

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **SRI MULYANI INDRAWATI**,
Governor of the Bank for **INDONESIA**,
at the Joint Annual Discussion

Statement by the Hon. Sri Mulyani Indrawati
Minister of Finance for Indonesia
At the Joint Annual Meetings

Mr. Chairman, Fellow Governors, Ladies and Gentlemen,

On behalf of the Indonesian delegation, I would like to express my sincere appreciation to the American people for their gracious hospitality and warm welcome to your nation's capital. Allow me also to congratulate President Zoellick and Managing Director Strauss Kahn on their recent appointments. We are confident that their good leadership will prove crucial in the coming years as the need for the Bank and the Fund to reform and position itself in meeting the demands and development challenges of eradicating poverty in an ever increasing complex world.

In this context, we greatly welcome the Bank's Long-term Strategic Direction. We consider this will provide a better mechanism for aligning aid with national development strategies, for reducing transaction costs, as well as maximizing the Bank's expertise in client countries. On the matter of project disbursement, we continue to experience difficulty with the Bank's slow and antiquated process. We therefore encourage the Board of Executive Directors to seek ways for streamlining the Bank's disbursement procedures so that it can remain competitive, including adopting national standards and best practices.

Looking ahead, we note that the Bank's strategic direction appears to have expanded to include regions that continue to enjoy the benefits of record oil prices and higher economic growth. We are concerned that this expanded scope will affect deployment of the Bank's limited resources for addressing the most relevant and highest priorities in accordance with its original mandate and focus; that is poverty reduction and development issues.

Also, given the universal consensus that climate change poses real risks and challenges with our existing approach toward sustainable development, we feel that the Bank should direct and intensify its efforts in addressing the challenges that this new reality creates for us all.

To this end, Indonesia will host the 13th Conference of Parties (COP) meeting of the United Nations Convention on Climate Change in Bali, December 3 to 14, 2007. As part

of the Bali's UNFCCC conference, Indonesia will also host the 'first-of-its kind' High Level Event on Climate Change for Finance Ministers, December 10 to 11, 2007. Climate change is not only an environmental issue, it is becoming a development and investment issue, with these new responsibilities falling on the shoulders of finance ministers. The overall purpose of the meeting is to raise awareness among finance ministers on climate change, with particular attention to fiscal instruments related to climate change mitigation and adaptation.

We believe that finance ministers can and should be assuming a leading role on this issue. Finance ministers have all the policy instruments needed to make a difference on the global outcome of climate change. These instruments include fiscal policy, risk management, insurance, finance policies, and the power in directing the flow of funds and investments. Indonesia is now taking steps to reduce emissions from deforestation and promote cleaner future energy initiatives. Other countries are expected to take more promising actions. We must not wait, but take action now in addressing the problem together.

Let me now turn to the theme of Governance

We believe that good governance and the fight against corruption are critical to achieving our development goals. Our experiences show that building good governance and fighting corruption is a long and difficult endeavor. It needs patience, perseverance and consistency in both policy and action. More importantly, it requires courage and commitment to eradicate a deep-seated structural problem. Therefore, we welcome the World Bank's Stolen Asset Recovery (StAR) Initiative and wish to record our very strong commitment in dealing vigorously with the theft of public assets. As we have experienced, sometimes you are forced to lose a few battles in order to win the war. And our conviction to win every battle is unwavering and steadfast if we wish to move forward. More specifically, we aim to tackle corruption by reforming our bureaucracy and introducing new systems to manage public funds, eliminate cumbersome regulations, and by promoting public-private partnerships based on open and transparent competition. We strongly endorse collective efforts and global partnerships for investigating, tracing, and repatriating of stolen assets. We also wish to send a clear message to prospective investors that bribery poses serious risks and severe sanctions. Collectively, we all also need to send a clear message as to the risks and ultimate consequences for countries that harbor stolen assets.

I would now like to briefly touch on the reforms of the BWIs

In the interest of building mutual accountability, credibility, and effectiveness, we are expecting the Bank and the Fund to undertake structural reforms and continue their

efforts to increase the voice and role of developing countries. We believe it is important to rigorously pursue structural improvements in the form of introducing special majorities, extending EDs' terms, and increasing member shares. Efforts should also be intensified to improve the non-structural operations of the Bank, including increased representation of qualified staff from developing countries in the Bank's senior management ranks and empowering all member countries to participate in the leadership selection process.

Distinguished Board of Governors

Let me close my remarks by reaffirming Indonesia's commitment as a solid and reliable partner of the Bank and the Fund. I would also like to wish President Zoellick, Managing Director Kahn and their management teams every success as they press ahead with their very important and challenging reform agendas.

Thank you.