge Sharing Program and through joint consulting projects with the IDB.

18. Second, the IDB must actively support private sector development in the region.

19. Private sector development is an indispensable factor for sustainable growth in the region due to its role in creating jobs and new business models as well as fostering innovation. The IDB can facilitate private sector development by supporting small and medium enterprises, increasing investment in technology, and training skilled workers.

20. Hence, the recent discussions within the IDB regarding the support for the private sector are timely. The Korean government hopes that the discussions will gear towards improving the effectiveness of IDB's private sector windows and increasing synergy effects. Korea is committed to collaborate with the Bank in order to find appropriate

solutions after a comprehensive review including a cost-benefit analysis on the various options.

21. Third, it is necessary to enhance support to building infrastructure in Latin America and the Caribbean.

22. Poor infrastructure is hindering sustainable growth in the region. Major LAC countries recognize the importance of adequate infrastructure and are trying to increase the volume of investment in the transportation and energy sectors, for example.

23. In order to bolster the efforts by the countries, Korea is providing support through the Korean Trust Fund and Economic Development and Cooperation Fund (EDCF). The Korean government will focus on areas in which we have comparative advantage, such as broadband as well as emerging and sustainable cities, etc.

Conclusion

24. The ODA policy of Korea's new administration is aligned with the policy demands in Latin America and the Caribbean. In addition to providing financial support, Korea will continue to cooperate with the IDB through various knowledge sharing programs for poverty reduction and economic development in the region.

25. In this regard, the 2015 IDB/IIC Annual Meeting which will be held in Busan will play a catalytic role in expanding the ties between Korea and Latin America and the Caribbean. In particular, we are planning to host the Korea-LAC Business Forum during the meeting in order to maximize its impact.

26. The Korean government and the city of Busan are very excited to host the meeting. We would appreciate the support of the IDB and member countries for its success.

27. Finally, we hope to welcome Singapore as an IDB member in the near future.