



2012 TOKYO ANNUAL MEETINGS

INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Governor's Statement No. 34

October 12, 2012

Statement by the Hon. **AGUS D.W. MARTOWARDOJO**,
Governor of the Bank for **INDONESIA**

**Statement by the Hon. Agus D.W. Martowardojo,
Governor of the Bank for Indonesia**

I am delighted to be here today to deliver this statement on behalf of Indonesia on the occasion of the World Bank/IMF 2012 Annual Meetings.

I welcome this opportunity to focus our attention on the challenges faced by the Middle-Income Countries (MICs) and their future roles in the global economy. This meeting is a great opportunity to address our response on the downturn of global economic environment, and on how MIC policy makers can increase their countries' resilience to shocks and promote growth. In this regard, the roles of the private sector and of development partners are, of course, critical.

For many, if not all, of the member countries present here, infrastructure provision remains a big challenge, from project design and prioritization, right through to financing and delivery.

We know there is a need to boost investment in infrastructure to raise growth prospects, both in the short-term as a way to insulate against a global slowing of growth and for the long-term benefits in boosting the supply capacity of our economies.

Infrastructure investment can also help channel excess global savings – a much more productive pursuit than short-term asset price speculation. To support this, we request the Bank to prepare a comprehensive assessment in the areas of infrastructure financing, including provision of infrastructure facilities, identification of innovative source of financing, and technical support to formulate bankable pipeline projects. Let's give investors something truly worthwhile to invest in.

While I have the opportunity, let me also make some brief comments about a concern facing many middle-income economies – the so-called ‘middle income trap’.

Many MICs in Asia, Latin America and the Middle East have been stuck in this middle-income trap for decades, where countries are struggling to remain competitive as high-volume and low-cost producers but are yet unable to move up the value chain and break into more advanced innovation-based products and services.

Much more is needed for transition to high-income status. We welcome the Bank support to provide assistance not only on project financing, but also in the provision of technical assistance and capacity building to accelerate structural reforms needed to transition through and emerge as high-income economies – and stay there.

Rapid and sustainable growth requires high levels of investment which embody new technologies. These investments will be in physical and human capital, including in roads, information technologies, and other infrastructures where the Bank may take a greater role.

We especially appreciate the World Bank and IFC that have helped foster a competitive private sector that have created new investment and employment opportunities in the MICs. A robust domestic private sector is critical to increased growth, which can be linked to poverty reduction and improved standards of living in MICs.

We encourage the Bank and IFC to expand their works to support SMEs to a greater degree to have more access to finance.

As we agreed, SMEs are critical for the economic and social development of MICs. SMEs play a major role in creating jobs and generating income for low and

middle-income people; and foster economic growth, social stability, and contributing to the development of a dynamic private sector.

Indonesia will continue to strengthen and reform its business environment to attract more investment, bring opportunity to a growing population, and spur private sector growth. We request IFC to work closely with Indonesia's public and private sectors, offering global expertise and focusing support for business reform including doing business reform. These efforts would help Indonesia implement a reform action plan to improve its rank on the Annual Doing Business Report, as well as business licensing reform which aims to support efforts to reduce the costs and complications of doing business.

I would like to reiterate our commitment on promoting financial inclusion as important to global economic development and poverty reduction. Indonesia strongly supports this initiative and offers its active participation in the process.

We are committed to the financial inclusion Peer Learning Program in the G20 to further facilitate cross-country information sharing and technical dialogue. We are also actively involved in international fora to promote financial inclusion through Global Partnership for Financial Inclusion, the Alliance for Financial Inclusion and the APEC Financial Inclusion Working Group.

We also view that supporting Low-Income Countries (LICs) is important as they continue to face challenges in sustaining its growth. In this regard, the Fund can play a role by continuing intensive policy support, engaging in longer term program as well as providing short-term financial facilities. This will help LICs withstand from external shocks, maintain macroeconomics stability, rebuild fiscal buffer and facilitate rapid recovery. We also note that while LICs remain exposed to global risks and volatilities, the Poverty Reduction Growth Task's lending capacity is expected to drop sharply after 2014. Therefore, we welcome the Fund decision to distribute the remaining windfall gold

sales profits of US\$ 2.7 billion as part of a strategy to bolster sustainable resources for lending to LICs. Noting that the legal requirements and domestic processes in some countries may not be straightforward, we are determined to give our best effort to secure assurances and implementation of this commitment in a timely manner.

Lastly, allow me to thank World Bank and IMF officials that have organized this event successfully, as well as the Japanese Government for their outstanding hospitality.

Thank you.