

GUARANTEE FUND FOR GREEN INFRASTRUCTURE DEVELOPMENT

A Case of Indonesia: Prospects, Opportunities and Challenges

OECD-ADBI Roundtable on
Capital Market and Financial Reform in Asia
Financing of Green Infrastructure Investment
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INFRASTRUCTURE

The Needs, PPP and Guarantee



Substantial Infrastructure Need

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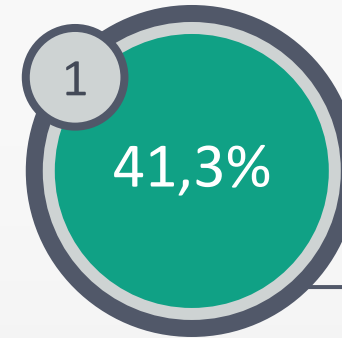
In line with Indonesia's Medium Term Development Plan

INFRASTRUCTURE NEEDS (2015 – 2019)

Sector	US\$ Bio
Road	54.7
Railway	16.86
Air Transport	10.75
Sea Transport	44.12
Water Resources	33.65
Housing	24.44
Urban Transport	6.42
Land Transport (incl Ferry)	3.5
Power	74.6
Energy	37.8
Waste Management	30.07
ICT	20.9
TOTAL	358

FINANCING SOURCE PLAN

**STATE
BUDGET**
\$ 147.7 Bio

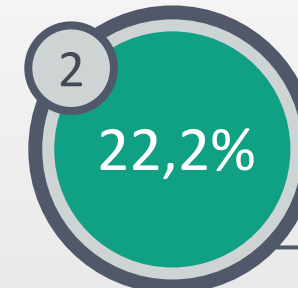


Realized & Allocation:

- 2015: \$ 19.1 Bio
- 2016: \$ 23,7 Bio
- 2017: \$ 28.9 Bio

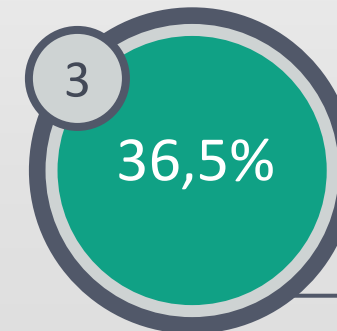
Gap to 2019: \$ 76 Bio

SOE
\$ 79.6 Bio



**Include Equity Injection
to SOE from
Government budget
allocation**

PRIVATE
\$ 130.7 Bio

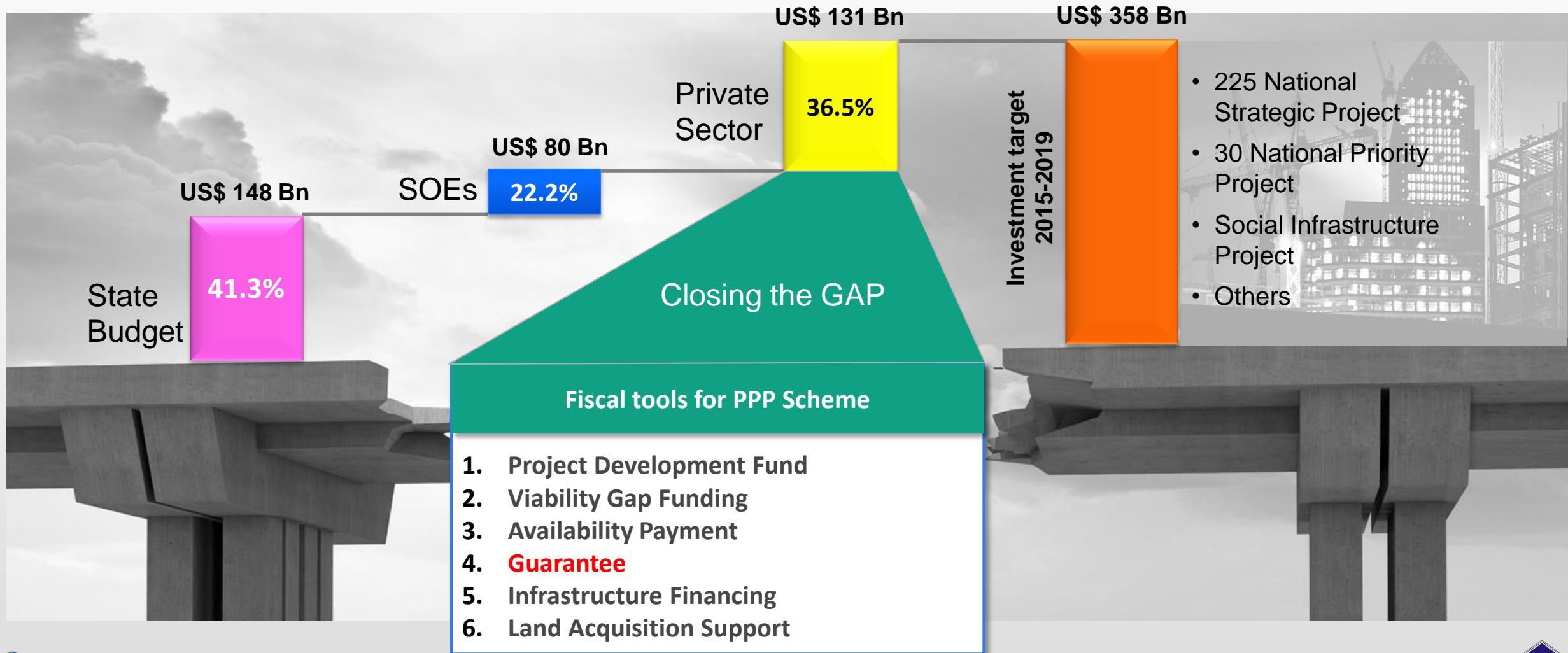


**Promoting
Public Private Partnership
(PPP)**

More Engagement of Private Sector is Needed

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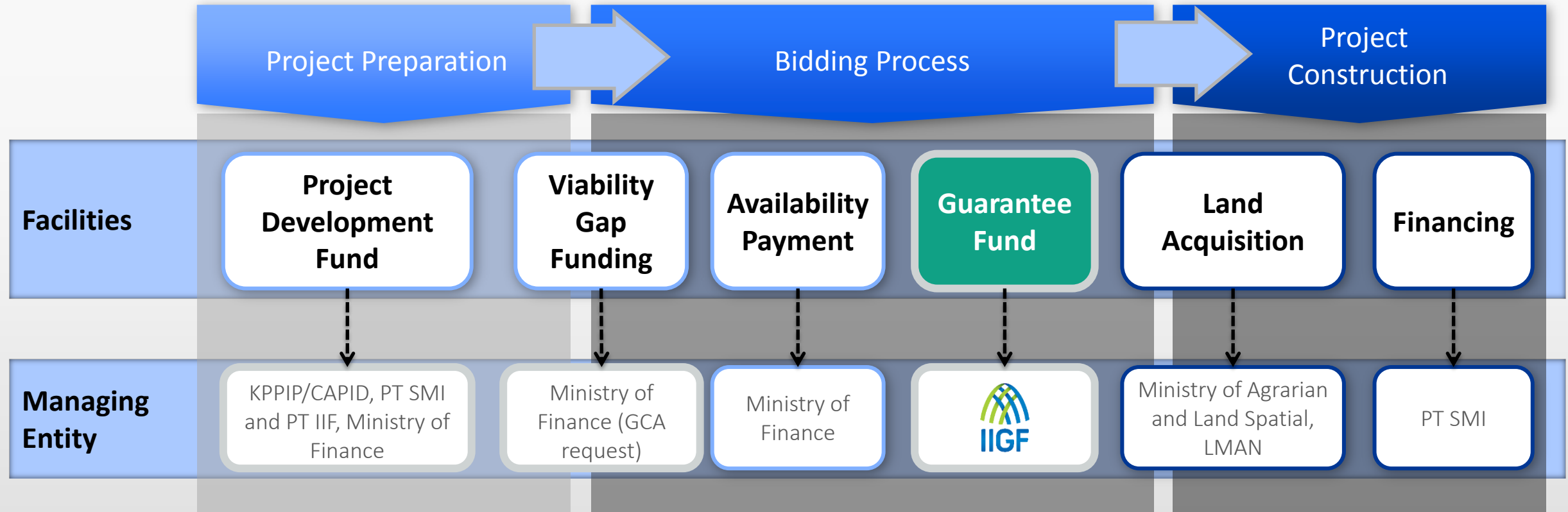
A variety of fiscal supports are offered to Private Sector



