2.The Private Debt Problem and Its Solution

2. THE PRIVATE DEBT PROBLEM AND ITS SOLUTION

Masami Ishida

1. INTRODUCTION

The private debt problem and the outbreak of the currency crisis are closely related in that they both resulted from over-borrowing in the first half of 1990s. At that time, there were bright prospects for the Indonesian economy as one of several emerging markets in the East Asian region. Moreover, overseas borrowing without hedging was dominant. However, since the contagion effects of the monetary crisis spread from Thailand to Indonesia in July 1997, the depreciated rupiah greatly expanded the value of private debt of Indonesian firms in rupiah. Such burdens resulted in capital flight, for Indonesian firms were considered to be risky. Furthermore, this capital flight then resulted in the further depreciation of the rupiah.

The depreciation of the rupiah also raised the prices of imported goods. Especially firms heavily dependent on imported intermediate goods could not help but raise prices, suppress wages or dismiss workers and, as a result, aggregate demand would go down. In a word, stagflation was caused by the cost-push inflation, and many firms suffered from higher costs and lower domestic demand. Nevertheless, some firms could enjoy export drive with the increased export competitive power caused by depreciation. But most Indonesian firms seemed unable to offset the impact of fallen domestic demand by the increased competitive power, and many firms faced difficulties in paying back the investment loan.

Most of the Indonesian firms borrowed not only from abroad, but also from domestic banks. With the expansion of private debt, domestic banks suffered from non-performing credit, as well as foreign creditors. In short, domestic private debts meant bad credit for the domestic banks. As of the end of September, out of Rp. 232,413 billion, the core assets of banks under IBRA (the Indonesian Bank Restructuring Agency), 82.9% are categorized as bad loans[1]. These non-performing credits dealt a severe blow to domestic banks, combined with higher interest rates on deposits and monetary unrest characterized by depositor runs on banks, which happened several times after the liquidation of 16 banks on November 1, 1997. In such situations, commercial banks asked Bank Indonesia for the aid of liquidity credit (*BLBI*) in order to pay interests and principals. Of course, most of the banks failed to satisfy the reserve requirements; on the contrary, the capital adequacy ratio (CAR) of many banks became negative and they could not pay back the liquidity credit. The Indonesian government liquidated 64 private banks, took over the management of 14 private banks and re-capitalized 7 banks. For the bank restructuring, the Indonesian government is estimated to spend Rp. 17 trillion in the fiscal year of 1999/2000, and will spend a further Rp. 16,250 billion in the fiscal year of 2000, which is projected to account for 1.4% and 1.8% of GDP, respectively[2].

Consequently, the private debt problem has affected not only on the real sector, but also the monetary sector and the government budget. In this chapter, backgrounds of the problem and several policies for the problem are analyzed. Section 2 looks at the recent situations of external and domestic private debt problems followed, chronologically, by the several government facilities aimed at resolving the private debt problem (Figure 1). INDRA (the Indonesian Debt Restructuring Agency), introduced in section 3, is a scheme facilitated in order to reduce the exchange risk in debt servicing. Thus INDRA is a facility applied only for the resolution of the external private debt problem. On the other hand, the Bankruptcy Act and Jakarta Initiative, introduced in section 4 and 5, respectively, are facilities both for the domestic and external debt problem. However, the Jakarta Initiative is a facility aimed at promoting negotiation out of court, so both the Jakarta Initiative and the petition of the Bankruptcy Act are hardly utilized at the same time.

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[1] is based on IBRA (1999).

[2] Republik Indonesia, *Nota Keuangan dan Rancangan Anggaran Pendapatan dan Belanja Negara Tahun Anggaran 2000.*, P VI-131.

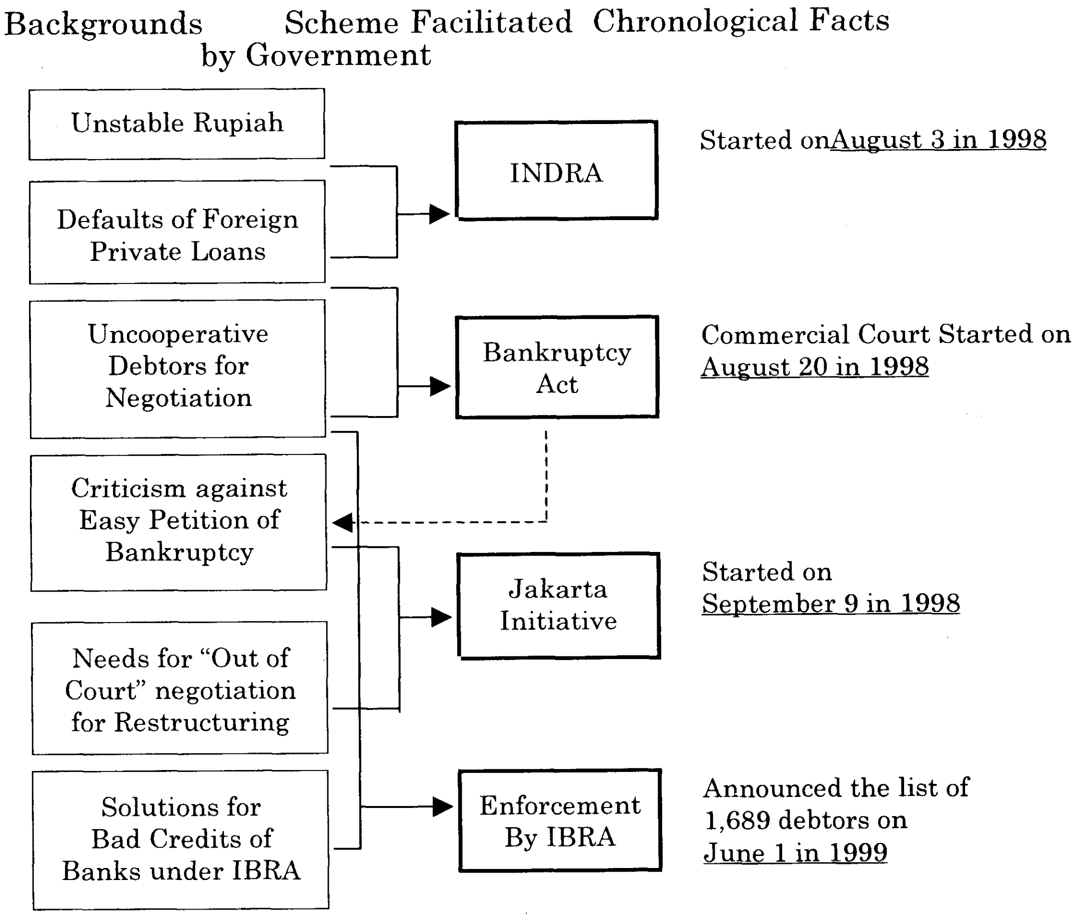

Figure 1. Schemes Facilitated by the Government

Resolutions enforced by IBRA are explained in section 4 as a facility for the resolution of bad debt of the banks under IBRA. Actually, the bad debts under IBRA form a large part of domestic private debt in Indonesia (44%). In section 5, technical measures for corporate restructuring are examined, and several case studies are discussed in section 7, in accordance with such measures. Section 8 closes this short paper with concluding remarks.

