

**STATEMENT BY  
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IDB GOVERNOR FOR THE REPUBLIC OF INDONESIA**

(Original : English)

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**Your Excellency, Chairman of the Board of Governors  
Your Excellency Governors and Alternate Governors  
Your Excellency, President of the Islamic Development Bank  
Distinguished Guests, Ladies and Gentlemen**

Assalamualaikum warahmatullahi wabarakatuh.

Praise be to Allah the Almighty, the most Gracious and the most Merciful, only by His blessing we can gather here in Jakarta, in good health and high spirits for the forty-first Board of Governors Meeting of the Islamic Development Bank. Prayers and peace be upon Prophet Mohammad SAW, his family, his companions, and his followers.

First of all, I would like to express my sincere appreciation to the IDB President, H.E. Dr. Ahmad Mohammed Ali, and his team for their excellent collaboration with the Government of Indonesia in preparing the forty-first IDB Annual Meeting in Jakarta, Indonesia. We believe this event will further strengthen our cooperation, and will valuably contribute to member countries development and the future of the IDB.

**Excellencies and Distinguished Guests,**

Global economic recovery has progressed although at slow pace. In 2016, economic activity is envisaged to remain modest and uncertainty in global financial markets remains high. In line with the weakening global economy, world commodity prices, including oil, persists in low level. The picture for emerging markets is quite diverse. South East Asia, as reflected by ASEAN countries, has experienced steady growth. However, growth momentum starting to lost some steam in some ASEAN countries, mostly because of the terms-of-trade deterioration - which had an impact on the contribution from net exports - and fiscal tightening. Furthermore, the transition in China creates an adverse spill over South East Asia, especially since China is the top trading partner of most major regional economies in East Asia and ASEAN. On the other parts of the world, economic activity in sub-Saharan Africa and the Middle East also fell short of expectations as a result of the drop in oil prices, and declines in other commodity prices.

Against those backgrounds, the Republic of Indonesia authorities have strengthened and synergized policies through policy mix, and have adopted series of policy packages to safeguard macroeconomic stability and stimulate economic growth. These efforts have afforded Indonesia the strength to weather the pressure on macroeconomic stability and maintained its economic growth momentum. Nevertheless, we understand that challenges remain. On the external side, the main challenge comes from the risk of weak global economic growth and the decline in commodity prices. On the domestic side, the challenges are structurally related to availability of necessary infrastructure to allow the efficient and higher productivity.

## **Excellencies and Distinguished Guests,**

The IDB Group has continuously carried out its vision to become a world-class development bank based on Islamic principles. We have observed the IDB Group has expanded its capacity to assist its member, in form of financing assistance as well as technical assistance. We commend the IDB Group's management for stepping up its assistance to member countries where the IDB Group has increased the loan approvals by 13 percent (\$12.1 billion) in 2015, up from \$ 10.7 billion in 2014. Further, through the 10-year Strategic Framework, the IDB Group has set its direction to be able to more effectively respond to member countries' needs, in line with the dynamic challenge that the member countries are facing.

Member countries, however, encounters more complex challenge given the recent development in the global economy. Countries have to redouble their effort to be able to secure growth. Even more, developing countries could risk losing the hard-won progresses in economic development that have been achieved through relentless effort in the past. In this regard, the **IDB Group could step up its engagement with member countries through financing and technical assistance**. While we are pleased with the continued strong financial resources and high profile of credit rating of the IDB Group, we view there is need for the IDB Group to boost their financial capacity and flexibility to match with the high need to support for member to address global and domestic economic challenge. In that regard, the IDB Group could increase their capacity, among other, by enhancing collaboration with other International Organizations as well as philanthropic organization, or by exploring ways optimize their balance sheet.

Further, we would like to underscore the importance **to increase and foster better quality of infrastructure investment** in member countries. The greater emphasis on infrastructure development would facilitate a stronger and more sustainable development. This is in line with the five strategic pillars of IDB's 10-year Strategic Framework. And indeed, this is also in line with Indonesia's government development focus, which prioritizes infrastructure development in rural areas with high multiplier effect, as well as attaining a more inclusive growth. In this regard, we value the IDB Group's strong commitment in sustaining economic development and connectivity through infrastructure development. This is reflected by the largest share of IDB approvals in 2015, which reached around 78.4 per cents, going mainly to transport, energy and public private partnership project. This is a focus that should be maintained in the future.

## **Excellencies, Distinguished Delegates and Guests,**

Equal critical to increasing assistance, is **ensuring the relevance and effectiveness** of the IDB Group's assistances. In this regard, we would like to emphasize the importance of continued review of the IDB Group's program prioritization. Effectiveness of IDB Group's program also warrants continuity in program implementation, to enable us to turn the objective into reality. For example, the IDB Group has been working on financial inclusion issue, which, among other, attempt to promote better management of zakat and waqf so as to gain its full potential. We find this as a very strategic issue to be continuously explored and the IDB Group can help member by facilitating work to produce guidance and action plan for member countries. Still on the IDB Group's program effectiveness, we look forward to the score card report of the IDB's program as agreed in Mozambique last year. We expect the report will help us to review and draw lesson learnt to enhance programs' effectiveness in terms of implementation and its expected outcome.

Further, we also stress the **pivotal role of participatory process and active implementation** of the Member Country Partnership Strategy (MCPS) as way to ensure relevance of IDB's program in member countries. As for Indonesia, we have completed the first MCPS and we are pleased that the IDB Group has launched the second MCPS for Indonesia, for the period 2016-2020. We look forward to a closer, mutually-supportive, and fruitful cooperation with the Bank.

### **Excellencies and Distinguished Guests,**

Finally, as we are aware, one main challenge of the IDB's Group in serving its member countries is the difficulty in drawing programs, issues and concern, that suits to most member countries. In particular, we take into account the diverse IDB Group's members in terms of social economic and political stage. In this regard, we have worked together with the IDB management to pull a theme that would be of common interest for many members, namely "Enhancing Growth and Poverty Alleviation through Infrastructure Development and Financial Inclusion". Various seminars and programs are directed toward deliberation and exchange views and experience so that we have solid understanding on the issue and how to best address the problem given specific circumstances. While the series of meeting have been productive and produce many valuable insights and key take way, we are aware that our effort is a long process. Thus, we hope that we can continue our work under this theme in our next deliberation so we can get deeper understanding in the issue and come up with more concrete road map or action plan either individual, concerted or IDB-member program, that suits to member countries' needs.

Concluding my statement, on behalf of the Government of Indonesia and the Indonesian Delegation, we would like to wish President Ahmad Mohammed Ali and his Management every success in implementing IDBs future agenda. I would also like to reiterate our commitment to be a solid and reliable partner for IDB Group and its member countries. I pray to Allah Almighty that all our efforts to improve the prosperity of Moeslems throughout the world will receive His divine blessing and support.

Thank you.

Wassalamualaikum warahmatullahi wabarakatuh.