Various Supports for PPP are Already In Place

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Facilities to support PPP Projects in Indonesia, provided as required, at different stages



Government Budget Support for Infrastructure

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Government's Guarantee is provided yet ring-fenced through IIGF

State Budget Structure

Revenue

Expenditure

Financing/
Investment

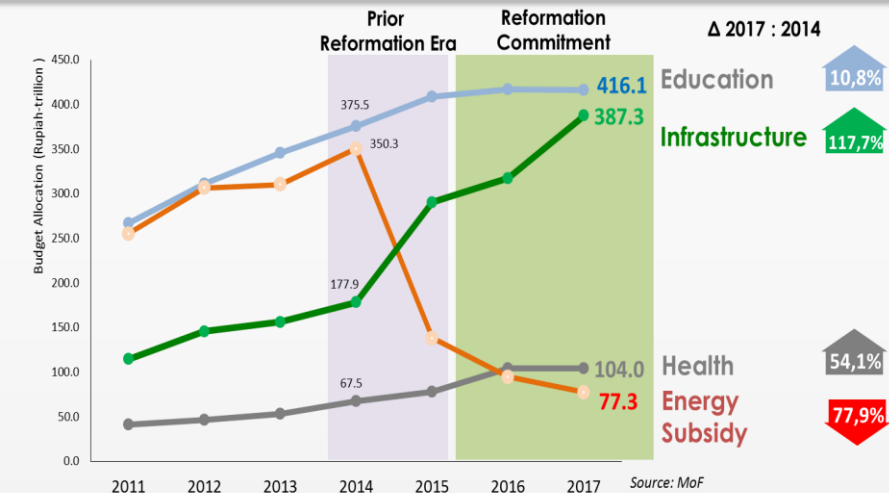
- Fiscal Incentive
- Tax Holiday
- Tax Allowance
- Line Ministry Spending (Ministry of Public Work, Ministry of Transportation, etc)
- Non-Line Ministry Spending (Subsidies PSO, Grant, VGF, etc)
- Allocation to Local Government and Village Fund (eg. General Allocation Fund (25%), Special Allocation Fund)

- Capital Injection to Special Purpose SoE
- Capital Injection to SoEs
- Project Development Fund
- Subsidiary Loan
- State Asset Management Agency

Guarantee



Key feature:
IIGF's **RING FENCING** function will distance such impact to state budget from sudden claim



PT Penjaminan Infrastruktur Indonesia (Persero)
Indonesia Infrastructure Guarantee Fund

Ministry of Finance
Republic of Indonesia



IIGF Profile at a Glance

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IIGF Guarantee as Ring Fencing to State Budget

PT PII (Persero)
“IIGF”

Established on 30 December 2009.
As a “Single Window” in providing government guarantee provision for Infrastructure Projects. IIGF is also valued for its state budget’s ring fencing function.

Legal Basis Government Regulation

Total Employees 70 (Permanent)

Key Stakeholders Ministry of Finance, Government Contracting Agencies, KPPIP, BAPPENAS

Projects Guaranteed 4 Sectors: Electricity, ICT, Water & Toll Road
9 Projects
~Project Value: Rp 81 Tr or ~ US\$ 6 Billion
Guarantee amount: Rp 26 Tr ~ US\$ 1.9 Billion

Int’l Credit Rating

Sovereign rating

BBB-

By Fitchratings

Gearing Ratio

3,0 x

at max exposure

Key Financial Figures (31 December 2016)

Paid in Capital (CI)

