

**STATEMENT BY**  
**H. E. BAMBANG P.S. BRODJONEGORO**  
**CHAIRMAN, IDB BOARD OF GOVERNORS**

(Original : English)

---

Bismillahirrahmannirrahim.

**H. E. the Vice President of the Republic of Indonesia,  
H. E. the President of Islamic Development Bank,  
Distinguished Members of the Board of Governors and Heads of Delegations,  
Ladies and Gentlemen,**

Assalamu alaikum warahmatullahi wabarakatuh

Praise be to Allah the Almighty, the most Gracious and the most Merciful, for only by His Blessing we are able to gathered here, today in the occasion of the 41<sup>st</sup> Annual Meeting of the Islamic Development Bank Group in good health and high spirits. Prayers and peace be upon the last Prophet of Allah, our noble prophet Mohammad, Sallallahu Alaihi Wasallam, his family, his companions and followers.

AS we are all aware, in the aftermath of the global financial crisis, our economies are still facing challenges posed by the global imbalances, pressures on commodity prices and the increasing severity and impact of natural disasters and climate change, which in their own right affect economic activities and welfares of the people.

These developments have provided both opportunities and challenges, not only for the IDB members' countries, but also for the IDB itself. The crisis has forced us to reform, to act quickly, and be more focus on areas of developments crucially needed to be prioritized and had major impacts on our economy and welfares. These are among the backgrounds of this year's theme of the IDB Annual Meeting, which is "Enhancing Growth and Poverty Alleviation through infrastructure development and financial inclusion".

Based on this main theme, the 41<sup>st</sup> IDB Annual Meeting is designed to accommodate a wide-range of activities such as high level meetings and sideline events, that comprises of seminars and exhibitions.

Despite the needs to produce strategic commitments for the IDBG and its member countries, we also committed to discuss key development issues and in this regard, during the five days of this annual meeting, we will have 29 seminars on variety of current topics and issues aiming to share knowledge to the public as part of the human capital development agenda. In addition, there are 158 exhibition booths to showcase the successful projects of IDB and also to display the potential growth of member country's economy and business.

Another significant of this meeting, is the participation of IDB's latest members, in this regard Indonesia would like to welcome the delegations from the Cooperative Republic of Guyana as

the 57<sup>th</sup> member of IDB. This expansion of membership depicts the commitment of IDB to foster economic development and social progress in its developing member economies. I'm sure that as its member, the Bank will afford Guyana and alternative source of highly concessional financing, to finance key areas of its development agenda.

### **Excellencies & Distinguished Colleagues,**

The lessons learnt from the financial crisis have proven that global problems can be effectively addressed through three separate but inter-connected policy actions; **firstly**, strong and prudent policies of individual countries; **secondly**, coordinated regional responses; and **thirdly**, global coordinated policy measures. In another words, to respond to the global challenges, nations as well as regional and global organizations, have to be open-minded, adaptive and innovative. One important lesson that we hope can be drawn through this event is a persistent strong commitment, coordination, and relationships across IDB member countries within the framework of IDB cooperation.

We are pleased to note that IDB and member countries have been engaging in strategic collaborations to address problems in member states' backyard, and the Bank has become a catalyst of change and development in many areas. We are also aware of the growing interdependence among member countries' economies, and witness that coordinated responses are becoming crucial for improving our economic performances as well as welfares of the Moslem world.

In this context, we should be more confident towards our shared goal within the IDB cooperation, recognizing the importance of commitment, Islamic solidarity, and more importantly the blessing of Allah SWT.

Therefore, for tomorrow and the next couple of days, we look forward for a fruitful and productive results of our meetings in gathering knowledge, and sharing views and experiences for the benefits of both member countries and the IDB, *Insha Allah*.

### **Excellencies & Distinguished Colleagues**

As we all noted, IDB has become an important partner for our development as reflected by various program and projects that have been delivered to its members' countries, including Indonesia. We really appreciate all the supports the bank has given, and particularly delighted to note that most of the IDB financing has been focused and in line with national development priorities.

I believe, we all agree that IDB must continue to enhance its role in supporting and strengthening member countries' economy and social progress. In this regard, we welcome the IDB's Ten Year's Strategy Framework and Member Country Partnership Strategy (MCPS) with member countries.

In respect to IDB-Indonesia's Cooperation, several Milestones have been achieved during the last few years, Indonesia and IDB has managed to complete its first MCPS for the period 2011-

2014 and was successful in financing key development areas such as infrastructure and private development. This success is expected not only to be replicated but also to be improved in the current MCPS of 2016-2020.

Bearing the theme “Supporting Smart, High and Inclusive Growth in Indonesia”, this strategic cooperation plan will be launched during this annual meeting of the IDB Group and incorporate many key priority areas based on our medium term development plan of 2015-2019. These priority areas include; Energy, Transportation, Urban Development, High Education and Skills Development, Private Sector Development, Islamic Finance Industry Deepening and Regional Integration.

Particularly for private sector development, Indonesia has taken steps not only to incorporate this crucial sector into its cooperation framework with IDB but to also take proactive steps to contribute to the general capital increase of the ICD.

