



Statement of the IDB Governor for the Republic of Indonesia

The 43rd Annual Meeting of the IDB Board of Governors
Tunis – Republic of Tunisia
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Original Text
(English)

**His Excellency Chairman of the Board, Minister of Development, Investment, and International Cooperation of the Republic of Tunisia, Mr. Zied Ladhari;
His Excellency President of IDB Group, Dr. Bandar Muhammad Hamzah Hajjar;
Excellencies Governors and Alternate Governors of IDB;
Distinguished Guests, Ladies and Gentlemen**

Assalamualaikum warahmatullahi wabarakatuh.

Let me begin by extending our appreciation to President Hajjar and his team for their excellent collaboration with the Government of Tunisia in preparing the forty-third IDB Annual Meeting here in Tunis.

In this opportunity, I would like to address this distinguished gathering with three important issues, on the challenges of the global economy, on the role of IDB's in achieving the SDGs goals, and on the Bank's performance and operation from the perspective of Indonesia.

Ladies and Gentlemen,

(The Current Challenges of Global Economy)

Ten years since the global crisis, let us take a look at how the global economy is recovering. Global economic activity continues to be strong, supported by the revival of investment and trade, expansionary monetary policies, robust business and consumer sentiment, as well as improving labour market indicators. According to the IMF, the total volume of global exports is estimated to have grown by 4.1 percent in 2017, up from 2.3 percent in 2016. This was the fastest growth in exports since 2011 and the first time in three years that exports growth outpaced global GDP growth.

However, there remains risks that could endanger our agenda. To name a few, those risks are financial vulnerabilities, as some advanced economies have commenced the process of monetary policy normalization, increasing uncertainties due to geopolitical events, rising protectionism, and retreat to inward-looking policies. Furthermore, the recent increased tension between the U.S. and China due to import tariffs could have a "dampening effect" on global trade, hitting the worldwide vehicle of growth. What we do need is countries cooperating in delivering the much needed global public goods, such as international security and prosperity.

The recent improvements in growth remain unevenly distributed across countries and regions. Economic prospects for many commodities exporters remain particularly challenging. Negligible growth in per capita GDP is anticipated in several parts of Africa, Western Asia, and Latin America and the Caribbean. The impacted regions combined are home to 275 million people living in extreme poverty. Without sustained economic growth, the chances of bringing that number to zero remain tough. To achieve the goals of eradicating poverty and addressing inequality, as well as creating decent jobs for all, it is essential to address the longer term structural issues that hold back a faster progress towards Sustainable Development Goals.

Ladies and Gentlemen,

(The Role of IDB's in Achieving the SDGs)

The SDGs have to be adopted as part of the comprehensive transformational agenda focusing on eradicating poverty, deprivation, and hunger in all of their forms by promoting inclusive development and prosperity. In addition, these agendas can also be achieved by protecting the planet and the environment from degradation through sustainable consumption and production, and sustainable management of natural resources. The ability to achieve these ambitious goals will depend on the capacity of governments to deliver public services, the strength of rules of law, and the quality of institutions.

Moreover, implementing the SDGs require huge of financing that will not be met through public funding alone. Dramatic increases in private investments, both domestic and foreign, are needed. In this case, catalyzing private investment into its member countries could be the pivotal role for IDB as private financing has now become a central component in the development discourse. IDB's own financing continues to be important, especially by incorporating expertise and new technology. Nevertheless, IDB should become more innovative and dramatically enhance its efforts to mobilize resources from the private sector.

As we all know that “a dollar in” managed by Multilateral Development Banks results in more than “a dollar out” in financing for development through financial support, technical assistance, and policy advice provided by MDBs. Hence, I hope that IDB can leverage its role to be the best development partner for its member countries.

Ladies and Gentlemen,

(Inequality, Structural Reforms and Future of Work)

Inequality is still an important issue to be addressed by us. Income inequality has increased in nearly all world regions in recent decades, albeit at different speeds. Most of the largest inequality gap can be found in IDB's member countries. The fact that inequality levels are so different among countries highlights the important roles that national policies and institutions play in shaping inequality. I hope that IDB is able to increase the capacity of its member countries to raise living standards and the potential for equitable sharing of growth and opportunity among all.

