



# Sovereign Loan Management through Loan Conversion and Prepayment

## Indonesia's Experience

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# Country Debt Strategy

Medium Term  
(2022-2025)

- **Asset and Liability Management (ALM):** Coordinate the debt risk management through the ALM Forum
- **Hedging:** to manage debt services fluctuations and to achieve optimum portfolio management

Annually  
(2022)

- **Currency selection**, particularly for Program Loan
- Prioritizing the procurement of debt with **a fixed rate**
- Continuing effort of **loan conversion** to achieve optimum portfolio and debt cost



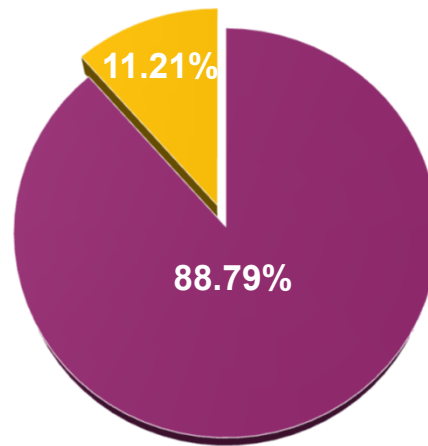
# Country Debt Portfolio

## Outstanding Amount

per: 31-Aug-2022



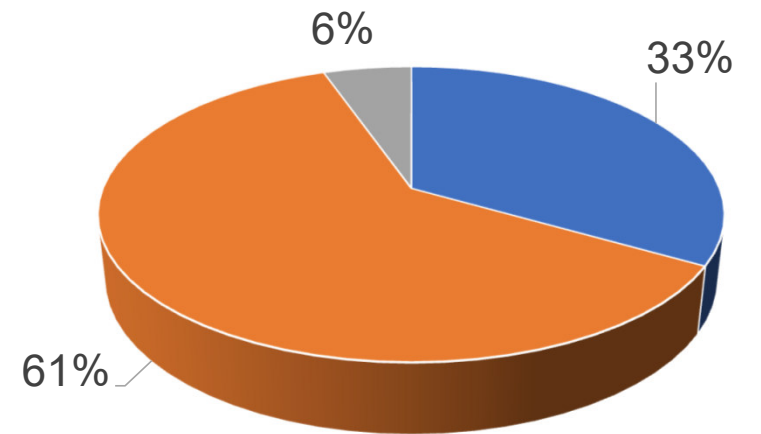
Source: APBN Kita September 2022



■ Govt Securities ■ Loan

## Government Debt

Total Outstanding Amount: USD 467.7 billion



■ Bilateral ■ Multilateral ■ Comercial Banks

## External Loans

Total Outstanding Amount: USD 51.4 billion





# Loan Conversion

## - ADB Regulation

### Currency Conversion and Interest conversion

Borrowers may change the loan currency of all or part of the disbursed/undisbursed balances any time during the life of their loan

#### Interest Rate Conversions

- |  |           |
|--|-----------|
| > Initial rate fixings for up to the full maturity of the loan for amounts up to the outstanding loan amount | No charge |
| > Additional rate fixing/unfixing  | 0.0625%   |

#### Currency Conversions

- |                             |            |
|-----------------------------|------------|
| > Un-disbursed loan amounts | 0.0625%    |
| > Disbursed loan amount     | 0.125%     |
| > Local Currency conversion | 0.02% p.a. |


Interest Rate Caps and Collars	0.0625%
--------------------------------	---------

Conversion fees are expressed as percentage of the principal amount involved and it is a one-time fee payable at the time of conversion except for local currency conversions.

For Local currency conversion, an annual fee of 0.02% of the outstanding principal hedged amount will be charged to the borrower.

# Loan Conversion

- 2019-2020 Execution (ADB Loans)



- 21 Loans
- USD 6.2 billion
- Initial Floating Rate\*  
(LIBOR+0.2% up to 0.5%)



- 14 Loans
- JPY 422 billion
- Fixed Rate\*  
(0% - 0.1%)



