Indonesia: Joint Recapitalization of 1999

Vaasavi Unnava[1], Ariel A. Smith[2]

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Abstract

The Indonesian government implemented a joint recapitalization program in 1999 to aid some of its private banks struggling with the effects of the Asian Economic Crisis. Nine banks were eligible, and seven ultimately participated. The program was voluntary; in order to participate, bank managers had to pass a test proving that they were competent enough to run their bank, and create a three-year plan for the bank's operations subject to independent assessment. All of the bank participants were able to return to the 4% minimum CAR requirement by the end of the program.

Keywords: Capital injection, Indonesia, nonperforming loans, liquidity, Asian Economic Crisis

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[1] Research Associate, Yale Program on Financial Stability, vaasavi.unnava@yale.edu

[2] Research Associate, Yale Program on Financial Stability, ariel.smith@yale.edu

Bank Restructuring Plan of 1999

At a Glance

In order to deal with the escalating effects of the Asian Economic Crisis on the banking sector, the Indonesian government announced a joint recapitalization plan for some of its surviving private banks in September 1998.

Banks were sorted into three categories based on an independent audit; those that had a capital adequacy ratio of between -25% and 4% were categorized as "B" banks and were the only ones eligible for this joint recapitalization scheme. Nine banks were eligible, and of these, seven ultimately participated.

Summary of Key Terms	
Purpose: Help private banks return to the 4% CAR requirement.	
Announcement Date	September 26, 1998
Operational Date	March 13, 1999
Sunset Date	Unknown
Program Size	34 trillion rupiah (expected)
Usage	644 trillion by December 2000
Outcomes	All banks achieved the 4% CAR requirement

There were several conditions for a B bank to enter joint recapitalization. The banks' owners were required to create a business plan detailing the bank's viability over a 3-year period that would be assessed by independent advisors; if this plan was deemed acceptable, the managers then had to pass a test ensuring that they were technically competent enough to run their bank. After both of these conditions were satisfied, the bank's private shareholders could decide whether or not to participate in recapitalization with the government. The joint recapitalization scheme was a voluntary program.

If the bank's private shareholders elected to participate in the government recapitalization program, the bank was required to provide 20% of the necessary capital, in cash, required to meet the 4% minimum CAR requirement for all Indonesian banks at the end of 1998. The banks' owners remained in control of day-to-day operations while the government provided the other 80% of capital and became a controlling shareholder. The owners were given the first option to buy back their shareholdings after three years.

Summary Evaluation

The joint recapitalization program appeared to be effective in that it allowed the private banks to reach the CAR requirement of 4%. After a series of communication missteps, the program's implementation was generally well received and the markets reacted positively to its announcement. Evaluations of the program frame it as somewhat successful, but there is not currently a robust evaluation of the program.

Contents

I. Overview **1**

Background 1

Program Description 3

Outcomes 7

Key Design Decisions **10**

1. The bank restructuring plan of March 1999 was part of a larger strategy to restore the banking sector to health 10

2. The legal authority for the capital injections came at first from the Central Bank Act of 1968 10

3. The government communicated the plan to the public. 11

4. The capital appears to have been jointly managed by BI and IBRA 11

5. The capital injections were a large and swift undertaking funded by government bonds. 12

6. Banks seeking recapitalization had to fulfill two requirements beyond falling into a certain categorization. 12

7. There do not appear to have been any individual participation limits in the restructuring program. 15

8. The capital provided had several parameters, and was sterilized. 15

9. Governance was an ongoing issue throughout the program. 17

10. There were consequences for the owners of the banks undergoing recapitalization. 17

11. The joint recapitalization program had a multi-pronged exit strategy. 17

Evaluation **18**

References **21**

Key Program Documents **22**

Summary of Program 22

Legal/Regulatory Guidance 22

Press Releases/Announcements 22

Media Stories 22

Reports/Assessments 22

I. Overview

Background

Banks in Indonesia faced problems prior to the beginning of the financial crisis in 1997. In 1992, Bank Indonesia (BI), Indonesia's central bank, had been forced to resolve Bank Summa, a problem bank; the process was difficult, leading to anti-BI protests and contributing to a BI policy of resisting active intervention (Enoch et al, 2001, pg 24). Between 1992 and 1993, the World Bank contributed $300 million to a recapitalization worth $4 billion (4% of GDP) for state-owned banks (Enoch et al, 2001, pg 24-25). However, due to BI's hands-off policies, banks falling into difficulty were left independent until 1997, when the crisis began (Enoch et al, 2001, pg 24).

Before the crisis, BI had limited authority in bank supervision, due to both the division of powers between the Minister of Finance and the central bank, as well as the appearance of lack of independence from President Soeharto (Sato, 2005, pg 108). Following the end of President Soeharto's tenure, amendments were made to increase independence of BI (Sato, 2005, pg 108).

The financial crisis began in Indonesia with authorities unpegging the rupiah from the Thai baht in July 1997 (Enoch et al, 2001, pg 26). In the months following, the rupiah had depreciated by close to 40 percent (Enoch et al 2000, pg 3). In October 1997, a policy package "aimed at restoring health to the banking sector" became part of an adjustment program agreed with the IMF. At this point, the issues in the banking sector were not considered to be a systemic banking crisis (Enoch et al, 2001, pg 29). In November 1997, the closing down of 16 banks by the government eroded confidence in the banking sector, triggering a run on the banking system by depositors (Jakarta Post, 23 December 1998).

This erosion of the banks' deposit base meant that the Bank Indonesia (BI) had to provide massive amounts of liquidity: during December 1997[3] alone, this support increased from 13 to 31 trillion rupiah, equivalent to 5% of GDP (Sharma 2001 PAGE 96). In addition, the IMF required a series of economic reforms to provide aid: a revision of growth forecasts to zero percent from 4 percent, a revision of inflation forecasts to 20 percent from 9 percent, ending the Soeharto family monopolies, and a revision the 1998-1999 budget with the exchange rate calculated with a weaker exchange rate than before (Sydney Morning Herald, 16 January 1998). Contrary to these reforms, business groups receiving liquidity injections funneled of public funding exceeding the legal lending limit to the businesses they owned (Jakarta Post, 23 December 1998).

In January 1998, the rupiah headed into free fall. The exchange rate fell further, and the banking sector's problems deteriorated into a "full-fledged systemic crisis" (Lindgren et al.

[3] During Q4 of December 1997, the exchange rate of rupiah to USD stood at 4,650 (FRED).

