

# World Bank Group Korea Office Newsletter September/October 2016



## Forum Discusses Science, Technology and Innovation (STI) Capacity Building for National Development



As Korea's development experience nicely illustrates, science, technology and innovation (STI) plays a critical role in enhancing economic growth and contributing to national development. Countries, both developed and developing, therefore have tried to integrate STI policies into national development strategies.

*"Addressing Development Challenges through STI Capacity Building"* conference jointly held in Seoul on September 29-30 by the World Bank Group Korea Office and the Korea Science and Technology Policy Institute (STEPI) discussed STI capacity building as a harness for national development.



Keynote speaker H.E. Mary Teuw Niane, Minister of Higher Education and Research, Republic of Senegal, highlighted how international organizations should facilitate the sharing of knowledge and expertise through partnerships like PASET (Partnership for Skills

in Applied Sciences, Engineering and Technology), and financially support the implementation of collaborative programs within the framework of multilateral cooperation. PASET, of which he currently serves as the Chairman, is a World Bank Group initiative launched in 2013 to strengthen science, and technology capability for the socio-economic development of Sub-Saharan Africa.

Each session of the conference took into account the specificities of STI in the context of developing countries such as the role of technology adaptation and the importance of developing strong linkages between the various actors in the innovation system. One recurring theme throughout the conference was how developing countries decide on the priorities or sequence of actions to pursue STI capacity development in the face of policy change and institutional instability.

Sajitha Bashir, Practice Manager of Education at the World Bank explained that one of the fundamental priorities is to create a critical mass of educated and skilled labor with scientific and technical capabilities that can help adopt and diffuse technologies. "Most firms, even formal sector ones, in Sub-Saharan African countries are not on the technology frontier but a significant proportion are introducing new products and processes," she said.

As much as building a critical mass of well-trained scientists and engineers is necessary for technological catch-up and "leapfrogging" to take place, universities and research institutes must also take the lead in building STI capacity to undertake research on strategic issues.

Taeyoung Shin, Emeritus Research Fellow at STEPI, explained that the Korean government's creation of the government R&D institutions (GRI) instead of building up R&D capacity of universities was a short cut to STI capacity building. "Since GRIs were directly under the control of the government, it was easier to build research institutions, to recruit qualified scientists, and deploy GRIs strategically," he said.

## World Bank Group Korea Office Newsletter/ September—October 2016

He explained that in Korea, the GRI system was expanded further to meet technological needs during the industrialization period.

STI is also the means by which new products and services are developed or improved and brought to the market, and countries are seeking more effective ways to translate scientific and technological knowledge into new products and business models that foster innovation-driven growth.

Randeep Sudan, World Bank Adviser on Digital Strategy and Government Analytics, stressed a business partnership model where one pulls out innovations in the developed world and brings them into

developing world so that there is a much greater possibility of success. “Today, any developed country has to look at developing countries in terms of market opportunity because the major markets are in emerging countries. So the better the connection there is between the developed and the developing world, the more advantageous it is for both sides,” he said.



### Students hear what it's like to work for a world free of poverty



In observance of the International Day for the Eradication of Poverty, the World Bank Group Korea Office organized a public event on October 19 at the

Incheon National University. “*Working for a World Free of Poverty: Why and How?*” invited World Bank experts who shared their experiences in fighting poverty and improving people’s lives. More than 100 students interested in global poverty issues and the work of World Bank Group attended the event.

Paavo Eliste, Lead Agricultural Economist, gave an overview of the World Bank’s rural poverty reduction projects in China and explained how the World Bank addresses poverty reduction through agricultural industrialization, cooperative development and rural infrastructure investments. He pointed out that the definition of poverty is getting more complex and it cannot be defined by monetary measures alone. “Poverty can be defined by your access to public services, your health, your education attainment. There is no one size fits all solution because we work with real people and we need different solutions to help people get where they would like to get,” he said.

World Bank Lead Field Health Specialist Dr. Ana Maria Espinoza explained how the World Bank’s Health Services Department promotes good health for staff and families, and how it tackles pandemics in the field.

The event also provided a chance for those interested in finding their way in the development profession to receive career advice. World Bank experts stressed that they first need to be confident on themselves that development work is what they can be passionate about by trying out various field experience opportunities.

In closing, World Bank consultant Soo Yeon Lim who moderated the event said the younger generation is the key to tackling poverty and while the challenge of ending poverty is huge, with courage and commitment, the goal of ending extreme poverty within a generation is within our reach.



## Forum Discusses Fintech's Promise and Challenges for Regulators

Fintech, short for financial technology, is rapidly transforming financial markets and challenging traditional business models. Like most emerging industries, oversight is slow to catch up with market developments in Fintech, thus creating risks that requires new ways of thinking about regulation, financial supervision and cybersecurity.

*"Fintech-Avoiding the Pitfalls, Reaping the Benefits"* jointly held on September 7 in Seoul by the World Bank Group (WBG), the Asian Development Bank (ADB) and the Financial Supervisory Service (FSS) of Korea examined Fintech as the next wave of change with a focus on financial technology, governance, risk and compliance.