2. RECENT SITUATIONS OF PRIVATE DEBT PROBLEMS

Table 1 shows the changes in external private debt from March 1998 to September 1999. Several trends can be read in accordance with the table. First, the data shows a decreasing, almost consistent trend, as many foreign creditors have not lent money to Indonesian companies since the short-term capital flight from Indonesia. Moreover, the data

Table 1. Changes in External Private Debt (US$ million)

	Based on Loan Agreement						Based on Securities	Total
	Banking Sector	Corporate Sector	Sub-total	Short Term	Long Term	Sub-total		
In 1998								
March	12,826	64,601	77,427	9,723	67,704	77,427	6,202	83,629
April	12,924	65,416	78,340	11,233	67,107	78,340	6,382	84,722
May	13,018	67,278	80,296	11,139	69,157	80,296	5,721	86,017
June	12,622	67,216	79,838	10,643	69,195	79,838	5,358	85,196
July	11,427	67,042	78,469	10,620	67,849	78,469	5,860	84,329
August	11,554	66,502	78,056	10,648	67,408	78,056	5,969	84,025
September	10,816	66,816	77,632	9,369	68,263	77,632	5,485	83,117
October	11,041	69,491	80,532	10,945	69,587	80,532	6,072	86,604
November	11,536	68,350	79,886	8,629	71,257	79,886	5,714	85,600
December	10,769	67,514	78,283	7,345	70,938	78,283	5,725	84,008
In 1999								
January	11,612	66,978	78,590	9,556	69,034	78,590	5,170	83,760
February	11,768	65,252	77,020	8,325	68,695	77,020	7,315	84,335
March	11,748	66,296	78,044	9,882	68,162	78,044	3,461	81,505
April	11,220	63,093	74,312	9,559	64,753	74,312	3,509	77,821
May	11,646	62,150	73,796	9,362	64,434	73,796	3,268	77,064
June	10,632	60,247	70,879	8,055	62,824	70,879	3,378	74,257
July	10,308	58,932	69,241	8,641	60,600	69,241	3,331	72,572
August	9,599	58,802	68,400	8,536	59,864	68,400	3,229	71,629
September	10,384	57,700	68,084	8,497	59,587	68,084	3,140	71,224

Source: Bank Indonesia

indicates the difficulties faced by Indonesian firms in raising funds from the external market. Second, the composition of short-term capital is minor (only about 10%), in comparison with the dominance of long-term debt, partly because short-term capital had already flown by March 1998, eight months after the eruption of the crisis. Third, the composition of corporate sector debt is dominant, between 75 – 85%, in comparison with banking sector debt. This is said to be totally different from other Asian countries, especially from South Korea[3].

In comparison with the statistics of external private debt that only depends on Bank Indonesia, the data of domestic private debt had to be compiled by the author by using the credit of commercial banks presented by Bank Indonesia and credits under IBRA. This is because several banks have been

[3] Seminar on "Indonesia's External Debt and Japan," presented by Masahiro Kawai.

Table 2. Estimation of Domestic Private Debt as of September 1999

	Claims on State Firms	Claims on Private Firms	Total Loan (Rp. billion)	Total Loan (million US$)
State Banks	16,901	125,721	142,622	17,007
Regional Government Banks	750	6,330	7,080	844
Private National Banks	2,885	75,353	78,238	9,330
Foreign Banks	983	32,920	33,903	4,043
Joint Banks	321	30,657	30,978	3,694
Core Assets of 37 BBKU			28,466	3,394
Core Assets of 10 BBO			33,519	3,997
Core Assets of 4 BTO			36,602	4,365
Core Assets of 8 BTO			8,272	986
Core Assets of 7 Recap Banks			16,215	1,934
Core Assets of 4 State Banks			109,338	13,038
Domestic Private debt			525,233	62,632

Notes:

1) *BBO* (*Bank Beku Operasi*) are the 10 banks liquidated in 1998 and *BBKU* (*Bank Beku Kegiatan Operasi*) are 38 banks liquidated on March 13, 1999.
2) *BTO* are the four banks taken over by government in 1998 and the 8 banks taken over in 1999.
3) Loan and Portfolio Assets of 16 banks liquidated on November 1, 1997, Bank Mashill and Bank Nusa Nasional have not been included.

Source: Compiled by the author based on Bank Indonesia, "Indonesian Financial Statistics" and IBRA (1999).

liquidated, and the debts to such banks were removed to IBRA, and the bad credits that exceed more than Rp. 5 billion of state banks and banks taken over by the government are also under IBRA. But there are several problems with the estimation. First, one liquidated bank and one bank taken over had not removed their assets to IBRA before the end of September[4]. In addition, the existence of the assets of 16 banks liquidated on November 11, 1997 has not been made clear[5]. Furthermore, it is a matter of course that most of the debts and credits between non-bank private firms were not included. Table 2 shows the author's estimated private domestic debt based on the credit of commercial banks and loan and portfolio assets of banks under

[4] IBRA (1999).

[5] According to *Kompas* dated on November 12, 1999, IBRA had not been established at that time. Bank Indonesia told that the assets were liquidated by liquidation team which the team members were composed of share holders of the 16 banks.

IBRA as of the end of September 1999, and given the limits mentioned above.

In accordance with Table 1 and Table 2, the total private debt is estimated to be US$ 124,959 million or Rp. 1,051,262 billion, which is almost the same as the nominal GDP of 1999, Rp. 1,107,291 billion[6].

3. FRANKFURT CONFERENCE AND THE SCHEME OF INDRA

On December 22, 1997 former president Soeharto requested Radius Prawiro, the former Minister of Finance, to settle the external debt problem. The delayed payments of external debt further worsened after the drastic depreciation of the rupiah following Soeharto's taking rest on December 22, 1997.

On December 29, Radius announced that the amount of external private debt was US$ 66 billion[7]. On January 27, 1998, having a meeting with five foreign banks in Singapore, he declared temporary freezes on US$ 33 billion of debt out of the US$ 66 billion and US$ 15 billion of letter of credit that would mature at the end of March. At the same time, he established a committee of creditors that consisted of foreign banks, another committee of debtors that consisted of Indonesian private firms, and a liaison committee. 13 foreign banks were then appointed as members of the committee of creditors and several meetings were held between creditors and debtors. Effective solutions, however, had not resulted from the meetings before the end of Soeharto administration on May 21, 1998.

There were several reasons that both these parties could not reach an agreement. The first reason is the existence of uncertainties on the exchange rate. The Indonesian government proposed the "Mexican Model" that the debtor can repay in the better exchange rate than the real market rate

[6] *Badan Pusat Statistik* (Central Bureau of Statistics, 2000)

[7] In January, Bank Indonesia released its estimate of total external private outstanding as of December 31, 1997 (Soesastro, 1998). According to the estimate, the amount of external debt was US$ 65 billion. For details, see chapter 1.

with the government fund. Both sides could not attain a conclusion, however, on who would compensate for the differential loss of exchange rate in case of further depreciation in the future. (The Indonesian government in particular refused to bear the risk of changing exchange rate). The second reason was the differences of the grace periods proposed by both parties. The Indonesian government proposed a five or ten year grace period, while the foreign banks proposal was half a year grace period.

But both parties reached an agreement at the conference held at Frankfurt on June 1 – 4, 1998. The Indonesian government decided to establish INDRA (the Indonesian Debt Restructuring Agency) and it was officially launched on August 3, 1998 (Figure 3). The maximum term of repayment was agreed to be eight years with a three year grace period. As for compensating for the exchange rate risk for debtors, the best exchange rate would be calculated by INDRA between from August 3, 1998 and June 30, 1999. The best exchange rate would be calculated by considering twenty day-averages of market exchange rate and inflation rate of the previous month, and the best exchange rate so far. Every month, INDRA would announce the best exchange rate since August 3, 1998[8].