~US\$ 518.5 M

Retained Earning

~US\$ 134 M

Revenue

~US\$ 61 M

Opex Ratio (OER)

22,5%

Net Income Margin

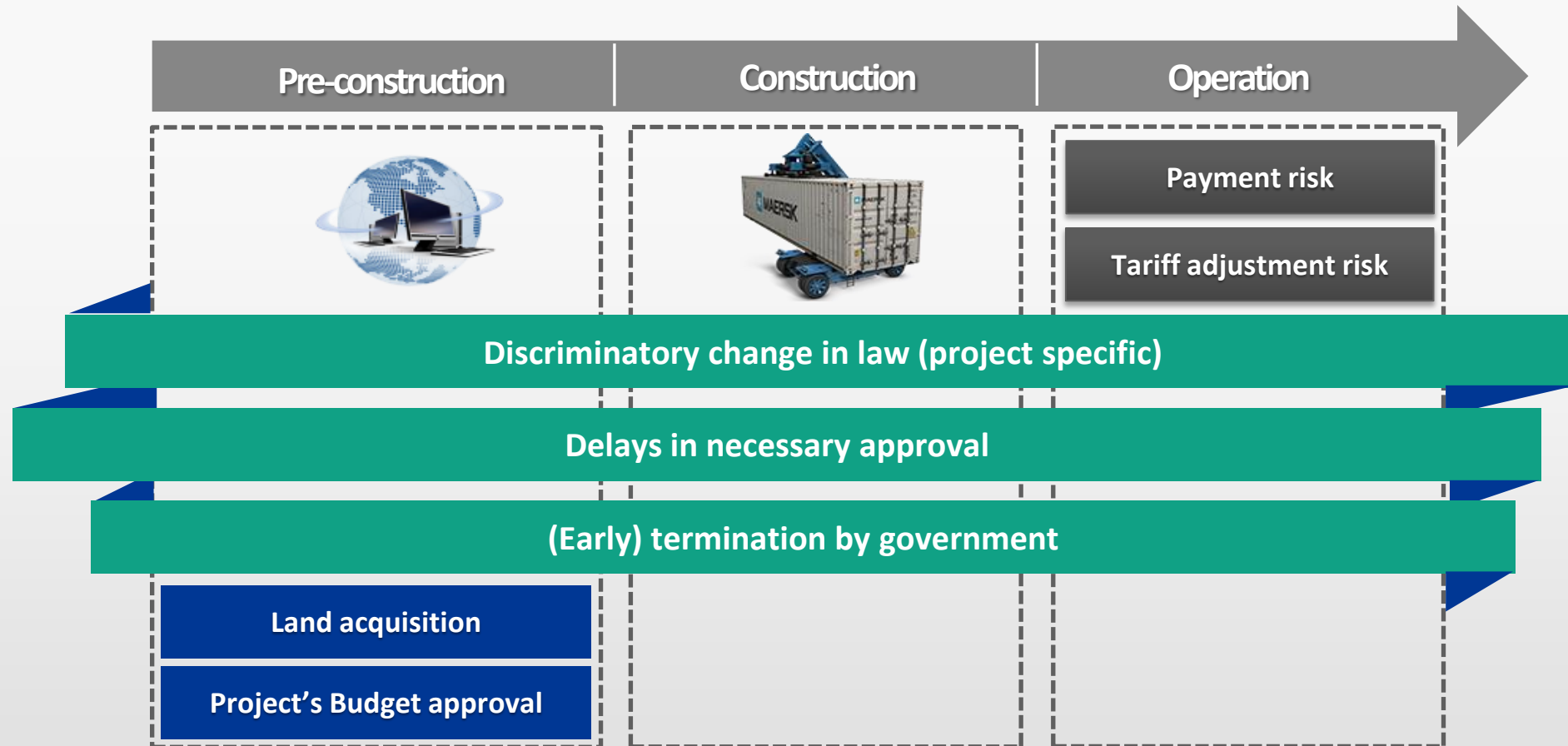
61%

1. Central Java Power Plant (CJPP)
2. Palapa Ring Barat
3. Palapa Ring Tengah
4. Palapa Ring Timur
5. SPAM Umbulan
6. Toll Road Batang-Semarang
7. Toll Road Balikpapan-Samarinda
8. Toll Road Pandaan-Malang
9. Toll Road Manado-Bitung

