Indonesia: Monetary and Interest Rate Policy

- The main monetary policy target has been shifted to NDA instead of base money. Within the month should the exchange rate deviate from its programmed path, NDA and interest rates will adjust as necessary. For monetary policy to be effective, interest rates across the spectrum should be permitted to respond to changes in NDA.

- Interest rates on Bank Indonesia certificates (SBIs) were sharply increased on March 23, when the rate on one month SBIs was raised from 22 percent to 45 percent (effective annual yield of 55 percent), with overnight SBI interest rates at 40 percent (effective annual yield of 49 percent). A positive yield curve over this range is necessary to allow a lengthening of maturities of outstanding Bank Indonesia instruments.

- Commercial bank deposit rates for all maturities also rose substantially, following the increase in SBI rates. In order to prevent weak banks from taking advantage of the guarantee, individual banks deposit rates will not be allowed to exceed the average of deposit rates for a group of strong banks.

- Bank Indonesia intends to adjust interest rates as necessary to strengthen the rupiah and reduce inflation.

- New Bank Indonesia liquidity support facilities have been introduced, with the interest rates on these facilities now set at levels designed to provide a disincentive to resort to support from BI, but not so high as to force banks experiencing temporary liquidity difficulties into insolvency:

  -- a key lending facility with an interest rate at 150 percent of JIBOR, renewable monthly with increasing prudential sanctions, including ultimately transfer to IBRA;

  -- initial high penalty rates of interest on required reserve shortfalls or negative balances—400 percent and 500 percent of JIBOR respectively—in order to induce banks to monitor their liquidity and apply to BI for the leading facility at an early date; and

  -- flexibility to BI to determine the pace of imposition of sanctions, including transfer to IBRA, after special on-site examination and reporting to management.

Indonesia: Banking Sector Developments

- On January 27 the government announced guarantees for all depositors and creditors of locally incorporated banks, as well as the establishment of the Indonesian Bank Restructuring Agency (IBRA).

- On February 14 IBRA intervened in the 54 banks that had emergency borrowings from Bank Indonesia (BI) greater than 200 percent of capital, or that had capital, on adjusted December 1997 figures, less than 5 percent of assets. On February 16, some 250 Examiners were placed in these banks, to monitor the banks' compliance with additional prudential restrictions on, for instance, new credits, and payments of dividends.

- On April 4 IBRA suspended the rights of the owners and management of the 7 banks that have borrowed more than Rp. 2 trillion from BI, comprising 75 percent of total BI lending to the banking system. IBRA-appointed managers began operating the banks pending portfolio reviews and possible disposals of assets and liabilities. At the same time IBRA took control of the 7 banks that have borrowed more than 500 percent of their capital and 75 percent of total assets from BI with a view to effecting an immediate transfer of their assets and liabilities to other banks. IBRA also intensified its control over the remaining IBRA banks through issuing governance contracts with these banks and preparing to remove their foreign exchange licenses.

- The Government will establish an Asset Management Company (AMC) to focus on the debt recovery of troubled assets. Once established, the AMC will take the assets of the seven small banks being intervened on April 4, as well as subsequently the troubled assets of other IBRA banks.

- The government is also proceeding with the merger of state owned banks, as announced in October 1997. Bank Bumi Daya and Bapindo will be merged first. After a review of their portfolios, by June 1998 the troubled assets will be transferred to the AMC. A healthy entity will be created out of the remainder of the bank.

- Any further state bank mergers, including any involving Bank Dagang Negara and Bank Exim, will be determined later, in the light of the conditions of the banks at that time and assessment of the preferred strategy to attract strategic investors into these banks.

- In order to finance IBRA, the government is issuing IBRA with an initial tranche of Rp. 80 trillion of bonds which IBRA is expected to sell in the first instance largely to BI. Additional bonds of perhaps Rp. 75 trillion will be issued during the course of the year for restoring the financial viability of banks taken over by IBRA.

- On February 27 BI promulgated new classification and loan loss provisions based on international standards to help restore and maintain the soundness of the banking system in the future.