For example, if the value of the rupiah based on the twenty day-average of the previous month was higher than the best exchange rate so far, then the twenty day-average rate became the new best exchange rate after modifying the inflation rate of the previous month. On the other hand, if the value of rupiah based on the twenty day-average of the previous month was lower, then the best exchange rate would not change except the modification with the inflation rate of

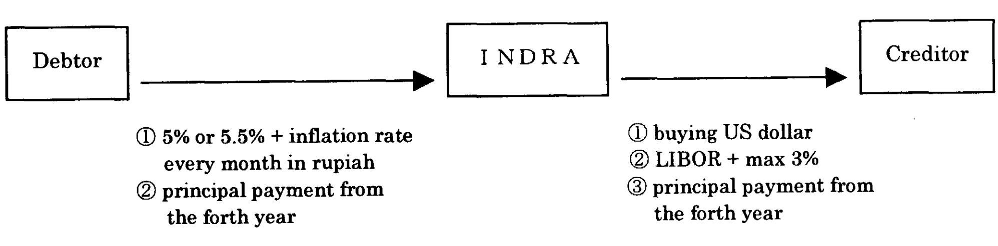

Figure 2. Relation Between Debtor, INDRA and Creditor

[8] The description in the four paragraphs so far is based on Ishida (1998).

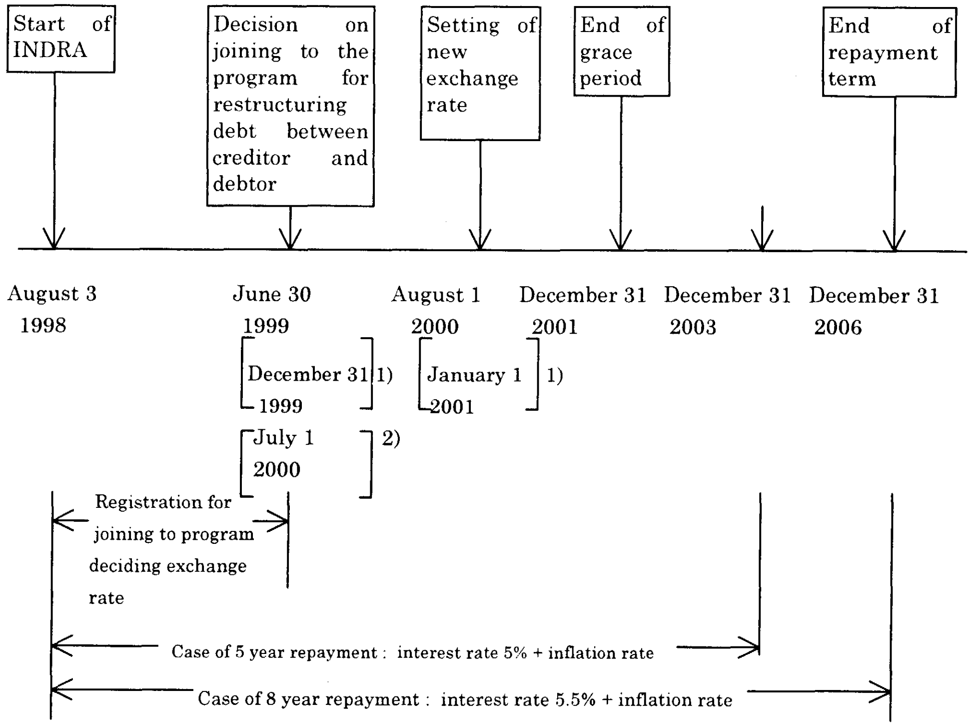

Figure 3. Schedule of INDRA Scheme
Notes:
1) Extended plan announced in April 1999.
2) Extended plan announced in January 2000.
Source: compiled by the author in accordance with *Kompas* dated on August 3, 1998.

the previous month. Moreover, the new exchange rate could only be applied in the case of the rupiah appreciating in the first two years[9].

With regards to membership, any creditors and debtors can become members of INDRA. The debtors repay in rupiah by way of INDRA, while INDRA pays in foreign currencies to the creditor (Figure 2). The interest rate for debtors is 5.5% plus the inflation rate or 5.0% plus the inflation rate in cases where the term of repayment is less than five years. On the other hand, the interest rate for the payment by INDRA to the creditor is LIBOR plus 3.0%. In addition, the payment of principal by INDRA can also be allowed to begin in the third year. The repayment by the debtor is done every month, while

[9] This paragraph is based on the home page of INDRA, http://www.indra.go.id/.

the payment by INDRA is done every three months. As a result, INDRA can employ the debtor's repayment fund for two months. Chase Manhattan Bank was appointed as an advisory bank for the fund employment. In a case that the debtor default, INDRA will stop paying the creditor and pay back the debtor's funds after subtracting its own paid cost. This is done because INDRA cannot bear to carry any risk at all[10].

No creditors and debtors had become members of INDRA before June 30, 1999, the deadline of initial registration. So on April 15, 1999, INDRA announced the extension of the registration period until December 31 (*Kompas*, April 16, 1999). Only PT Danareksa, however, participated in July 1999 after succeeding in reaching an agreement with the creditors. There are several reasons for INDRA's unsuccessful results. To begin with, it became apparent that it takes a lot of time for negotiations even in successful cases[11]. Second, and as will been shown later, commercial court judgements on bankruptcy were said to be advantageous to debtors instead of creditors, so debtors were reluctant to sit at the negotiation table. Third, an eight year payment period is felt to be too long for creditors; the debtors also do not participate in INDRA so far as the agreement between creditors and debtors are substantially needed.

Nevertheless, the best exchange rates decided by INDRA have shown good performance so far (Figure 4), although it tended to show a lower rupiah value after sudden appreciation, but it improved after several months[12]. Therefore, the exchange rates decided by INDRA are considered to be beneficial at least for debtors. As a matter of fact, these good performances of the exchange rate were not previously known. According to M. Kawai, chief economist of the World Bank, the complexities of the scheme are just one of the reasons of INDRA's unsuccessful performance. The deadline of the registration for INDRA extended again from December 31,

[10] This paragraph is based on *Kompas* dated on August 3, 1998.
[11] See case studies in Section 7.
[12] These good performances were partly supported by deflation from March 1999 to September 1999.

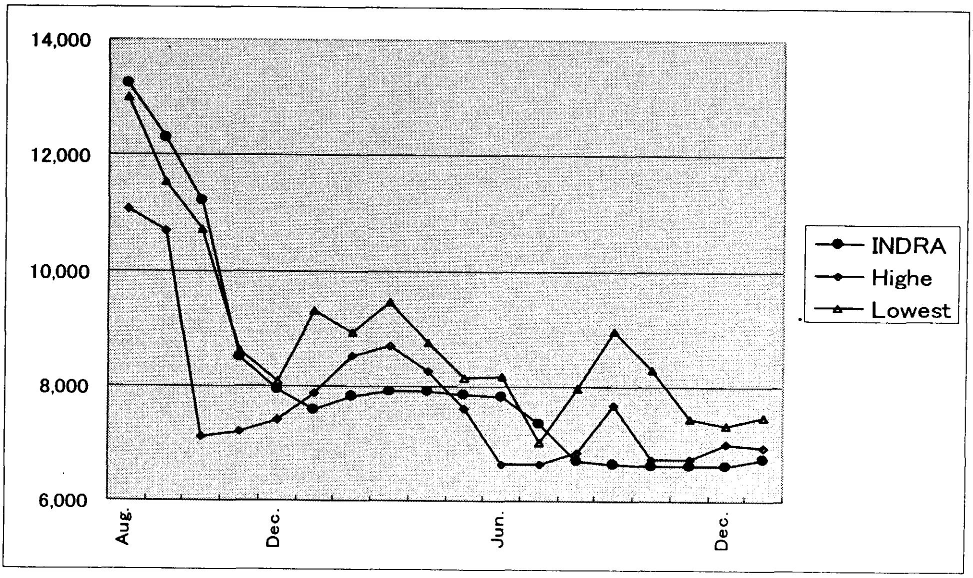

Figure 4. Changes in Best Exchange Rates and Exchange Rates of Bank Indonesia.

