



INDONESIA

JUSUF ANWAR, Governor

On behalf of the Indonesian delegation, I would first like to thank President Haruhiko Kuroda and the Asian Development Bank for hosting this event. For us to be here in this beautiful historic city of Istanbul, I would also like to register our appreciation to the people and the Government of the Republic of Turkey for their generous hospitality and the meticulous preparations for this Meeting.

Let me begin by appreciating former President Tadao Chino who retired in January. He had served the Bank well with his passion, dedication and commitment of fighting poverty and promoting economic development in Asia and Pacific region.

We extend our congratulations and welcome President Haruhiko Kuroda who took over as President of ADB on 1 February, in the midst of the global community's attention to the devastating impact of the tsunami. President Kuroda was able to mobilize the Bank's resources quickly to cope with this unprecedented natural disaster.

Under the Asian Tsunami Fund (ATF) established for financing rehabilitation and reconstruction, he speeded up approvals of grant assistance and loan support and mobilized co-financing and technical assistance for immediate emergency relief and other operational initiatives

The Bank also organized a timely High Level Coordinating Meeting on Rehabilitation and Reconstruction Assistance and seminars to coordinate recovery efforts, financial accountability and governance on the use of resources pledged for tsunami relief.

We believe this is the first time since the establishment of ADB thirty-eight years ago that the Bank had to mobilize its entire staff and operational resources to deal with this crisis. The member countries and their representatives on the Executive Board have also shown tremendous support for the various tsunami related operational initiatives. On behalf of my Government, I would like to thank members of the ADB Executive Board of Directors, Bank management and staff for these efforts.

I would now like to turn our attention to the Bank. The Bank must continue to carry out its primary role as a regional development institution. Global economic recovery remains tentative and continuing high oil prices are contributing to emerging inflationary pressures in major economies that may affect growth in many economies. The Bank must reinvigorate and enhance its role as a development institution for supporting member countries' with sustainable growth and poverty reduction in these challenging times.

Accelerating infrastructure investments is the key to support ongoing economic recovery in developing Asia. Over the next two to three years, most of the countries in the region are expecting to face major infrastructure deficiencies. The ADB is urged to examine its operational modalities and promote innovation and efficiency in all aspects of its lending practices including in infrastructure financing.

The successful conclusion of ADF IX has paved the way for the Bank to improve its institution and operational processes. In implementing reforms through the Managing for

Development Results Agenda, we look to the Bank to pay greater attention to develop a more client-friendly set of operational measures and in the context of the recently concluded High Level Forum on Harmonization and Alignment on Aid effectiveness.

We place great emphasis on regional cooperation and integration and will continue to participate actively in inter-region and intra-region forums. We believe ADB can play a meaningful role in forging closer regional cooperation and regional integration such as the Regional Cooperation Strategy and Programs. The recent establishment of the Office of Regional and Economic Integration as a focal point of economic surveillance initiatives is very much welcomed.

Turning to the Indonesian economy, we have continued our economic recovery momentum. In 2004, our economy grew at 5.1%, the highest since the economic crisis. We remain vigilant to preserve our fiscal sustainability and will continue to pursue a prudent and disciplined fiscal policy. We continue to coordinate closely with our independent central bank, Bank Indonesia on macroeconomic policies including inflation targeting.

We are confident of achieving our projected growth of 5.5% in 2005. We will maintain our macroeconomic policies that will be resilient to any potential disruptive market and external shocks. The generous pledges of assistance at the Tsunami Summit and the Consultative Group Meeting on Indonesia (CGI) would provide some relief on our fiscal position and we acknowledge and appreciate our creditor member countries of Paris Club who've offered debt moratorium on their repayments.

Our biggest challenge is to improve our business and investment climate. We are working on improving governance in our public and private sector and streamlining business processes. And, we are finalizing the tax reform program to improve our overall competitiveness.

We have received serious interests from potential investors following our Infrastructure Summit held early this year and are reviewing our institutional arrangements, rules and implementing regulations to realize these investments quickly.

In addition to private capital, we will be looking to official sources of financing including ADB to finance our development including infrastructure in the coming years. We welcome the Bank's new Innovation and Efficiency initiatives.

At the present time, the cost of financing from the Bank's ordinary resources seems to be weighted against member countries given past lending terms and funding arrangements. We urge the Bank to improve on its lending terms to ensure that member countries including Indonesia will enjoy more competitive loan terms. We would like to see a review of the ADF allocation policy with greater emphasis for poverty related projects.

I wish President Kuroda every success in his leadership of this important regional development institution and look forward to a closer partnership.

Thank you.