



The 2005 Asian Roundtable on Corporate Governance

*Task Force on Corporate Governance of Banks in Asia:
Finalisation Draft Policy Brief
Stock take of Corporate Governance Developments in Asia
Task Force on Corporate Governance of State Owned Enterprises
in Asia: Interim Report*

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Welcoming Remarks

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The views expressed in this paper are those of the author and do not necessarily represent the opinions of the OECD or its Member countries or the World Bank

KEYNOTE SPEECH
at Roundtable on Corporate Governance

by Agus Muhammad
Inspector General, Ministry of Finance

Distinguished Guests,
Ladies and Gentlemen,

A very good morning.

It is a great honor to stand before you this morning, and to have an opportunity to deliver a speech at this high-level gathering. I should say this gathering is a high-level or a prominent one, since there is a full of an array of best speakers and a superb audience, ranging from those with admired academic backgrounds, to those with internationally-recognized experiences. Your partakings in this two-days Roundtable are highly appreciated.

Let me then, on behalf of the Minister of Finance, to apologize for his absence at today's important gathering, since he and other economic affairs-related Ministers should focus on their works, to overcome the situation we have recently, that gave impacts to the economy of this nation.

Allow me to take this opportunity to share with you several achievements in our economy, and some challenging issues that we have recently, in a very briefly words.

My dear participants,

It is not too much to say that Indonesian economy is in threshold of sustainable growth. In 2004, the economy performed better than what was expected: the inflation was low, interest rate fell, the stock exchange was at its best, investment and exports started to pick up as they increased by 15.8% and 8.47% respectively, and the economy growth reached 5.1% - the highest since 2000.

As a result of those remarkable achievements, there have been significant improvements in our fiscal situation, that brought us to become one of the smallest deficits in Asia. Well-recognized rating agencies acknowledged our economic progress as they found those all notable economic progress. And the Consultative Group on Indonesia – the CGI – has agreed to pledge three point four billion US dollar (US\$ 3.4 billion) in Indonesia, similar to those pledged in 2004 budget.

Those brought a high enthusiasm to us in entering another promising year, the 2005. We set up several economic targets with high optimism that we will be success to achieve those. The economy should grow by 6.6% per annum for the next five years; the open unemployment should be reduced from 9.5% in 2004 to 5.1% in 2009; and the poverty incidence will be reduced 16.6% in 2004 to 8.2% in 2009.

For sure, we do realize that it is not an easy task. Those targets can be achieved only if we could keep the inflation low, if fiscal

condition is sustainable, and if we continue our economic reform agenda. Therefore, we are now gearing policies to boost economic growth while at the same time, maintaining macroeconomic stability

In this regard, with strong supports and firm commitment from the monetary authority – the Central Bank – monetary policies was consistently directed at achieving the medium-term inflation target, and banking policy remain focused on enhancing banking stability and its role as financial intermediaries. Fiscal policy is directed to maintaining its sustainability, while leaving a room for growth inducement.

On the real sector, we direct policies towards creation of a more favorable investment climate, and to tackle the lack of competitiveness in manufacturing industry, as well as in agriculture. In the capital market arena, policies are directed towards enhancing its role as alternative source of financing for Indonesian business, and as an attractive investment alternatives for the investors.

Distinguished Roundtable participants,

It was last month, we had a kind of turbulence in our economy, as the oil prices climbing up in the world market, and the US Federal Reserve adopted its new policies. The global economy was reacted, and had a quite similar patterns – the slow down of their economies. Still, our determination to resolve challenges ahead

are not diminished. Indeed, it strengthened our commitments to progress.

You may have noticed, government have worked days and nights to deal with that most recent challenges effectively. President Yudhoyono took the lead and was always positioned himself in front of any persistent efforts to overcome the situation.

He openly talked to the public to clarify the situation, and to explain clearly his administration strategy to redress what he and the society concerned most. He made consultation with prominent persons with varied backgrounds, just to find out the most effective measures to work out the situation. He encouraged his ministers to make a more operative coordination at any levels, to ensure that reform agenda, including all newly-issued directives, will be well-implemented and run on the right tracks. And most importantly, he keeps being as the role model for us, to establish good governance environment in public sectors.

The National Committee on Corporate Governance was revitalized and renamed as the National Committee on Governance, that now covers not only corporate governance issues but public governance issues as well. The numbers of ministers involved on that committee was added, and the targets of its existence were more obvious. The Annual Report Award – a nation-wide program to promote better implementation of governance principles – for the first time ever, was attended by the Vice President of this Republic, that showed a firm

commitment of today's administration, to not delay any longer the implementation of the principles.

He supports – and sometime initiates – efforts to strengthen regulatory and supervisory framework, towards higher standards of governance. He upgraded supervisory and enforcement capabilities of the regulators, in accordance with international best practices. He made and keeps making every effort to clean up the mess by enforcing the laws in place. He did no intervention on judicial process for sure, but he works his talks to ensure that our criminal integrated justice system is improved towards higher integrity and better credibility.

Distinguished Guests,
Ladies and Gentlemen,

We had taken a few hard punches in the last few years, but with came up with strong, made great strides in turning around our economies, emerged even stronger in the aftermath, and establish a sounder base for future growth. We reborned to become a growing market that few investors can ignore. No matter how hard the challenges ahead are, today's government endeavor to keep Indonesia on the radar screens of investors – international investors in particular, since they remains important locomotive for our nation to grow.

It is an opportune to host this Roundtable and to organize yesterday's Seminar, as testaments to our commitment to deeper cooperation with our international counterparts.

Thank you for being so supportive. With your cooperation, Indonesia will move forward in realizing its potentials, and in fulfilling the dreams of the people.

We wish you all a great discussion, and thanking you again for joining this Roundtable.

Thank you.

Bali, 8 September 2005

Agus Muhammad
Inspector General of the MOF