1999 PAGE 59). In its 1998-1999 Annual Report, BI notes that multiple factors contributed to the instability in the banking system. Internal difficulties emerged from unprofessional management, where outside interests were able to influence decision-making within banks; banks would lend to certain groups and their own subsidiaries exceeding the legal lending limit numerous times (BI Annual Report 1999, pg 83). Additionally, short-term unhedged foreign loans were used to finance long-term rupiah projects, leading to a currency mismatch exacerbated by the depreciation of the rupiah (BI Annual Report 1999, pg 88, Enoch et all 2001, pg 32).

In response to the crisis, the government announced a new three-pronged approach to preserve financial stability: 1) the complete protection of all depositors and creditors in domestic banks; 2) the establishment of the Indonesian Bank Restructuring Agency (IBRA) to supervise, guide, and restructure ailing banks and manage their nonperforming assets; 3) a proposal for handling of corporate restructuring (Enoch et al 2001, pg 32, Presidential Decree No 27 of 1998).

In mid-February of 1998, IBRA proposed all banks that had borrowed at least twice their capital base from BI should be managed by the agency, and 54 banks accounting for 36.7% of the banking sector were invited to apply to IBRA for management. Each bank applied and IBRA officials joined the banks' offices the next week (Enoch et al 2001, pg 33). However, President Soeharto decided that the work of IBRA officials should have no publicity, decreasing the credibility of IBRA and making it seem as though the Agency was still nonoperational (Enoch et al 2001, pg 33). The first head of IBRA was removed within a month of the Agency's operation, under the reasoning that he was doing his job too diligently (Enoch et al 2001, pg 15).

At this point, over 75% of liquidity support to the banking system went to seven banks, holding 16% of the liabilities in the system (Enoch 2000, 11-12). The banks had each borrowed at least Rp 2 trillion (equivalent to $240 million) (Enoch 2000, pg 12). In the months following, IBRA performed a series of examinations and bank closures under new directorship, including audits by international auditors or IBRA and BI officials of the 16 strongest private banks in the system under IBRA (Enoch et al 2001, pg 34-37; 50). The results of the audits were leaked to the public, showing 55-90% of total portfolios comprising of non-performing loans (Enoch et al 2001, pg 50). Many of the portfolios were highly interconnected (Enoch et al 2001, pg 36). Authorities realized that Indonesia needed to develop stability in the financial system, even if the banks were not fully solvent in the event of a financial crisis (Enoch et al 2001, pg 51).

In September 1998, the government announced a new set of measures to combat the crisis: resolving the banks already under IBRA; restructuring state-owned banks; and finally providing joint recapitalization under strict conditions for private and regional development banks (Enoch et al 2001, pg 37). The purpose of the plan was preserve only the best private banks in the banking sector, and build burden sharing of the costs of bank resolution between the private sector and the government (Lindgren et al. 1999 P63).

Prior to the execution of the private bank restructuring, the Indonesian government and the IMF came up with a plan to recapitalize all seven of the state banks (Sharma 2001 P106). Four of these (which together had comprised half the assets of the Indonesian banking sector) were merged into the new Bank Mandiri, which became Indonesia's largest bank and as a result held 30% of all deposits (Fane and McLeod 2002 P280, Sharma 2001 P107).

Program Description

On September 26, 1998, the governor of the BI announced a new government plan to restructure the private banks, most of which were insolvent (Enoch 2000 P19-24).[4] The recapitalization scheme was announced publicly by joint decree between the Ministry of Finance and Bank Indonesia on December 31, 1998 (Joint Decree, 1998; Jakarta Post, Dec 30, 1998). This plan was not implemented until March 1999 (Enoch 2000 P19-24).

The recapitalization was overseen by IBRA, though there were representatives from BI, the IMF, the World Bank, and the Asian Development Bank through the process (Musa and Suta, 2004, 281-283). IBRA acted as a representative shareholder for the government as well as controlling shareholder (Musa and Suta, 2004, 295). Additionally, outside consultants were hired to estimate the amount of performing assets on bank balance sheets (Musa and Suta, 2004, 283-284). The injected capital appears to have been jointly managed by BI and IBRA. It is unclear how much IBRA handled specifically, but Sharma (2001) mentions that IBRA deposited the 80% of government funds for joint recapitalization, which implies that the organization had oversight over the day-to-day activities. The Ministry of Finance (MOF) oversaw IBRA. (Sharma 2001 P100).

The large restructuring plan was predicated upon a review of all private banks, audited by a group of international accounting firms that estimated the capital needed to recapitalize each bank and sorted banks into three categories (Fane and McLeod 2002 P280, 281). Banks were sorted into categories based on capitalization status: "A banks," with capital adequacy ratios greater than or equal to 4%; "B banks," with capital adequacy ratios between negative 25 percent and 4 percent; and "C banks," with capital adequacy ratios lower than negative 25 percent (Enoch et al, 2001, 53). The lower threshold of negative 25 percent was chosen as many of the "best" banks in the system had capital ratios of negative 20 percent, and few banks fell below that value (Enoch et al, 2001, 53).

Banks would submit their financial statements as of December 31, 1998, for committees to determine the state of their balance sheets (Suta and Musa, 2004 - 1, 284). Committees would evaluate loan portfolios, examining credit by a 5-level classification: performing, substandard, doubtful, non-performing, and default (Suta and Musa, 2004 - 1, 284-285). Uniquely, the government placed the responsibility for resolving group-affiliated nonperforming loans on the controlling shareholders of companies rather than the companies that received the loans (Suta and Musa, 2004 - 1, 285). To determine the level of assistance needed, the government considered off-balance sheet commitments, productive assets, non-earning assets, contingent liabilities needing reassessment,

[4] This benefitted private commercial banks, state banks, and provincial banks; however, information on implementation or outcomes for provincial banks could not be found.

transactions of related parties, transactions of subsidiaries, and events that may have happened after the December 31, 1998 (Suta and Musa, 2004 - 1, 288-290).

After estimating the condition of banks and giving owners of "C" banks the opportunity to raise capital, private banks in the Indonesian financial system were separated into three categories:

- 73 banks representing 5.7 percent of the banking sector's assets were "A banks," and as such, would continue to operate without government support (Enoch 2000 P21).
- Of the "B banks," 9 (representing 10 percent of the banking sector's assets), were eligible for joint recapitalization; 7 (representing 2.5 percent of the banking sector's assets) had failed the tests, but if they had at least 80,000 depositors, were set to be taken over by IBRA;[5] and 19 (representing 2 percent of the banking sector's assets) were to be closed (Enoch 2000 P21).
- 19 banks[6] representing 3 percent of the banking sector's assets were "C banks," and were to be immediately shuttered (Enoch 2000 P21).

