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Statement by the Hon. **SYAHRIL SABIRIN**,
Governor of the Fund for **INDONESIA**,
at the Joint Annual Discussion

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Mr. Chairman, Ladies and Gentlemen,

I would like to welcome our most immediate neighbour -East Timor- to the membership of the IMF and the Bank.

When the two Bretton Woods institutions was established more than 55 years ago, they carried noble causes to improve the quality of life of the whole world. They have continued to strive to do so ever since, the IMF in establishing monetary and financial stability, and the World Bank in promoting growth and investment. So much has been achieved, and so many innovative ideas have been developed and implemented for the purpose of enhancing their performance. Despite criticism, they deserve to be commended for their achievements, including those since last year.

We fully support the good cause being brought forward by the two institutions. During the period of good economic performance we also participated financially in supporting the good cause, while at the time of economic difficulties we did not retreat from our commitments. Poverty reduction, for example, is a noble cause that should be supported by all. In a world of such plenty, with a highly civilized society in which people are digitally connected, it is indeed shameful to realize that more than one-fifth of the world's population is still living on less than one dollar per day. But poverty, as discussed in the 2000 World Development Report has three well-being dimensions, namely opportunity, security, and empowerment, which are relevant not only at individual level, but also at the country level. Opportunity will hardly emerge in a world where the global trade and financial flows are constrained by barriers and other forms of quasi protectionism. It is in this respect that the successful and just implementation of the mission of the WTO is very much being looked for.

Two important note of reminder are relevant for the future work of the IMF, the World Bank, and the WTO for that matter. *First*, while good and just standards and rules are important, their meanings are significantly reduced – even to negative values – if they are not properly implemented. *Second*, these international organizations should totally avoid any bias that unjustly discriminates against some while favoring the others. This is true for rules and standards, and even more so for their implementation.

Now, let me say a few words about the recent development in Indonesia. Given the very short time I have for this statement, I will summarize this in three points. *First*, we see the economic crisis that started to hit Indonesia in 1997 from two different angles. From one angle, the crisis did hit us very hard and painfully, with 13 % decline in GDP in 1998, sharp increase in unemployment, etc. From the other, we see the crisis as an opportunity to change for the better. In this respect, we have done extensive reforms in many areas: banking, legal, institutional, and business,

just to mention a few. These reforms laid a much stronger foundation for us to grow and develop sustainably.

Second, many parties are taking part in achieving stability and development, aside from the executive government. Legislative, judicial, other authorities like the central bank, and last but not least the people at large are taking part. A strong role being played by one can to some extent compensate the weaker roles played by the others, making a good overall performance. In achieving financial and monetary stability, the independence of the Central Bank being granted by the Central Bank Law of 1999 is worth mentioning. The independence has enabled the Central Bank to work hard in a consistent manner to maintain relative monetary stability despite the uneasy political turmoil experienced by the country a few times since the crisis.

Third, on the most recent development. We are encouraged by the price and exchange rate stability that have prevailed for an extended period of time. Such stability has made it possible for gradual but significant reduction of interest rates on Bank Indonesia's Certificate from around 17% last year to below 14% now. This constitutes a reasonable base for a better economic growth in 2003. While the growth rate will only be between 3 and 4 % this year, we expect a growth rate of 5% can be achieved next year. On Anti Money Laundering and the Fight against Terrorism, we have ratified the UN Resolutions, promulgated an Anti Money Laundering Law, and established the implementing institutions. Prior to that, the "Know Your Customer Principles" was also applied to the banking sector.

Finally, a word of thanks. We would thank the IMF, the World Bank, the CGI's (Consultative Group on Indonesia's) members, and international community at large for their invaluable support to us during the crisis as well as in our effort to reform and grow.