



FINANCE MINISTER
OF THE REPUBLIC OF INDONESIA

COPY

REGULATION OF THE FINANCE MINISTER
NUMBER 131/ PMK.05/ 2009

ON
LOANS FOR CATTLE BREEDING BUSINESS
BY THE GRACE OF THE ONE ALMIGHTY GOD
THE FINANCE MINISTER,

- Having considered :
- a. that based on the resolution of the Limited Coordination Meeting (*Rakortas*) between the Vice President and several Ministers of the *Indonesia Bersatu* Cabinet on June 24, 2008, it is considered necessary to support the procurement of one million breeding stock in five years;
 - b. that for the purpose of assisting the procurement of one million breeding stock as referred to in letter a, it is necessary to ensure a continuous supply of breeding stock by increasing the cattle raisers' productivity;
 - c. that in the effort to increase the cattle raisers' productivity as referred to in letter b, it is necessary to provide financing support through funding from banks with subsidized interest from the Government;
 - d. that to ensure that the availability, distribution and accountability of the funding as intended in letter c will be implemented in an effective, efficient, controlled and orderly manner, it is necessary to develop an integrated business loan mechanism;
 - e. that based on the consideration as referred to in letter a, letter b, letter c and letter d, it is necessary to issue a Regulation of the Finance Minister on Loans for Cattle Breeding Business;

- Having observed :
- 1. Law Number 7 of 1992 on Banking (State Gazette of the Republic of Indonesia of 1992 Number 31, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Law Number 10 of 1998 (State Gazette of the Republic of Indonesia of 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790);



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2. Law Number 25 of 1992 on Cooperatives (State Gazette of the Republic of Indonesia of 1992 Number 116, Supplement to the State Gazette of the Republic of Indonesia Number 3502);
3. Law Number 17 of 2003 on State Finances (State Gazette of the Republic of Indonesia of 2003 Number 47, Supplement to the State Gazette of the Republic of Indonesia Number 4286);
4. Law Number 1 of 2004 on State Treasury (State Gazette of the Republic of Indonesia of 2004 Number 5, Supplement to the State Gazette of the Republic of Indonesia Number 4355);
5. Presidential Decree Number 20/P of 2005;

HAS DECIDED:

To enact : THE REGULATION OF THE FINANCE MINISTER
ON LOANS FOR CATTLE BREEDING BUSINESS

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Regulation of the Finance Minister, the following words shall have the following meaning:

1. Cattle Breeding Business means a farming business producing cattle stock.
2. The Loan for Cattle Breeding Business, hereinafter referred to as KUPS means the loans extended by the implementing bank to an Entrepreneur engaging in a Cattle Breeding Farm, which receives an interest subsidy from the Government.
3. An Entrepreneur engaging in a Cattle Breeding Farm, hereinafter referred to as the Entrepreneur means a cattle breeding business, cooperative(s), group/ association of groups of cattle raisers engaging in a Cattle Breeding Farm.
4. A Prospective Participant means an Entrepreneur, that is included in the list of proposed entrepreneurs to receive KUPS upon the recommendation of the agency responsible for cattle-raising in a district/ city or an agency appointed by the Bupati (Head of the District)/ Mayor.



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5. A Participant means a Prospective Participant approved by the implementing bank to be a KUPS recipient.
6. A Breeding Farm means a company engaging in cattle breeding and is a duly qualified corporation in breeding livestock.
7. A Cooperative means a primary cooperative as stipulated in Law Number 25 of 1992 on Cooperatives, that engages in cattle breeding, wherein a Prospective Participant/KUPS Participant is listed as a member.
8. A Group/Association of Groups of Cattle Raisers mean the groups of cattle raisers formed based on similar interest and situation (social, economy, resources, and location) to expand and develop its members' business.
9. Subsidy on the interest means a portion of the interest that is borne by the Government of which portion equals to the difference between the prevailing KUPS rate and the rate charged to the Participant.
10. The Unit Cost means an itemized list of the type and volume of an activity and the maximum cost per activity that may be funded by KUPS as determined by the Minister of Agriculture or by an authorized official.
11. Implementing bank means a Commercial Bank as stipulated in Law Number 7 of 1992 on Banking as amended by Law Number 10 of 1998, that is responsible for the availability, distribution and administering the KUPS.
12. Funding Cooperation Agreement means an agreement between the Director General of Treasury on behalf of the Finance Minister and the Implementing bank that contains the terms on the availability, distribution, conditions, administration of the financing and payment of the subsidized KUPS interest and other matters considered necessary by both parties.
13. *Lembaga Penjamin Simpanan* (Indonesian Deposit Insurance Corporation) means an agency established under Law Number 24 of 2004 on the Indonesian Deposit Insurance Corporation.



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14. Policy Committee means a committee established by the Finance Minister consisting of representatives of the Ministry of Finance, Ministry of Agriculture, the National Development Planning Agency (*Bappenas*) and the Coordinating Ministry of Economic Affairs.

