World Bank Group’s 9th Global Affordable Housing Conference

Session 3
“A Green Affordable Homes Revolution”

Indonesia Green Affordable Housing Program (IGAHP)
A New Initiatives in Greening 1 Million Houses in Indonesia

Presented By:

Harry Trisaputra Zuna
DIRECTOR GENERAL FOR PUBLIC WORKS AND HOUSING INFRASTRUCTURE FINANCING

MINISTRY OF PUBLIC WORKS AND HOUSING OF THE REPUBLIC OF INDONESIA
CHALLENGES OF HOUSING PROVISION IN GLOBAL AND INDONESIA

SDG’s

“make cities and human settlements inclusive, safe, resilient and sustainable”

HOUSING GLOBAL CHALLENGES

By 2025, 1.6 billion people are expected to be affected by the global housing shortage (according to the World Bank)

From 200 cities globally, 90% were found to be unaffordable to live in (with the average home costing more than three times the average income.)

Mortgage Loans (As % of GDP)

- Indonesia: 4.70%
- Philippines: 4.47%
- India: 7.94%
- Malaysia: 36%
- Singapura: 45.4%

Mortgage loans as a share of GDP in Indonesia is about 4.70%, tend to be low compared to Malaysia 36% and India 7.94%

Source: https://www.helgilibrary.com/indicators/mortgage-loans-as-of-gdp/
CLIMATE CHANGE ISSUES RELATED TO HOUSING AND SETTLEMENTS

Building construction consumes more than 1/3 of the world’s resources

(according to United Nations Environment Programme)

Indonesia is in the top 10 carbon emitting countries

Source: Indonesia Climate Transparency Report 2021

Indonesia NDC
GHG Emission Reduction by 2030

29% independently

41% with international support

Source: Climate Watch (2021)
**FLPP**  
**HOUSE FINANCING LIQUIDITY FACILITY**

Credit-linked subsidy of liquidity facility designed to support homeownership through affordable mortgage finance. Capital funding for FLPP is 75%-funded by the Government and 25% by the participating banks and PT Sarana Multigriya Finansial (PT SMF).

**Key-Features:**
- **5% Fixed Interest Rate**
- **20 years Subsidy Period**
- **IDR 112 Mio GOI Funds over the life of loan**
- **Ownership of Landed and Vertical Housing Allotment**
- **IDR 8 Mio Maximum Income**

**SSB**  
**INTEREST GAP SUBSIDY**

Interest rate subsidy that buys down the mortgage market rate to 5%, which is fixed for the life of the loan. Unlike FLPP, capital funding for SSB is the responsibility of participating lenders.

**Key-Features:**
- **5% Fixed Interest Rate**
- **10 years Subsidy Period**
- **IDR 144 Mio GOI Funds over the life of loan**
- **Ownership of Landed and Vertical Housing Allotment**
- **IDR 8 Mio Maximum Income**

**BP2BT**  
**SAVINGS-BASED HOUSING FINANCING ASSISTANCE**

BP2BT provides one-time down-payment assistance to low-income households based on savings. Market interest rate originated from the participating banks who will use their capital to fund the mortgage.

**Key-Features:**
- **Down Payment Assistance:**
  - **IDR 40 Mio for Landed Housing**
  - **IDR 60 Mio for Vertical Housing**
- **IDR 40 Mio GOI Funds over the life of loan**
- **Facilitate the issue of bankability of non-fixed income segment.**
- **Housing Ownership, Construction, Improvement Allotment**
- **IDR 70 Mio Saving Funds over the life of loan**

**PUBLIC HOUSING SAVINGS**

The future of the Indonesian Housing Finance Program that aims to collect and provide long-term sustainable low-cost funds for housing finance to meet the needs of decent and affordable housing for Participants through mobilization, cultivation, and utilization of housing savings and financing programs.

