

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:

Herry Trisaputra Zuna

DIRECTOR GENERAL FOR PUBLIC WORKS AND HOUSING INFRASTRUCTURE FINANCING

CHALLENGES OF HOUSING PROVISION

IN GLOBAL AND INDONESIA

REPUPR SIGAP MEMBANGUN NEGERI

SDG's





"make cities and human settlements inclusive, safe, resilient and sustainable"

HOUSING GLOBAL CHALLENGES



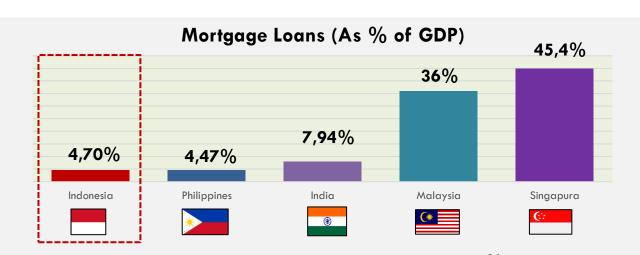
By 2025, 1.6 billion
people are expected to
be affected by the global
housing shortage

(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 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



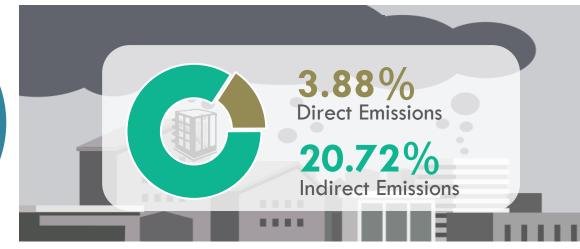


Building construction consumes more than 1/3 of the world's resources

(according to United Nations Environment Programme)

Building Sector in Indonesia

Emissions from energy used to build, heat and cool buildings



Source: Indonesia Climate Transparency Report 2021

TARGET

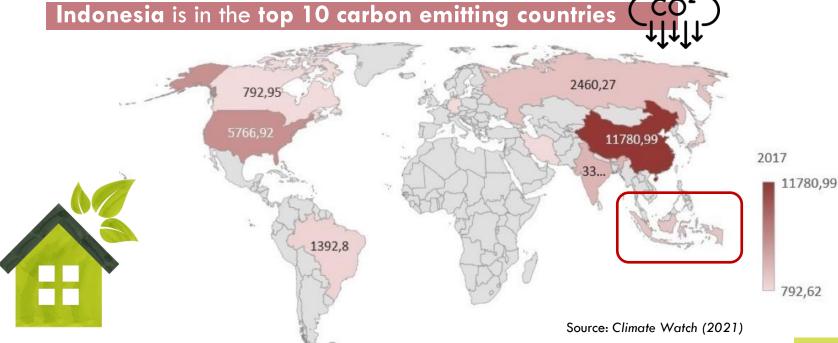
Indonesia NDC
GHG Emission Reduction by
2030

29%

independently

41%

with international support



EXISTING HOUSING FINANCE PROGRAM IN INDONESIA





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:



Fixed Interest Rate



20 years Subsidy Period

IDR 112 Mio

GOI Funds over the life of loan



Ownership of Landed and IDR 8 Mio **Vertical Housing** Maximum Income Allotment



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



IDR 8 Mio Maximum Income



Ownership of Landed and **Vertical Housing** Allotment

BP2BT

SAVINGS-BASED HOUSING FINANCING ASSISTANCE

BP2BT provides one-time downpayment 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

IDR 60 Mio

for Landed Housing 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



PUBLIC HOUSING SAVINGS

The future of the Indonesian Housing Finance Program that aims to collect and provide longterm 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:



Fixed Interest Rate



IDR 112 Mio

Saving Funds over the life of loan



Credit for Improvement IDR 70 Mio



Housing Ownership, Construction, **Improvement** Allotment

ISSUES AND CHALLENGES: HOUSING FINANCE





Housing Finance Challenges

12.7
Million

Ownership Backlog

Urban

Rural

10 million households (79%) 2,7 million households (21%) Million
Households

Occupancy Backlog

Urban

4,66 million
households
(67%)

23.7
Million
Households

2,32 million

households

(33%)

Quality Backlog (RTLH)

Urban

Rural

10,63 million households (45%) 13,07 million households (55%)