Six of the seven major state-banks had capital adequacy ratios less than minus 25 percent, placing them squarely in the "C" category of banks to be shut down (Jakarta Post, 23 December, 1998). However, the government announced these banks were too big to fail, with state-owned banks accounting for 70 percent of banking sector liabilities, and therefore would be recapitalized instead of closing (Enoch et al, 2001, pg 61).

B banks were the only category eligible for joint recapitalization with the government. There were several conditions for a B bank to enter joint recapitalization. First, banks seeking recapitalization were required to submit business plans spanning three years (Joint Decree, Article 9).

In addition to proposing a business plan detailing the bank's viability over a 3-year period, bank managers had to pass a test ensuring that they were technically competent enough to run their bank (Fane and McLeod 2002 P281). This technical test was based off of a review of a portfolio, as well as the experience and knowledge of BI officials (Enoch et al, 2001, 53). The fit-and-proper test consisted of several items, including:

1) a written commitment to Bank Indonesia;
2) engagement of delinquent individuals in the banking sector;

[5] This joint recapitalization and IBRA takeover of some of the category B banks was done instead of enforcing closure to "minimize disruption to the payment system." Additionally, the owners of these banks were barred from assuming future roles as bank managers (Sharma 2001 PAGE 107).

[6] Discrepancy: Lindgren et al. 1999 says there were 17 of these banks, but that 38 total were to be closed – indicating that these authors believe there were 21 Category B banks closed, rather than 19 (PAGE 57).

3) engagement of bad debts in the banking sector;
4) integrity;
5) any interventions in bank operations;
6) any violations of prudential principles by directors or commissioners; and
7) competence and independence (BI AR 1998-99, 109).

The 20 percent of capital required to raise the CAR had to be supplied in cash, at which point the government would provide the remaining amount in the form of newly issued bonds (Fane and McLeod 2002 P282). Some of these bonds had fixed nominal interest rates and others had variable nominal rates; originally, the government intended to use variable interest rate bonds to raise banks equity to zero percent, and fixed interest rate bonds to raise equity to four percent (Fane and McLeod 2002 P287). However, in practice, some of the fixed rate bonds were used to bring banks' capital to zero (Fane and McLeod 2002 P288). However, during performance contract negotiation, the government decided to keep its shares as ordinary stock instead of preference shares, as had been initially planned (Lindgren et al. 1999 P65).

After banks provided a business plan and passed a fit-and-proper test, the bank's private shareholders could decide whether or not to participate[7] in recapitalization with the government (Fane and McLeod 2002 P281). If the bank's private shareholders elected to participate in the government recapitalization program, the operation would proceed as follows. The bank provided 20% of the necessary capital, in cash, required to meet the 4% minimum CAR requirement for all Indonesian banks at the end of 1998. The banks' owners remained in control of day-to-day operations while the government provided the other 80% of capital and became a controlling shareholder. The owners were given call options to buy back their shareholdings after three years (Enoch 2000 P20).

The government's equity stake (in preference shares) was convertible into ordinary shares in two situations:

1. If the bank could not adhere to its business plan (Lindgren et al. 1999 P63).
2. After three years (Lindgren et al. 1999 P63).

In practice, the government acquired ordinary shares rather than preference shares (Lindgren et al. 1999 P63). The banks remained able to reacquire their shares during the three-year period by paying the government back either for their account or an outside investor. At the end of the three-year period, the bank's value would be independently assessed and the owners would have the first option to buy back their shareholdings. If the

[7] If the private shareholders elected not to participate, the banks were nationalized and they received nothing in return (Fane and McLeod 2002 P282).

owners did not buy back their shares, the government would sell them over the course of the next year (Lindgren et al. 1999 P63 and P65).

Private shareholders of banks participating in the capitalization scheme also received call options over the government shares purchased (Fane and McLeod, 283). The government made these call options available to private shareholders who provided the 20% of the capital for injection (Fane and McLeod, 283). The call options provided an opportunity for shareholders weary of participating in the scheme to profit from the recovery of the bank that had been recapitalized, as share prices for the options were set equal to the issue price of the banks shares, plus any accumulated interest (Fane and McLeod, 283). Shareholders were also provided Certificates of Entitlement (COEs), a tradable instrument on the capital market. These COEs entitled the asset-holder to proceeds of collections and sales of assets transferred to IBRA over a specified period, with the idea of increasing incentive to participate in the recapitalization process (Suta and Musa 2004 – 1, 295-296).

The Joint Decree establishing the parameters for recapitalization also placed requirements on boards. As required by the decree, each commercial bank participating in the recapitalization program required shareholders to elect a member to each bank's board to serve as a Compliance Director. The Board member's appointment also required Bank Indonesia's approval (Joint Decree, 18-(1)). Compliance Directors were required to submit the ongoing results of the recapitalization to Bank Indonesia quarterly (Joint Decree, 18-(3)).

The original budget for the joint restructuring allocated Rp 300 trillion of bonds to finance the recapitalization, as well as an additional Rp 34 trillion due to the interest rate paid on the capital injected paid for in both issued bonds and the liquidation of assets (Jakarta Post, March 30 1999). However, upon beginning capital injections, the costs expanded. By the end of the capitalization, the government had spent slightly above Rp 500 trillion, with state banks accounting for Rp 303.4 trillion of the allocations and private banks accounting for Rp 199.2 trillion (Musa and Suta, 2004, pg 309).

IBRA asset recovery moved slower than expected, as seen in Figure 1 below. While IBRA optimistically estimated its recovery rate at approximately 40% of the book value of the assets, in reality, the agency was only able to recover little more than half of the estimated recovery by 2002.

Figure 1. Cost of Indonesia's bank restructuring by August 2002.

Cost of Indonesia's bank restructuring by August 2002

	Book Value	Expected Recovery	Actual Recovery
Total assets transferred to IBRA (Rp trillion)	**548.3**	**212.2**	**111.3**
Asset Management Credit	275.2	96.3	75.5
Core loan assets from private and state banks	262.4	--	--

Noncore assets	12.8	--	--
Asset Management Investment[1]	141.4	76.4	17.8
Bank Restructuring Unit[2]	131.7	39.5	18
Total liabilities issued (Rp trillion)	**703.6**	**703.6**	**703.6**
Government bonds to Bank Indonesia	268.3	--	--
Government bonds to recapitalized banks	435.3	--	--
Total assets minus liabilities	**-155.3**	**-491.4**	**-592.3**

[1] Corporate equity as shareholders' settlements

[2] Net book value of government investment in recapitalized banks and banks that were taken over

Source: Feridhanusetyawan and Pangetsu, 2004, p. 142.