**Key-Features:**
- **5% Fixed Interest Rate**
- **30 years Subsidy Period**
- **IDR 112 Mio GOI Funds over the life of loan**
- **Credit for Construction IDR 100 Mio**
- **Credit for Improvement IDR 70 Mio**
- **Housing Ownership, Construction, Improvement Allotment**
Housing Finance Challenges

Housing in Urban Area
- FLPP* & SSB** disbursement for vertical housing is only of 992 units or 0.05%. Meanwhile, ownership backlog in urban area reaches 10 million HHs.

Ownership Backlog
- Urban: 10 million households (79%)
- Rural: 2.7 million households (21%)

Occupancy Backlog
- Urban: 4.66 million households (67%)
- Rural: 2.32 million households (33%)

Quality Backlog (RTLH)
- Urban: 10.63 million households (45%)
- Rural: 13.07 million households (55%)

Housing Finance Issues

01 Housing in Urban Area

02 Housing for Informal Sector
- Informal sector needs facility to build house independently and incrementally, as well as renovation and retrofitting for RTLH but the current FLPP product only focuses on new housing.
- Informal sector only serves 18% of total beneficiaries. Meanwhile, ownership backlog for informal sector reaches 59.45%.

03 Green Affordable Housing Construction Finance
- Housing quality for low income HH are not environmentally friendly and mostly sub-standard.
- Housing in Indonesia contributes to Carbon Emission (3.88% direct emission & 20.72% indirect emission).
- Indonesia targeted to 41% Carbon Emission Reduction and 100% Net Zero Carbon Housing by 2030.
THE TREND OF HOME OWNERSHIP BACKLOG IN INDONESIA

The number of households growth: 1.13 million hh/year

Source: National Socioeconomic Survey in Indonesia
LESSONS LEARNED FROM INDONESIA NATIONAL AFFORDABLE HOUSING PROGRAM (NAHP) AND OTHERS

SUPPLY SIDE

- Expanding access of housing programs for a greater range of households, including those with informal income
- Combining the curative (slum upgrading) with the preventive (new affordable housing construction)
- Providing housing in urban centers to improve households’ overall accessibility

DEMAND SIDE

- Developing Segmentated Solutions Tailored to Different Income Groups
- Providing proper schematics, base data, and spatial suitability tools to target beneficiaries and meet needs effectively
- Developing housing micro-finance and/or guarantee funds to provide solutions to enhance the affordability of less creditworthy borrowers

“*The housing ecosystem needs to be fully understood and products must respond to the needs of the market.*”

Need innovative approaches through collaborative efforts between the government, private sector, and civil society

Need sustainable solutions to tackle the housing crisis and improve the lives of millions of Indonesians

Need to develop a rigorous roadmap towards a more adequate, inclusive, safe, and resilient housing sector
Provision of affordable housing for both new house construction and quality improvement by applying the principles of Green Building (BGH) implemented by the Government, Business Entities and non-governmental organizations in supporting the achievement of SDGs and fulfillment of the Paris Climate Agreement.

**INDONESIA GREEN-AFFORDABLE HOUSING PROGRAM (IGAHP)**

**Introduction to IGAHP**

IGAHP is a program aiming to provide affordable housing for the people, especially the low-income population, with emphasis on sustainability and climate change mitigation. The program focuses on new build and retrofitting of existing housing to achieve energy and water efficiency, reduce materials usage, and increase carbon footprint reduction. The key targets are outlined as follows:

- **IGAHP Target**
  - **2024**: 100,000 green housing
  - **2030**: 1,000,000 green-netzero ready housing
  - **2050**: 100% net-zero housing

**Greening 1 Million Houses Impact Simulation**

- **760,000 New Houses**
  - Energy Efficiency: 22.95% - 42.22% (***)
  - Water Efficiency: 22.73%
  - Materials Efficiency: 23.52%
  - Emission Reduction: 17-34% (with Solar panel)