Housing Finance Issues

01

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

Housing for Informal Sector

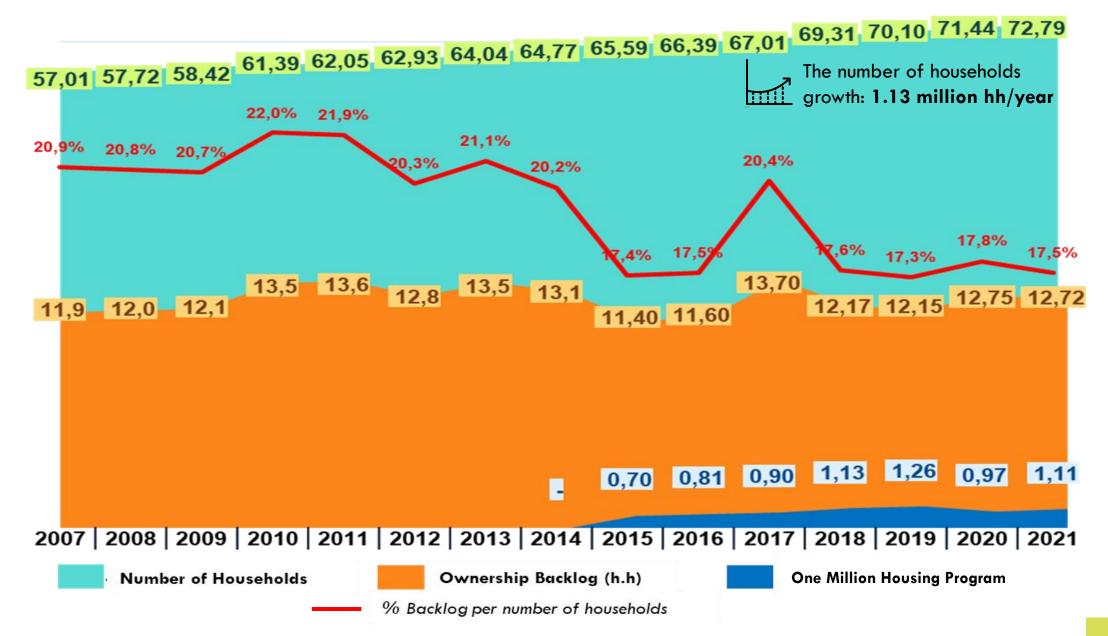
- Informal sector needs facility to build house independently and incrementally, as well as renovation and retrofitting for RTLH but the current FLPP product only focuses on new housing
- Informal sector only serves 18% of total beneficiaries. Meanwhile, ownership backlog for informal sector reaches 59,45%.

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





National Socioeconomic Survey in Indonesia

Source:

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 Segmented
 Solutions Tailored to Different
 Income Groups
- Providing proper schematics, base data, and spatial suitability tools to target beneficiaries and meet needs effectively
- Developing housing microfinance 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

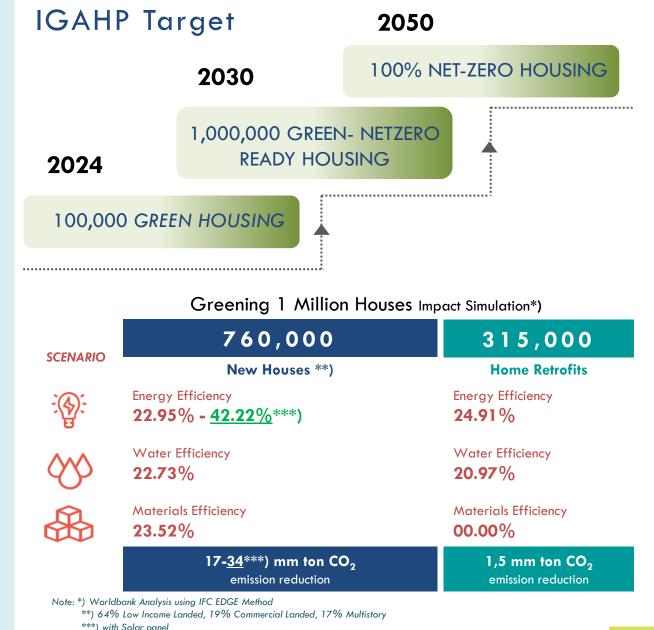
INDONESIA GREEN-AFFORDABLE HOUSING PROGRAM (IGAHP)