IIGF Guarantee – Typical Risks Covered

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Political Risks: From the Beginning to the End of Project



IIGF Guarantee – Key Aspects

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Roles and Contributions of IIGF are wide ranging



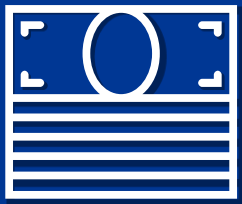
INSTITUTIONAL DEVELOPMENT

- System & Business Process
- Reputation
- Positioning
- Resources

- Discipline in Risk Management
- **Safeguard**
- Transparency, Fairness & Value for Money
- Accountability
- Bankability



VALUE PROPOSITION



MANDATE EXECUTION

- Project Guarantee
- Regulatory
- Guidelines Guarantee Provisioning

- IIGF Institute
- PPP publication
- General Active Learning Program
- UNIID
- MII



CAPACITY BUILDING & PUBLICATION

IIGF Guarantee – Value Proposition

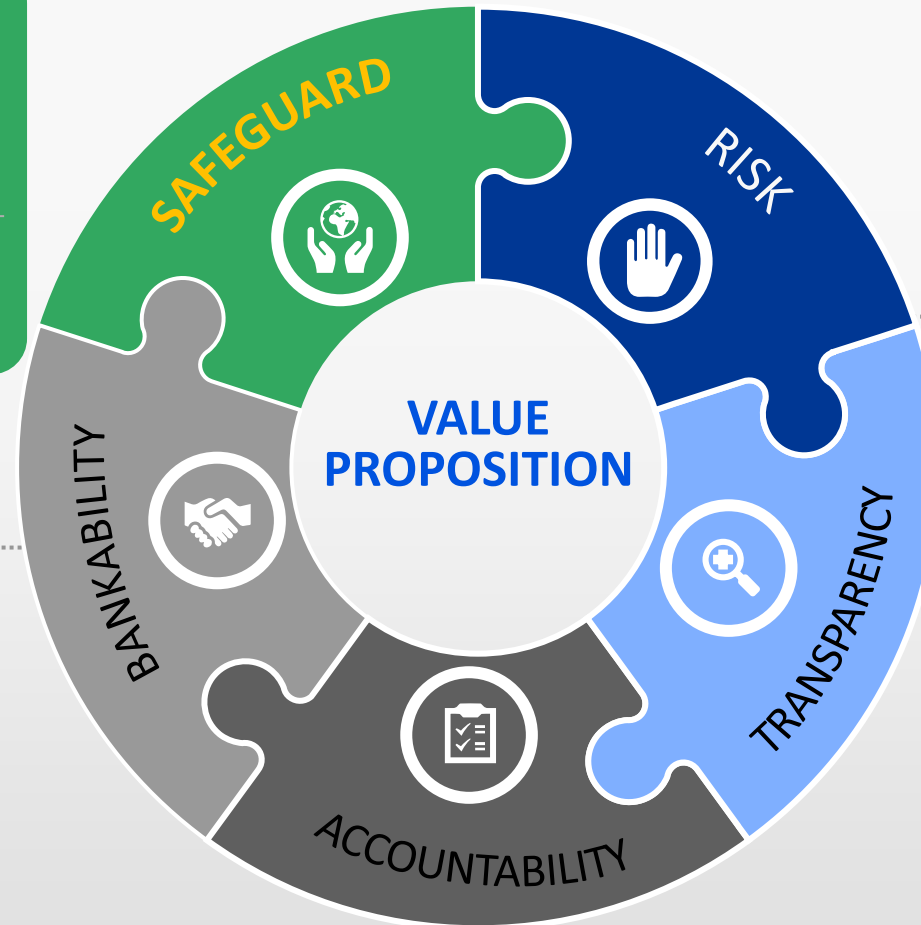
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IIGF promotes governance and green practices

SAFEGUARD

Support the continuation of the project through a careful analysis of safeguard.