- The minimum capital requirement for locally incorporated banks has been set at Rp. 1 trillion for the end of 1998. However, given the substantial loan loss provisions required by the central bank, a modified minimum capital requirement is necessary and will be set at Rp. 250 billion for end of 1998. Banks will be informed that they should work on the basis of the Rp. 250 billion minimum standard. Subsequent increases will be determined at a later date in light of the condition of the banking sector.

- By June, the Government will introduce into parliament a law eliminating existing restrictions on foreign ownership of banks. At the same time, the government is appointing a review committee, including foreign experts, over IBRA to ensure high levels of governance.

Indonesia: Budgetary Support for Vulnerable Groups

- The government intends to provide subsidies in 1998/99 to limit reductions in the welfare of the poorest sectors of the population. Targeting mechanisms will be adopted in order to minimize their distortive effects on the efficiency and growth potential of the economy. All subsidies will be transparently provided through the budget.

- **Food**. Drought and the rupiah depreciation have recently pushed up the prices of rice and other basic foodstuffs. The government intends to continue importing and providing staple foodstuffs through the State Logistics Agency (BULOG). Subsidized prices for rice and soybeans which constitute a large part of the consumption basket of the poorest households, will be increased by October 1, 1998. Prices of sugar, wheat flour, corn, soybeanmeal, and fishmeal will be increased on April 1, 1998. On October 1, 1998, prices will be increased further in order to eliminate subsidies on these commodities. The subsidy on soybeans will be eliminated when the exchange rate has stabilized at the expected level.

- **Fuel**. The government will increase domestic fuel prices gradually in the fiscal year 1998/99. The price increase will be smaller for kerosene, which is consumed mainly by low-income households. These increased prices will still imply a budgetary subsidy, which will be gradually phased out by the combined effects of the expected appreciation of the rupiah and, if necessary, by additional price increases.

- **Electricity**. The government will also increase electricity prices during fiscal year 1998/99. However, an affordable supply of power to low-income households and remote rural areas will be ensured through targeted low tariffs for the first 250 kilowatt hours per month, compared with 100 kilowatt hours at present.

- **Other subsidies**. The government intends to introduce a budgetary subsidy to the importation of basic inputs for the provision of generic medicines to help provide adequate health services to the poor. Interest subsidies for low-cost housing, farmers, and rural cooperatives and villages will be maintained.

- **Employment programs**. The government will undertake additional labor-intensive public works and temporary employment programs that are targeted to the poorest households suffering unemployment, mostly financed by the Asian Development Bank, the World Bank, and bilateral foreign assistance. Budgetary allocations have been increased for these programs. In addition, to sustain employment, subsidized credit schemes are being expanded for small and medium-size enterprises.

Indonesia: Enterprise Reform and Privatization

- The authorities are accelerating state enterprise reform in order to strengthen profitability and increase budgetary transfer receipts in 1998/99 and beyond. This will partially offset the deterioration in the public finances this year caused by lower tax revenue, higher subsidies than originally budgeted, and the costs of bank restructuring.

- A Minister for State Enterprises has been appointed with the task of managing the 164 firms in the public sector, including financial enterprises. This approach involves the transfer of management responsibilities from various line ministries, with the objective of strengthening policy supervision, avoiding conflict of interest and more closely monitoring performance to improve efficiency and profitability. A Presidential decree will be issued giving the new Minister full responsibility and accountability for the state enterprises.

- Enterprises have been grouped into three broad categories of firms: those operating in a competitive market environment; public utilities; and strategic industries. Appropriate performance indicators, including profitability and liquidity, are being established in consultation with the World Bank for each group, with focus on better management, planning and cost reduction.

- Action plans will be completed for every corporation by end-September 1998. A format has already been developed for this exercise. Explicit criteria are being developed to monitor the performance of each enterprise and encourage increased efficiency including through the formation of joint ventures; sales, inter alia through management buy-outs and direct placements; mergers; restructuring; and closures of non-viable enterprises. Performance indicators will be included in the action plans. The Government will appoint reputable management audit companies to undertake periodic performance reviews.

- Sales are planned within the present fiscal year of additional shares in some of the six state enterprises that are already listed on the stock exchange and are operating in a competitive environment, including PT Telkom (domestic telecommunications), PT Indosat (International telecommunications) and PT Semen Gresik (cement production). This divestment plan will be announced before April 24, 1998.