Outcomes

70 banks (49 of which were domestic commercial banks, 15 of which were provincial development banks, and 6 of which were state banks) were eligible for recapitalization as part of the "B" group (Jakarta Post, December 10 1998).

Ultimately, seven private banks were recapitalized in 1999 (Sharma 2001 P107).[8,9] Though nine "B" banks were eligible for joint recapitalization, only seven owners provided their share of the cash capital ahead of the April 20, 1999 deadline (Lindgren et al. 1999 P64). The remaining two banks had more complex situations that embroiled IBRA in "intense discussions" leading up to the deadline; one of them was ultimately acquired by a major foreign bank, and the other was unable to provide capital and was subsequently taken over by IBRA (Lindgren et al. 1999 P65).

During the month of May 1999, the government worked with the remaining banks undergoing recapitalization and established performance contracts and memoranda of understanding. Further audits revealed that the amount of capital these banks needed would be double the initial estimation; the banks provided their share of the extra capital by the end of May 1999 (Lindgren et al. 1999 P65).

Overall, composition of assets in the banking sector changed after the capital injection, as seen in Figure 2 below. Banks during this time continued to accrue losses due to the

[8] Discrepancy: Nasution (2000) accounts that "the recapitalized banks include[d] 49 private banks (including 13 taken over by the government)…" (Nasution 2000 P159).

[9] Discrepancy: Sato (2005) writes that the recapitalization took place towards the end of 2000 (Sato 2005 P103).

negative interest rate spread emerging from currency mismatch in short-term lending funded projects. Private banks faced the largest drop in gross revenue amongst all banks in the system dropping by 12.5 percent (BI Annual Report 1999, pg 87). State banks held the largest share of deposits in the system 48.9% (an increase of 60.1%) due to government measures appointing state banks to pay cash to depositors of those banks liquidated by the government (BI Annual Report 1999, pg 88). Finally, foreign loans at banks dropped by Rp 20.0 trillion (a 16.7% drop); with creditors reluctant to extend loans, new requirements asked debtors to pay all matured loans rather than roll them over (BI Annual Report 1999, pg 88).

Figure 2. Total Assets by Bank Grouping.

	Outstanding (In trillions of Rp)		Percent Change		Share* (in percent)	
	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99
Commercial Banks	737.6	645.8	84.6	-12.5	100	100
State Banks	296.2	258.8	107.6	-12.6	40.2	40.1
Private National Banks	319.2	263	51.2	-17.6	43.2	40.7
Regional Government Banks	11.8	22.4	6.3	89.8	1.6	3.5
Joint Banks	60.1	50.1	204.9	-16.6	8.1	7.8
Foreign Banks	59.9	58.5	254.7	-2.3	8.1	9.1
Rural Credit Banks **	2.9	2.8	6.6	-3.4	0.4	0.4

* Share of each group to commercial banks
** As of end of December 1998

Source: Bank Indonesia Annual Report, 1998-1999 (pg 87)

Public contribution to financial sector restructuring totaled 51 percent of GDP by mid-1999, and the vast majority of this expenditure was to recapitalize the banks and lend liquidity support (Sharma 2001 P107). The breakdown of the public's contribution to financial sector restructuring can be seen below in Figure 4.

By December 2000, the total amount of government bonds issued to recapitalize the banks had reached 644 trillion rupiah, equivalent to 58% of GDP in 1999 (Fane and McLeod 2002 P287). The final cost of recapitalization ultimately reached Rp 502.5 trillion, with state banks accounting for Rp 303.4 trillion of the allocations and private banks accounting for Rp 199.2 trillion (Musa and Suta, 2004, pg 309). Figure 3 shows the number of shares purchased by IBRA through the recapitalization.

Figure 3. Government holdings of private bank shares.

Bank	Number of Shares	Value[1]	%

BII	52,691,346,000	6,586,418	56.78%
Bank Lippo	23,203,407,899	6,027,874	59.26%
Universal	30,018,085,856	4,084,201	78.65%
Aarta Media	6,460,440,000	130,000	76.91%
Bukopin	6,379,675,501	364,916	74.75%
Patriot	1,059,537	51,500	80.99%
Prima Express	1,772,734	530,911	88.64%

[1] In million Rupiah
Note: After deduction of returned excess bonds and exercise of share option rights
As of December 31, 2000
Source: IBRA Annual Report, 2000, p. 13

Ultimately, "government-held shares in nationalized and recapitalized banks were almost sold off by 2004. The bank reconstruction [took place] on a scale far larger than initially expected [and] was all but completed in seven years" (Sato 2005 P103).

Figure 4. The public cost of financial sector restructuring in Indonesia as of 1999.

	Percent of GDP	In Billions of US dollars[1]
Central bank liquidity support assumed by the budget	12	20
Recapitalization including outlays for deposit guarantee	23	40
Purchases of nonperforming loans or capital for asset management company	12	20
Interest cost (on budget)	3	5
Total	51	85

[1]Converted at 7,500 rupiah per U.S. dollar.

Source: Lindengren et al P65

However, "as a percentage of GDP, the amount of government bonds needed to recapitalize the banks [was] more than four times the proportion initially estimated" (Fane and McLeod 2002 P290).

Key Design Decisions

1. **The bank recapitalization plan of March 1999 was part of a larger strategy to restore the banking sector to health.**

The government pursued a three-pronged strategy: resolving the banks already under IBRA; restructuring state-owned banks; and finally providing joint recapitalization under strict conditions for private and regional development banks (Enoch et al 2001, pg 37). The purpose of the plan was preserve only the best private banks in the banking sector, and build burden sharing of the costs of bank resolution between the private sector and the government (Lindgren et al. 1999 P63).

This intervention was accompanied by monetary policy tightening by BI. The increased interest rates were meant reduce excess liquidity in the system (BI AR, 1999, pg 84).

Additionally, the capital injections were complemented by a simultaneous debt restructuring plan to deal with the banks' nonperforming loans, the details of which can be seen in the case on IBRA.

In May 1999, the government moved to improve supervision and regulation with an amendment to the 1968 Central Bank Act. Under this new act, Bank Indonesia was guaranteed full independence to conduct monetary policy, and given priority in supervision and regulation over any other government entity (Sato, 2004, 108-109). With assistance from the World Bank, Bank Indonesia began to formulate "a master strategy for strengthening Bank Indonesia's regulatory, supervisory, and examination activities" (Sato, 2004, 109).

