Amendment No. 2 to the Administration Arrangement between the Swiss State Secretariat for Economic Affairs SECO, Federal Department of Economic Affairs, Education and Research EAER and the International Bank for Reconstruction and Development regarding the Indonesia Financial Sector Strengthening Program Multi-Donor Trust Fund (No. TF071971)

1. Reference is made to the Administration Arrangement between the Swiss State Secretariat for Economic Affairs SECO, Federal Department of Economic Affairs, Education and Research EAER (the “Donor”) and the International Bank for Reconstruction and Development (the “Bank”) regarding the Indonesia Financial Sector Strengthening Program Multi-Donor Trust Fund No. TF071971 (the “Trust Fund”) effective as of December 6, 2012, as amended (the “Administration Arrangement”).

2. The Donor and the Bank agree to the following amendments to the Administration Arrangement:

   (a) The name of the Donor, the Swiss State Secretariat for Economic Affairs SECO, shall be deleted and replaced with the Swiss State Secretariat for Economic Affairs SECO, Federal Department of Economic Affairs, Education and Research EAER.

   (b) Section 1.1 of Annex 1 will be deleted and replaced with the following:

   “1.1. Unless the context otherwise requires, the several terms defined in the Administrative Arrangement have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

   (a) “Activities” means activities to be executed by the Bank as described in paragraph 2 of this Annex;

   (b) “Bank Indonesia” means Bank Indonesia, the Republic of Indonesia’s central bank, or any successor thereto;

   (c) “Coordinating Ministry of Economic Affairs” means the Coordinating Ministry of Economic Affairs of the Republic of Indonesia, or any successor thereto;

   (d) “Contribution” means any contribution or grant to the Trust Fund made by a Donor pursuant to an agreement (Arrangement) between the Bank acting as trustee of the Trust Fund and the Donor;

   (e) “Deposit Insurance Corporation” means Lembaga Penjamin Simpanan, the Republic of Indonesia’s deposit insurance corporations, established pursuant to the law on banking number 10 of 1998, or any successor thereto.

   (f) “Dollar” or “$” means the United States dollar;

   (g) “Donors” means the donors signatory to this Arrangement and other donors making Contributions to the Trust Fund;
(h) "KSSK" means the Financial System Stability Committee, established pursuant to the government regulation in lieu of law on financial system safety net number 4 of 2008, or any successor thereto.

(i) "Ministry of Finance" means the Ministry of Finance of the Republic of Indonesia, or any successor thereto;

(j) "National Strategy for Financial Inclusion" means the Republic of Indonesia’s strategy incorporated in the Republic of Indonesia’s Presidential Regulation No. 82/2016 dated September 1, 2016.

(k) "OJK" means the Financial Services Authority, established pursuant to the Financial Services Authority (OJK) law, or any successor thereto;

(l) "Technical Working Group" means the Technical Working Groups referred to in paragraph 3.1 of this Annex.”

(c) Section 2.2 of Annex 1 will be deleted and replaced with the following:

"2.2. The activities ("Activities") for which the Contribution is provided are as follows (the indicative details of these Activities are provided in Annex 3):

(a) **Part 1: Financial Stability**

Provision of advice to strengthen financial sector stability by enhancing the crisis preparedness of Indonesia’s financial sector authorities, strengthening the legal framework and enhancing financial sector supervision capacity.

1.1 Financial Sector Assessment Program Follow Up. Carrying out of a series of activities in line with the findings and recommendation of the financial sector assessment program, including: (i) risk analysis and stress testing; (ii) systemic risk oversight and liquidity management; (iii) micro prudential oversight; and (iv) financial safety nets, crisis management and resolution.

1.2 Strengthening Indonesia’s Deposit Insurance Corporation. Provision of support to the Deposit Insurance Corporation in implementing their role in Indonesia’s financial sector stability framework and carrying out capacity building program in the areas of: (i) resolution related areas, including standardized and custom trainings; (ii) deposit insurance, including target fund and risk-based pricing; and (iii) system-wide supervision.
1.3 Improving Financial Sector Surveillance and Crisis Management.
Provision of capacity building for the KSSK to assess the overall risk in financial sector and develop a holistic approach and integrated analysis of the different benchmarks, indices and indicators, including the provision of advisory services, technical assistance and capacity building to strengthen the OJK’s systemic surveillance and crisis management, including the development of a financial stress index and dashboard for the OJK, covering non-banking sectors such as capital markets and non-bank financial institutions.

1.4 Financial Technologies.
Provision of support to the OJK in developing regulatory and supervisory frameworks on financial technologies, undertaking capacity building and facilitating cross-country knowledge sharing.

(b) Part 2: Financial Inclusion

Provision of advice to promote increased access to financial service for the poor and underserved in Indonesia and support for the implementation of the National Strategy for Financial Inclusion.

2.1 National Strategy for Financial Inclusion Coordination.
Provision of support to implement the Indonesian Government’s financial inclusion priorities, as set out in the National Strategy for Financial Inclusion, including strengthening of the National Strategy for Financial Inclusion secretariat, development of clear coordinating structure and regulations to facilitate the implementation of the National Strategy for Financial Inclusion, and development of an action plan and a monitoring and evaluation framework.