Reflecting Fintech's growing place at the center of governments' and regulators' strategy and vision of future financial services, the forum brought together 50 participants from central banks, securities commissions, stock exchanges, associated financial regulatory agencies and standard-setting bodies as they exchanged ideas and views on Fintech's impact on regulation.

In his opening remarks, Seo Tae-jong, Senior Deputy Governor of the FSS, noted that while Fintech promises many exciting opportunities such as mobile payment, P2P lending, crowd-funding and has enormous consumer benefits in promoting innovation in financial services, it warrants our attention to the harms coming from cybercrime, threats to cyber security and the issue of investor and consumer protection.

Leading the session on "Demystifying Fintech", Jose de Luna-Martinez, World Bank Lead Financial Sector Specialist, addressed if Fintech can become the solution to achieve universal financial access and how it will affect the future of traditional retail commercial banks. He noted that the financial industry today is facing many headwinds such as slower economic growth, narrower margins and greater competition from outside and Fintech can potentially help the industry regain its dynamism while serving the economy and the people.

The panel discussants on the session "Fintech opportunities and challenges" noted that regulation has been slow to catch up with market developments. They agreed that timing of establishing regulation is critical both for facilitating growth of the sector and ensuring adequate consumer protection.

The final session discussed Fintech's vulnerability to cybercrime, money laundering and other risks stemming from a lack of regulation. Katia D'Hulster, World Bank Lead Financial Sector Specialist, shared the results of a central bank survey on cyber security conducted in Eastern Europe and Central Asia and introduced the participants to a crisis simulation exercises (CSE) with cyber risk component which could help them better prepare for managing the risks.

In closing, Sameer Goyal, World Bank Program Manager for the Seoul Center for Financial Sector Development, said that it would be important to have a platform for regulators to connect with the private sector and policymakers to discuss Fintech as the fast growing sector. He also noted that the WBG and ADB would further discuss their roles in it.



### IFC and Shinhan Bank Form Strategic Partnership on Joint Investments in Emerging Markets



The International Finance Corporation (IFC) signed a MOU for joint investment partnership with Shinhan Bank, Korea's fourth-largest bank by assets.

Through the MOU signed on October 18 in Singapore, IFC and Shinhan Bank agreed on establishing a comprehensive partnership including discovery, joint investment and information sharing regarding new projects in emerging markets.

Shinhan has invested US\$30 million into the IFC Asset Management Company's (AMC) Financial Institution Growth Fund, currently sized at US\$500 million, to gain indirect investment access to financial institutions in emerging markets.

"We expect that the partnership will help us to not only expand our opportunities to participate in future IFC projects, but also gain access to quality investment information about emerging market financial institutions that will help Shinhan Bank's global expansion strategy," an official at the bank said. Shinhan bank is also expected to benefit from IFC's extensive experience, expertise and network.

Joon Young Park, IFC Resident Representative for Korea, said, "Amid Korea's prolonged low growth, emerging markets provide new opportunities. IFC Korea Office will continue to catalyze Korean firms and institutions' overseas expansion."

So far, the Korea Development Bank (KDB), the Korea Investment Corporation (KIC), and the National Pension Service of Korea (NPS) have established strategic partnership with IFC and invested in the IFC AMC.

### Laos, Philippines and Vietnam Get Support for Financial Sector Reforms through Korea Trust Fund



The Seoul Center for Financial Sector Development facilitated \$2.66 million grant funding by the Korean Ministry of Strategy and Finance (MoSF) which will support financial sector reforms in Laos, the Philippines and Vietnam. In Laos, the funding will help promote financial stability, strengthening audit and accounting, as well as providing just in time support for other priority areas.

In the Philippines, financial inclusion and financial stability and soundness will be the focus of the support. Vietnam, which will receive over 50% of the approved grant funds, will utilize the funds to support leveraging capital markets and non-bank financial institutions for growth and development with technical assistance for pension, insurance, securities and bond market development.

The funding will support programmatic engagements agreed with the recipient countries over 2-3 years period. The support is expected to leverage the World Bank Group's partnership with financial institutions in Korea. The potential Korean partners will include Financial Supervisory Services (FSS); Korea Deposit Insurance Corporation (KDIC) Korea Financial Intelligence Unit (KOFIU), Bank of Korea (BOK) and Korea Credit Guarantee Fund (KoDIT).

The Seoul Center for Financial Sector Development which is housed in the World Bank Group Korea Office is a bilateral partnership between WBG and the Ministry of Strategy and Finance of Korea. It was established in 2012 to deliver best-practice financial sector development assistance across East Asia and Pacific (EAP) countries.

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### MIGA Vice President Stresses Women's Untapped Potential in Economic Growth



In her keynote address in Seoul, the Multilateral Investment Guarantee Agency (MIGA) Vice President and Chief Operating Officer Karin Finkelstein stressed the role of women as a powerful force in the global economy with significant untapped business potential.

