

HISTORY OF BANK INDONESIA : INSTITUTION
Period from 1966-1983



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Highlights

The event surrounding the 11 March 1966 Mandate (Supersemar) and the dissolution of the Indonesian Communist Party (PKI) on 12 March 1966 marked the birth of the New Order regime. Based on these two major events, the Provisional People's Consultative Assembly (MPRS) approved the power transfer. On 12 March 1967, Soeharto was appointed Acting President to replace Soekarno. Soeharto began the era of the New Regime by stabilizing the sociopolitical condition. The 'Gotong Royong' House of Representatives (DPRGR)/Provisional People's Consultative Assembly (MPRS) was revamped, party system was simplified and the Indonesian Armed Force was given the dual role. Political stability was maintained throughout the period of 1966-1983 despite a few protests against the government. Until March 1983, Soeharto was elected President for the fourth time, and Golkar (the Government Party) gained more stronghold in the political arena and became an open political party for the public.



As the initial step in revamping the economic sector, the New Order Government carried out stabilization and rehabilitation programs through the Ampera Cabinet. These programs were focused on curbing the inflation, food sustenance, rehabilitating the economic means, increasing export and ensuring sufficient supply of clothing. The New Order continued focusing on the economic development throughout the regime. In the early period of the New Regime, the Central Bank and the banking sector played a major and strategic role in the economic development. BI was given more authority than before and implemented the Government's policies. The role of BI was based on three main duties, namely monetary control, bank regulation and supervision and payment system. In addition, BI played the role as the development agent. BI owned a new legal base, namely Act No. 13/1968 concerning the Central Bank which was effective from 31 December 1968. Apart from this act, some of BI's tasks were regulated in Act No. 14 of 1967 re Banking, particularly those related to the supervision and enhancement of banks.

Act No. 13 of 1968 laid down a fundamental change regarding the duties, management structure, roles and responsibilities of BI, although the government's role remained dominant. The changes were among others: the Monetary Board became the Government's assisting institution not BI's management; BI's position was outside the Ministries (government structure) and the BI's Governor was not a ministerial position; BI was prohibited from carrying out any commercial bank activities, and BI held the exclusive title emitting money of which the amount was determined by the Government through the Financial Note submitted to the House of Representatives.

Such vital position in the development made the Board Directors of BI to keep improving its internal organization. One of the foundations used in the organization improvement was the Directives of BI's Board of Directors in 1979 which stipulated that BI's goal was to achieve the monetary and banking conditions which would improve the people's standard of living based on the 1945 Constitution and Act on the Central Bank of 1968. While, BI's main duties were providing advices to the Government, regulating loan disbursement and bank funds, emitting and circulating

banknotes, management foreign exchange and foreign payment liquidity, extending banking services to the Government, supervision, enhancement and development the banking sector and performing other duties in the development. In the early years of this period BI integrated its Foreign Exchange Traffic Bureau (BLLD). Pursuant to the Presidential Instruction No. 10 of 1969, effective from 14 August 1969, the Central Bank's Governor quickly took over the regulating and control of foreign exchange transactions, personnel as well as the rights and obligations of Foreign Exchange Traffic Bureau (BLLD). Such integration was a follow up of the review of Act No. 32 of 1964 regarding Foreign Exchange Traffic Regulation and the implementation of Act on Central Bank of 1968 which confirmed BI's main duties in foreign exchange..