

Table 1. Indonesia: Revised Performance Criteria and Indicative Targets  
Under Extended Arrangement, June 1999-March 2000 1/

	1999					2000
	Jun.	Jul.	Aug.	Sep.	Dec.	Mar.
(In trillions of rupiah)						
Monetary targets						
Net domestic assets of Bank Indonesia 2/	-45.0	-40.6	-36.4	-32.9	-30.3	-35.3
Base money 2/	76.3	77.3	78.4	79.4	81.7	84.5
Liquidity support 2/	182.0	182.0	182.0	182.0	182.0	182.0
Fiscal targets						
Overall central government balance 3/	-16.7	-22.8	-29.0	-35.2	-51.2	-71.0
(In billions of U.S. dollars)						
External targets						
Net international reserves of Bank Indonesia 4/	16.2	15.7	15.3	15.0	14.9	16.0
Contracting or guaranteeing of new external debt 5/	1.0	1.3	1.7	2.0	2.5	3.5
Stock of short-term external debt outstanding 2/	2.5	2.5	2.5	2.5	2.5	2.5
Memorandum items:						
Balance of payments support 6/	6.0	6.1	6.5	6.9	8.0	9.6
Reserve liabilities 6/	0.9	1.4	1.4	1.8	2.2	2.5

1/ Definitions are contained in Annexes I-IV of EBS/99/41 dated March 16, 1999. End-July 1999 and end-September 1999 data for net domestic assets, overall central government balance, net international reserves, the contracting or guaranteeing of new nonconcessional external debt (original maturity greater than one year), and the stock of short-term external debt are performance criteria. The other figures are indicative targets for all variables. A continuous performance criterion applies to the avoidance of arrears on public sector external debt.

2/ Outstanding stocks (program limits).

3/ Cumulative balances from end-March 1999 (floor).

4/ Outstanding stocks (floor).

5/ Cumulative amounts from end-March 1999 (ceilings).

6/ Cumulative flows from end-December 1998.

**Table 2. Structural Performance Criteria and Benchmarks, July-September, 1999<sup>1</sup>**

**End-July 1999**

- Ensure that all owners, managers and directors of A-category banks conform to the fit and proper test.

**End-August 1999**

- Finalize business plans of BNI, BRI, and BTN (state banks), and sign performance contracts with their strengthened managements.
- *Finalize business plans of BCA and Danamon aimed at launching their initial public offerings, and incorporating their respective mergers with other BTO banks.*
- *Publicize noncooperating debtors at the state and BTO banks and at IBRA's AMC, and begin imposing prescribed penalties.*
- .
- Complete the audit of the Reforestation Fund.<sup>2</sup>

**End-September 1999**

- *Adopt and begin implementing the master strategy for enhanced Bank Indonesia supervision of all banks.*

**End-December 1999**

- *Launch initial public offering of shares in BCA during last quarter of 1999.*

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<sup>1</sup>Additional or revised measures are shown in italics.

<sup>2</sup>Performance criterion.

## Box 1. Tax Reform Agenda

Policy Action	Status/Target Date
<b>Tax Incentives</b> <ul style="list-style-type: none"> <li>Consistent with the ASEAN agreement, replace the tax holidays introduced in January 1999 with a package of facilities based on investment allowances.</li> </ul>	Based on feasibility study to be completed by October 31, 1999.
<b>Free Trade Zones</b> <ul style="list-style-type: none"> <li>Review the tax free status of the islands of Batam, Rempang and Galang, based on the feasibility study being undertaken.</li> <li>Review the effectiveness of policies for the Integrated Economic Development Zones (KAPETS), especially the fiscal concessions.</li> </ul>	Based on feasibility study to be completed by August 31. Based on study to be completed by December 31.
<b>Value Added Tax</b> <ul style="list-style-type: none"> <li>Limit VAT zero-rating of domestically supplied goods to businesses in proportion to their exports.</li> <li>Review VAT exemptions on specified goods (capital goods, agricultural inputs and public services), and identify those that should be revoked, avoiding cascading.</li> <li>Prepare draft amendments to the VAT law to provide prompt refunds for all excess credits.</li> </ul>	August 31, 1999.  September 30, 1999.  October 31, 1999.
<b>Tax Administration</b> <ul style="list-style-type: none"> <li>Prepare draft amendments to the Tax Procedure Law to streamline refund audit process.</li> <li>Develop a refund verification program according to risk of tax evasion.</li> <li>Improve information exchange between tax/customs administrations on VAT paid by importers.</li> </ul>	October 31, 1999.  October 31, 1999 October 31, 1999
<b>Income Tax</b> <ul style="list-style-type: none"> <li>Classify corporate and personal taxpayers into four groups, according to size, for better targeting of large tax payers and better targeted audits.</li> </ul>	October 31, 1999
<b>Excise Tax</b> <ul style="list-style-type: none"> <li>Further rationalize and simplify the structure of the excise tax on cigarettes to reduce remaining distortions and discrimination among producers, taking account of revenue implications.</li> </ul>	April 1, 2000
<b>Customs Administration</b> <ul style="list-style-type: none"> <li>Prepare draft amendments to the law on customs to provide for penalties and interest on unpaid duties and implementing short, issue-oriented audits.</li> <li>Develop a plan to combat valuation fraud by (i) strengthening physical inspections; (ii) establishing special valuation units in the regions; (iii) undertaking special valuation audits; and (iv) developing a valuation database to help detect false invoicing.</li> </ul>	October 31, 1999.  October 31, 1999.