Note: The highest and lowest exchange rate in respective months were chosen among the daily exchange rates announced by Bank Indonesia.

Source: compiled by the author home page of INDRA and *Kompas*.

1999 to July 1, 2000. Consideration has also now been given to shortening the repayment period from eight years, for example to five years, in order to make the scheme more attractive for creditors (*Kompas*, January 12 2000).

4. BANKRUPTCY ACT

The Government regulation on amending the Bankruptcy Act of 1905, signed by Former President Soehart on April 22, 1998, has now become the new Bankruptcy Act after being passed by the parliament on July 24, 1998.

The new Bankruptcy Act was expected to open a way for creditors to petition for bankruptcy of the debtors who do not, or cannot, repay debt for creditors. Especially, a special commercial court was established on August 20, 1998 to deal with bankruptcy matters. Special education was also given to professional judges and administrators regarding bankruptcy. In addition, deadlines for respective processes were regulated in the Act (Figure 5), so speedy legal process for bankruptcy was expected. Furthermore, the request for sending back the case to the Supreme Court was also allowed if the creditor was not satisfied with the judge's verdict on bankruptcy. This meant that, legal certainty in Indonesia was also expected to increase[13].

For the debtor in Indonesia, however, bankruptcy was an unfavorable way. As a matter of fact, many debtors tended to see themselves as victims of the economic crisis. Some debtors, even said that monetary crisis was an act of god. On the other hand, foreign banks tended to prefer bankruptcy petitions, especially at the beginning in 1998 when economic prospects were still dark.

Table 3-A, 3-B and 3-C show the summary of judgements by the commercial court. From the judgements, it can be seen that the numbers of declaration and rejection are equally balanced. After appealing to the supreme court, however, 21 of 42 cases were reversed and declared bankrupt. This suggests that legal certainty has not yet become stable. In addition, many foreign creditors were not satisfied with the judges in the commercial court. As a matter of fact, Jerry Hoff who contributed to creating the new Bankruptcy Act, decided to leave Indonesia because of dissatisfaction with several judgements including the turning down of the bankruptcy petition to PT Dharmala Agrifood (*Kompas*, March 29, 1999).

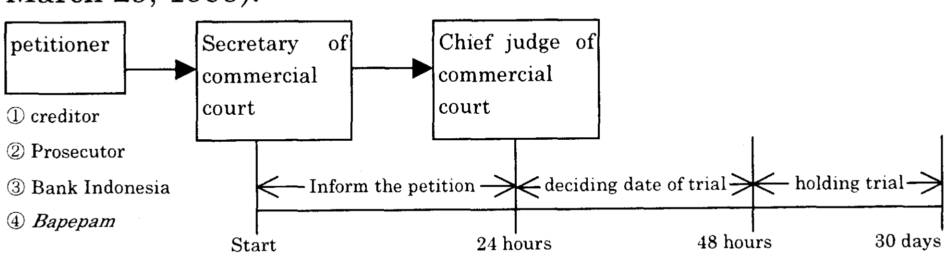

Figure 5. Deadlines of Respective Processes on Bankruptcy Petition

[13] This paragraph is mostly based on *Kompas* dated on August 20, 1998.

Table 3-A. Petition of Bankruptcy to the Commercial Court and Its Judgements

	Dropped Before Trial	Judgements					Still on Trial	Total
		Declared	Rejected	Unacceptable	Miscarriage	Sub-total		
1998*	2	8	3	4	0	15	14	31
1999	17	29	33	9	2	73	10	100

Table 3-B. Debtor's Petition of Postponement of Payment after Petition of Bankruptcy

	Dropped Before Trial	Judgements				Total
		Admitted	Admitted Temporarily	Rejected	Compromise	
1998*	0	1	7	2	0	10
1999	2	3	3	3	4	15

Table 3-C. Appeal to the Supreme Court for Bankruptcy

	Dropped Before Trial	Judgements			Set Aside (Still on Trial)	Total
		Declared	Rejected	Sub-total		
1998*	1	4	5	9	3	13
1999	1	17	25	42	8	51

Note:
*: from August to December 1998.
Source: Commercial Court at Central Jakarta

Legal certainty including corruption of judicial system in Indonesia, is one of the problems that need to be resolved. Some commentators suggest that judgements are still being bought with bribes[14]. If it is true, debtors' fear of bankruptcy would be reduced; consequently, their attitude for the negotiation on restructuring debt becomes negative. It was decided that Ex-President Habibie would appoint ad-hoc judges to the commercial court on March 25, 1999 [15] and that the salaries of the judiciary would be raised on July 31, 1999 [16].

5. JAKARTA INITIATIVE

In circumstances where foreign creditors prefer to petition for bankruptcy and Indonesian debtors request for debt forgiveness (hair-cut), the Jakarta Initiative was established on September 9, 1999 to search for corporate restructuring

[14] For example, Hartojo Wignyowijoto, an economist says in *Kompas*, October 16, 1998.
[15] Indonesian Letter of Intent on March 16, 1999.
[16] Indonesia Letter of Intent on July 22, 1999.

solutions instead of easy bankruptcy petition. It also provided solutions to private debt problems with domestic banks and owners of obligation.

Under this scheme, the task force of the Jakarta Initiative provides and searches for several solutions between creditors and debtors. First, a steering committee is formed composed of manageable creditors representing different categories of debts for each debtor. Second, a standstill period is agreed between creditors and the debtor. During this period, disclosure of information to the creditors is required to the debtor for smooth negotiation, while maintaining secrecy is also required to the creditors. In addition, repayments of the interest and the principal are reduced or exempted for the debtor, and the creditors cannot sue for any kind of judicial treatments during the period. The creditors can also provide working capital for the debtor in order to support continuous production by the debtor during the period. Third, each debtor would prepare a restructuring plan such as debt forgiveness, rescheduling or debt to equity swaps. Finally, when the plan gets support from a significant majority of the creditors, implementation of the debt structuring is commenced. On the other hand, the debtor failed to get the support, the debtor cannot help searching for another way for restructuring by way of commercial court[17].

At the beginning, the Jakarta Initiative was not accepted, especially by foreign creditors. At the conference of foreign creditors and Indonesian debtors held on October 7, 1998, foreign creditors requested for the transfer of debtors assets and did not express their expectations for the Jakarta Initiative. In March, however, more than one hundred firms had been seeking assistance from the Task Force of the Jakarta Initiative and the registration of debtors drastically increased until July 1999. (Most of the manufacturing sectors had gotten out of the bottom from the fourth quarter of

Table 4. Firms that had Sought Assistance From

[17] This scheme was based on *Kompas* on September 11, 1998 and on the Indonesia Letter of Intent on July 29, 1998. For the idea was already introduced in the Letter of Intent before the name of "Jakarta Initiative" was given.

and Registered on Jakarta Initiative

Date		Number of Firms	Number of Workers	Private Debt (US$ millio)	Private Debt (Rp.Billion)	Source
Oct. 1)	1998	About 12		3,000		LoI. Oct. 19, 1998
Nov. 2)	1998	25		5,000		LoI. Nov. 13, 1998
Mar. 3)	1999	Over 125	220,000	17,500	7,800	LoI. Mar.17, 1999
May 20 1999		168	210,000			*Kp.* May. 21, 1999
Jun. 4)	1999	182	242,000	20,800	11,600	*Kp.* Jun. 4, 1999
July 7	1999	234		24,000		LoI. Jul. 22, 1999
Nov. 19	1999	304	268,754	24,222	14,430	Kp. Nov. 20, 1999
Dec. 31	1999	323	268,512	23,275	14,667	TFJI
Jan. 31	2000	330		23,275	14,686	TFJI

Notes:

1) Concerning firms that Task Force of Jakarta Initiative had met.
2) Concerning firms that had sought assistance from the Task Force of the Jakarta Initiative.
3) Concerning firms that had been seeking assistance from the Task Force of the Jakarta Initiative.
4) Concerning firms that had been assisted by the Task Force of the Jakarta Initiative
5) Other firms are that registered for Jakarta Initiative.
6) LoI. is abbreviation of "Letter of Intent," *Kp.* is that of "*Kompas*" and TFJI is that of Task Force of Jakarta Initiative.