- A target of seven new enterprises are to be identified for privatization in fiscal year 1998/99 and the list will be announced before April 24, 1998. This could include enterprises in plantations, infrastructure, mining and manufacturing, including PT Pelindo II (ports infrastructure and management), PT Perkebunan Nusantara IV (palm oil plantation) and PT Jasa Marga (toll roads). A list of five additional enterprises is to be identified and prepared for listing by June 30, 1998.

- Transparent procedures will be established by June 30, 1998 for divestiture and privatization, in collaboration with the World Bank. These procedures will allow for open bidding or other market mechanisms, including full participation by foreign investors. A blueprint for privatization over the medium term is to be completed by end-September 1998.

- The World Bank is providing technical assistance, in the context of the public expenditure review that is presently underway, to benchmark the performance of state enterprises in comparison with similar firms in other countries.

Indonesia: Structural Reform

- **Domestic Trade**. The Government eliminated all restrictions on foreign investment in retail trade in January 1998. All restrictions on foreign investment in wholesale trade will be removed by April 22, 1998. These actions will compress distribution margins and strengthen competition.

- **Food distribution**. Government regulations were issued in January 1998 abolishing the monopoly of the state trading agency, BULOG, over the importation and distribution of essential food items so that it now faces private sector competition. However, private sector participation in these activities has been inhibited by subsidies granted only to BULOG. The Government's action to extend subsidies to all market participants by mid-April and the removal of restrictions in importing activities will effectively provide the opportunity for full private sector participation.

- **Plywood**. The Government issued a decree in January 1998 establishing the rights of plywood producers to market independently and ship with any carrier of their choice and a statement has been issued by the Minister of Industry and Trade confirming the dismantlement of the joint marketing body. The Government plans by mid-April 1998 to impose resource rent royalties that are linked to international prices and the cost of efficient extraction, and that are independent of end-use. Royalty rates will be revised every six months to reflect price and cost changes and to maintain an appropriate level of public revenue from forestry. The Government has provided a timetable for the phased reduction of export taxes on logs and sawn timber to 10 percent ad valorem. To provide plywood producers with some time to adjust in the face of depressed international prices, export taxes will be reduced on an ad valorem basis to 30 percent by April 22, 1998, 20 percent by end-December 1998, 15 percent by end-December 1999 and 10 percent by end-December 2000. By end-June 1998, the restriction that only those with wood processing facilities can hold forestry concessions will be removed and the transfer of concessions by sale will be allowed.

- **Cloves**. In February 1998, the sale and transport of cloves, across district and provincial boundaries were completely freed. Buyers, traders and factories are now free to buy, sell and transport cloves at unrestricted prices. In particular, producers are free to join any cooperative or to sell directly through a trader. The Ministry of Cooperatives is helping cooperatives to improve services offered to members, including providing basic forward purchase contracts, in ways which encourage and maintain open competition between buyers and sellers at all levels.

- **Oil palm investment**. Restrictions on foreign investment in oil palm plantations were removed in January 1998 for all 27 provinces, so that foreign investors are treated the same as domestic investors. Remaining locational restrictions, based on environmental and spatial planning considerations, will be made clear and publicly available by April

22, 1998. Procedures for the appeal of decisions will be established by end-June 1998. Quantitative restrictions on palm oil, olein and stearin exports will be replaced by an export tax of not more than 40 percent by April 22, 1998. The level of the export tax will be reviewed regularly for possible reduction, based on market prices and the exchange rate, and reduced to 10 percent by end-December 1999.

- **Provincial export taxes**. Provincial and local taxes on export commodities were prohibited in a January 1998 decree, and strict implementation is now being coordinated by the Ministry of Industry and Trade and the Ministry of Home Affairs.

- **Infrastructure contracts**. The Government issued a decree in January 1998 designed to facilitate private participation in the provision of public infrastructure. Details of the procedures are being clarified with the World Bank. Needed changes to the decree and implementing regulations will be established by June 1998.

- **The Executive Council will monitor the implementation of structural reforms, with the assistance of Asian Development Bank, the World Bank, and the Fund**. Independent auditors will be employed as necessary to oversee progress. The auditors' reports will be made available to the three institutions. Other steps to strengthen implementation will include ministerial statements, and newspaper advertisements to explain official decisions, and procedures to deal with public complaints.