(Mirroring World Bank Safeguard Policy)
As written in IIGF Operation Manual



BANKABILITY

Provide more comfort for financier to support the project.

Reducing the cost of fund

RISK

Discipline in risk management for the benefit of the Government

Fair risk allocation between government and private investor

Clear risk mitigation

TRANSPARENCY

Increasing the project credibility to the bidders' perception

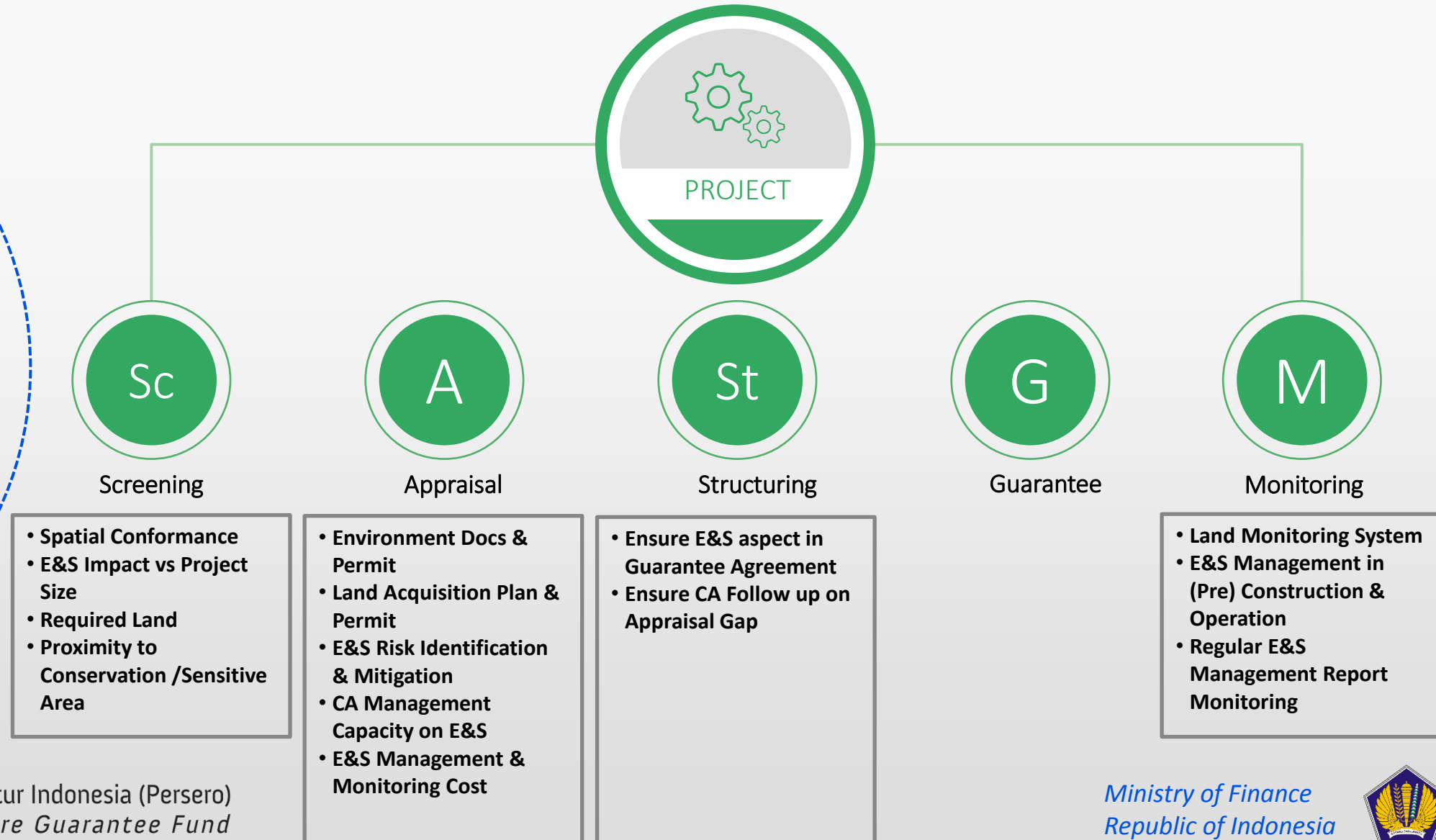
Increasing bidding competition resulting the most optimal project investment

ACCOUNTABILITY

Guarantee provision that can be verified during the bidding process.