Human capital is the key to addressing inequality and reducing poverty. Global evidence shows that human capital is a key factor which drives economies around the world. Realizing this condition, in recent decades, governments around the globe have made valuable investments in human capital which resulted in major gains, including 50 percent decrease in child mortality, 40 percent fewer children out of primary school, and the existence of at least one social safety net program in every country.

Health factor is a critical issue to discuss when it comes to the quality of human capital. Governments need to put extra attention on the health sector to ensure that people get the right nutrition. Investment in the physical, cognitive, and emotional development of children, since pre-birth until they enter primary school, are also critical for the future productivity of individuals and for the economic competitiveness of nations. Investing in the early years is one of the solutions for a country to end poverty, address inequality, and boost productivity in the future.

It is also key to underline the importance of education in building human capital. Cognitive skills of the population are powerfully related to individual earnings, to the distribution of income, and most importantly to economic growth. Better management of the education system can potentially improve the quality of human capital, fostering more innovations and positively impacting the economy.

Healthy and educated people will have a better chance to compete in the digital economy. Today, the nature of work is changing and shifting in line with technological advancement. The current development of automation enabled by new technologies, including robotics and artificial intelligence, brings the promise of higher productivity, increased efficiencies, safety, and convenience. At the same time, these technologies also raise difficult questions about the broader impact of automation on jobs, skills, wages, and the nature of work itself. Many activities that workers carry out today have the probability of being automated.

IDB should also be aware that technological changes will bring both opportunities and challenges. It will not only affect developed economies, but also the developing countries. While technological changes and innovations have delivered significant benefits in terms of prosperity and progress, technological change can contribute to a rise in inequality and transform business dynamics and the structure of markets, both in terms of quantity and quality. As a development partner to its member countries, IDB should prepare itself to support its member to optimize the benefits and minimize the risks of this trend. Furthermore, IDB should also pay strong attention on the human capital investment as it is the foundation of prosperity and a key driver of inclusive growth.

Ladies and Gentlemen,

(IDB's Performance and Operation)

I would like to avail myself of this opportunity to express my support on the initiative of the internal ongoing reform process within the IDB Group to improve its operational performance. The Government of Indonesia is ready to support the reform and transformation, both in forms of share increase and sharing of experience. However, we are urging IDB to use its limited capital resources as efficient as possible and to further leverage its balance sheets. More capital is not the best solution when existing capital is not allocated effectively. We also hope that the bank is able to put forward a framework that can create a financially self-sustaining bank in which organic capital accumulation is sufficient to support future lending targets.

As part of the reform process, we urge IDB to decentralize and delegate more responsibilities to its regional hubs and country gateway offices to further speed up projects implementation. In this opportunity, I would also like to request the improved function and role of Indonesia Country Gateway Office in order to strengthen our cooperation. Also, I would like to encourage the communication and coordination of detailed IDB's reform plan and progress to its member countries in order to accommodate the inputs and interests of all shareholders.

Furthermore, IDB should also focus on knowledge transfer and tailored engagement to help lessen over-reliance of its member countries on donor assistance in a financial sense. Indonesia

also welcomes a new coordination platform on economic migration and forced displacement among MDBs, launched last year, to advance strategic priorities.

Ladies and Gentlemen,

(Closing)

In closing, I would like to reiterate the importance of countries' coordination in delivering the much-needed global public goods, in the midst of unclear global economic recovery. Human capital is an important factor in reducing poverty and inequality. It can help to develop an economy through the knowledge and skills of the people. To have knowledgeable and skillful people, investment in health and education are significantly needed. Ability to cope with technological advancement is also important. In this regard, MDBs, especially IDB, have to take an important role in distributing growth evenly across its member countries. IDB should strengthen its capacity through continuous reform and transformation. On the other hand, member countries have to provide full support for a better and smarter IDB. On this note, the Government of Indonesia is ready to be a solid and reliable partner for IDB.

Lastly, on behalf of the Government of Indonesia and the Indonesian Delegation, we would like to wish President Dr. Bandar Muhammad Hamzah Hajjar and his management team every success in implementing IDB's future agenda. I pray to Allah Almighty, May Allah Bless Us All. Amin Ya Robbal Alamin.

Thank you.

Wassalamualaikum warahmatullahi wabarakatuh.