1998 to the second quarter of 1999)[18]. Furthermore, foreign investors' interests in Indonesia have been raised since February because the value of the rupiah was anticipated to appreciate after the general election on June 4, 1999[19].

As of January 31, 2000, 330 debtors had registered with the Jakarta Initiative and 65 debtors had reached agreements with the creditors.[20] 138 out of the 330 debtors, and 40 out of the 65 debtors were small and medium firms (Table 4 and Table 5). With an assumption of Rp. 7,425 per one US dollar as of January 31, 2000, the amount of private debts which debtors had registered in the Jakarta Initiative equaled to

[18] Ishida (2000).

[19] For example, *Kompas* on February 12 and 15 in 1999 reported.

[20] *Kompas*, October 9, 1998 and October 13, 1998.

Table 5. Firms that Succeeded in Reaching Agreement through Jakarta Initiative

Date	Number of Firms	Number of Workers	Private Debt (US$ million)	Private Debt (Rp. Billion)	Source
Mar. 1999[1)]	15	17,000	2,000	600	LoI. Mar.17, 1999
May 20 1999	20		2,600		*Kp.* May. 21, 1999
Jun. 1999	20		2,600		*Kp.* Jun. 4, 1999
Jul. 7 1999	22		3,000		LoI. Jul. 22, 1999
Nov. 19 1999	46	86,045	3,252	2,286	*Kp.* Nov. 20, 1999
Dec. 31 1999	59		3,252	2,303	TFJI
Jan. 31 2000	65				TFJI

Notes:

1) Concerning firms that have reached some form of arrangements with creditors.
2) Other firms are that reached agreements with debtors.
3) LoI. is abbreviation of "Letter of Intent," *Kp.* is that of "*Kompas*" and TFJI is that of the Task Force of the Jakarta Initiative.

US$ 25,253 million or Rp.187,503 billion. This accounts for about 20% of the total debt as of September 30, 1999[21].

6. DEBT RESTRUCTURING BY WAY OF IBRA

6-1. Launching of Debt Restructuring by IBRA

The Indonesian Bank Restructuring Agency (IBRA) has so far liquidated 48 private banks, taken over 14 private banks and recapitalized seven banks since its establishment on February 27 1998 (Table 6). In addition, IBRA has taken over bad credits from state banks. As for the bank restructuring policy announced on March 13, 1999, the deposit of banks for recapitalization, banks taken over by government and banks liquidated accounted for 12%, 25% and 5% of total bank deposits, respectively[22]. The deposit of all state banks

Table 6. Restructuring Process of Banking Sector

[21] 20.2% in case of US dollar and 17.8% in case of rupiah. The difference happens because of the difference of exchange rates between September 30 1999 and January 31 2000.

[22] Indonesia Letter of Intent on March 16, 1999.

	Banks Liquidated	Banks Taken Over by Government	Banks for Recapitalization
April 4 1998	+7	+7	
May 28 1998		+1	
August 21 1998	+3	−4	
March 13, 1999	+38	+7	+9
April 29, 1999		+1	−1
July 23,1999		+1	−1
December 11, 1999		+1	
Total	48	14	7

Sources: Compiled by the author based on *Kompas*, IBRA (1999) and Press Information published by IBRA on December 13, 1999.

accounted for about 47% of this as of the end of February[23]. That is to say, 89% of all the bank deposits in Indonesia could be supervised by IBRA.

This enabled IBRA to resolve the domestic private debt problem. As a matter of fact, IBRA took over all the credit of the liquidated banks and bad credit which was more than Rp. 5 billion of the banks taken over and state banks[24]. At the same time, the Letter of Intent on March 16, 1999 ordered the state banks to resolve the debts of their 20 largest debtors by way of loan recovery, restructuring or bankruptcy filing. This list of the 20 largest debtors was required to announce by IMF as well as other organizational representation, although some political pressures were likely to be imposed by debtors[25]. As a result, on May 7, 1999, Eko S. Budianto, deputy chairman of IBRA, said that he would announce the name of uncooperative debtors if the debtors would not undertake the IBRA restructuring process before August 30, 1999. However,

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[23] Bank Indonesia, "Indonesian Financial Statistics."

[24] According to the categorization of Bank Indonesia, bank credits are categorized into five groups, category 1 (normal credit), category 2 (special mention), category 3 (sub-standard), category 4 (doubtful) and category 5 (loss). The bad credit here is equivalent to the credit of category 5, which has been unpaid for more than 270 days.

[25] Prior to the meeting with Hubert Neiss, Director of South-east Asia and Pacific Department of IMF, on May 4, 1999, Markus Permadi, an official of Minister of the Empowerment of State owned enterprises, opposed to the announcement of the list of 20 largest debtors as well as Ginandjar Kartasasmita, Coordinating Minister of Economy, Finance and Industry, Tanri Abeng, Minister of the Empowerment of State owned enterprises, Syahril Sabirin, Governor of Bank Indonesia and Eko S. Budianto, deputy chairman of IBRA (*Kompas*, May 5, 1999).

because of ongoing political pressure, the names of 1,689 debtors of state banks and banks taken- over whose debts were more than Rp. 5 billion were announced on June 1, 1999 without waiting for the August deadline. As past of its concrete measures, IBRA and 24 banks summoned the debtors and pressured them to undertake debt restructuring. Out of the 1,689 debtors, about half (whose debt exceeded each Rp. 25 billion) were adopted by IBRA and the remainder (with debts between Rp. 5-25 billion) were restructured with domestic or foreign consultants (*Kompas*, June 2, 1999). Interestingly, debtors with more than Rp. 50 billion outstanding accounted for only 0.5% of all debtors, but accounted for 72.9% of the total loans outstanding (Table 7).

6-2. Scheme Presented by IBRA

With regards to the scheme presented by IBRA, on April 30, 1999, Bambang Subianto, the former Finance Minister, suggested four alternatives as settlements for the domestic private debt problem as follows[26]:

1) Corporate restructuring
2) Foreclosure of loan collateral
3) Sale of loans or receivables
4) Legal settlement

Table 7. The Number of Accounts and Debtors and the Amount of Loan Outstanding

	Account		Debtor		Loan Outstanding	
Less than Rp. 1 billion	223,432	95.6%	155,575	96.3%	9,971	4.3%
Rp. 1billion – less than Rp. 5 billion	5,150	2.2%	2,834	1.8%	12,015	5.2%
Rp. 5 billion –less than Rp. 50 billion	4,080	1.7%	2,317	1.4%	40,919	17.6%
More than Rp. 50 billion	984	0.4%	830	0.5%	169,508	72.9%
Total	233,646	100.0%	161,556	100.0%	232,413	100.0%

Note: Loans Outstanding is measured in Rp. billion.
Source: calculated by the author based on IBRA (1999).

On the other hand, the Finance Minister said that the debtors

[26] Based on *Kompas*, May 1, 1999 and home page of IBRA, 'http://www.bppn.go.id/'.

would be categorized into four groups as follows:

A: Business is prospective and debtor has good intention (cooperative)
B: Business is not prospective, but debtor has good intention (cooperative)
C: Business is prospective, but debtor does not have good intention (uncooperative)
D: Business is not prospective and debtor does not have good intention (uncooperative)

Solutions for type A debtors, included negotiation for debt restructuring by way of the Jakarta Initiative or between a debtor and creditors, (that is, out of court actions are taken). Solutions for type B debtors included commercial settlements such as collateral taken over were sought out of court. For Type C debtors, initial legal actions were taken to induce cooperativeness. In cases where the debtor was still uncooperative, further legal actions would be taken, for example involving assets take over and pleas of bankruptcy. For type D debtors the same kinds of legal actions were taken.

