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LOAN NUMBER 9395-ID

# Loan Agreement

(Indonesia Human Capital Development Policy Loan)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

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## **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.A 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 thirty-one million three hundred thousand Euros (€331,300,000), 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%) of 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 May 15 and November 15 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.

### **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) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon paragraph (a) and (b) 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, namely, that 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, namely, that 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, namely, that 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 ninety (90) 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:                      E-mail:  
+62-21-381-2859              direktoratPH@kemenkeu.go.id

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

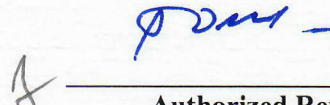
(b) the Bank's Electronic Address is:

Telex:                              Facsimile:                      E-mail:  
248423(MCI) or              1-202-477-6391              [IndonesiaCMU@worldbank.org](mailto:IndonesiaCMU@worldbank.org)  
64145(MCI)

AGREED as of the Signature Date.

**REPUBLIC OF INDONESIA**


By

  
\_\_\_\_\_  
Authorized Representative 87

Name: Suminto  
Title: DIRECTOR GENERAL OF BUDGET  
FINANCING AND RISK MANAGEMENT  
Date: NOVEMBER 29, 2022

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By

  
\_\_\_\_\_  
Authorized Representative

Name: **Satu Kahkonen**  
Title: **Country Director, Indonesia and  
Timor-Leste**  
Date: NOVEMBER 24, 2022

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

#### Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

#### **Pillar A: Improving the Effectiveness of Public Spending for Human Capital**

1. To improve nutrition of pregnant women and decrease childhood stunting across Indonesia, the Borrower has introduced a regulation to formalize the governance arrangements of central ministries and agencies as well as districts and villages, institutional roles and mandates underpinning the expansion of the anti-stunting program, as evidenced by Presidential Regulation No. 72/2021.
2. To reduce the health and economic burden of tuberculosis (TB), the Borrower through the MOH has institutionalized a comprehensive and integrated TB control program with formal governance arrangements including a high-level multistakeholder oversight mechanism, specific institutional roles and mandates, and a monitoring and evaluation framework that tracks performance at all levels of the government, as evidenced by Presidential Regulation No. 67/2021.
3. To facilitate improved access to healthcare in remote areas and in emergency situations, the Borrower through the MOH has (i) standardized the practice of telemedicine, and (ii) provided detailed regulatory guidelines to be followed by public and private sector entities that provide health services through telemedicine during the Covid-19 pandemic, as evidenced by MOH Decree No. 4829/2021.

#### **Pillar B: Protecting Existing Human Capital Investments**

4. To discourage smoking and use of tobacco, the Borrower through the MOF has: (i) increased the average rate of excise taxes for machine-made cigarettes by at least twelve (12) percentage points; (ii) simplified the tobacco classification for white and kretek (clove) cigarettes by reducing the number of tiers from ten (10) to eight (8), and (iii) introduced specific taxes on non-combusted tobacco products including e-cigarettes, as evidenced by MOF Regulation No. 192/2021 and MOF Regulation No. 193/2021.
5. To protect workers' income in the case of unemployment, the Borrower through the MOM has established an unemployment insurance scheme based on mutual obligations principle establishing procedures and conditions for the provision of cash benefit, job training and job-search support, as evidenced by MOM Regulation No. 15/2021.

**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:

Allocations	Amount of the Loan Allocated (expressed in EUR)
(1) Single Withdrawal Tranche	331,300,000
<b>TOTAL AMOUNT</b>	<b>331,300,000</b>

- 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 June 30, 2023.

**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”).

**Level Principal Repayments**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each May 15 and November 15 Beginning November 15, 2027 through May 15, 2032	10%



## APPENDIX

### Section I. Definitions

1. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
2. “MOF” or “Ministry of Finance” means the Borrower’s ministry responsible for finance, or any successor thereto.
3. “MOH” or “Ministry of Health” means the Borrower’s ministry responsible for health, or any successor thereto.
4. “MOM” or “Ministry of Manpower” means the Borrower’s ministry responsible for manpower, or any successor thereto.
5. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 20, 2022 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.
6. “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.
7. “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.