Indonesia: Corporate Debt Restructuring

- The initial meeting between the Steering Committee of foreign bank creditors, and the Contact Group of debtors and the Private External Debt Team (PED) was held on February 26, 1998. Technical support is being provided by the Fund, Asian Development Bank and World Bank to enhance the coordinating function of PED.

- Efforts to collect data from corporations on their external obligations and arrears are being accelerated. A Presidential decree will be issued requiring compliance with requests for data by BI, with noncompliance or the provision of incorrect data possibly resulting in exclusion from schemes with government involvement in the restructuring process. A revised report form is being completed by enterprises, so that a first estimate can be made of the amount of debt that may need to be restructured.

- With the assistance of outside advisors, and in consultation with the Contact Group of debtors, the Steering Committee and IMF staff, the Asian Development Bank, the World Bank and interested governments, the PED is preparing a framework for the restructuring of private corporate debt. This framework will adhere to the following principles: (i) participation in the scheme will remain voluntary with the precise terms of any restructuring to be worked out between creditors and debtors; (ii) commercial risk will remain with the creditors; (iii) the maximum potential cost to the government will be capped at a manageable level; (iv) the government support would only be provided in return for the restructuring of obligations on specified minimum terms; and (v) negotiations between debtors and creditors should begin as quickly as possible.

- In further meetings, the Steering Committee and the PED will seek agreement on the basic features of a scheme, and credible progress towards this aim will be in place by mid-April.

Indonesia: Bankruptcy and Judicial Reforms

- Reforms are being introduced to overhaul the bankruptcy system and establish a court system that will provide for fair, transparent and expeditious resolution of commercial disputes. Specifically:

- The existing bankruptcy law is being updated in a number of important respects. First, the law will allow for qualified professionals from the private sector to act as receivers and administrators in the managment of the estates of companies in bankruptcy or reorganization. Second, procedural rules are being introduced to ensure certainty and transparency in the proceedings, especially to prevent unjustifiable delays in the adjudication of bankruptcy. Third, a number of substantive rules are being updated. For example, there will be greater protection against insider and fraudulent transactions taken by a debtor prior to the adjudication of bankruptcy. Moreover, to enhance the possibility of reorganizations, limitations are being imposed on the ability of secured creditors to foreclose on their collateral during the proceedings (as is provided for in the bankruptcy laws of most other countries), with the requirement that adequate compensation and protection be provided to such creditors during that period.

- An improved bankruptcy law will have little impact unless it is enforced by an effective judiciary. To that end, a Special Commercial Court is being created (in the courts of general jurisdiction) that will have jurisdiction over bankruptcy proceedings and general commercial disputes (jurisdiction over the latter will be exercised once the court's capacity is sufficiently developed). The Special Commercial Court will be staffed by specially trained judges, will ensure that rules regarding summary proceedings are strictly applied and will render written decisions that provide the legal basis for the ruling in question. Appeals of decisions rendered by the Special Commercial Court will go directly to the Supreme Court.

- The amendment of the existing bankruptcy law and the establishment of the Special Commercial Court will be effected through the issuance of a Government Regulation in lieu of Law (requiring subsequent ratification by Parliament), which will be enacted in mid-April and will go into effect 120 days thereafter, so as to give adequate time for the creation of the necessary institutional infrastructure. The Fund's staff, in consultation with other organizations, will assist in providing the external technical assistance that will form a necessary part of this process.

STRUCTURAL POLICY COMMITMENTS

New or strengthened commitments since the January 15 MEFP are shown in bold

Policy actions subject to early monitoring by the Executive Council are marked with an asterisk. Excludes corporate debt restructuring, the revised strategy for which is summarized in Appendix 6.