On May 7, 1999, Eko S. Budianto, deputy chairman of IBRA, presented seven steps to be taken by debtors in negotiating the debt restructuring[27].

1) Agreement on starting negotiation between a debtor and creditors
2) Agreement on "standstill"
3) Nomination of a judicial consultant, a financial consultant and an accountant
4) Due diligence
5) Restructuring negotiation
6) Final agreement on restructuring
7) Starting for implementation of restructuring agreement

6-3. Signing the "Letter of Commitment"

After the announcement of the 1,689 debtors in June, IBRA

[27] Based on *Kompas*, May 8 1999 and home page of IBRA.

summoned the 200 largest debtors to the Dharmawangsa Hotel in Jakarta on June 12, 1999 (*Kompas*, June 13 1999). The debtors were required to sign a "Letter of Commitment" as the first step in the debt restructuring process.

In the "Letter of Commitment" prepared by IBRA, debtors were required to fulfill several conditions. First, they were required to transparently disclose all the necessary information to IBRA. Second, they were obliged to prove to pay the cost newly caused by the debt restructuring process including business consultant fee. Third, they had to prepare to sell their stocks to third parties in cases where they could not pay for the additional capital needed for debt restructuring, in accordance with the results of analysis. Fourth, they were required to start the legal process for debt restructuring by August at the latest. IBRA would publicly announce as "uncooperative debtors" the names of those debtors who would not sign the "Letter of Commitment", and legal process such as seizing the property of debtors would be taken between July 1 and August 30, 1999[28]. Such letters were also sent to the other 700 debtors whose debt exceeded Rp. 25 billion[29].

Christovita Wiloto, Agency Secretary of IBRA, announced that 225 debtors signed the "Letter of Commitment" until June 22, 1999. Out of the 225 debtors, 173 debtors are on the list of the largest 200 debtors who were summoned on June 22, 1999 (*Kompas*, June 23, 1999). As a result, 26 debtors who failed to sign the "Letter of Commitment" before the end of June were announced as "uncooperative debtors (*Kompas*, July 1, 1999)." It was revealed that the 26 debtors were categorized as "uncooperative debtors" because they changed several sentences of the letter prepared by IBRA (*Kompas*, July 2, 1999). Out of the 26 debtors, there were three firms of the Tirtamas Group.

As of September 1, 1999, however, nine debtors out of the 26 had shown positive attitudes towards signing the "Letter of Commitment."(*Kompas*, September 2, 1999). Moreover, other 19 debtors had already been negotiating with IBRA for the final agreement on restructuring, 10 others had already proposed a "business plan" and 34 debtors had been on the

[28] *Kompas*, June 13 and June 17, 1999.
[29] *Kompas*, June 16 and June 23, 1999.

process of due diligence until August 31, 1999. Thus, a total of 63 debtors out of the 739 undertaken to be restructured by IBRA had already began the process after signing the "Letter of Commitment". This totals to Rp. 47,401 billion in debt restructuring[30].

6-4. Delays of Restructuring Process Caused by Bank Bali Scandal

These decisive measures taken by IBRA seemed to give better prospects to the creditors annoyed by "uncooperative debtors" who had never expressed their willingness to pay back their debts. Not only did announcements of the 1,689 debtors and 26 "uncooperative debtors" shame those involved, it also indicated to the financial community those clients to whom it would be risky to lend money to.

Only limited news on the progress of debt restructuring process, however, had been reported for about three months since the middle of July. On July 30, 1999, the Bank Bali scandal then erupted as a major political issue with the exposure of illegal fund transactions by the bank to companies affiliated with Habibie's re-election campaign. One of the deputy chairmen of IBRA, Pande Lubis was suspected of being involved in the political scandal and he became non-active on August 6, 1999 (*Kompas*, August 10, 1999). Glen Yusuf, the former chairman of IBRA, was also required to explain his role in this matter several times. As a result of overshadowing by the Bank Bali scandal, legal measures that were going to be taken against the "uncooperative debtors" still remain pending.

As a matter of fact, Eko S. Budianto admitted that the Bank Bali scandal delayed the negotiations for the debt restructuring with debtors on September 1, 1999 (*Kompas*, September 2, 1999). He also pointed out that debtors postponed the payments by taking advantage of the scandal.

Table 8. Repayments of Debtors to IBRA (Rp. billion)

April	May	June	July	August	September	October*
200	230	390	610	380	280	100

[30] Press Release of IBRA dated on September 1, 1999.

Note:
*: until October 15, 1999.
Source: compiled by the author in accordance with *Kompas* dated on October 25, 1999.

This comment is supported by the information in Table 8 showing the amount of payback from debtors to IBRA from April to October. Eko S. Budianto also admitted that IBRA could not take decisive legal actions before the Minister of Finance issued the instruction and implementation regarding Government Decree No. 17 on October 4, 1999[31].

6-5. Restarting of Debt Restructuring Process by IBRA after New Government

Since the new government of Abdurrahman Wahid was established on October 29, 1999, the private debt problem has been one of the challenges to be overcome. On November 17, 1999, the President called Glen Yusuf, the Chairman of IBRA, to speed up the bank restructuring process (*Kompas*, November 18, 1999). Although the enforcement of Government Decree No. 17 of 1999 on IBRA was still controversial because its judicial review by the supreme court had not yet been finished, IBRA enforced it for the first time on December 21, 1999. IBRA did this by seizing the land of PT Sinar Slipi Sejahtera (owned by Ny Siti Hardiyanti Rukmana, the daughter of the former President Soeharto), because the firm had not signed the "Letter of Commitment" although IBRA pressed for signing several times (*Kompas*, December 22, 1999).

On the next day, IBRA announced that it would also take legal actions against another 118 "uncooperative debtors"(*Kompas*, December 23, 1999). By the end of 1999, IBRA sued three "uncooperative debtors," (PT Tirtamas Comexindo, PT Sol Elite Paradiso and PT West Kalindo Pulp Papermill), all of which had not signed the "Letter of Commitment" for bankruptcy with the commercial court.

7. MEASURES FOR CORPORATE RESTRUCTURING

Roughly speaking, corporate restructuring can be divided into

[31] *Kompas*, October 25 and November 19, 1999.

operational restructuring and financial restructuring. The operational restructuring and the financial restructuring complement each other, thus each of them cannot be shortened.

7-1. Operational Restructuring[32]

Operational restructuring is categorized as ways to improve the management by realizing positive cash flow. It can be divided into two phases. The first phase is a phase of stabilization which is undertaken to reduce deficit and to realize a profitable management. This phase is composed of the following measures:

1) to concentrate the management on the core business which has comparative advantage;
2) to reduce surplus of labor and to remove the labor force from, the indirect to direct sector;
3) to rationalize and sell off non-core business and non-operating assets;
4) to improve financial management and accounting systems;
5) to improve management information systems;
6) to introduce incentive schemes for employees and reeducate managers and employees.

The second phase is a phase of expansion. This phase is done after realizing a positive cash flow and usually takes several years for implementation. This phase includes, the development of new goods and services in the competitive arena, as well as development of specific marketing strategies, innovative management strategies, et cetera.

7-2. Financial Restructuring

Financial restructuring is a way to reduce the burden of debtors by way of restructuring corporate debt or reinforcing the capital.