2. **Bank Indonesia had the legal authority to recapitalize under its designated powers as a central bank, established by the legislature.**

In May 1999, a new Central Bank Act (Act No. 23 of 1999) was enacted, replacing the Central Bank Act of 1968 (Sato 2005 P108/109). This act provided the bank the ability to issue and revoke bank licenses, as well as supervise banks (Sato 2005, pg 108). It also reinforced the independence of BI, which at the time was being questioned under the regime of President Soeharto (Sato 2005, pg 108). Finally, the act gave BI complete monopoly on bank control and supervision, prohibiting intervention by any other organization in these matters (Sato 2005, pg 109).

Under the new act, BI had purview to make temporary capital investment in banks (Indonesian Decree 37A-3(h), 1998). With this legal backing, the Ministry of Finance and

Bank Indonesia issued a joint decree on December 31, 1998, outlining the structure of the recapitalization program (Joint Decree, 1998).

While the structure of the legal regulations and limitations on the BI changed in response to the financial crisis, this structure did not specifically change in support of the joint recapitalization project.

3. **Despite positive reactions to various bank closures and restructuring announcements, public confidence in the banks eligible for joint recapitalization faltered due to some confusion caused by initial emphasis on forced mergers of these banks.**

The announcement of the various bank closures and restructurings on March 13, 1999 received a positive reaction. It had been formulated in conjunction with public relations efforts including specialist consultants, and the markets reacted positively. However, public confidence in the banks eligible for joint recapitalization faltered due to some confusion and negative public comments, leading to runs and a dearth of liquidity (Enoch 2000 PP21-23).

This confusion may have been due to President Habibie's announcement in December of 1998 that, rather than the recapitalization plan, there would instead be a strategy of forced mergers. After a brief period of rioting, market uncertainty, and further depreciation of the rupiah, the government reaffirmed the private bank recapitalization, and the Parliament passed a budget for it in February 1999 (Lindgren et al. 1999 P63).

As such, the public expected that bank closures and restructuring would take place before the end of February; however, two days before the expected implementation of the plan (the weekend of February 26, 1999), the government postponed it yet again on the grounds that there was a lack of political consensus surrounding plan for several of the banks. The public reacted negatively with some belief that decisions were influenced by outside factors. Over the next two weeks, political consensus was achieved, and B banks lacking acceptable business plans were permitted to resubmit these plans (Enoch 2000 PP20-21).

A further interesting aspect to the communication of the joint recapitalization plan was that upon its implementation on March 13, 1999, the government generally reaffirmed the terms of its original commitment, but neglected to "explicitly restate its earlier commitment to leave the day-to-day running of the banks in the hands of the owners" (Lindgren et al. 1999 P64).

During May 1999, when further audits revealed that banks needed more capital than had initially been estimated, the government communicated to the public that it would continue to provide 80% of the necessary capital for joint recapitalization. For the largest private recapitalized bank, this strategy was especially successful in attracting private investment (Lindgren et al. 1999 P65).

4. **The injected capital appears to have been jointly managed by BI and IBRA.**

Sato (2005) writes that "Bank Indonesia, which was formerly placed under the executive branch of government and given only limited authority, was legally guaranteed independence from the government and obtained broad authority over the banks" (Sato 2005 P91).

The Ministry of Finance (MOF) oversaw IBRA (Presidential Decree, 1998). It is unclear how much IBRA handled specifically, but Sharma (2001) mentions that IBRA deposited the 80% of government funds for joint recapitalization, which implies that the organization had oversight over the day-to-day activities (Sharma 2001 P107-108).

5. IBRA injected newly-issued interest-bearing government bonds into banks.

The original budget for the joint restructuring allowed for about Rp 300 trillion of bonds to finance the recapitalization. Of the Rp 300 trillion of bonds, the recapitalization required an additional Rp 34 trillion due to the interest rate paid on the capital injected paid for in both bonds and through the liquidation of assets from closed banks (Jakarta Post, March 30 1999). However, upon beginning capital injections, the costs expanded. By the end of the capitalization, the government had spent slightly above Rp 500 trillion, with state banks accounting for Rp 303.4 trillion of the allocations and private banks accounting for Rp 199.2 trillion (Musa and Suta, 2004 - 2, pg 309). The capital injections were funded by newly issued government bonds (Fane and McLeod 2002 P282).

6. Management of banks seeking recapitalization had to pass a fit-and-proper test; the government also required banks to submit business plans as well as raise 20% of the capital required to meet a 4% capital adequacy ratio.

Banks had to fall into one of three categories (the "B" category") to be eligible for joint recapitalization:

1. A banks—banks with capital adequacy ratios (CAR) estimated to be more than 4 percent that did not require government support.
2. B banks—banks with CAR between -25 percent and 4 percent; at the time, no B bank had a positive CAR (Fane and McLeod 2002 P281).[10]
3. C banks—banks with CAR below -25 percent, which were not eligible to receive government support and were to be liquidated (Fane and McLeod 2002 P281).

[10] Once the recapitalization was agreed upon, the bank's most severely impaired ("Category 5") loans were transferred at no price to IBRA's Asset Management Unit (AMU/AMC), which would then enter into a contract for the recovery of the loans with the originating bank. Banks could, at their discretion, also transfer loans classified as doubtful to the AMU/AMC for the same treatment. "Any recoveries from such loans would be used immediately to buy back the government's preference shares, thus giving the government the prospect of an early return of its financial infusion, and reducing the amount to be paid by the owners to reacquire full control of their bank" (Lindgren et al. 1999 PAGE 63, Fane and McLeod 2002 P283).

Nine of the banks classified as Category B (with capital ratios of between -25 and 4 percent) were eligible for recapitalization; the other seven Category B banks were taken over by IBRA, as they were significantly more financially impaired (Sharma 2001 P107).

First, banks seeking recapitalization were required to submit business plans spanning three years (Joint Decree, Article 9-1). The work plan for commercial banks eligible for recapitalization under the scheme required a series of points addressed:

1) the current condition of the bank and weaknesses needing attention;
2) any assumptions made in creating the plan;
3) steps and schedule for resolution of problem loans and non-performing property loans;
4) the bank's strategy to improve performance and health, both short- and long-term;
5) financial projections to achieve a capital adequacy ratio of 8% by 2001;
6) plans to settle with BI within 3 years of injection, with repayment of 20% the first year, 30% in the second and third years, and 50% of remaining balance per year ongoing;
7) a plan to meet capital shortages;
8) plans to resolve violations of LLL no later than a year after signing the recapitalization agreement with BI;
9) a plan to resolve net open position violations;
10) any planned mergers with other commercial banks (Joint Decree, Article 9-(2-3))[11].