**Box 2. Loan Recovery Strategy for the Largest Nonperforming Borrowers of IBRA's AMC, and Each of the 7 State Banks and the 12 IBRA Banks**

<b>Policy Action</b>	<b>Target Date</b>
<b>I. Institutional Framework</b>	
<ul style="list-style-type: none"> <li>Publicly identify largest borrowers and invite them to start restructuring negotiations.</li> <li>Develop monthly loan/asset recovery targets through March 2000.</li> <li>Monthly meetings of interagency committee to coordinate approach, approve loan recovery targets, and monitor monthly progress reports to be issued by AMC/banks.</li> <li>FSAC to review within two weeks all large restructuring cases referred to it.</li> <li>IBRA/banks to publish quarterly key balance sheet data and progress in restructuring.</li> </ul>	<p>Done.</p> <p>Done.</p> <p>Agreed.</p> <p>Agreed.</p> <p>From September 30.</p>
<b>II. Key Elements of Strategy</b>	
<b>1. Letters of Commitment</b> <ul style="list-style-type: none"> <li>All debtors asked to sign letters of commitment with specified tests of cooperation.</li> <li>Those debtors who do not sign commitment letters to be publicized.</li> </ul>	<p>Done.</p> <p>July-August.</p>
<b>2. Registry</b> <ul style="list-style-type: none"> <li>Complete data base of largest borrowers (above Rp. 50 billion)</li> <li>Classify borrowers into 4 categories (A-D) based on cooperation/business prospects.</li> </ul>	<p>Aug 31.</p> <p>Aug 31.</p>
<b>3. Cooperating Debtors (Category A)</b> <ul style="list-style-type: none"> <li>Prepare, publicize, and begin implementing time-bound restructuring strategy .</li> <li>Agree on standstill, make full disclosure, appoint advisors, complete due diligence, form creditor committees, and start negotiations.</li> </ul>	<p>Done (from July 1)</p> <p>Sept 30.</p>
<b>4. Cooperating Debtors (Category B)</b> <ul style="list-style-type: none"> <li>Prepare, publicize, and begin implementing time-bound restructuring strategy.</li> <li>Conclude due diligence, valuation, and determine appropriate disposition strategy</li> <li>Conclude and sign settlement agreement.</li> </ul>	<p>Done (from July 1)</p> <p>Oct. 30.</p> <p>Dec. 31.</p>
<b>5. Noncooperating debtors (Categories C-D)</b> <ul style="list-style-type: none"> <li>Publicize non cooperating debtors</li> <li>Take legal actions against noncooperating debtors.</li> </ul>	<p>Aug 31.*</p> <p>Sept. 30.</p>
<b>6. Sequenced approach toward the largest borrowers.</b> <ul style="list-style-type: none"> <li>Start with the 20 largest borrowers (200 largest in the case of IBRA).</li> <li>Move to the next largest borrowers group on a bi-monthly basis.</li> <li>State/BTO banks to target being in intensive negotiations with 80 largest borrowers, and AMC with its 380 largest obligors.</li> <li>AMC/state banks to target completing negotiations on 70 percent of loan value.</li> </ul>	<p>Initiated from July 1.</p> <p>Agreed.</p> <p>Dec.31.</p> <p>March 2000</p>
<b>III. IBRA's recovery targets</b>	
<ul style="list-style-type: none"> <li>Publish monthly auction schedule for the AMC.</li> <li>Target to recover (net) at least Rp. 17 trillion from the AMI and AMC by March 2000.</li> </ul>	<p>Done.</p> <p>Agreed.</p>

\*Structural benchmark.

