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42<sup>nd</sup> ANNUAL MEETING  
ISLAMIC DEVELOPMENT BANK GROUP

## Statement of the IDB Governor for the Republic of Indonesia on behalf of the Asian Group

The 42<sup>nd</sup> Annual Meeting of the IDB Board of Governors  
Jeddah – Kingdom of Saudi Arabia  
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(English)

BismillahirRahmanir Rahim

In the name of Allah, the Most Gracious, the Most Merciful

**The Custodian of the Two Holly Mosques, King Salman ibn Abdulaziz Al Saud of Saudi Arabia**  
**Your Excellency, Chairman of the IDB Board of Governors**  
**Your Excellency, Dr. Bandar M. H. Hajjar, President of the IDB Group**  
**Distinguished Governors, Alternate Governors and Executives Directors of IDB**  
**Esteemed Guests**  
**Ladies and Gentlemen**

Assalamualaikum warahmatullahi wabarakatuh.

Firstly, we would like to extend our profound gratitude and deep appreciation to the Custodian of the Two Holly Mosques King Salman ibn Abdulaziz Al Saud, the Government and people of Saudi Arabia for the warm welcome and generous hospitality extended to us since our arrival in this beautiful city of Jeddah.

On behalf of the Group of Asian Member Countries, it is a great honor and privilege for me to address this distinguished gathering of the Governors of the Islamic Development Bank. We are confident that this promising gathering will contribute to fruitful discussions and successful outcomes.

**Mr. Chairman**  
**Distinguished Guests and Delegates**  
**Esteemed Brothers and Sisters**

Decades of rapid growth has transformed developing Asia from a low-income to a middle-income region. Sustaining this growth and transition to high-income status will depend on greater improvements in productivity through high spending on innovation, human capital, and infrastructure. However, Asia's dynamic record of accomplishment and potential suggests that attaining high-income status will be achievable in the near future.

Despite impressive economic performance, the Asian region is witnessing several development challenges that need to be addressed in order to sustain inclusive growth and enhance the region's competitiveness so that Asian economies continue their robust expansion in the face of global economic uncertainties. Structural reforms are needed to boost productivity, improve investment climate, and enhance domestic demand in order to maintain growth momentum in the future. However, geopolitical tensions and domestic policy uncertainty add to risks of intra-trade which also need to be addressed.

**Distinguished Delegates**  
**Esteemed Brothers and Sisters**

I would like to highlight recent developments and challenges facing three sub-regions in Asia namely Southeast Asia, South Asia, and Central Asia, in addition to Suriname & Guyana.

**With regard to Southeast Asia**, while the overall figure illustrates healthy economic growth of 4.7% in the first quarter of 2017, performance was mixed across the region's different economies. Despite largely favorable outlook, policy makers in the region will need to pay careful attention to several potentially important downside risks to economic growth. In particular, growth in trade has slowed in the region over the past several years partly due to some external factors such as China's slowdown. Increased focus on areas of enhancing comparative advantage may help to boost exports of Southeast Asia region.

Integration remains the way forward for the region to build resilience and improve growth prospects in the coming years. This is especially true in the current context of slow global economic growth and the implementation of more inward-looking policies in some parts of the world. However, the overall progress of integration is relatively slow in the southeast Asia region as several regional initiatives are delayed particularly timely and effective implementation of supportive domestic policies. Such supportive policies would facilitate deeper cooperation and improve long-term commitments to regional integration. Further, human resource development is also key element in developing the region.

**Tuning to South Asia**, this is the world's fastest growing economic region, which has experienced a long period of robust economic growth, averaging 6% over the past 20 years. This strong growth has translated into declining poverty and impressive improvements in the lives of the people. However, longer-term development challenge for the region lies in sustaining rapid growth while ensuring greater inclusion. Governments can address these challenges by increasing productivity and investment which have slowed recently in several economies; and by improving the quality of public spending.

Political economy risks are also widespread across South Asia region. Therefore, uncertainty needs to be managed, particularly with a view to creating an attractive environment for domestic and foreign investment alike. South Asia also needs to ignite private investment to stay on track. However, South Asian countries continue to face daunting challenges of persistent poverty, widening inequality, and growing instability. Over the long-term, prospects for inclusive growth will also depend heavily on the region's ability to address fundamental governance issues.