Banks were encouraged to include mergers in their business plans with two or more banks, with projections based on such a merger (Enoch et al, 2001, 53). Banks placed in category A—having a capital ratio above 4%--were also required to submit business plans, though only a subset of the above points (points 1-7, above) were required (Joint Decree, Article 9-(2)).

The recapitalization required four committees to consider bank submissions of business plans. The Steering Committee's members consisted of the Minister of Finance and BI's Governor. The Policy Committee, consisting of BI's regulation and development directors, BI's supervision directors, IBRA's Chairman, and the Directorate General of the Ministry of Finance, examined the validity of the business plan, administered a fit-and-proper test to shareholders, and provided a recommendation on the a commercial bank's participation in the recapitalization to the Steering Committee. The Evaluation Committee had representatives from BI, the Ministry of Finance, and IBRA, and existed to assess submitted business plans, and provide a recommendation to the Policy Committee on the eligibility of the business plans as well as the results of the fit and proper test. This committee also supervised the implementation of business plans and reported to the Policy Committee.

[11] Translation based on Google Translate.

Finally, the Technical Committee, also with representations from BI, IBRA, and the Ministry of Finance, evaluated business plans as well as assessed the results of the fit and proper test. The Technical Committee could employ outside consultants to assess business plans (Suta and Musa, 2004, 281-282). Additionally, representatives from the World Bank, Asian Development Bank, and IMF attended committee meetings to monitor the decision-making process as non-voting members in each committee (Suta and Musa, 2004, 282-283).

However, the international consultants hired tended towards a more negative view of banks' than BI due to low confidence externally in the possibility of loan recovery. To address the mismatch, the above four-stage committee process was created where BI, the Ministry of Finance, and IBRA would assess valuations and recommendations by the external consultants and determine a policy decision in tandem. In the event of irreconcilable differences between the external consultants and the Bank Evaluation Committees, the BI evaluation would take precedence as it was primarily responsible for the capital injections (Enoch et al 2001, pg 51).

After proposing a business plan, bank managers, due to bank management perceived as unprofessional in allowing outside interference and lacking in competency and integrity, had to pass a test ensuring that they were technically competent enough to run their bank (Fane and McLeod 2002 P281; Bank of Indonesia AR 1998/1999, page 109). This technical test was based off of a review of a portfolio, as well as the experience and knowledge of BI officials (Enoch et al, 2001, 53). Banks were also required to provide a share of the capital to be injected in the recapitalization (Enoch et al 2001, pg 51). The fit-and-proper test consisted of several items, including:

1) a written commitment to Bank Indonesia;
2) engagement of delinquent individuals in the banking sector;
3) engagement of bad debts in the banking sector;
4) integrity;
5) any interventions in bank operations;
6) any violations of prudential principles by directors or commissioners; and
7) competence and independence (BI AR 1998-99, 109).

Once bank owners agreed to joint recapitalization, the bank was required to provide 20 percent of the capital required to reach a 4% CAR requirement in cash, and the government would provide the remaining 80 percent. The government would become a large shareholder of the bank, with owners in daily control. The owners received prioritized call options[12] to buy back their shareholdings at the end of three years (Enoch 2000 PP19-20).

[12] Banks "For each bank, the number of options issued was equal to the number of shares acquired by the government. Their exercise date was set three years after recapitalization and their exercise price was set equal to the issue price of the new shares, plus an allowance for accumulated interest during these three years. The total number of new shares was set at 100 times the number of shares already in existence prior to

The government saw leaving owners in day-to-day control of the bank as a way to encourage them to contribute new capital (Lindgren et al. 1999 P63).

However, state banks were not subject to the same requirements for capital injection. Due to ongoing restructuring of the state banks because of repeated failures of previous recapitalizations, banks were not required to submit business plans. Additionally, recapitalizations funds were tranched to maintain the momentum of operational restructuring (Enoch et al, 2001, pg 61).

Foreign and joint-venture banks were excluded from the recapitalization program (Nasution 2000 P159).

7. Bank Indonesia allocated enough capital for each participating bank to reach a 4 percent capital adequacy ratio.

Rather than ask each bank to apply for specific capital injection amounts, BI allocated enough capital for each participating bank to reach a 4 percent capital adequacy ratio (Joint Decree, 14-15).

8. The capital provided had several parameters.

The capital injections were funded by newly issued government bonds (Fane and McLeod 2002 P282). Originally, the government planned to utilize variable interest rate bonds to raise capital adequacy ratios to zero, and fixed interest rates to cover the additional four percent to reach a four percent capital adequacy ratio (Fane and McLeod 2002 P287). However, in practice some of the fixed rate bonds were used to bring banks' capital to zero (Fane and McLeod 2002 P288).

The variable rate bonds paid interest between 13-15 percent per year, paid every three months, with a 3- to 15-year maturity period, whereas fixed rate bonds paid interest between 12-14 percent per year with interest paid every sixth months (Feridhanusetyawan and Pangetsu, 2004, 134-136). When the Indonesian government increased interest rates in 2000 to over 17 percent, the government offered a bond exchange to increase the rates of the fixed rate bonds to be more attractive, with new bonds carrying coupon rates of 10-15 percent with 5- to 10- year maturity periods (Feridhanusetyawan and Pangetsu, 2004, 136). In addition, to hedge for exchange rate risk, the government issued hedge bonds linked the the Rp/USD exchange rate. Every three months, the interest rate and nominal value of the hedge bond is reevaluated based on

recapitalization, and the issue price of the new shares was calculated to ensure that the value of new equity injected into each bank was enough to raise its CAR to 4 percent, given the auditors' estimate of the value and average risk-weight of its existing assets" (Fane and McLeod 2002 P283).

exchange rate—so the depreciation of the rupiah increases the nominal value of the hedge bond. The interest rate was based on the Singapore Inter-Bank Borrowing Rate (Feridhanusetyawan and Pangetsu, 2004 136).

Additionally, while bonds were intended to bring capital adequacy ratio upwards, the banks were injected with cash from a yearly interest payment on bonds (Jakarta Post, 6 January 1999). Interest payments alone were estimated to amount to Rp 34 trillion (Jakarta Post, 6 Jan 1999). The bonds were tradable (Lindgren et al. 1999 P41).

Private shareholders of banks participating in the capitalization scheme also received call options over the government shares purchased (Fane and McLeod, 283). The government made these call options available to private shareholders who provided the 20% of the capital for injection (Fane and McLeod, 283). The price of these options was the share issuance price plus accumulated interest; the total number of new shares was 100 times the number of shares existing before recapitalization. Issue price was determined such that the value of new equity met the 4 percent threshold given auditors' estimates of the value of the banks' assets. The call options provided an opportunity for shareholders weary of participating in the scheme to profit from the recovery of the bank that had been recapitalized, as share prices for the options were set equal to the issue price of the banks shares, plus any accumulated interest (Fane and McLeod, 283).