CHAPTER II OBJECTIVE

Article 2

KUPS's objective is to support the financing for developing a Cattle Breeding Farm in a sustainable manner.

CHAPTER III OBJECT OF KUPS FINANCING

Article 3

- (1) KUPS may only be used to finance the development of a cattle-breeding business by an Entrepreneur.
- (2) In developing the business that is financed by KUPS as referred to in paragraph (1), an Entrepreneur is obliged to establish a partnership with cattle raisers.

Article 4

The criteria and requirements of the Entrepreneur, model of the partnership and the livestock population target in a cattle breeding farm shall comply with the provisions governed by the Ministry of Agriculture.

Article 5

KUPS shall be provided directly to an Entrepreneur.



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CHAPTER IV
TENOR OF FUNDING

Article 6

- (1) The KUPS financing for an Entrepreneur that is a Cattle Breeding Company shall be provided for 2 (two) years from the date of this Regulation of the Finance Minister and the subsidy on the interest shall be in proportion to the loan terms which shall be no more than 6 (six) years.
- (2) The KUPS financing for a Business that is in the form of a Cooperatives and Group/ Association of Groups of Cattle Raisers shall be made available until 2014 and the subsidy on the interest shall be terminated by 2020.

CHAPTER V
AVAILABILITY OF KUPS FUNDING

Article 7

- (1) The Implementing bank shall provide the funding for the KUPS facility.
- (2) The Implementing bank shall distribute and administer the KUPS.

CHAPTER VI
SUBSIDY ON THE INTEREST

Article 8

The Government shall provide Subsidy on the Interest for the tenor of the loan.

Article 9

- (1) The Minister of Agriculture shall propose a budget for the KUPS interest subsidy for the following year, submitted in the month of February of the current year to the Finance Minister with a copy to the Coordinating Minister of Economic Affairs and the State Minister /Head of the National Development Planning Agency.
- (2) Based on the proposed budget as referred to in paragraph (1), the Finance Minister shall allocate the Interest Subsidy in the State Revenue and Expenditure Budget (APBN).



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- (3) Based on the allocation of the Interest Subsidy available in the State Budget (APBN) as referred to in paragraph (2), the Finance Minister shall issue the Notification on the Line Item Budget for each work Unit (SP-SAPSK) and List of Budget Implementation (DIPA).

Article 10

- (1) The Interest Subsidy is paid every 6 (six) months.
- (2) Request for Interest Subsidy payment is submitted by the Implementing bank to the Finance Minister for the attention of the Director General of Treasury by enclosing:
- a. a breakdown of calculation on the claimed Interest Subsidy;
 - b. a breakdown of loan account transfer of each KUPS recipient;
 - c. receipt of the Interest Subsidy payment signed by a Director of the Implementing bank or authorized official;
- (3) Payment of the Interest Subsidy shall be based on the KUPS distribution data prepared by the Implementing bank.
- (4) In evaluating the compliance to the provisions of the KUPS distribution and in assessing the accuracy of Interest Subsidy that have been paid as referred to in paragraph (3), the Finance Minister *c.q.* the Directorate General of Treasury -in cooperation with the Ministry of Agriculture *c.q.* the Directorate General of Live Stock- shall conduct a periodic verification.

CHAPTER VII
FUNDING MECHANISM

Article 11

- (1) The Director General of Treasury on behalf of the Finance Minister shall determine the Implementing bank based on the request by the concerned bank.
- (2) The Implementing bank shall fulfill at least the following requirements:
- a. submit a written commitment on its ability to provide a certain amount of funds for KUPS financing.



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- b. the bank should be located or has an operational office in the province where the KUPS is distributed.

Article 12

The Implementing bank shall designate a Participant based on its analysis on the credit-worthiness of a Prospective Participant with due diligence and with due respect to the prevailing laws and regulations.

Article 13

- (1) The Implementing bank shall take the necessary action to ensure that the availability and distribution of the KUPS under its responsibility is in the right amount and on schedule in line with the Government's program and conform to the established procedures.
- (2) The Implementing bank's obligations, rights, duty and responsibility and other provisions related to the availability of funds, distribution, administration, reporting and KUPS sanction by the Implementing bank shall be further stipulated in the Funding Cooperation Agreement.

Article 14

The Director General of Treasury on behalf of the Finance Minister shall grant the approval of the KUPS credit ceiling for each Implementing bank based on the following considerations:

- a. The details of the KUPS financing for each year prepared by the Minister of Agriculture;
- b. Government's ability to provide the Interest Subsidy;
- c. proposal/ commitment to provide KUPS funds by the Implementing bank; and
- d. assessment from the Policy Committee.

Article 15

- (1) The Implementing bank shall prepare KUPS distribution plan based on KUPS credit ceiling as referred to in Article 14 and Unit Cost.



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- (2) The Implementing bank shall deliver the KUPS Distribution Plan as referred to in paragraph (1) to the Minister of Agriculture and the Finance Minister.