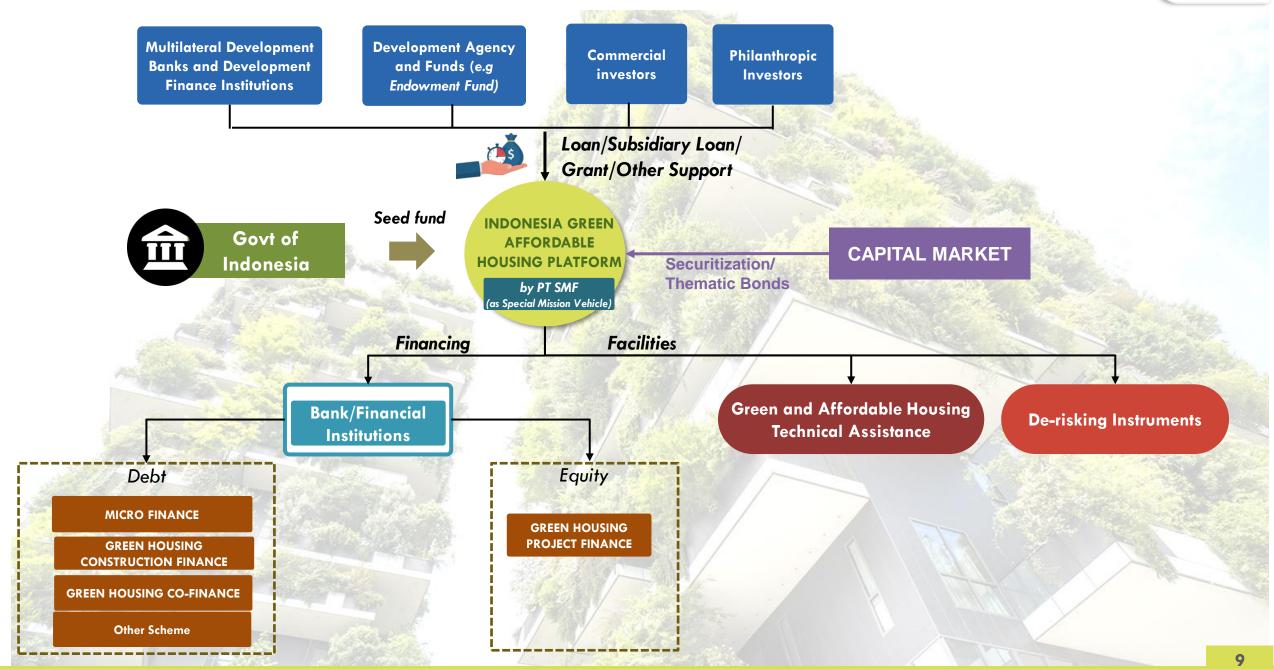
Introduction to IGAHP

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**



PROPOSED STRUCTURE OF IGAHP BLENDED FINANCE





ONGOING SUPPORT



IGAHP Structure & Product Development - TA FUNDED BY KOREAN GREEN GROWTH TRUST FUND. FACILITATED BY WORLDBANK

Activities

Green and low-carbon housing

program and product reform,

Key Outputs

Market assessment, new product

development, financial models and

Project Loan Proposal

Activity 1

Housing Finance
Product Development

Activity 2

Development of IGAHP Blended Funding and Financing Platform

HP id i

Activity 3

Baseline Study of Carbon Credits for Green Construction of Affordable Housing

implementation assistance development, and innovation Market assessment and recommendations Green and Resilient housing for roadmap to scale green construction construction certification Capacity building and knowledge exchange Recommendation of IGAHP Blended Assessment and recommendations for **Finance Platform Development** policy, institutional arrangement, and (institutional, financial structure, cash-flow regulatory amendments and/or development to facilitate IGAHP and Implementation Roadmap) structure, vision, and implementation Identification of Potential Partners and Market Sounding & Knowledge Sharing Collaborators

Confirm GHG mitigation measures

Analyze standardized baseline and identify gap measures to ensure compliance with carbon crediting methodology and standard

Emissions reductions calculation of Green affordable housing uptake

Analysis of recommended independent certification standard, assessment of GHG emissions baseline for low-income housing, assessment of emissions reduction and carbon monetization costbenefit

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