Shareholders were also provided Certificates of Entitlement, a tradable instrument on the capital market. These COEs entitled the asset-holder to proceeds of collections and sales of assets transferred to IBRA over a specified period, with the idea of increasing incentive to participate in the recapitalization process (Suta and Musa 2004 – 1, 295-296). The COEs had no underlying commitment from the government to pay the holder (Suta and Musa 2004 – 1, 296).

These agreements with shareholders met with public controversy as they were perceived as disadvantageous to the government while advantageous to the shareholder (Suta and Musa 2004 - 1, 295). However, government used the recapitalization terms as an opportunity to encourage controlling shareholders to incur the costs of the recapitalization, as well as provide itself an exit strategy in divestment through the call options on government-owned shares (Suta and Musa 2004 – 1, 296).

9. Indonesian capital markets regulation created difficulty in share issuances necessary to raise capital to participate in the recapitalization.

Due to Indonesian capital markets regulation, the process for raising capital was slightly hindered for banks. The government required private banks to issue new shares to increase liquidity available in the recapitalization scheme, but Indonesian regulation required a pre-emptive rights issue as shareholder protection. The process for rights issues is lengthy, causing delays in the recapitalization process. While the Financial Services Authority of Indonesia issued regulation allowing direct public offerings, there were protests within the agency over this method as it lacked protection of minority shareholders. To combat this, the Financial Services Authority required all banks undergoing recapitalization to undertake a rights issue, preventing banks from raising capital through direct public offerings and creating delays in the process (Enoch et al, 2001, 55).

10. Oversight and governance of the participating banks was an ongoing issue throughout the program.

These governance issues applied to all of the Indonesian government's efforts to salvage its banking system, not just the joint recapitalization program. While the issues were "diverse," and included problems with "each of the principal institutions involved," such as BI and IBRA, leading to public perception of lack of commitment to reform of the banking sector (Enoch et al. 2003 P88).

Though able to coerce debtors into promises in reworking loans, IBRA struggled to enforce such promises. Not allowed to use existing powers to legally seize court assets, the Agency was forced to take debtors to court. There, it lost four of every five cases. Under pressure to sell assets so that revenues could contribute to the budgetary deficit under IMF provisioning, IBRA often sold assets cheaply to foreign buyers ready with cash (New York Times, October 2, 2003).

11. There were consequences for the owners of the banks undergoing recapitalization.

IBRA replaced the management of the banks; almost all of the banks eligible for joint recapitalization had provided their share of the capital; and the markets reacted well to the news (Enoch et al, 2000, p. 23, 24).

The owners of the banks that chose to participate in recapitalization were banned from managing other banks in the future (Sharma 2001 P107). While state and regional banks did not face changes in ownership, of the 42 business-group-affiliated private banks involved in recapitalization or restructuring, only 7 kept their doors open without ownership changes; of those, only one major bank—Bank Panin, not a participant in the recapitalization scheme—was left untouched (Sato 2004, 103).

The government often sold shares of banks not affiliated with groups; rather than sole-acquisitions, groups of investors purchased shares of banks. Of the recapitalized banks, Bank Internasional Indonesia was sold to Temasek Group of Singapore and Kookmin Bank of Korea (Sato 2004, 104).

The Joint Decree establishing the parameters for recapitalization also placed requirements on boards. Shareholders of each commercial bank participating in the recapitalization program were required to elect a member to each bank's board to serve as a Compliance Director. The Board member's appointment also required Bank Indonesia's approval (Joint Decree, 18-(1)). Compliance Directors were required to submit the ongoing results of the recapitalization to Bank Indonesia quarterly (Joint Decree, 18-(3)).

12. The joint recapitalization program had a multi-pronged exit strategy.

The banks remained able to reacquire their shares during the three-year period by paying the government back either for their account or an outside investor. At the end of the three-year period, the bank's value would be independently assessed and the owners would have the first option to buy back their shareholdings. If the owners did not buy back their shares, the government would sell them over the course of the next year (Lindgren et al. 1999 P63 and P65).

According to an IMF report from 2000, even if banks reached the 4% CAR requirement, BI and IBRA continued to monitor the banks, as the CAR requirement increased to 8% for end-2001 (Giorgianni et al. 2001 P18). The status of the various banks' CAR can be seen below in Figure 5.

Figure 5. Banks' performance as of March 2000.

	Capital Adequacy Ratio	
	Business Plan	Reported
Lippo	14.9	17.6
BII	5.5	5.2
Universal	4.0	5.2
Bukopin	4.0	12.4
Prima Express	4.0	5.7
Arta	4.0	9.5
Patriot	8.0	16.6

Source: Giorgianni et al. 2001 P18

Evaluation

The announcement of the various bank closures and restructurings on March 13, 1999, formulated in conjunction with public relations efforts including specialist consultants, received a positive reaction from the markets. "The general feeling was that finally the authorities had a full grip on the banking situation" (Enoch 2000 PP21-22, P24). After the recapitalization, bank runs subsided (BI Annual Report 1999, pg 84). However, providing extended timelines to raise the capital necessary for recapitalization made space for increased uncertainty in the markets and provided opportunity for depositor withdrawals (Enoch et al, 2001, 52). Public confidence in the banks eligible for joint recapitalization faltered due to some confusion and negative comments by public officials, leading to runs and a dearth of liquidity (Enoch 2000 PP21-22).

Over the next four years of implementation of the recapitalization scheme, the rate of non-performing loans in the banking sector decreased dramatically, as shown by Sato (2005) in Figure 6 below.

Figure 6. Main indicators for the banking sector around the economic crisis, 1996-2003.