Article 16

KUPS distribution shall be implemented in accordance with the terms set forth by the implementing bank(s) and in compliance with the Regulation of the Minister of Agriculture on KUPS.

CHAPTER VIII
LOAN TERMS

Article 17

- (1) KUPS interest rate is set at the prevailing market rate for similar loans, but no higher than the rate of guaranteed deposit savings in commercial bank, which is set by the *Lembaga Penjamin Simpanan* (Indonesian Deposit Insurance Corporation), plus 6% (six percent).
- (2) KUPS's interest charged to an Entrepreneur is set at 5% (five percent).
- (3) The difference between KUPS's interest rate and the rate charged to the Entrepreneur is the Government's subsidy.
- (4) The terms on KUPS interest rate shall be valid for the tenor of the loan.
- (5) The Finance Minister may evaluate KUPS interest rate by observing the recommendation from the Minister of Agriculture and/ or the considerations from the Policy Committee.

Article 18

KUPS risks shall be borne in full by the Implementing bank.

Article 19

Terms and procedures for funding, distribution, utilization, administration, reporting and supervision of KUPS shall be determined further in the Funding Cooperation Agreement.



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CHAPTER IX
SUPERVISION, CONTROL AND EVALUATION

Article 20

- (1) Supervision and control of KUPS implementation is under the responsibility of the Finance Minister, the Minister of Agriculture and the local Bupati (Head of District)/ Mayor in accordance with their duties and responsibilities as per the guidelines of the Minister of Agriculture.
- (2) Based on the initiative of the Finance Minister and/ or the Minister of Agriculture or Echelon I official(s) responsible for the policy on KUPS loan extension, an Evaluation Meeting on KUPS Implementation may be held periodically or from time to time by involving the Coordinating Minister of Economic Affairs, the State Minister of Development Planning/ Head of *Bappenas* and Directors of the Implementing banks.
- (3) The Evaluation Meeting on KUPS Implementation may also be attended by representatives of the officials as referred to in paragraph (2).
- (4) The responsibility of KUPS implementation shall comply with the provision as governed in the Regulation of the Minister of Agriculture.

CHAPTER X
AUDIT

Article 21

- (1) The Finance Minister may from time to time perform an audit on the realization of the distribution and utilization of KUPS funds by the Participant and Implementing bank.
- (2) In performing the audit as referred to in paragraph (1), the Finance Minister may request assistance from the Minister of Agriculture and/ or internal or external auditor functional apparatus.
- (3) For audit purposes, the Implementing bank(s) and/ or Participant is obliged to:
 - a. submit data and relevant documents;
 - b. respond to questionable issues or provide answers on issues needing clarification; and



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- c. be cooperative during the audit.

CHAPTER XI
REPORTING

Article 22

- (1) The Implementing bank is obliged to prepare and submit a monthly KUPS Disbursement and Reimbursement Report to the Finance Minister *c.q.* Director General of Treasury and to the Minister of Agriculture *c.q.* the Director General of Livestock and Head of the Funding Center, no later than the 25th of the subsequent month.
- (2) The Implementing bank is also obliged to submit other report(s) related to the implementation of KUPS when required and/or specifically asked by the Finance Minister and/ or the Minister of Agriculture.

CHAPTER XII
SANCTION

Article 23

- (1) In the event the Implementing bank violates any provision in this Regulation of the Finance Minister, then the Implementing bank shall be imposed:
 - a. an administrative sanction in the form of a written reprimand;
 - b. deferred payment or cancellation of the Interest Subsidy.
- (2) Further provisions on the sanction procedure shall be stipulated in the Funding Cooperation Agreement.

CHAPTER XIII
CLOSING PROVISIONS

Article 24

The mechanism and procedure for calculation, request for payment, payment, administration, reporting, sanction and reconciliation/ verification of the Interest Subsidy shall be stipulated further in the Funding Cooperation Agreement.



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Article 25

Further provisions that may be required for the implementation of this Regulation of the Finance Minister shall be stipulated by the Director General of Treasury.

Article 26

This Regulation of the Finance Minister shall be effective on the date of its promulgation.

In order that this Regulation is known to the general public, it is hereby ordered that this Regulation be promulgated in the Official Gazette of the Republic of Indonesia.

Enacted in Jakarta
On 18 August 2009

THE FINANCE MINISTER

(signed)

SRI MULYANI INDRAWATI

Promulgated in Jakarta
On 18 August 2009

THE MINISTER OF JUSTICE AND HUMAN RIGHTS

(signed)

ANDI MATTALATA

OFFICIAL GAZETTE OF THE REPUBLIC OF INDONESIA OF 2009 NUMBER 259

This copy is in conformity with the original
Head of the General Affairs Bureau
For
Head of the Administration of the Ministry of Finance
(signed and sealed with the seal of the General Affairs Bureau)

Antonius Suharto
NIP 060041107

SECRETARY GENERAL
GENERAL AFFAIRS BUREAU