



# Financing Sustainable Infrastructure in Indonesia

Presentation on Webinar on JCM Implementation in Indonesia 2020

30 September 2020

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**01**

**IIF Profile**

**02**

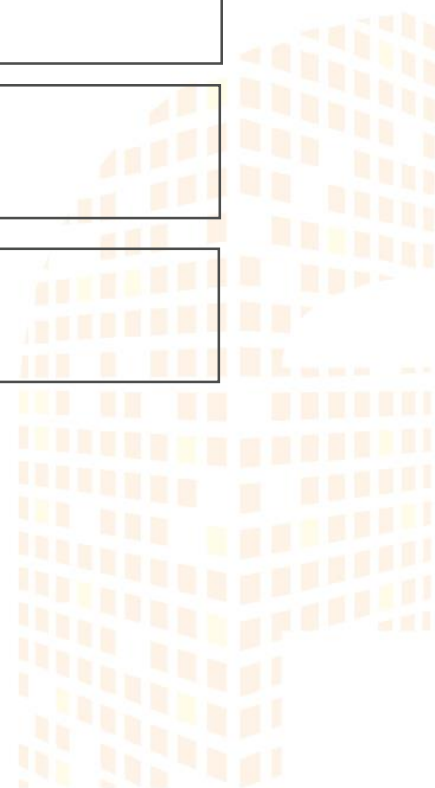
**Project Finance Structure**

**03**

**Social & Environmental Principles**

**04**

**Closing Remarks**



## AGENDA 1

# IIF Profile

## THE FOUNDER SHAREHOLDER'S



To establish a private non-bank financial institution that supports infrastructure projects in Indonesia

To increase private investment participation in infrastructure sector

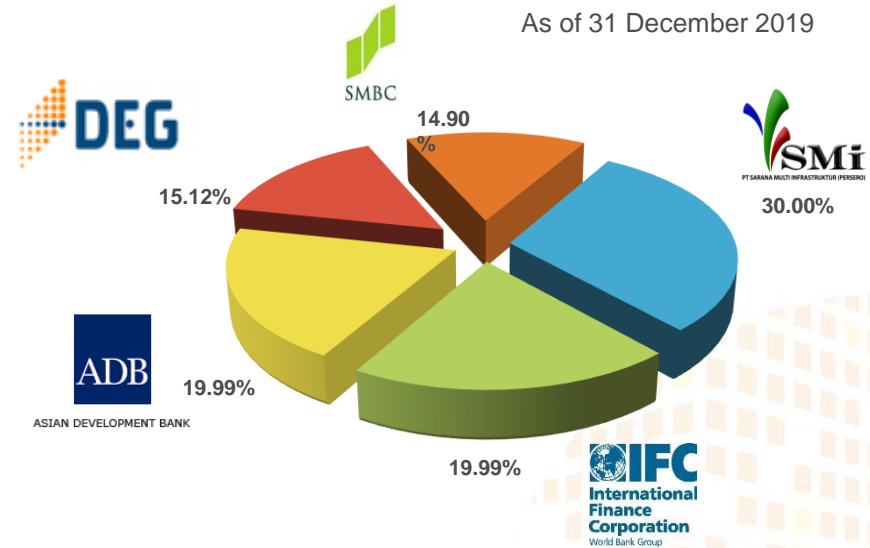
### IIF's Vision & Mission

To provide financing for infrastructure in Indonesia and to work closely with Infrastructure sponsors, financial sector, and the Government of Indonesia to accelerate the construction of well-conceived, commercially viable infrastructure projects.

- To ensure investors' requirements are reflected in contractual structures and concessions.
- To pioneer the availability of various specifically designed long term financing instruments for infrastructure's projects.
- To work with Indonesia's financial institutions and other institutional investors to channel the public's saving into the long term development of Indonesia's Infrastructure.

## SHAREHOLDERS

As of 31 December 2019



### IIF's Rating

PT Fitch Ratings  
Indonesia  
AAA (idn)

Pefindo  
idAAA

# Mandated Infrastructure Sectors



## Drinking Water

Raw water intake facilities, transmission network, distribution network, drinking water refinery plan.



## Road

Toll roads and toll bridges.



## Social Infrastructure

Infrastructure of waste management systems, renewable energy, energy conservation, urban facilities, educational facilities, sports and arts facilities, regional infrastructure, tourism, health, penitentiary and public housing infrastructure.



## Waste Water

Waste water treatment, collection and main sewage system, and waste facilities including transportation and disposal facilities.



## Irrigations

Raw water channels.



## Telecommunication

Telecommunication networks.



## Transportations

Sea ports, rivers or lake ports, airports, rail networks, and railway stations.