Policy Action	Target Date	Status
Fiscal Issues		
Remove VAT exemption arrangements.	April 1, 1998	Done
Increase proportion of market value of land and buildings assessable for tax to 40 percent for plantation and forestry.	March 31, 1998	Done
Introduce single tax payer registration number.[1]	June 30, 1998	Under preparation
Increase non-oil tax revenue by raising annual audit coverage, developing improved VAT audit programs, and increasing recovery of tax arrears.[1]	June 30, 1998	Under preparation
Increase in two stages excise taxes on alcohol and tobacco to reflect exchange rate and price developments.	December 1, 1997 and July 1, 1998	First step done
Raise profit transfers to the budget from state enterprises, including Pertamina.	During 1998/99	Under preparation
Raise prices on sugar, wheat flour, corn, soybeanmeal and fishmeal.	April 1, 1998	Done
Eliminate subsidies on sugar, wheat flour, corn, soybeanmeal and fishmeal.	October 1, 1998	
Accelerate provisions under the Nontax Revenue Law of May 1997, to require all off-budget funds to be incorporated in budget within three years (instead of five years).	Ongoing	Ongoing
Incorporate accounts of Investment Fund and Reforestation Fund within budget.	FY1998/99	Done
Ensure reforestation funds used exclusively for financing reforestation programs.	FY1998/99	Ongoing
Central Government to bear cost of subsidizing credit to small-scale enterprises through State banks.	FY1998/99	Done
Cancel 12 infrastructure projects.	January 1998	Done
Discontinue special tax, customs, or credit privileges granted to the National Car.	January 1998	Done
Phase out local content program for motor vehicles.	2000	
Discontinue budgetary and extrabudgetary support and privileges to IPTN (Nusantara Aircraft Industry) projects.	January 1998	Done

[1]Original target was April 1, 1998.

Policy Action	Target Date	Status
Conduct revenue review with Fund assistance.	Over program period; first step by end-September 1998	
Monetary and banking issues.		
Provide autonomy to BI in formulation of monetary and interest rate policy.	February 1998	Presidential decree issued
Publish key monetary data on a weekly basis.	April 24, 1998	
Submit to Parliament a draft law to institutionalize Bank Indonesia's autonomy.	December 1998	Being prepared with the cooperation of Bundesbank experts
Provide autonomy to state banks to adjust interest rates on credit and deposit liabilities, within any guidelines applying to all banks.	March 1998	Done
Impose limits on and phase out BI credits to public agencies and public sector enterprises.	Ongoing	Ongoing
Strengthen BI's bank supervision department and strengthen enforcement of regulations.	Ongoing	Ongoing
Upgrade the reporting and monitoring procedures for foreign exchange exposures of banks.	June 30, 1998	Under preparation
Appoint high level foreign advisors to BI to assist in the conduct of monetary policy.	June 30, 1998	
Set minimum capital requirements for banks of Rp. 250 billion by end-1998, after loan loss provisions.	April 22, 1998	
Make loan loss provisions fully tax deductible, after tax verification.	April 22, 1998	
Establish program for divestiture of BI's interests in private banks.	Ongoing	Ongoing
Conduct thorough review of central bank and banking laws in preparation for revising legal framework for banking operations.	September 30, 1998	Under preparation
Require all banks to prepare audited financial statements.	January 1998	Done
Require banks to publish regularly more data on their operations.	December 31, 1999	Under preparation
Lift restrictions on branching of foreign banks.	February 1, 1998	Done
Submit to Parliament a draft law to eliminate restrictions on foreign investments in listed banks and amend bank secrecy with regard to nonperforming loans.	June 30, 1998	Under preparation
Eliminate all restrictions on bank lending except for prudential reasons or to support cooperatives or small scale enterprises.	Over program period	Ongoing

