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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**

It is my honor to deliver this statement on behalf of Indonesia on the occasion of the World Bank/IMF 2011 Annual Meeting. This meeting comes at a critical juncture for the global economy with financial distress and stagnant growth in the advanced economies threatening global growth prospects. High levels of sovereign debt, large fiscal deficits, and global imbalances are among the factors posing significant uncertainties for the global economic outlook. The nascent global recovery has proved vulnerable despite significant growth in the emerging economies. It is thus patently clear that this meeting must develop a credible plan to address these concerns and communicate the strong message that there is a clear path forward to prevent another economic downturn.

The World Bank and IMF have been responsive and innovative with their financial facilities over the crisis period. On behalf of the Indonesian government, I express my appreciation to the managements of the Bank and the Fund for their efforts. We welcome especially those actions targeted to curbing the detrimental impact of the financial crisis on the developing economies. The increasingly challenging global economic environment requires the Bank and the Fund to develop initiatives and flexible financial facilities that will meet member countries' needs in these difficult times.

The need for sufficient official financing both for crisis prevention and mitigation is a lesson from the experience of the crisis in late 2008. Notwithstanding the availability of the IMF FCL and PCL facilities, the Fund should enhance its cooperation with regional financing arrangements to ensure that crisis prevention and resolution become more effective. We encourage the Fund to design a collaborative framework for this cooperation and enhance the flexibility of its lending facilities.

High commodity prices have jeopardized development in low-income countries. We are concerned about the impact of high and volatile food prices on the poor. In this regard, we wish to underscore the impact of climate change on global food supply and urge the Bank to collaborate with other international organizations to support the provision of new technology to be used in the agricultural sectors of developing and low-income countries; in particular, technology related to climate resilient seeds.

With regard to the Bank's strategy in the palm oil sector, we support the proposal to lift the Bank moratorium. We have reached the agreement that the palm oil sector has higher income potential, higher employment opportunities, and scope for greater involvement of small farmers that can combine to contribute to poverty reduction objectives. We urge the Bank to immediately proceed with the implementation of the framework for re-engagement in the palm oil sector.

Development in low-income countries is also jeopardized by the financial distress and weak demand in the advanced economies. This setback to private sector development and employment is a particular concern. We urge the Bank and the IFC to seek mechanisms to promote private sector development to further expand its capacity to provide employment. We urge the Bank to expand its lending capacity through more resources for private sector and IFC to ensure that its strategic focus supports employment intensive private sector growth.

We appreciate the Bank's strategy in developing human capacity through investment in education. Labor markets are becoming global with technological change and increased labor mobility. As a consequence, labor competitiveness is becoming more critical. This underscores the importance of developing skilled labor as an integral part of the development process in low-income countries.

We are of the view that the approach to the job issues should include: (i) a proper way to link growth and employment; (ii) the nexus between growth and reduction of inequality; (iii) measures that would enhance partnership between the public and private sectors; (iv) policy tools for tackling issues relevant to self-employment and sectors with high wage employment potential; (v) means for employability; (vi) the demand-supply matching issue; and (vii) remedies for issues relating to labor mobility across countries including "brain drain" issues.

Labor skill development must be inclusive. Every citizen, both men and women, should have opportunity to benefit from skill upgrading so that they can contribute toward national development and benefit from economic growth. We welcome IFC's \$86 million loans for 2,500-women entrepreneurs. We also support the Bank's agenda to promote gender equality in economic opportunity.

We encourage the Bank and the Fund to seize the momentum of South-South trade to help support global economic activity. This takes on added importance in the face of weakening demand for low-income country exports from the advanced economies. We applaud the Bank's work on Aid for Trade and trade facilitation that has helped remove bottlenecks in trade. We look forward to further measures from the Bank and the Fund to help emerging and developing economies boost global output through trade.

Indonesia welcomes the Bank and the Fund as important partners in achieving prosperity and quality growth and is committed to working with fellow members to ensure the effectiveness of these institutions. Both institutions face pressing challenges in helping the membership resolve economic and development challenges in the current very difficult environment. We are committed to extend our cooperation in these efforts.

Thank you.