

## Reform Tide Turning in Jakarta

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Indonesian Finance Minister Sri Mulyani Indrawati and Vice President Boediono may be gaining ground in their effort to halt attempts to oust them from President Susilo Bambang Yudhoyono's government over the U\$710 million bailout of Bank Century, which capsized in November 2008 due to massive corruption.

Sri Mulyani faced down a 32-member House of Representatives inquiry committee Wednesday, calmly answering a barrage of questions despite repeated interruptions from lawmakers. Earlier concerns that the political circus in the House, which has pointedly avoided some obvious targets of any real investigation in favor of grandstanding about the Finance Minister, would claim the valued technocrat seem to ease as she came through the ordeal with flying colors. At one point, her admirers gave her a bouquet of flowers as she entered the parliament. At the end of her testimony, Idrus Marham, the chairman of the committee, said she might be summoned again but gave no schedule.

The real action over calls for Sri Mulyani to resign and maneuvers by some lawmakers to start impeachment proceedings against Boediono, has been not in the televised spectacle of the hearings but in the presidential palace. After weeks of wobbling, on Dec. 17 Yudhoyono stood up publicly and let it be known that he supported the two following a meeting in which Sri Mulyani reportedly asked him if he intended to throw the pair to the wolves. Both Sri Mulyani and Boediono privately have threatened to quit if either of them was pushed out, well-placed sources insist. "They are united," said a source close to the vice president.

Earlier this week, an official with Yudhoyono's Democratic Party also said that a cabinet reshuffle might be in the wind. This was widely interpreted as a threat directed at troublemakers in the ruling coalition who were attacking the two in the House. They could lose out by having their parties booted from the cabinet if they don't get in line.

In addition, Yudhoyono's chief Islamic party ally and closest advisor, Hatta Rajasa, the Coordinating Economic Minister, took over the chairmanship of the National Mandate Party (PAN) this week, and promptly replaced some of his party's vocal critics on the House panel with his own allies.

At issue in the House is the fact that Sri Mulyani was in charge of the Committee for Financial Sector Stability, which came to the rescue of the ailing bank. Opposition members charged that she and Boediono, then the central bank governor, had far exceeded their authority and the amount of funds authorized by the legislature in bailing out the bank, a tar baby that has stuck to everybody it touches — not only Sri Mulyani and Boediono but the national police force, the attorney general, some of the country's richest families and the Corruption Eradication Commission (KPK). A recent book has leveled high-profile charges that foundations associated with Yudhoyono misappropriated bailout funds for political purposes during last year's election cycle. .

Interestingly, the committee has shown no interest in probing the trail of where the bailout money went after it entered Bank Century, which is now called Bank Mutiara. There has been no move to question the Democratic Party or political operatives like Hatta, who has been inked by some sources to the campaign financing issue.

In addition, Century's largest depositor, one-time tobacco magnate Budi Sampoerna, one of the country's richest men and a Yudhoyono ally, benefitted greatly from the bailout because his sizable holdings were saved from disappearing in the collapse. The House committee has no plans to summon him either and lawmakers have barely uttered his powerful name.

Sri Mulyani told the committee that the bailout played a major role in saving the financial system, which at that time was at risk because of the global credit crisis. The worsening financial panic kicked off a run on Bank Century as depositors fled, with the management — some of whom are now in prison for fraud while others are on the run — announcing the bank was insolvent and raising concerns that other banks would follow it into insolvency. The collapse of the bank, she told lawmakers, would have eaten into confidence in the banking sector and put it under enormous pressure.

"All the horrid economic predictions about layoffs in the hundreds of thousands, growth contractions and enormous crisis cost did not materialize. Instead, our state budget today is one of the best in the world and [we are] one of the fastest growing countries," she told the committee.

Sti Mulyani's recitation that the action was done for the good of the country follows the same script as Boediono's in his two appearances before the committee. If anything, she was stronger and clearer. The two of them have plotted a joint strategy to keep the focus of their answers on the decision to bail out the bank and not to allow the discussion to wander into areas beyond their authority, sources say.

She had earlier accused Golkar Party Chairman Aburizal Bakrie of plotting to have her ousted over the issue. She claims that her actions as Finance Minister, especially moves taken to tame Bakrie's huge mining interests in the name of reform, were the real reason for the probe into the bailout. Bakrie has denied having any ill will toward the finance minister.

The story of Bank Century has been the story of Indonesian politics over the last several months. Sri Mulyani and Boediono first attempted to staunch the flow of funds from the ailing bank by providing an initial Rp700 billion (US\$71 million) cash lifeline that had been approved by the House of Representatives. Allegedly without authorization, the financial team attempting to save the bank ultimately poured in ten times what was originally approved.

Bank Century is no stranger to scandal. It was created out of three troubled smaller banks in 2005. When the bank fell into trouble, its major shareholder, Robert Tantular, is believed to have moved as much as US\$1 billion overseas. He is now in prison over the collapse. A recent report by Indonesia's Supreme Audit Agency said as many as 40 percent of the bailout funds were in effect illegal. The Financial Transaction Reports and Analysis Center found irregularities in at least 59 transactions involving Rp146.7 billion in transfers.

Last year, the Corruption Eradication Commission (KPK), as part of an investigation, recorded conversations between Susno Duadji, a police general who was then chief of detectives for the National Police, and individuals involved in Bank Century. When that got out, it precipitated a confrontation between the national police and the attorney general, who are notoriously corrupt, and the KPK, which has so far put some 100 public officials in jail. The police later arrested two anti-graft commissioners, Bibit Samad Rianto and Chandra M Hamzah, and charged them with abuse of their authority. Other taped conversations caught police discussing how to frame the two.

The Bank Century mess has stymied Yudhoyono. He waffled for weeks over giving his support to his two most respected public officials, leading to public questioning of his credentials as a corruption fighter. He told the public he would allow Indonesia's notoriously corrupt legal process to run its

course in the case of the two KPK officers that the national police were in effect holding hostage to stop the investigation into Susno and others.

The charges against the KPK officials were finally dropped under pressure from Yudhoyono, and Susno lost his job, although he remains virtually untouchable due to his connections and inside knowledge of police dealings.

Bakrie sought to take advantage of the situation. Virtually on the eve of the opening of the new legislature, Bakrie maneuvered Golkar back into the government, abandoning the opposition and winning three cabinet seats.

Golkar began demanding an investigation into the affair. The committee was set up in early December with a Golkar representative elected to chair the committee. The committee immediately began demanding Sri Mulyani and Boediono's suspension. It was at that point that Yudhoyono finally gave the two his support.

The finance minister, who has won plaudits from overseas investors and bankers for her efforts to clean up the government, took her case public in an interview with the Wall Street Journal, saying Bakrie was unhappy with her cleanup campaign and that his party was behind the efforts to oust her.

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