- **315,000 Home Retrofits**
  - Energy Efficiency: 24.91%
  - Water Efficiency: 20.97%
  - Materials Efficiency: 0.00%
  - Emission Reduction: 1.5 mm ton CO₂
PROPOSED STRUCTURE OF IGAHP BLENDED FINANCE

- **Multilateral Development Banks and Development Finance Institutions**
- **Development Agency and Funds (e.g. Endowment Fund)**
- **Commercial investors**
- **Philanthropic Investors**

**Loan/Subsidiary Loan/Grant/Other Support**

**INDONESIA GREEN AFFORDABLE HOUSING PLATFORM**
by PT SMF (as Special Mission Vehicle)

**Govt of Indonesia**

**Bank/Financial Institutions**

**Financing**

- **Debt**
  - MICRO FINANCE
  - GREEN HOUSING CONSTRUCTION FINANCE
  - GREEN HOUSING CO-FINANCE
  - Other Scheme

- **Equity**
  - GREEN HOUSING PROJECT FINANCE

**Facilities**

- Green and Affordable Housing Technical Assistance
- De-risking Instruments

**CAPITAL MARKET**

- Securitization/Thematic Bonds

Other Scheme
## Ongoing Support

**IGAHP Structure & Product Development – TA**

**Funded by Korean Green Growth Trust Fund, Facilitated by WorldBank**

### Activities

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<th>Housing Finance Product Development</th>
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<td><strong>Green and low-carbon housing program and product reform, development, and innovation</strong></td>
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<td><strong>Green and Resilient housing construction certification</strong></td>
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<td><strong>Capacity building and knowledge exchange</strong></td>
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<th>Activity 2</th>
<th>Development of IGAHP Blended Funding and Financing Platform</th>
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<td><strong>Assessment and recommendations for policy, institutional arrangement, and regulatory amendments and/or development to facilitate IGAHP structure, vision, and implementation</strong></td>
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<td><strong>Market Sounding &amp; Knowledge Sharing</strong></td>
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<th>Activity 3</th>
<th>Baseline Study of Carbon Credits for Green Construction of Affordable Housing</th>
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<td><strong>Confirm GHG mitigation measures</strong></td>
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<tr>
<td><strong>Analyze standardized baseline and identify gap measures to ensure compliance with carbon crediting methodology and standard</strong></td>
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<td><strong>Emissions reductions calculation of Green affordable housing uptake</strong></td>
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### Key Outputs

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<td><strong>Green and low-carbon housing program and product reform, development, and innovation</strong></td>
<td>Market assessment, new product development, financial models and implementation assistance</td>
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<td><strong>Green and Resilient housing construction certification</strong></td>
<td>Market assessment and recommendations for roadmap to scale green construction</td>
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<td><strong>Assessment and recommendations for policy, institutional arrangement, and regulatory amendments and/or development to facilitate IGAHP structure, vision, and implementation</strong></td>
<td>Recommendation of IGAHP Blended Finance Platform Development (institutional, financial structure, cash-flow and Implementation Roadmap)</td>
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<td><strong>Market Sounding &amp; Knowledge Sharing</strong></td>
<td>Identification of Potential Partners and Collaborators</td>
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<tr>
<td><strong>Confirm GHG mitigation measures</strong></td>
<td>Analysis of recommended independent certification standard, assessment of GHG emissions baseline for low-income housing, assessment of emissions reduction and carbon monetization cost-benefit</td>
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### Project Loan Proposal

- **Green, Affordable, and Climate-Resilient Housing - Blended Finance Facility**
  - **Project Duration:** 2024-2030
  - **Target:** 1 Million Housing
  - **Scope of Works:**
    - Green and Resilient Housing Finance
    - City Centers Housing Finance
    - Informal Income Housing Finance
  - **Estimated Budget:** USD 725 Million
    - **Loan:** USD 500 Million
    - **Other Source (including Private Capital):** USD 220 Million
    - **Government:** USD 5 Million

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THANK YOU

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