Further, South Asia is one of the most dynamic regions in the world, but at the same time also one of the least economically integrated regions. The region has very low intra-regional trade compared to other regions and security environment is fragile which causes large barriers to regional connectivity. Thus, investment in security is essential to create an inter-connected environment. In this light, it is vital to note that economic corridors are important but often overlooked aspect.

**Finally, the Central Asia region** continues to be adversely affected by low oil prices, and weakness in other trading partners. In spite of this, the region looks forward to a modest growth rebound in the medium-term as international oil prices are anticipated to register modest recovery in the coming years. We, in the region, need to identify new drivers of growth by boosting productivity, improving investment climate and exploring innovating sources of financing to meet growing development needs.

The countries of the region continue to look to the IDB as a valued development partner in

supporting our regional cooperation by providing financing for their development needs. In this regard, we commend the Bank Group for launching the Special Program for Central Asia. We are encouraged to learn that during the first year of implementation, about USD840 million of financing has been earmarked in the 2017 Annual Work Plan for projects in transport, energy and agriculture. Specifically, when these projects are approved and effectively implemented, they will, among other things, improve regional accessibility and road safety, establish certification system and market surveillance for Halal Industry in the region, increase energy supply and establish cross-border energy exchange utilizing efficient, environmentally friendly indigenous hydropower resources, and increase exports of the region's dried fruit produce and establish an integrated cluster of fruit agro-processing firms in order to meet international standards.

**Mr. Chairman**  
**Distinguished Delegates**

I must acknowledge that the IDB Group has been proven a reliable and leading development partner for all member countries in the Asia region. Recently, the Islamic Development Bank Group has prepared Ten-Year Strategy (2015-2025), which is designed to support IDB member countries' inclusive growth and improve their connectivity among themselves as well as with the rest of world. Although, IDB Group will continue to support our development needs through financing and non-financing activities, I would also urge countries in the region to focus on domestic resource mobilization rather than mere depending on IDB Group development financing.

We also wish to acknowledge the new business model, whereby since 2010, the IDB Group has been implementing in the form of Member Country Partnership Strategies (MCPS). So far, the IDB Group has completed / initiated MCPSs for Pakistan, Turkey, Bangladesh, Kazakhstan, Malaysia, Suriname, Iran and Indonesia. I hope that the Bank Group will articulate such partnership strategies for the remaining member countries in the near future.

As the IDB is aiming to become First Class Knowledge Bank, the Asian region is also looking towards the Bank for more assistance in generating knowledge products that will help member countries addressing development challenges they are facing. Due consideration may also be given for disseminating knowledge for the benefits of our member countries. In this respect, IDB's Reverse Linkage initiative stands as an innovative way of enhancing south-south cooperation through sharing knowledge and best practices among member countries.

**Mr. Chairman**  
**Distinguished Guests and Delegates**

We acknowledge the Bank's strengthening of its development partnerships with traditional and emerging donors to enhance resource availability to member countries. In this regard, the recent initiative launched in 2015 is the "Lives and Livelihoods Fund" with other donors (i.e. Bill and Melinda Gates Foundation, Qatar Fund for Development, King Salman Center for Relief and Humanitarian Aid, Saudi Arabia; and **Abu Dhabi Fund for Development**). Given that this facility will enable the Bank to finance, on concessionary terms, projects especially in Least-Developed Member Countries, and some Middle-Income Member Countries, the Asia region welcomes this initiative. Similarly, the "Deep Dive Initiative" with the World Bank, which will

significantly scale-up joint investments across common Member Countries, is also highly appreciated.

**Mr. Chairman**

**Distinguished Guests**

**Esteemed Brothers and Sisters**

Alhamdulillah, we all commend the successes and achievements with which the Islamic Development Bank has moved forward under the visionary and far-sighted leadership of Dr. Bandar M. H. Hajjar in providing a dignified support to the member countries of Asian region.

While concluding my remarks, on behalf of the Asian member countries, I wish that the 42<sup>nd</sup> Annual Meeting of the Board of Governors will serve as an important step forward in promoting the strategic goals of IDB in the region.

Wassalamualaikum warahmatullahi wabarakatuh.