The most general measure of financial restructuring is debt rescheduling, which postpones the debt payment due on a

[32] This subsection and the following subsection are based on Rivera-Batiz (1994), Kusakabe and Horimoto (1999), and Okachi (1993).

particular date. It is sometimes accompanied with a reduction in interest. Debtors can be exempted from paying the principal or interest temporarily. Debt rescheduling is partially effective in that it gives opportunities for restructuring to prospective debtors. For creditors, however, debt rescheduling has few advantages. On the contrary, the balance sheet of creditors can be worsened by the lower liquidity caused by debt rescheduling.

Experiments involving the debt crisis in Latin American countries in 1980s can be utilized, although they were government debt crises instead of private debt crises because some of the creditors to the governments were commercial banks instead of foreign governments and international organizations. In 1983, secondary markets for external debt were developed to provide an exit for depreciated credit and to increase the liquidity of external debt assets. In a word, the face value of the credit to developing countries was depreciated because of uncertainty with the repayment.

A debt buyback is a scheme that a debtor uses to buy back the bond from the creditors at discount prices in the secondary market. Debt buybacks can be financed internally or externally. In an internally financed buyback, the debtor provides his own cash for the purchase of the secondary debt. On the other hand, an externally financed debt depends on funds provided by the third parties. It is also possible to buy back the credit with an exchange of assets or another type of debt instead of cash. Thus, the debtor does not have to pay the principal and interest for the exchanged debt. Debt buyback schemes, however, can cause easy requests from the debtors for more discounted prices, thus strict restructuring plans for debtors need to be presented in order to avoid moral hazards from arising.

A simple debt to equity swap is a scheme that a debtor buys back for credits from creditors at discount prices in exchange for its equity. As a result, the creditors increase the equity and debtors become free from the payments of principals and interests. Furthermore, in a case that a creditor is not interested in holding shares, it is also possible for a debtor to seek investors who would like to buy the credit at discounted prices and for the new investors to get the equity in exchange for the credit. Debt to equity swap is one of the most popular measures of debt restructuring as well as debt rescheduling. Other than the above-mentioned measures, debt forgiveness, "hair-cut" in other words, can also be undertaken. This is a way that creditors with good will forgive a debtor to pay the all or some parts of debt.

With regards to reinforcing capital, there are several methods available such as issuing new stocks at capital market, increasing capital by way of rights issues, increasing internal reserves, selling stocks to foreign investors and issuing convertible bonds or bonds with warrant. It is not easy, however, to reinforce the capital in situations where the economy and society are still thought to be unstable, such as in present-day Indonesia.

8. SEVERAL CASE STUDIES

8-1. PT Danareksa

PT Danareksa was indebted to 53 creditors of 13 countries to the amount of US$ 370 million. Out of the 53 creditors, 49% of them requested to be paid back, and the 51% was intended to take part in the restructuring process. Thus PT Danareksa bought back the debt of US$ 182 million at 49.6% of the face value. Then the rest of US$ 196 million (51%) was restructured by giving two alternatives to the creditors. The first alternative involved US$ 48 million being paid in installments with an interest of LIBOR plus 0.75% for three years. As for the second alternative, the period of repayment is 8 years, and the interest for the first three years is LIBOR plus 2% and that for the last three years is LIBOR plus 6%. The payments for the second alternative can be advanced by PT Danareksa and 25% of the payments were assured. As a result, 79% of debtors involved in the restructuring process by choosing the second alternative. Therefore, measures adopted by PT Danareksa can be said to be the combination of debt buyback and rescheduling.

8-2. PT Bakrie Brothers

PT Bakrie Brothers was indebted to more than 200 creditors for US$ 1,250 million. Of these creditors, 93% were foreign and 7% were domestic. 63.5% out of the creditors sat in on negotiations and 73% out of these agreed to the debt to equity swap in Singapore on April 26, 1999 (Figure 6)[33]. According to the scheme, the committee of creditors and PT Bakrie Brothers agreed to organize a Master Special Purpose Vehicle (MSPV) in August 1999. The MSVP was planed to hold a 33.54% share of PT Bakrie Brothers and an 80% share of five related firms. As a result, the share of PT Bakrie Brothers owned by the Bakrie family decreased from 50.99% to 17.45%. The case study of PT Bakrie Brothers is one typical example of a debt to equity swap. It took 16 months for the negotiation

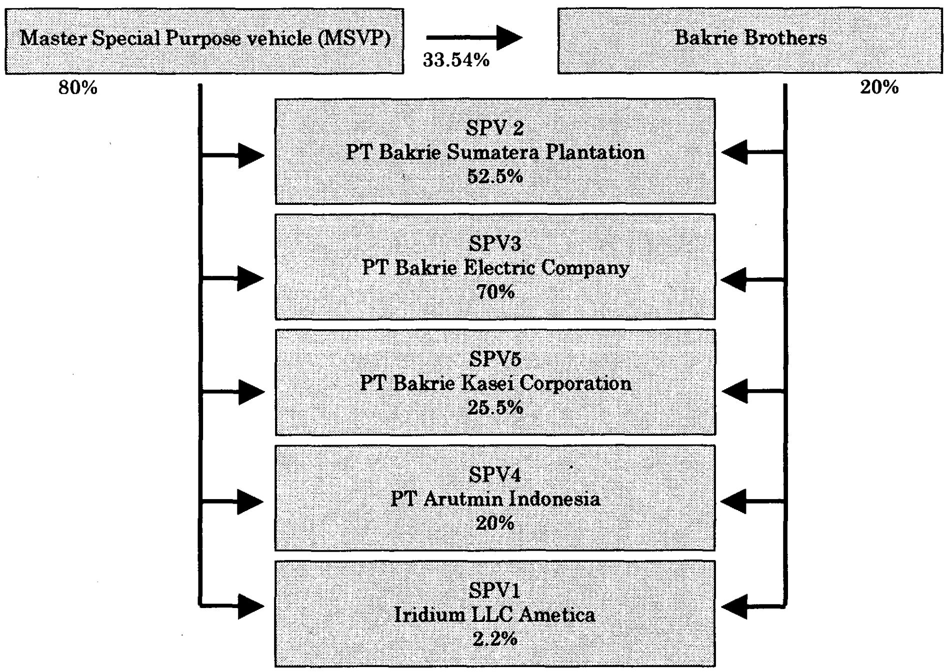

Figure 6. Debt to Equity Swap by PT Bakrie Brothers
Source: *Kompas*, April 27 and *Kompas* May 23, 1999

with creditors, and the Task Force of the Jakarta Initiative supported the debt to equity deal[34].

[33] Several creditors such as Export -Import Bank of the U.S. and some Korean firms did not agree to the scheme according to *Kompas* dated on May 22, 1999. The Export -Import Bank of the U.S. was not satisfied with the disclosure by PT Bakrie Brothers.

[34] This paragraph is mainly based on *Kompas* dated on April 24 and April 27, 1999.

8-3. PT Astra International

PT Astra International was said to be indebted to about foreign and domestic creditors for about US$ 1.7 billion (using the assumption that one dollar is equal to Rp. 10,700, the exchange rate of Bank Indonesia on September 30 1998)[35]. As a matter of fact, the number of cars sold in the domestic market by Astra group dropped from 195,048 in 1997 to 40,685 in 1998 (*Kompas* January 16, 1999). The industry of durable final goods was the most badly affected by the economic crisis and it took the longest to bottom out[36].