Main Indicators for the Banking Sector Around the Economic Crisis, 1996-2003 (%)

	1996	1997	1998	1999	2000	2001	2002	2003
No. of commercial banks	239	222	208	164	151	145	142	138
Total assets (ratio to nominal GDP)	72.8	84.3	79.8	71.8	77.8	70.9	65.8	63.9
Total loans (ratio to nominal GDP)	55	60.2	51	20.5	21.3	21	22.7	26.6
Loan to deposit ratio	104	105.7	85	36	37.3	38	43.2	54.3
Loans/total assets	75.6	71.5	63.9	28.5	27.3	29.6	34.5	41.6
Claims on government/total assets	0.2	0.2	0.1	34	43.6	39.3	35.7	30.2
Capital/total assets	9.6	8.8	-12.9	-2.7	5.1	6.4	8.8	9.7
Nonperforming loan ratio (gross)	9.3	19.8	58.7	32.8	18.8	12.1	8.3	8.1
Nonperforming loan ratio (net)	--	--	--	--	11.1	3.6	2.9	1.8

Source: Sato, 2005, p. 93

Notes:
1) "Claims on government" of banks on central government consist mainly of government bonds injected for banks' recapitalization.
2) The nonperforming loan ratios for 1996-98 are figures for the end of each fiscal year (the end of March 1997-the end of March 1999)
3) Nonperforming loan ratio (gross) = nonperforming loans/total outstanding loans x 100
Nonperforming loan ratio (net) = (nonperforming loans - reserves)/total outstanding loans x 100

Experts originally were optimistic on the efficacy of the program. Lindgren et al. noted in 1999 (P65) that "the recapitalization program…saved [the] banks, and the government seems likely to get back at least a share of its investment sooner than originally envisaged."

However, optimism waned. In October 2000, the IMF evaluated the performance of the recapitalized banks as "satisfactory," while noting that "return on equity has fallen short of business plans in several banks" (Giorgianni et al. 2001 P18). Khambata wrote in 2001 that the restructuring program had "produced some insignificant results," noting the increase in total external debt, the high amount of nonperforming loans, and the fact that a 4% CAR requirement is low, even for a developing country (Khambata 2001 P85).

Following the recapitalization program, Bank Universal, Bank Prima Express, Bank Arta Media, and Bank Patriot were merged with Bank Bali to become Bank Permata (Suta and Musa 2004 – 1, 299). Immediately after the recapitalization, Bank Universal's capital adequacy ratio dropped quickly, as a result of overaggressive loan growth, inefficient management of foreclosed assets, high costs in managing liabilities, and general vulnerability in the banking sector affecting the bank's performance (Suta and Musa 2004 – 1, 323). Meanwhile, Bank Internasional Indonesia was placed under bank restructuring status in 2001 after shareholders struggled to resolve problems with the legal lending limit on group-affiliated loans as per terms of the recapitalization agreement (Suta and Musa 2004 - 1, 324).

Problems also arose from the lengthy implementation of the recapitalization scheme. Authorities did not follow the plan as outlined when announced. Additionally, the first two banks to receive injections were seen as political choices rather than needs-based, affecting the market. Three months later, in December 1998, President Habibie partially retracted his decisions on which banks would receive injection, and preparations for the implementation of the scheme truly began (Enoch et al, 2001, pg 52).

Both the call options and COEs offered to shareholders were also met with public controversy as they were perceived as disadvantageous to the government while advantageous to the shareholder (Suta and Musa 2004 - 1, 295). However, government used the recapitalization terms as an opportunity to encourage controlling shareholders to incur the costs of the recapitalization, as well as provide itself an exit strategy in divestment through the call options on government-owned shares (Suta and Musa 2004 – 1, 296).

For state banks, there were some moral hazard behaviors that emerged as a result of the "too big to fail" label on state banks also undergoing recapitalization. As bank managements were indifferent to losses, there was little incentive to recover loans, with nonperforming loans rising during the crisis[13] (Enoch et al, 2001 61).

The sheer size of the required recapitalization led to deep cuts in government expenditure on development and subsidies. In 2002, almost 40 percent of government expenditure was used for debt service payment. The share of subsidies in government expenditure was reduced from 29 percent in 2000 to 12 percent by 2002 (Feridhanusetyawan and Pangetsu, 2004, 139). Total debt expenditure over time can be seen in Figure 7 below.

Figure 7. The Indonesian government's debt service payments.

The Indonesian government's debt service payments

	1996-97	1997-98	1998-99	1999-2000	2000	2001	2002
Total Debt (domestic + external)	22.902	29.485	62.911	63.106	57.691	115.274	136.367
External Debt	22.902	29.485	54.526	40.876	26.453	49.023	72.942
Principal	13	12.75	30.337	20.818	7.623	19.746	43.967
Interest	9.902	16.735	24.189	20.058	18.83	29.277	28.975
Domestic Debt	0	0	8.385	22.23	31.238	66.251	63.425
Bonds	0	0	0	0	0	0	3.9
Interest	0	0	8.385	22.23	31.238	66.251	59.525

[13] Enoch states it is unclear whether the rise in non-performing loans were due to "genuine corporate distress or opportunistic nonperformance."

Source: Feridhanusetyawan and Pangetsu, 2004, p. 138.

In trillions of rupiah.

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Key Program Documents

Summary of Program

- Banking Reform in Indonesia (Irigoyen 2017) – *Case study by Boston Consulting Group's Center for Public Impact that examines banking reform in Indonesia.* https://www.centreforpublicimpact.org/case-study/banking-reform-indonesia.
- Financial Sector Crisis and Restructuring: Lessons from Asia (Lindgren et al. 1999) – *comprehensive overview of the crisis in Asia that chronicles the specifics of Indonesia from the perspective of the IMF.* https://www.imf.org/external/pubs/ft/op/opFinsec/op188.pdf.
- The Indonesian Financial Crisis: From Banking Crisis to Financial Sector Reforms (2001) – *an overview of the crisis and response measures from 1997 until 2000.* https://www.jstor.org/stable/3351457?seq=1#metadata_info_tab_contents.

Legal/Regulatory Guidance

- Crisis-Driven Changes to the Banking Laws and Regulations (McLeod 1999) – *A short paper published in the Bulletin of Indonesian Economic Studies that provides an overview of changes to the banking laws and regulations during the time of the crisis.* https://ideas.repec.org/a/taf/bindes/v35y1999i2p147-154.html.

Press Releases/Announcements

- Letter of Intent of the Government of Indonesia (Muhammad and Dijiwandono 1997) – *Letter from the Indonesian Minister of Finance and the Governor of BI outlining policies the Indonesian government intended to implement in order to receive financial assistance from the IMF.* https://www.imf.org/external/np/loi/103197.htm.

Media Stories

- Indonesia's Cycle of Subservience to the IMF (Guerin 2002) – *Newspaper article initially published in the Asia Times detailing the Indonesian government's relationship with the IMF during the Asian Financial Crisis.* https://www.globalpolicy.org/component/content/article/209/42999.html.

Reports/Assessments

- Interventions in Banks During Banking Crises: The Experience of Indonesia (Enoch 2000) – *An analysis of the effectiveness of Indonesian banking reform during the Asian Financial Crisis by an IMF staff-member.* https://www.imf.org/en/Publications/IMF-Policy-Discussion-Papers/Issues/2016/12/30/Interventions-in-Banks-During-Banking-Crises-The-Experience-of-Indonesia-3523.