Policy Action	Target Date	Status
Bank restructuring		
Close 16 nonviable banks.	November 1, 1997	Done
Replace the closed banks' management with liquidation teams.	December 1, 1997	Done
Compensate small depositors in the 16 banks.	January 1, 1998	Done
Place weak regional development banks under intensive supervision by BI.	December 1, 1997	Done
Provide liquidity support to banks, subject to increasingly restrictive conditions.	November 1, 1997	Done
Provide external guarantee to all depositors and creditors of all locally-incorporated banks.	January 27, 1998	Done
Establish Indonesia Bank Restructuring Agency (IBRA).	January 27, 1998	Done
Determine uniform and transparent criteria for transferring weak banks to IBRA.	February 11, 1998	Done
Transfer 54 weak banks to IBRA.	February 27, 1998	Done
Transfer claims resulting from past liquidity support from BI to IBRA.	April 22, 1998	Under preparation
Transfer to IBRA control of seven banks accounting for over 75 percent of past BI liquidity support and seven banks that have borrowed more than 500 percent of their capital.	April 22, 1998	Done
IBRA will continue to take control of or freeze additional banks that fail to meet liquidity or solvency criteria. Where necessary, any such action will be accompanied by measures to protect depositors or creditors in line with the Government guarantee.	Over program period	
Establish new asset resolution entity for bad debts within IBRA.	June 30, 1998	Under preparation
Establish independent review committee to enhance transparency and credibility of IBRA operations.	June 30, 1998	Under preparation
Conduct portfolio, systems and financial reviews of all IBRA banks as well as major non-IBRA banks by internationally recognized audit firms.	August 30, 1998	Under preparation
Prepare plan for restructuring IBRA banks through mergers, transfers of assets and liabilities or recapitalization prior to privatization.	October 31, 1998	Under preparation
Ensure that state banks sign performance contracts, prepared by the Ministry of Finance with World Bank assistance.	March 31, 1998	Done
Merge two state-owned banks and conduct portfolio reviews of the two banks.	June 30, 1998	Under preparation
Draft legislation enabling state bank privatization.	June 30, 1998	Under preparation

Policy Action	Target Date	Status
Introduce private sector ownership of at least 20 percent in at least one state bank.	November 1, 1998	Done
Prepare state-owned banks for privatization.	2001	
Develop rules for the Jakarta Clearing House that will transfer settlement risk from BI to participants.	April 1, 1998	Done
Introduce legislation to amend the banking law in order to remove the limit on private ownership of banks.	June 30, 1998	Under preparation
Introduce deposit insurance scheme.	Program period	
Foreign trade		
Reduce by 5 percentage points tariffs on items currently subject to tariffs of 15 to 25 percent.	March 31, 1998	Done
Cut tariffs on all food items to a maximum of 5 percent.	February 1, 1998	Done
Abolish local content regulations on dairy products.	February 1, 1998	Done
Reduce tariffs on non-food agricultural products by 5 percentage points	February 1, 1998	Done
Gradually reduce tariffs on non-food agricultural products to a maximum of 10 percentage points.	2003	Under preparation
Reduce by 5 percentage points tariffs on chemical products.	January 1, 1998	Done
Reduce tariffs on steel/metal products by 5 percentage points.	January 1, 1998	Done
Reduce tariffs on chemical, steel/metal and fishery products to 5-10 percent.	2003	
Abolish import restrictions on all new and used ships.	February 1, 1998	Done
Phase out remaining quantitative import restrictions and other non-tariff barriers.	End-program	
Abolish export taxes on leather, cork, ores and waste aluminum products.	February 1, 1998	Done
Reduce export taxes on logs, sawn timber, rattan and minerals to a maximum of 30 percent by April 15, 1998; 20 percent by end-December 1998, and 15 percent by end-December 1999 and 10 percent by end-December 2000.[2]	First step by April 22, 1998	
Phase in resource rent taxes on logs sawn timber and minerals.[3]	First step by April 22, 1998	
Replace remaining export taxes and levies by resource rent taxes as appropriate.	Over program period	

[2] January commitment was to reduce export tax to 10 percent by March 31, 1998.

[3] January commitment was to fully implement resource rent taxes to offset reductions in the export tax by March 31, 1998.

