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Statement by the Hon. **LIM GUAN ENG**,
Governor of the Fund and the Bank for **MALAYSIA**

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Mr. Chairman, distinguished fellow Governors, President of the World Bank Group, Managing Director of the International Monetary Fund, ladies and gentlemen.

Malaysia is deeply saddened by the tragic loss of life and devastation resulting from the earthquake, tsunami and volcano that has recently hit the Indonesian island of Sulawesi. We wish to extend our heartfelt condolences to the affected families of these natural disasters. Malaysia is confident that, along with the joint efforts and assistance from the international community, the Government of Indonesia will be able to recover and bring the situation back to normalcy.

Global Economy

The Global economy is expected to remain strong at 3.7% in 2018, despite facing many challenges that pose risk to growth. Although growth is expected to be weaker in advanced economies, the emerging market and developing economies are anticipated to register a higher growth. Growth in Asia is expected to be firm, supported by stronger growth in India and a steady expansion in ASEAN economies. The ASEAN GDP is expected to be steady at 5.2% in 2018, supported by domestic demand and exports following increased commodity prices. However, the overall growth momentum is likely to be dampened by geopolitical tensions, domestic strife as well as economic and humanitarian costs of weather-related events and natural disasters. In addition, tighter financial conditions in several advanced economies may cause fluctuations in exchange rates and further capital outflows from the emerging markets.

Policy Responses in Malaysia

The Malaysian economy is expected to grow 5% in 2018, supported by strong domestic demand. The Government remains steadfast in facing challenges from prolonged uncertainties in the global economy, while ensuring its new policy agenda stays on track. Currently, the Government is focused on sustainable and inclusive economic growth strategies to enhance the wellbeing of the people. The strategies include creating more quality jobs to increase people's income, introducing a fairer tax system, taking steps to reduce the cost of living, enhancing the quality of education and health services, as well as increasing the number of affordable housing. Measures are also being undertaken to promote investment by easing trade and business processes.

At the same time, the Government will focus on Competency, Accountability and Transparency (CAT) in the Government's financial management. This will be done by reducing the national debt through reviewing mega projects as well as implementing cost-saving measures on operational expenditure to improve efficiency and effectiveness of Government service delivery. These steps will allow for prudent financial management to strengthen the Government's fiscal position while ensuring sustainable economic growth. The Government also remains committed in its fiscal consolidation efforts towards achieving a near-balanced budget although circumstances have slightly derailed our earlier target.

Human Capital: A Project for the World

We would like to express our appreciation to the World Bank Group (WBG) for their efforts in preparing the Human Capital Project (HCP) paper as it highlights issues and challenges faced by the WBG in helping countries achieve better global human capital outcomes. The HCP will help member countries improve its human capital investments as well as prioritise and strategically deploy its resources and promote sustainable growth in their national development plan.

We believe the HCP, through its Three Pillars, will further reinforce the WBG's relevance and its overall role in the delivery of the global public goods agenda as well as achieving its goal of ending extreme poverty by 2030 and raising the incomes of the bottom 40% in each country. We commend WBG in proposing the HCP as it is an important milestone, nurturing awareness and highlighting the urgent need for member countries to adopt new approaches and concerted efforts to invest more effectively in people towards achieving inclusive human progress.

Disruptive Technologies and the World Bank Group – Creating Opportunities – Mitigating Risks

Globalisation of trade and finance, supported by innovation in machineries and information technology have led to an increasingly inter-dependent world. We support WBG's efforts in raising awareness of member countries on the drastic effects disruptive technologies pose to global economic and societal transformations. Certainly, countries that cannot cope with disruptive technologies are not able to compete and will be left behind. We should not let this happen as this could impede progress toward realising the SDGs and achieving the two goals of reducing extreme poverty and promoting shared prosperity.

In this regard, we encourage the WBG in its efforts towards implementing the proposed Build-Boost-Broker approach. It is our fervent hope that the WBG will be well structured and positioned to undertake these new challenges in the fast paced and evolving world. We also would like to see the WBG deepen their engagement with poorer countries, with clear strategies and action plans for realising the Build-Boost-Broker approach along with fulfilling the mandate of promoting collective growth, resilience and sustainable development.

The Bali Fintech Agenda

We commend the WBG's efforts in developing the Bali Fintech Agenda to support member countries in formulating their individual policies on Fintech. We concur that rapid advances in financial technology are transforming global economic and financial landscape dynamically. Indeed, Fintech is significantly reshaping the delivery and consumption of financial services. We are in the era where both consumers and investors have the same demands concerning their finances, be it ease of use or personalised digital interaction.

Malaysia realises the importance of this emerging trend and through its Central Bank, established the Financial Technology Enabler Group (FTEG) in June 2016 to support innovations that will improve the quality, efficiency and accessibility of financial services

in Malaysia. It is also a testament of Malaysia's commitment in improving the quality, efficiency and accessibility of financial services in Malaysia through a progressive and responsive regulatory approach that unlocks the value of technological developments.

As we leap into the era of digital economy, there is still an estimated 1.7 billion adults globally who do not have access to formal financial economy. WBG needs to continue to collaborate closely with key stakeholders and competent authorities in recipient countries to ensure a facilitative environment for Fintech implementation. We also envisage that collaborative actions by Fintech related industry will play an important role to achieve economies of scale, efficiency and cost-effectiveness in driving these technologies.

Debt Vulnerabilities in Emerging and Low-Income Economies

We welcome the joint efforts by WBG and IMF in preparing the concept paper on debt vulnerabilities in the emerging market economies and proposing the multipronged approach to help affected countries. The initiatives in assessing the debt vulnerabilities in emerging and low income economies would certainly increase debt transparency and will promote a more efficient, fair and transparent mobilisation of resources by WBG and IMF.

We also appreciate the WBG and IMF for their efforts in promoting a multipronged approach for the affected countries' post-crisis financing as this will further assist client countries to cope and address such situations. We hope WBG and IMF will continue to explore and introduce mechanisms to assist the low income developing countries in tackling debt vulnerabilities. We welcome the progress made by WBG and IMF as an "integrated-solutions-bank" in achieving the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner.

Conclusion

In conclusion, the Government of Malaysia would like to express our sincere thanks and congratulations to the Government of Indonesia as well as the staff of Bank and the Fund for their tireless efforts towards ensuring the excellent hosting of the 2018 Annual Meetings of the International Monetary Fund and World Bank Group.