Nevertheless, the corporate restructuring undertaken by PT Astra International was praised as one of the best model cases for several reasons (Table 9). The types of creditors involved in this restructuring vary depending on whether they were domestic or foreign creditors, or whether they lent money as a member of a syndicate or lend directly. This also resulted in a variety of restructuring requests being received. Although PT Astra International hoped to resolve the debt restructuring by way of long term rescheduling, it provided several alternatives to its creditors. First, for creditors who required to be paid back as soon as possible, Astra bought back their corporate bonds with the discounted price between February 12 and March 13, at a cost of US$ 45 million. The higher discount rate of dollar corporate bonds in comparison with rupiah bonds seems to suggest Astra's higher dependence on the domestic market. Second, Astra provided three options for the rescheduling scheme ranging from a three year plan to a seven and a half year plan. The most noteworthy thing is that Astra got the unanimous agreement from creditors on the restructuring. According to Tadahiro Asami, advisor to president of the Bank of Tokyo-Mitsubishi, one of

Table 9. Corporate Restructuring of Astra Group

[35] *Kompas*, January 29 1999.
[36] Ishida (2000).

Date	Measures Taken by Astra	Remarks
July 31 1998	PT Astra International and PT Astra Graphia sold the stock of PT Astra Microtronics Technology.	AI: 95,066,000 stocks AG:16,420,850 stocks
September 14 1998	PT Astra International, PT Astra Graphia and Round Task Limited sold all the stocks of PT Astra Microtoronics Technology to New bridge Asia.	$US90 million
September 24 1998	PT Astra International sold 20% and 5% stock of PT Astra Daihatsu Motor to Daihatsu Motor Co Ltd and to Nichimen Corp, respectively.	Rp. 450 billion AI: 75% → 50% DM: 20% → 40% NC: 5% → 10%
October 22 1998	PT Astra International postponed the payments of principal and interests until get the agreement with creditors on the restructuring plan.	
	PT Astra also decided not to extend the contract of contracted workers.	
February 12 – March 12 1999	PT Astra International bought back the rupiah bond with a discounted price, 96.5% of faced value.	Rp. 250 billion
	PT Astra bought back dollar bond with a discounted price, 30% of faced value.	$US 24.3 million
April 12 1999	PT Astra Internationa sold 17.5% of the stock of Makro, a super market chain in Indonesia.	$US 1.225 million
June 23 1999	PT Astra International reached an agreement with all the creditors on debt rescheduling of $US 979 million and Rp. 926 billion.	
	<u>Series 1 (3 Year Plan)</u> A. SIBOR (3 month) + Margin B. Max 35% + Margin 1) Margin started with 1% and become 2% when one year would have passed. 2) Interests are paid every three months. 3) Principals would be paid after two years have passed.	$US 200 million Rp. 198.9 billion
	<u>Series 2 (6 and Half a Year Plan)</u> A. SIBOR (3 month) + Margin B. 3 month time deposit + Margin 1) Margin started with 1% and would become 5% at the last year. 2) Interests are paid every three months. 3) Principals would be paid every six months from the forth year.	$US 705.4 million Rp. 701.7 billion
	<u>Series 3 (7 and Half a year Plan with Warrant)</u> A. Annual interest rate of 6.5% B. Annual interest rate of 15% With warrant of 258, 406, 942 stocks, 10% of all the stocks.	$US 100 million Rp. 99.4 billion

Source: compiled by author in accordance with *Kompas* dated on August 1, 1998, September 15, 1998, September 25, 1998, October 22, 1998, November 2, 1998, January 29, 1999, February 16, 1999, March 26, 1999, April 13, 1999, May 24, 1999 and June 24, 1999.

the members of the creditor committee, Astra responded to the creditor's request for full disclose of information on Astra's entire group of firms[37]. However, it took 11 months for the negotiation (*Kompas*, June 24, 1999).

Furthermore, Astra also made efforts for its operating restructuring. First, selling all the stock of PT Astra Microtoronics Technology to New bridge Asia, as well as some parts of Makro supposedly reducing the burden of financial difficulties and focussing on core business. Second, Astra did not extend the contract of 200 contracted workers, although it supported their reemployment in other subsidiary companies, such as the newspaper. Third, Astra increased its exports in corporation with their joint venture partners including Toyota and Daihatsu in the face of the shrunken domestic market. As a matter of fact, the increased equity of Daihatsu Motor to PT Astra Daihatsu is reported to have promoted exports[38].

9. CONCLUDING REMARKS

Facilities and schemes for the resolution of the private debt problem in Indonesia are diverse. The results of the analysis so far are summarized here and the prospects on the problem are also presented as concluding remarks.

At least until the last quarter of 1998, solutions to the private debt problem could not been seen for several reasons. Firstly, the Indonesian economy was seriously damaged at that time. Thus creditors were likely to choose to file for bankruptcy of the debtor using one of two alternatives, (a file to the commercial court or bilateral or multilateral solutions between a debtor and creditors utilizing INDRA). Secondly, those debtors heavily damaged by reduced domestic demand and higher debt servicing costs were apt to avoid negotiations with creditors.

The launching of the Jakarta Initiative was undertaken in

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[37] JICA International Seminar on Indonesia, on September 2 1999.

[38] Rini MS Soewandi, former president of PT Astra International who had played an important role in the corporate restructuring of the company, was removed from the board of directors at the special shareholders' meeting on February 8, 2000. She was removed for protesting to IBRA, the 45% shareholder of the company, which had tried to sell off the share to specific investors (*Kompas*, February 9, 2000). In this paper, however, analysis and evaluation on this event will not be undertaken.

an attempt to find another method to promote bilateral or multilateral solutions out of court. With the bottoming-out of the economy (started by the restoration of the rupiah exchange rate) more cooperative debtors began to come to the negotiation table. The importance of negotiations between a debtor and creditors was proved by the case study of PT Astra International and it was also proven that it took considerable time for the resolution. Although the registration of private debtors is supposed to still be underway, about 20% of the debtors out of the amount of total private debts are registered in Jakarta Initiative.

Legal uncertainties, particularly due to suspected corrupt judges, have made debtors more uncooperative. In such situations, it is unlikely that the Jakarta Initiative would have even been effective at bringing such debtors to the negotiation table. IBRA, actually established for the restructuring of the banking sector, sought several ways to lead them to undertake the debt restructuring process. To a certain extent, the announcement of the list of debtors in the state banks and banks taken over by the government succeeded in making uncooperative debtors commence negotiations. In this meaning, roles played by the Jakarta Initiative should be also expansive in order to smooth the negotiations for the debt restructuring. The 620 debtors out of the 739 large scaled debtors have already signed the "Letter of Commitment."

Furthermore, legal actions undertaken by IBRA against uncooperative debtors, which has just begun will provide further fungible results as filing for the bankruptcy of uncooperative debtors to the commercial court, so they are also expected to improve the outcome of judgements in the commercial court. Even if the judgements by the commercial court do not improve markedly, another way to take legal action by enforcing Government Decree 17 in 1999, thus will cut off the retreat of the uncooperative debtors. Although the debt restructuring process enforced by IBRA is provided in order to resolve the domestic private debt problem, it can be also expected to resolve some external debt problems. This is because a significant number of debtors are thought to be indebted not only to IBRA, but also to foreign creditors. Obligation of forming a creditor committee that enforced to the debtor will perhaps be helpful to the resolution of external debt problem. But if there are creditors who suffer from an uncooperative debtor who is not indebted to IBRA, the existing facilities still cannot help such creditors unless the commercial court becomes more effective.

Before closing the concluding remarks, the scheme of INDRA should be discussed. At the very least, the performances of the best exchange rates decided by INDRA were good enough for debtors, except when the rupiah currency appreciates suddenly. As far as a sudden appreciation of the rupiah after a depreciation phase does not fall at the time of deciding the final best exchange rate, the scheme of INDRA will be effective to protect the debtors from the risk of further currency depreciation.

Many final agreements on the restructuring of debt hope to be reached between debtors and creditors in the year 2000. At the same time, however, new challenges concerning the implementation of restructuring plans will have to be overcome.

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