Speaking to more than 100 female business leaders gathered at the “2016 Korean Women in Finance” conference organized by the Korea Network of Women in Finance (KNWF) on September 28, Ms. Finkelstein explained that businesses are increasingly recognizing that closing gender gaps in employment and leadership can mean better talent, more productivity, a wider customer pool and ultimately a stronger bottom line. She noted however that closing gender gaps rapidly and significantly in financial inclusion especially has been elusive in many countries. “Globally, female owners of formal small and medium-sized businesses face a credit gap of roughly US\$ 300 billion. In some countries, regulation keep women from owning assets in their own name.”

Ms. Finkelstein explained that the World Bank Group is a great believer and supporter of the role of women in leading economic growth. “Based on research and experience from projects of the World Bank Group, success will require policies and public actions to change social norms, the law, and legal institutions, alongside programs to promote economic opportunities, social protection, and education.” She further stressed that private and public sector actors can form powerful partnerships to support women’s entrepreneurship, employment and access to broader services that improve sectors and whole economies.

MIGA, a member of the World Bank Group, promotes foreign direct investment into developing countries to help support economic growth and reduce poverty by offering political risk insurance and credit enhancement guarantees.

### World Bank Expert Discusses Climate Change Mitigation and Industry Competitiveness



World Bank Senior Private Sector Development Specialist Etienne Kechichian presented on the link between competitiveness and climate change mitigation action by industries at the International Knowledge Sharing Workshop on Climate Change held in Seoul on October 28.

The workshop, hosted by the Korea Energy Agency (KEA) and the Ministry of Trade, Industry and Energy, convened more than a hundred global experts from the private and public sectors who shared current business opportunities and trends, and conducted panel discussion on the various financing methods for GHG mitigation projects.

Mr. Kechichian presented two World Bank Group industrial mitigation projects, “*Greener Cement Manufacturing in Africa*” and “*Punjab Energy and Conservation Program*” that are supported by the Korea Green Growth Trust Fund and the Korea Energy Agency.

He explained that industries can have an active role in mitigating climate change, but competitiveness drivers need to be taken into consideration as a whole, rather than separately. He also noted that policy makers can also play a vital role in guiding industries and traders on the type of products that are presented in the market through well planned energy efficiency standards and labeling frameworks.

The Trade and Competitiveness (T&C) Global Practice of the World Bank Group helps countries achieve rapid and broad-based economic growth, centered on strong contributions from the private sector. It has enjoyed strong partnerships with the Korea Energy Agency and the Korea Industrial Complex Corporation. Recent examples include:

A Greener Path to Competitiveness:  
<https://openknowledge.worldbank.org/handle/10986/24998>  
Mainstreaming Eco-Industrial Parks:  
<https://openknowledge.worldbank.org/handle/10986/24921>

## Korea Ranks No. 5 in World Bank's Doing Business Ranking



Korea ranked fifth among 190 countries in the World Bank's annual "Doing Business" report, down one notch from last year's when the country ranked 4th place.

The ranking is calculated by classifying the corporate life cycle into ten stages from creation to withdrawal and converting the administrative procedures into objective indices.

In the report, Korea ranked first in stable electricity supply. The country also took the first spot in mitigating legal disputes as the Korean court has actively encouraged disputing parties in civil litigation cases to reach an agreement. Korea also kept its leading positions in business closure largely thanks to improvement in commercial insolvency investment recovery rate. The biggest improvement was in starting a business which jumped 12 notches from 23 last year to 11 this year.

On the downside, however, Korea slid from 8th place to 13th in protection offered to minor investors, while its ranking in dealing with construction permits dropped from 28th to 31st place.

Overall, the latest report says there are fewer obstacles to doing business in the world today than before in large part due to lower levels of income inequality which has reduced poverty and boosted shared prosperity. A record 137 economies have adopted key reforms that make it easier to start and operate businesses. Developing economies carried out more than 75 per cent of the 283 reforms in the past year, with Sub-Saharan Africa accounting for over a quarter of the reforms.

The full report and accompanying datasets are available at [www.doingbusiness.org](http://www.doingbusiness.org)

## New Report Illustrates Korea's Remarkable Journey to Achieving Universal Water and Wastewater Services



A new report by the Korea Water and Waste Association (KWWA) prepared in consultation with the World Bank's Water Global Practice provides an interesting narrative on

Korea's journey from a single sewer line in 1958 to achieving 90 percent of its wastewater treated by 2012.

The report says in 1962, only 18 percent of Koreans had piped water connection and the country had no managed sewers, not to mention wastewater collection and treatment facilities that appeared only in the mid-seventies. But in the early 1960s, the Korean government decided to integrate the water sector into the overall economic development of the country, linking the sector to issues related to hygiene, education, housing development, and industrial transformation. In wastewater, the country gave a large role to the private sector and it is estimated that by the end of 2012, 58 percent of wastewater treatment plants were privately owned and managed.

To learn more about how Korea's water sector continues to expand and achieve comprehensive coverage and financial sustainability goals to become a recognized global model for water sector management and performance, please visit: [REPUBLIC OF KOREA - Transformation of the Water Sector \(1960–2012\)](#).



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