Policy Action	Target Date	Status
Eliminate all other export restrictions.	Over program period	Under preparation
Remove ban on palm oil exports and replace by export tax of 40 percent. The level of the export tax will be reviewed regularly for possible reduction, based on market prices and the exchange rate and reduced to 10 percent by end-December 1999.	April 22, 1998	Agreed
Investment and Deregulation (see Appendix 5)		
Remove the 49 percent limit on foreign investment in listed companies.	September 1997	Done (except for banks)
Issue a revised and shortened negative list of activities closed to foreign investors.	June 30, 1998	Under preparation
Remove restrictions on foreign investment in palm oil plantations.	February 1, 1998	Done*
Lift restrictions on foreign investment in retail trade.	March 31, 1998	Done
Lift restrictions on foreign investment in wholesale trade.	April 22, 1998	Done*
Dissolve restrictive marketing arrangements for cement, paper and plywood.	February 1, 1998	Done*
Eliminate price controls on cement.	November 3, 1997	Done
Allow cement producers to export with only a general exporters license.	February 1, 1998	Done
Free traders to buy sell and transfer all commodities across district and provincial boundaries, including cloves, cashew nuts and vanilla.	February 1, 1998	Done*
Eliminate BPPC (Clove Marketing Board).	June 30, 1998	Done*
Abolish quotas limiting the sale of livestock.	September 30, 1998	Under preparation
Prohibit provincial governments from restricting trade within and between provinces.	February 1, 1998	Done
Enforce prohibition of provincial and local export taxes.	January 1998	Done*
Take effective action to allow free competition in: (i) importation of wheat, wheat flour, soybeans and garlic; (ii) sale or distribution of flour; and (iii) importation and marketing of sugar.	February 1998	Done*
Release farmers from requirements for forced planting of sugar cane.	February 1998	Done
Privatization and Public Enterprises		
Conduct a public expenditure and investment review in collaboration with World Bank.	June 30, 1998	Ongoing

Policy Action	Target Date	Status
Establish procedures for government procurement and contracting for private sector involvement in the provision of infrastructure.[4]	June 30, 1998	Partially done (see Appendix 5)
Establish clear framework for management and privatization of government assets, including criteria for determining wether enterprises are privatized, restructured or closed. Also establish transparent sales process.[5]	September 30, 1998	Under preparation
Announce 7 enterprises to be privatized in 1998/99.	April 24, 1998	Under preparation
Identify an additional 5 enterprises to be listed in 1998/99.	June 30, 1998	Under preparation
Divest the 7 enterprises.	March 31, 1999	Under preparation
Establish transparent procedures for divestiture and privatization.	June 30, 1998	Under preparation
Prepare action plans for all 164 public enterprises.	September 30, 1998	Under preparation
Offer for sale additional tranches of government-controlled shares in public enterprises already listed.	During 1998/99	Under preparation
Establish clear profit and performance targets for remaining government enterprises.[6]	September 30, 1998	Under preparation
Audit nonviable public enterprises.	December 31, 1998	
Develop a plan for closing nonviable public enterprises.	September 30, 1998	Under preparation
Move oversight of public enterprises to the Ministry of Finance and establish a Privatization Board.	January 1998	Minister for State Enterprises appointed
Social Safety Net		
Introduce community-based work programs to sustain purchasing power of poor in both rural and urban areas.	FY1998/99	Under preparation with assistance of the World Bank

[4]Originally scheduled for completion by end-1997.

[5]Originally scheduled for completion by March 31, 1998.

[6]Originally scheduled for completion by March 31, 1998.

Policy Action	Target Date	Status
Increase subsidies for food and essential items.	FY1998/99	Done. See Appendix 3
Environment		
Draft and establish implementation rules for the new environmental law.	December 31, 1998	Under preparation
Accelerate programs for converting to cleaner fuels.	December 31, 1999	Under preparation
Review and raise stumpage fees.	June 30, 1998	Under preparation
Auction forest concessions, and lengthen concession periods.	June 30, 1998	Under preparation
Allow transferability of forestry concessions, and delink their ownership from processing for new concessions.	June 30, 1998	Under preparation
Implement performance bonds and reduce land conversion targets to environmentally sustainable levels.	December 31, 1998	
Other		
Establish monitoring system for structural reforms.	April 22, 1998	Under preparation
Appoint auditors as necessary to ensure effective progress in implementing structural reforms and make auditors reports available to the Fund, World Bank and Asian Development Bank.	As necessary	
Make credible progress towards an agreement on corporate debt restructuring.	April 22, 1998	Under preparation
Prepare regulations establishing procedures for mergers, acquisitions and exit which facilitate corporate restructuring while safeguarding against anti-competitive behavior.	September 30, 1998	Under preparation
Submit to Parliament draft law on competition policy.	December 31, 1998	
Enact Government regulation in lieu of law to amend the bankruptcy law and establish a special commercial court.	April 22, 1998	
Submit to Parliament law on bankruptcy for ratification.	June 30, 1998	