2.2 Payment Infrastructure and Innovative Payments.
Provision of support to develop legal, regulatory, oversight and cooperation frameworks, government payments program, a framework for international and domestic remittance and an assessment of an identification system reforms to support financial inclusion.

2.3 Small-Medium Enterprise (SME) Finance
Provision of support to strengthen access to credit for SMEs, including by: (i) strengthening SMEs and women entrepreneurs’ access to credit; (ii) strengthening the credit reporting systems through improved legal, regulatory and oversight frameworks and improving the oversight of the credit reporting system through the adoption of a robust framework and increased technical capacity of relevant authorities; and (iii) continuing support in the implementation of the KUR program and broader efforts to improve SMEs’ access to finance.
2.4 **Support Other Access to Financial Services.**
Provision of support to a series of Government’s activities to enhance access to finance, including: (i) support for the other deposit taking institutions to play the role in addressing the gaps and unmet demand of the underserved groups; and (ii) support for the OJK in strengthening the regulatory framework for financial consumer protection and implementation of the supervisory framework related to market conduct.

(c) **Rapid Response**
Provision of ongoing support in monitoring, analysis and dialogue on various, rapidly emerging policy issues at short notice.”

(d) Section 3 of Annex 1 will be deleted and replaced with the following:

"3. **Governance Structure**

3.1. **Technical Working Group**

(a) There shall be established a Technical Working Group (“TWG”) to be comprised of representatives of concerned government agencies and institutions (i.e., the Ministry of Finance, the Coordinating Ministry of Economic Affairs, the OJK, and Bank Indonesia) and to include other concerned Government staff, representatives of other concerned agencies and organizations of Indonesia, representatives of Donors and representatives of the Bank, as deemed necessary or appropriate, which shall meet as often as necessary and in any event not less than on an annual basis, to: (i) provide strategic guidance for activities; (ii) confirm alignment with the objectives of the trust fund; (iii) review progress of activities and review and endorse plans for the future work program; (iv) review results and outcomes achieved based on periodic reporting (on the basis of agreed results framework); and (v) suggest dissemination activities.

(b) The TWG may invite other participants such as technical staff of Donors, along with Indonesia’s representatives and other stakeholders and business community representatives to participate as observers in its meetings.

3.2. **Program Management**

(a) A trust fund program manager (task team leader, or TTL) will administer the Trust Fund and will have the following responsibilities: ensure the quality of the design of activities; implement and monitor the activities to be financed under the trust fund; report and coordinate within the Bank and with the TWG on activities to be carried out under the trust fund. The program manager will be supported by a small team (“Program Secretariat”) on a day-to-day basis.
The trust fund will be managed by the East Asia and Pacific Region Financial and Private Sector Development Department of the Bank ("EASFP") through its Sector Manager, who has the final approval authority over the allocation of the Trust Fund resources for individual activities under the Trust Fund.

3.3. Except as may be otherwise agreed by the TWG, a mid-term review will be undertaken in the third year of the Trust Fund. Six months before expiry of the Trust Fund, a review will be held to decide on possible closure or extension of the Program.

(e) Sections 5 and 6 will be added to Annex 1 with the following:

5. **Indicative Results Framework**

An indicative Results Framework for the activities financed by the Trust Fund prepared by the Bank (the "Results Framework"), in consultation with the Donors, shall be available at the Development Partner Center website. Such Results Framework, as may be revised by the Bank from time to time, in consultation with the Donors, shall be used for monitoring and evaluation purposes only.

6. **Indicative Budget**

The Bank shall provide indicative budget information for the Trust Fund at the Development Partner Center website, which may be updated periodically by the Bank in consultation with the Donors. Such budget information is for informational purposes only.

(f) Section 6.1 of Annex 2 will be deleted and replaced with the following:

6.1. The Bank shall provide the Donors with a written annual report on the progress and relevant documents of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 7.1, the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

(g) Section 7.1 of Annex 2 will be deleted and replaced with the following:

7.1. It is expected that the Contributions will be fully disbursed by the Bank by April 30, 2021. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donors.

3. All other terms of the Administration Arrangement will remain the same.

4. The Bank will disclose this Amendment in accordance with the Bank’s Policy on Access to Information. By entering into this Amendment, the Donor consents to such disclosure.
5. Each of the Donor and the Bank represents, by confirming its acceptance below, that it is authorized to enter into this Amendment and act in accordance with its provisions. The Donor and the Bank are requested to sign and date this Amendment, and upon possession by the Bank of this fully signed Amendment, this Amendment will come into effect as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: 

Name: Victoria Kunishita

Title: 

Date: 22 April 2017

SWISS STATE SECRETARIAT FOR ECONOMIC AFFAIRS SECO, FEDERAL DEPARTMENT OF ECONOMIC AFFAIRS, EDUCATION AND RESEARCH EAER

By: 

Name: Johanni N. Schneider- Ammann

Title: Governor for Switzerland

Date: 04/28/17