### Box 3. Bank Restructuring and Prudential Reform

Policy Action	Target Date
<b>1. Bank Mandiri</b> <ul style="list-style-type: none"> <li>Implement voluntary severance scheme for staff of component banks.</li> <li>Include international bank in management of loan recovery.</li> <li>Sign performance contracts with top management.</li> <li>Recapitalize in line with progress in restructuring.</li> </ul>	First phase by July 31 complete by Dec. 2001. Done. Done. July, Sept., Dec. 1999
<b>2. Other State Banks (BNI, BRI, and BTN)</b> <ul style="list-style-type: none"> <li>Engage international banks/advisors in management of loan recovery.</li> <li>Complete strengthening of top management teams.</li> <li>Prepare business plans, in consultation with advisors.</li> <li>Sign performance contracts with the managements.</li> <li>Recapitalize in line with progress in restructuring</li> </ul>	Done. Underway. August 15. August 31.* Sept., Dec. 1999, March 2000.
<b>3. 12 BTO banks</b> <ul style="list-style-type: none"> <li>Announce mergers for 7 1999 BTO banks with Danamon and BCA.</li> <li>Appoint privatization advisors for BCA and Danamon.</li> <li>Finalize business plans for BCA/Danamon, incorporating the mergers.</li> <li>Sign performance-based management contracts for BCA and Danamon.</li> <li>Operationally merge Tiara/PDFCI/BTO banks into Danamon</li> <li>Launch public share offer for BCA.</li> <li>Launch public share offer for Danamon.</li> </ul>	Done. August 15. August 31.* August 31 Jan-March 2000. Sept.-Dec.1999.* Jan-March 2000.
<b>4. IBRA's AMI</b> <ul style="list-style-type: none"> <li>Complete negotiations for settlements of connected lending with former controlling shareholders of 1998 BTO/BBO banks, or take legal actions.</li> <li>Complete negotiations with shareholders of 1999 BTO/BBO Banks.</li> </ul>	August 31. December 31
<b>5. Recapitalization of 8 Private Banks</b> <ul style="list-style-type: none"> <li>Finalize bond issue to complete recapitalization.</li> </ul>	Done.
<b>6. Comprehensive review of A category private banks</b> <ul style="list-style-type: none"> <li>Ensure owners, managers and directors conform to the fit and proper test.</li> <li>Take appropriate action against individuals who failed the test</li> <li>Complete discussions of business plans and corrective programs</li> </ul>	July 31.* July 31. Aug.-Sept. 30.
<b>7. Legal, Regulatory, and Supervisory Framework</b> <ul style="list-style-type: none"> <li>Adopt and start implementing master plan for strengthening BI supervision.</li> <li>Complete detailed review of banking law and regulations.</li> </ul>	September 30.* December 31.

\*Structural benchmark.

## Box 4. Corporate Restructuring and Governance

<b>I. Corporate Restructuring</b>	<b>Target Date</b>
1. Implement one-stop facilitation process and lapse-of-time approval of filings.	Ongoing.
2. Release resources to cover all JITF arrears, and fully meet JITF costs,	July 31.
3. Retain at least 20 facilitators for Jakarta Initiative Task Force (JITF).	July 31.
4. Submit to Parliament secured transactions law.	Done.
<b>II. Corporate Governance</b>	
<b>Institutional Framework</b> <ul style="list-style-type: none"> <li>Establish National Committee on Corporate Governance Policy and Implementation (NCCG).</li> <li>NCCG to finalize main elements of national strategy for corporate governance reform by October 1999, aimed at improved accountability, disclosure, company registration, and enforcement.</li> <li>Adopt strategy for corporate governance reform</li> </ul>	<p>July 31.</p> <p>October 31.</p> <p>November 30.</p>
<b>Company Registry</b> <ul style="list-style-type: none"> <li>For firms over a threshold size, establish an electronic system for registration, to include financial statements and information about shareholders, directors, commissioners, managers, and ensure public access to this information.</li> </ul>	September 30.
<b>Accountability and Disclosure</b> <ul style="list-style-type: none"> <li>NCCG to recommend measures for: improved disclosure of liabilities and affiliated companies, appointing directors and independent commissioners, monitoring corporate governance, allowing class action suits for listed companies, and strengthening minority shareholder rights.</li> <li>Listed companies, banks and other companies raising money from the public, and private companies with minimum assets as per government regulation to issue quarterly, semi-annual, and annual financial statements in accordance with international standards.</li> </ul>	<p>November 30.</p> <p>April 1, 2000.</p>
<b>Enforcement and Oversight</b> <ul style="list-style-type: none"> <li>NCCG to recommend measures to improve compliance with the requirements of the Company Law.</li> <li>Based on NCCG recommendations, implement steps to strengthen Bapepam's capacity to monitor and enforce rules on public disclosure, including through an electronic system of corporate reporting.</li> </ul>	<p>November 30.</p> <p>November 30.</p>