Loan Agreement

Indonesia First Financial Sector Reform Development Policy Loan

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF INDONESIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of :(i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of three hundred million Dollars ($300,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one quarter of one percent (0.25%) the Loan amount.

2.03 The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are February 1 and August 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

2.08. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.
(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank’s financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank’s total financial exposure to the Borrower, as reasonably determined by the Bank.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following: a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02 The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following: the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date sixty (60) days after the Signature Date.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower’s address is:

Directorate General of Budget Financing and Risk Management
Ministry of Finance
Gedung Frans Seda
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710
Indonesia; and

(b) the Borrower’s Electronic Address is:

Facsimile:
+62-21-381-2859

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank’s address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank’s Electronic Address is:

Facsimile:
1-202-477-6391
AGREED as of the Signature Date.

**REPUBLIC OF INDONESIA**

By

[Signature]

Authorized Representative

Name: LUKY ALFIRMAN
Title: DIRECTOR GENERAL OF BUDGET
FINANCING AND RISK MANAGEMENT
Date: MARCH 26, 2020

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

By

[Signature]

Authorized Representative

Name: Satu Kahkonen
Title: Country Director, Indonesia and Timor-Leste
Date: March 26, 2020
Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar A: Increasing the depth of the financial sector

1. BI and OJK have adopted a joint policy framework on agent networks to support the implementation of agent network programs (namely Laku Pandai and LKD).

2. OJK has established standard reporting and improved monitoring of issuances of debt securities in the private placement market, as evidenced by OJK Regulation No. 30/POJK.04/2019.

3. OJK has expanded the number of long-term instruments to be eligible for investments by pension funds and insurance companies, as evidenced by OJK Regulations Nos. 27/POJK.05/2018, 28/POJK.05/2018 and 29/POJK.05/2018.

Pillar B: Improving the efficiency of the financial sector

4. MOLHR has enhanced the supervision of insolvency practitioners as evidenced by MOLHR Regulation No. 37/2018 and Decree No. M.HH-O3.AH.06.06/2019.

5. KOMINFO has introduced a new legal framework on general data protection and privacy through the submission of the draft law on Protection of Personal Data to the Parliament, as confirmed by Nota Dinas No. ND-61/KF/2020 from the Fiscal Policy Agency, Ministry of Finance.

6. In order to advance interoperability of digital payment instruments, BI has issued the QR Indonesia Standard for adoption by financial service providers, as evidenced by BI Regulation No. 21/18/PADG/2019.

Pillar C: Strengthening the resilience of the financial sector

7. LPS has enhanced the timeliness and accuracy of its insured deposit payout function through development of the single customer view (SCV) based data reporting by member banks, as evidenced through issuance of LPS Regulation No. 5/2019.

8. OJK has strengthened the institutional capacity of banks and supervisors in implementing OJK Regulation No. 51/POJK.03/2017 on sustainable finance practices by issuing internal guidelines for banking supervisors.

9. The Borrower has taken steps to establish the legal framework for a disaster mitigation pooling fund by including it in the 2020 Budget Law, as evidenced by Article 45, Law of the Republic of Indonesia No 20 of 2019 regarding the State Budget Fiscal Year 2020.
Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>300,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.

D. Deposit of Loan Amounts. The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Indonesian Rupiah equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions

E. Closing Date. The Closing Date is April 30, 2021.
SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each August 1 and February 1</td>
<td></td>
</tr>
<tr>
<td>Beginning August 1, 2025</td>
<td></td>
</tr>
<tr>
<td>through August 1, 2033</td>
<td>5.56%</td>
</tr>
<tr>
<td>On February 1, 2034</td>
<td>5.48%</td>
</tr>
</tbody>
</table>
APPENDIX
Definitions

1. “BI” means Bank Indonesia, the Borrower’s central bank, or any successor thereto.

2. “Deposit Insurance Corporation (LPS)” means Lembaga Penjamin Simpanan, the Borrower’s Deposit Insurance Corporation, or any successor thereto.


4. “Indonesian Rupiah” means the lawful currency of the Borrower.

5. “KOMINFO” means the Borrower’s Ministry of Communication, or any successor thereto.

6. “Laku Pandai” means the banking network agent program regulated by OJK.

7. “Layanan Keuangan Digital or “LKD” means the e-money network agent program regulated by BI.

8. “MOLHR” means the Borrower’s Ministry of Law and Human Rights, or any successor thereto.


10. “Otoritas Jasa Keuangan (OJK)” means the Borrower’s Indonesia Financial Services Authority, or any successor thereto.

11. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated February 10, 2020 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.

12. “QR Indonesia Standard” means the Borrower’s quick response code for use by payment providers.

13. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

14. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.