## Food Distribution Infrastructure

Including warehousing.



## Electricity

Power generation, power transmission or distribution.



## Oil and Gas

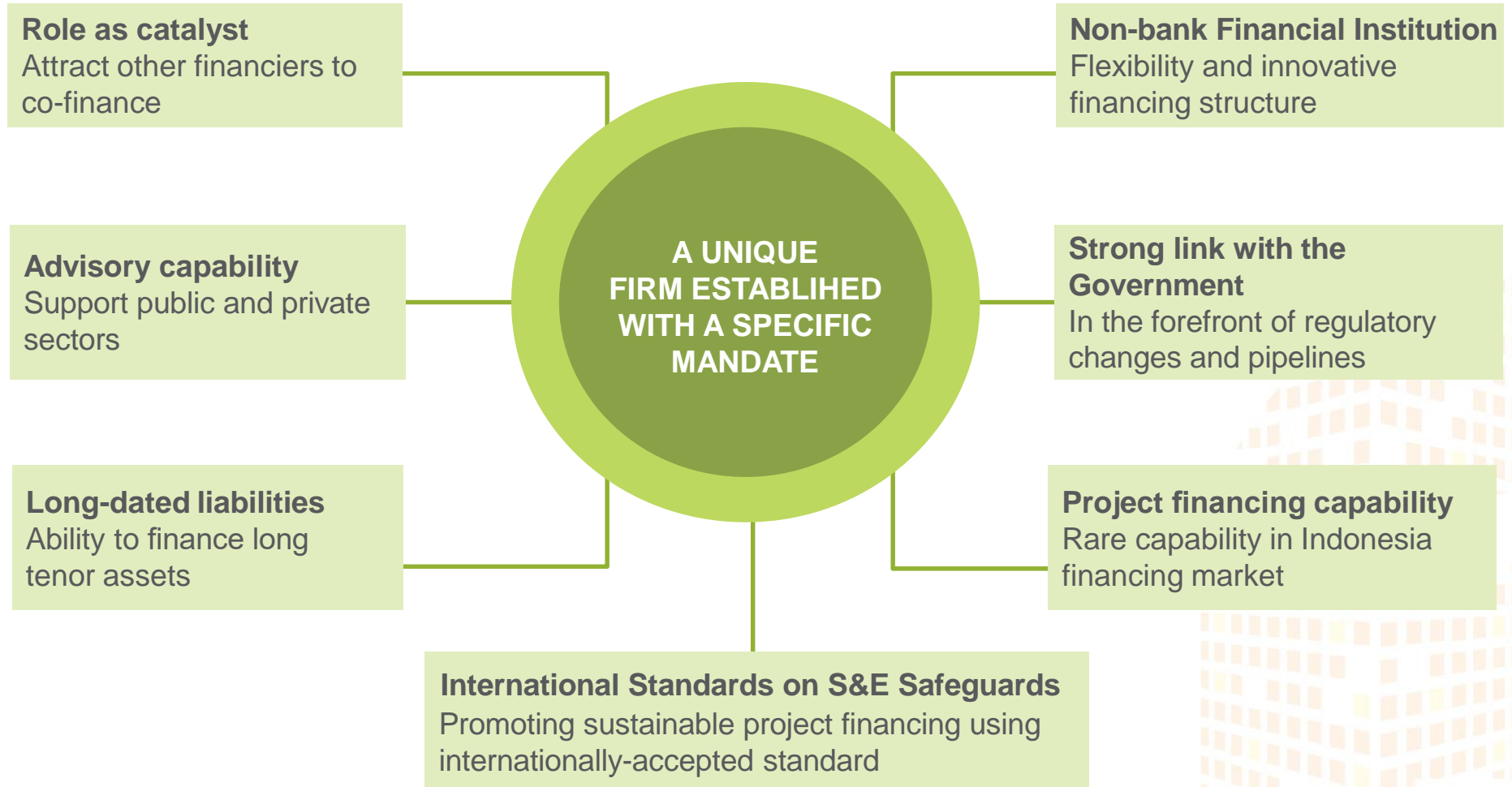
Oil and gas processing, storage, transportation, transmissions, and distribution of oil and gas.