- **IIGF apply ESMF (Environmental and Social Management Frameworks) :**

- World Bank safeguards; Indonesian regulations and international standards
- Arrangements to ensure these policies are implemented successfully



PROSPECTS and OPPORTUNITIES

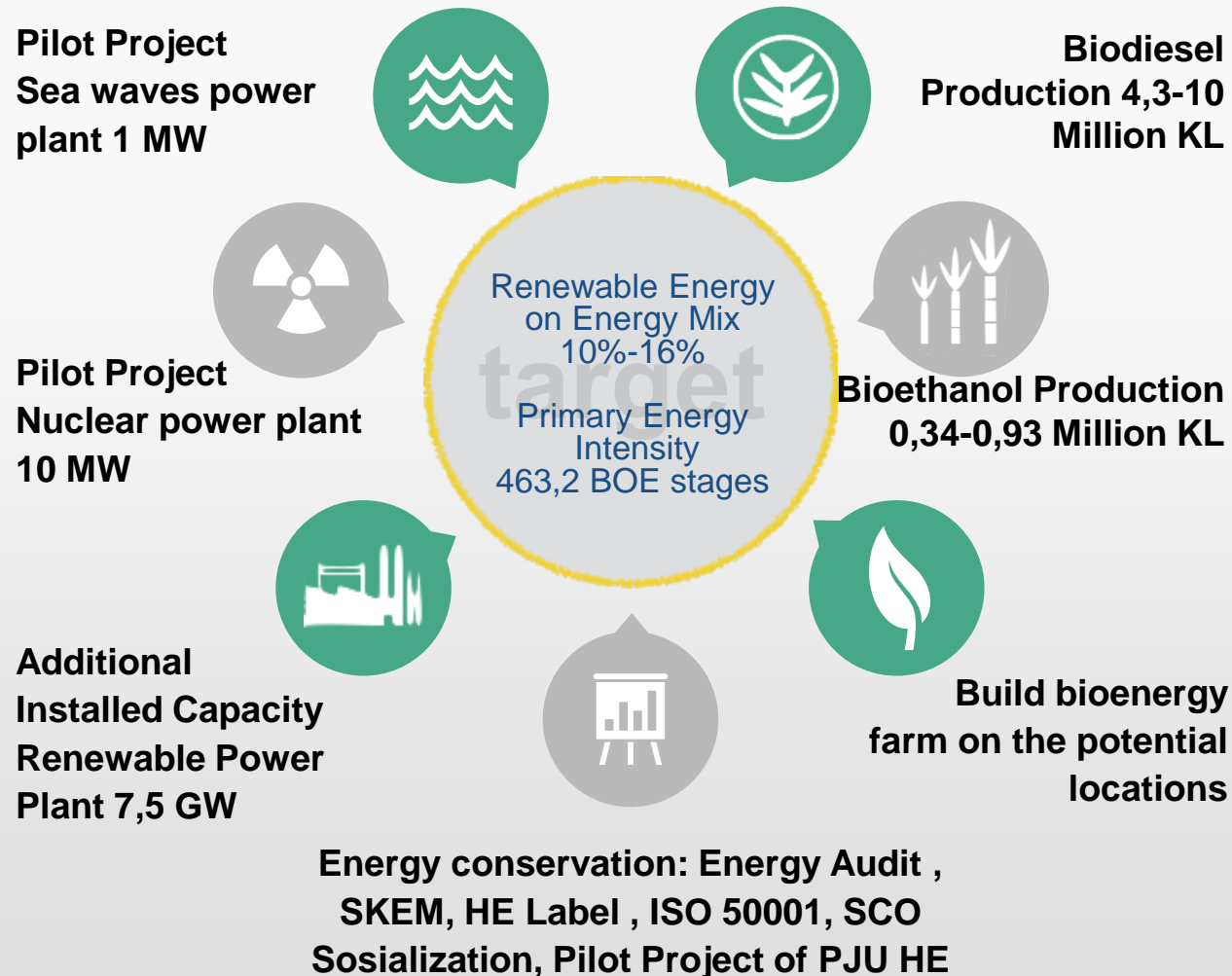
Indonesia's Commitment on
Renewable Energy