**Excellencies & Distinguished Colleagues,**

Government is aware that we haven't reached our full potential. That is why we are so committed in continuing the reform to unlock our potential. One of the structural improvements prepared was to shift our growth driver from consumption to investment led. Moreover, we also would encourage to a more sustainable trajectory, from commodity based to a value-added industrial economy. The recent competition between economies in the world also has been tighter. We believe that even in the public sector, “business as usual policy” won't make us stand in the crowd. Therefore, the Government has taken bold measures to ensure that we are attractive and competitive enough to invite more for investors.

The series of policy packages that we have issued aims at this objective yet also to maintain the domestic consumption, though maintaining people purchasing power that have been our key strong points. We believe that these goals can be achieved by providing more support for investment activity, improving logistical and interconnectivity and allocating more budget allocation for productive spending as well as for welfare support for the poor portion of the people.

As you already acknowledge, one of the Indonesia's key challenges is in infrastructure development. We have gone through various initiatives to ensure that infrastructure development is enhanced. We have put a large provision in the state budget for infrastructure projects, and this will be continued going forward. Government has also taken many efforts to solve various issues that create difficulties such as land clearing. We fully understand how important private sectors involvement to finance infrastructure development is, since financing through state budget only will not be sufficient to catch up with the huge need.

IDB has been our long-term partner in infrastructure development; therefore, I would encourage IDB to continue to take part in this our priority area including giving support for private sectors who would also involve in Indonesia infrastructure development.

With limited budget capacity, Non-Government participation in infrastructure developments, including foreign investors, is a key strategy that needs to be improved. Aside to the direct assignment and additional capital injections to SOEs, the Government has been keen in

improving the PPP scheme to invite the participation of the private sector. In this scheme, the government provides several supports, including Project Development Facility (PDF), infrastructure risk guarantees, Viability Gap Fund (VGF), and offers long-term financing for infrastructure projects. We have great hopes that the IDB could play more active role in the future.

**Excellencies & Distinguished Colleagues,**

Larger allocation for infrastructure is part of our reform in fiscal area. It was started with the removal of subsidy for premium and fix subsidy for diesel that creates larger fiscal space to utilize for more productive spending. Last year the budget allocation for capital spending significantly increased and gave material stimulus to the economy. We have continued this strategy in 2016 budget.

The fiscal reforms that we pursuit would be comprehensive from the revenue to the expenditure side. Given the low commodity prices, we realize that we have to rely on revenue from the non-commodity sources. The decline of oil prices also will make us adjusting our macroeconomic assumption that would eventually impact our revenue position for this year.

The reform on revenue side would be focused on both tax administration and policy. Firstly, the government has implemented various policies aims at broadening tax coverage, improving tax compliance, preventing tax leakage, and reforming tax institution itself. In terms of regulation, currently we are on a discussion with parliament three laws, namely Tax Amnesty, amendment of General Tax Provisions and Procedures (UU KUP), and amendment Non Tax Revenues (UU PNBP). We have carefully designed these three laws or amendment in order to give better regulatory framework in our revenue collection as well as an effort to boost revenue collection in the future that also conducive for economic situation.

Going back on the expenditure side, we will maintain the state budget allocation heavily on productive avenues. We have set better targeting subsidy schemes and engaged local government involvement in the nation development through higher allocation of transfer to the regions. On top of that, we also direct the state budget to village level in a hope to achieve more equitable growth across Indonesia. To enhance efficiency of transfers, we have prepared a scheme where regions that accumulate huge amount of cash would get transfer allocation in the form of government bonds. We are now in the middle of preparing regulation to allow this. We believe that this kind of setting is important to ensure transfers are productively and efficiently spent.

Last but of course not least, we will maintain prudent budget management by keeping deficit at a manageable level and looking for the financing sources through diversification: both bond issuance and loan for donors, as well as both domestic and foreign financing.

**Excellencies & Distinguished Colleagues,**

Coming back to the global perspective, we would like to urge the IDB to always take into account prevailing global economic challenge in the form of global economic slowdown that puts millions of people living in IDB member countries, at risk of becoming poor and under nourished.

In this regard IDB assistance to the poor should always be considered as a priority in any MCPS established between IDB and its development member countries, in addition to the support for domestic market strengthening through infrastructure financing and financial inclusion initiatives.

In addition, to observing current global economic challenges, IDB should also strive to capitalize the prevailing global economic integration trend by adding an “Islamic business flavour” into this melting pot of integration. This can be done by encouraging the development of halal industries, including halal tourism within its member countries and supporting the trade of halal goods and services between and among its member economies.

A strong Halal Industry may serve as a foundation for economic integration among IDB member countries and among Muslim countries throughout the world.

Concluding my speech, allow me to express my sincere gratitude and appreciation to H.E. Dr. Ahmad Mohamed Ali, and His Team for a strong collaboration in organizing this meeting and to all Governors and Delegates for participating in ;this 41<sup>st</sup> Annual Meeting of the Bank.

To H.E. the Vice President of the Republic of Indonesia, Bapak Jusuf Kalla, I would like express my deepest appreciation for his willingness to deliver an opening remark in this occasion and to officially open this annual meeting, later this evening.

May Allah SWT grace all of us with His blessing and guidance during this important meeting; and during our cooperation for years to come.

Thank you.

Wassalamu alaikum warahmatullahi wabarakatuh