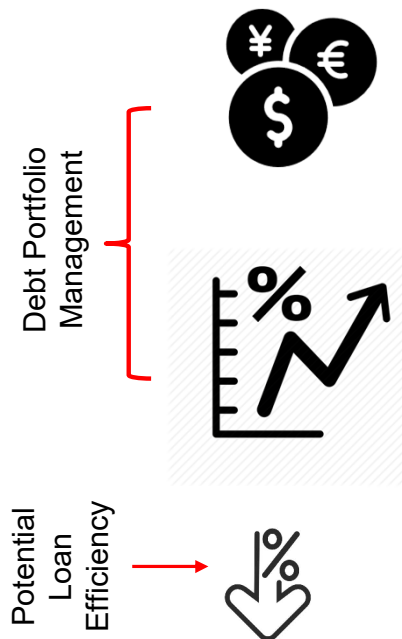
- 7 Loans
- EUR 1.7 billion
- Fixed Rate\*  
(0%)

\* The rates do not include potential surcharge/rebate, floor rate 0% will be applied for negative fixed rate



# Loan Conversion

## - Consideration



To achieve certain target of foreign currency level in debt portfolio

To achieve certain target of interest rate composition in debt portfolio


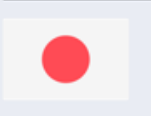

Based on indicative conversion rate, by considering potential efficiency from interest payment versus from exchange rate fluctuation and rebate/surcharge cost



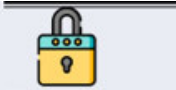
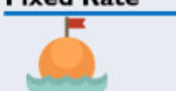
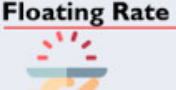
# Loan Conversion

- Debt Composition versus Target/Expectation

## Outstanding Debt by Currency

	Per 30-Apr-22	Target*
EUR 	14.86%	↑
JPY 	12.84%	↑
USD 	72.30%	↓

## Outstanding Debt by Interest Rate

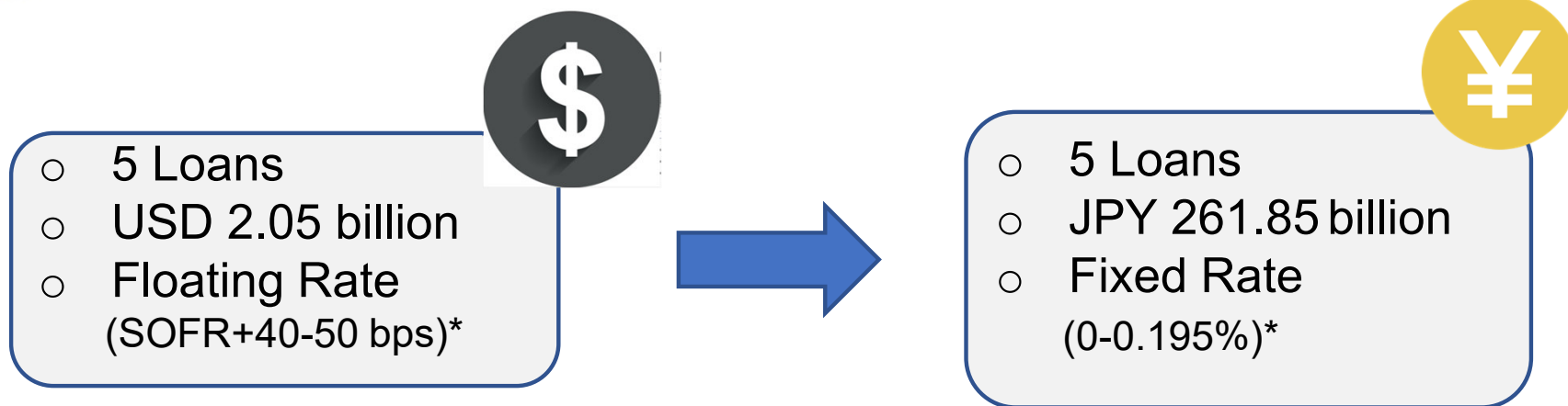
	Per 30-Apr-22	Target
 Fixed Rate	82.70%	85.30% ↑
 Floating Rate	16.26%	14.70% ↓
 No Rate	1.03%	

\*based on internal assessment



# Loan Conversion

- 2022 Execution (ADB Loans)



**Estimated total efficiency : USD18.7 million until mature**  
(per May 2022, most of which are interest payment efficiencies that offset the potential increase in principal debt amount and surcharge cost)

\* The rates do not include potential surcharge/rebate, floor rate 0% will be applied for negative fixed rate





# Loan Prepayment

## - Consideration



Outstanding of Non-LIBOR ADB loans was found, namely the Pool-Based Single Currency Loan (PSCL), with a **relatively high interest rate** (6.40% p.a.) and no loan conversion option



As stipulated in the Loan Agreement, it is possible to prepay the loan **with a premium payment**