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Policy Direction :

Improving composition of renewable energy on energy mix

Improving accesibility

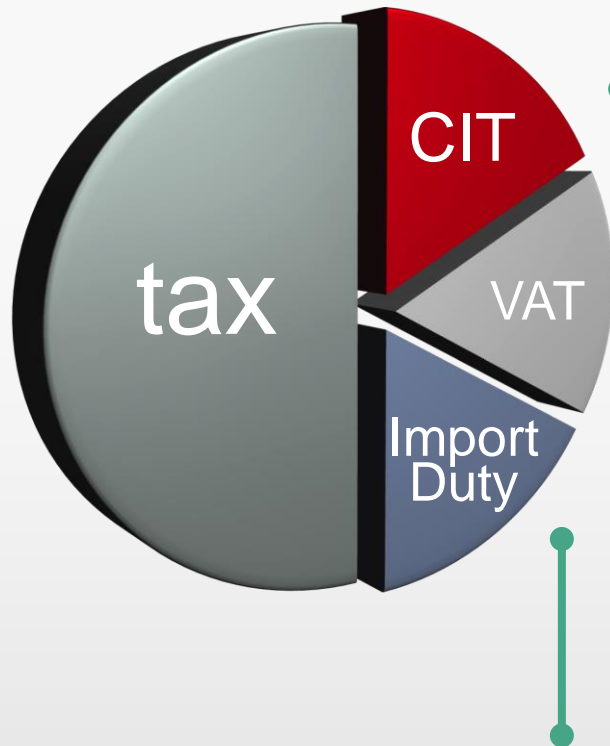
Improving efficiency on energy use

Utilize the potential of hydro resources for hydro powerplant

Tax Incentives for Green Initiatives

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To further promote Green infrastructure projects



Corporate Income Tax Facilities

a. Tax Holiday

- Corporate Income Tax (CIT) Reduction: 10% - 100% with minimum investment Rp500 Billion - Rp1 Trillion
- Reduction period: 5 to 15 years, could be extended to 20 years.

b. Tax Allowance

Granted tax facilities to the investment in the areas of certain businesses and / or particular area (including: smelter, petroleum, natural gas, geothermal, power generation business, and procurement for natural gas and artificial), in the form of:

- Investment Allowance 30% from investment
- Accelerated depreciation/amortization
- Dividend Tax Rate 10% to Foreign Tax Payer
- Loss compensation 5 to 10 years

Value Added Tax exemption on capital goods

Exemption from VAT on import and/or transfer for capital goods in form of machines and factory equipment, assembled or separated, spare parts not included.

Import Duty Incentives on Import of Machines and Goods Materials

- Capital goods is not produced in the domestic market
- Produced but not qualifying the specification
- Produced in domestic but the quantities are not sufficient.

CHALLENGES

Finding the solution



PT Penjaminan Infrastruktur Indonesia (Persero)
Indonesia Infrastructure Guarantee Fund

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Infrastructure Development Challenges for Green Initiatives

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Challenges need to be addressed and unlocked

Regulatory Readiness

Gap between environmental & Social standard applied with the existing regulatory



Planning & Execution Gap

Contracting Agency limited capability in project preparation for green infrastructure

On Going Maintenance and Sustainability

Safeguard, environmental & social maintenance

Financing Gap

Attracting investor for new technology in renewable energy

THANK YOU

ありがとうございました

3 March 2017