# Loan Prepayment

## - 2022 Execution

### Identification:

- 16 Loans

### Analysis:

Prepayment plus  
premium versus  
Repayment as original  
schedule

### Execution:

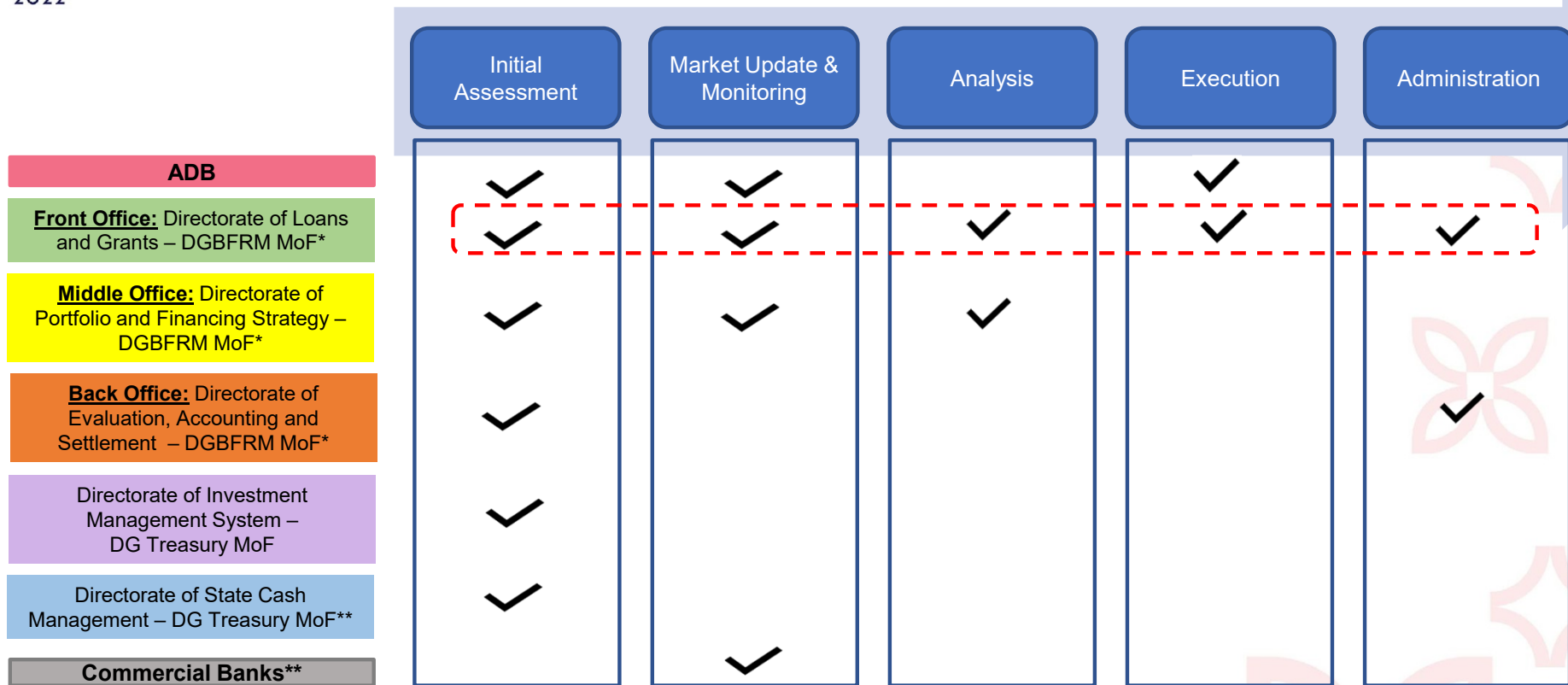
- 15 Loans
- USD 49.57 million
  - *Outstanding* USD 39.58 million
  - *Interest* USD 657 thousand
  - *Premium* USD 329 thousand

**Estimated efficiency :**  
USD 2 million



# Coordination Structure

## - Loan Conversion and Prepayment with ADB



\*Directorate General of Budget Financing and Risk Management, Ministry of Finance

\*\*Only involved in loan conversion process

# Lesson Learnt and Next Step

## Ensuring a fast but prudent of Standard Operating Procedure (SOP)

- dynamic of the global financial market situation
- involving a vast range of stakeholders

## Expansion of potential loan conversions and prepayments

- to other currencies or with other lenders

## Strengthening analysis and evaluation process

- create scenarios/sensitivity analysis for efficiency simulation
- conduct evaluation

# Thank You