## Management of Industrial Estate

Land acquisition, construction and operation

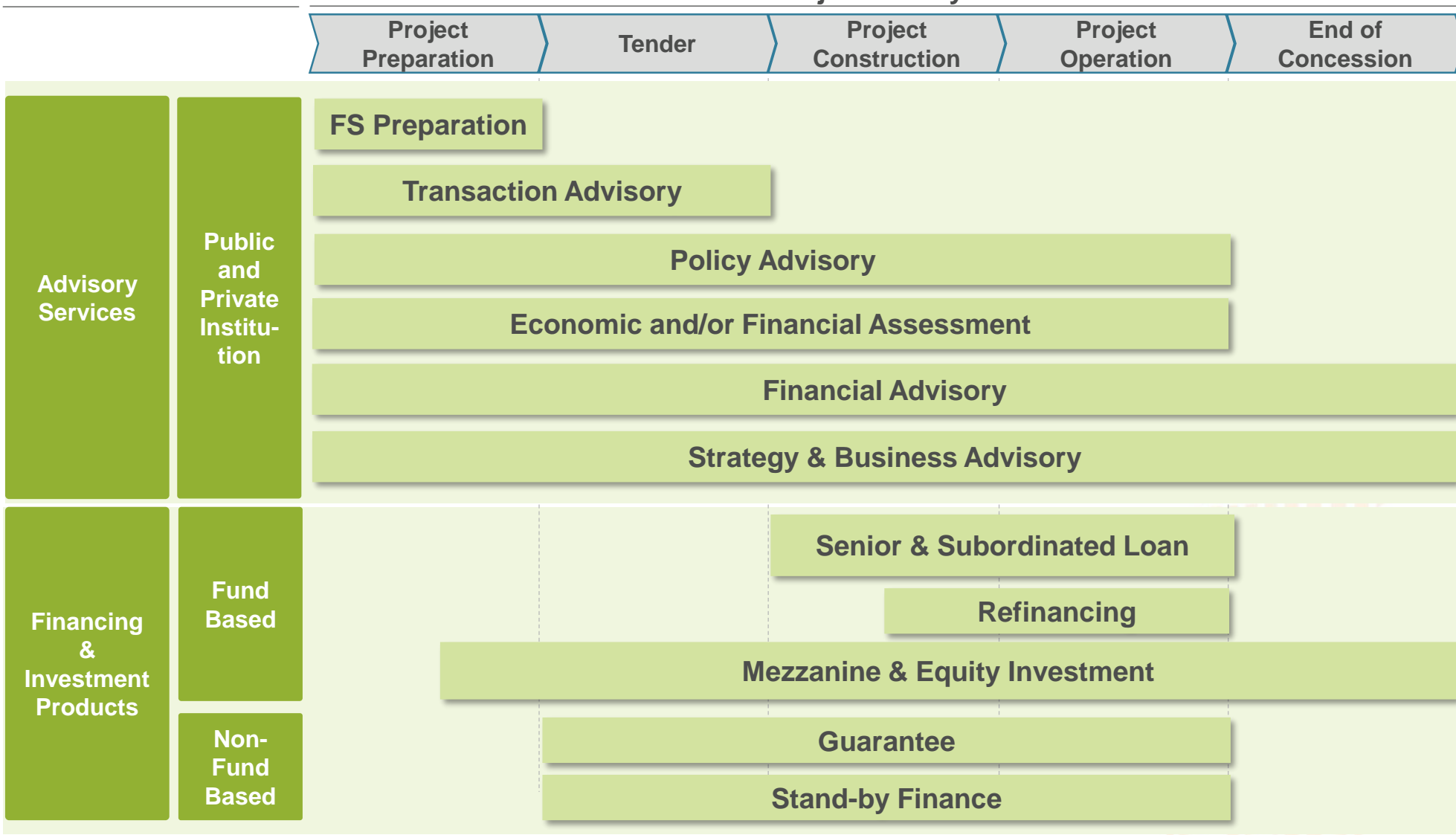
# Unique Business Model



# Support in All Stages of Project Development

## Business Division

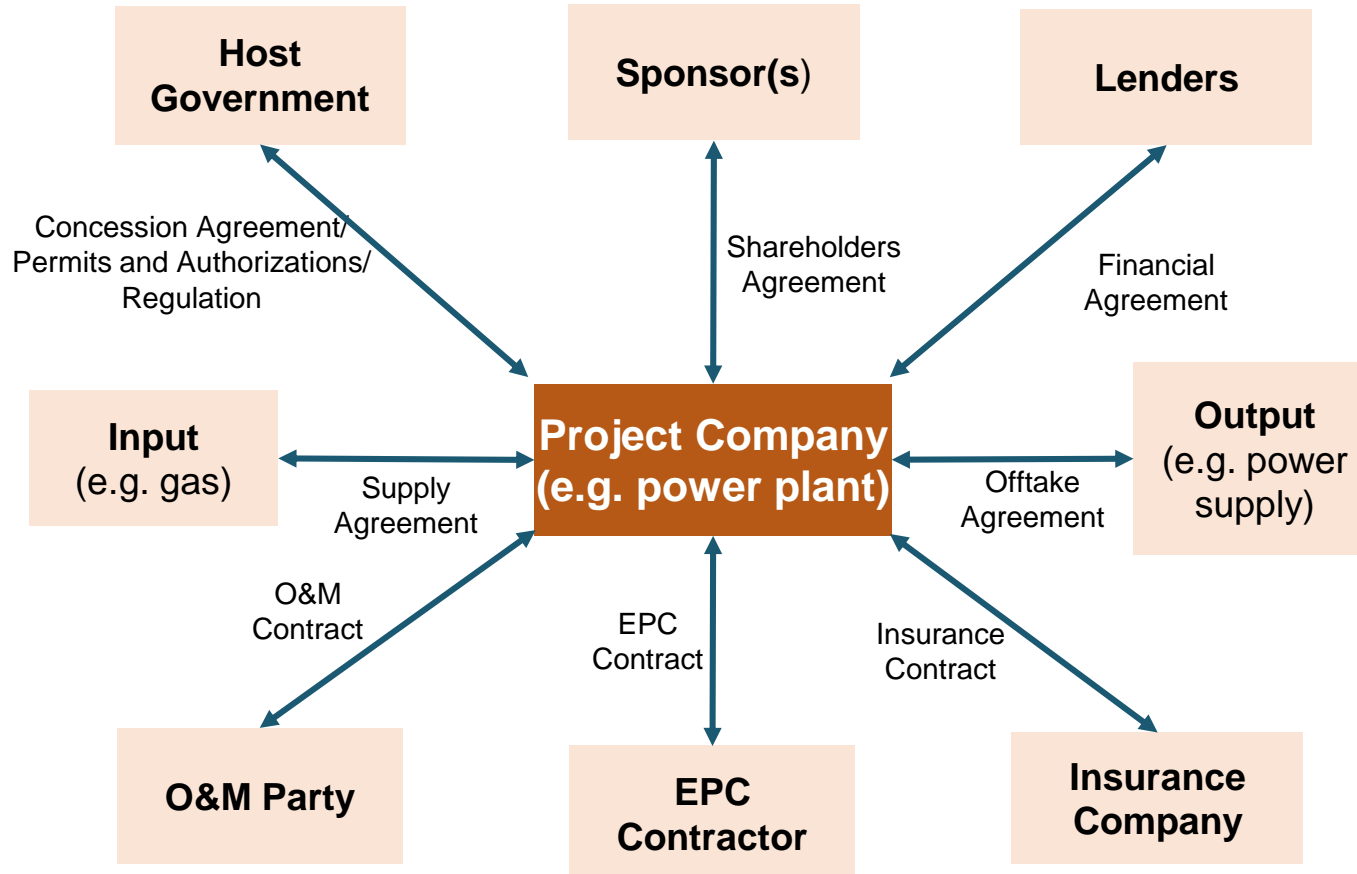
## Project Life Cycle



## AGENDA 2

# Project Finance Structure

## Typical Project Finance Structure



## Characteristic

- Cashflow oriented
- Capital-intensive
- Highly leveraged
- Long term
- Independent entity with a finite life
- Non-recourse or limited recourse financing
- Many stakeholders

## Project Assessment

- 1 **Know Your Client**
- 2 **Project Overview**
  - Project structure and mechanics
  - Technology
- 3 **Financial Overview**
  - Financial model
- 4 **Due Diligence**
  - Technical aspects.
  - Legal aspects.
  - S&E aspects
- 5 **Site Visit**
- 6 **Financing Structure**

## Financial Close

- 1 **Proposed Facility**
  - Facility type
  - Facility amount and coverage
  - Interest rate & fees
  - Securities/Collateral
  - General undertakings
  - Terms and conditions
  - Cash waterfall mechanism
- 2 **Financing Document**
- 3 **Disbursement**
  - Condition Precedents
  - Drawdown documents
- 4 **Review & Monitoring**
  - Periodic review
  - Fulfilment of S&E Corrective Action Plan.

# Main Assessment Items

<b>Legal Aspect</b>	<ol style="list-style-type: none"> <li>1. Corporate documents</li> <li>2. Inter-party agreement</li> <li>3. Concession agreement</li> <li>4. Offtake Agreement</li> <li>5. Supply and purchase agreement</li> <li>6. Construction agreement</li> <li>7. O&amp;M contract</li> </ol>	<ol style="list-style-type: none"> <li>8. Financing agreement</li> <li>9. Security document</li> <li>10. Insurance policy</li> <li>11. Tax status</li> </ol>
<b>Technical Aspect</b>	<ol style="list-style-type: none"> <li>1. Feedstock supply</li> <li>2. Product demand</li> <li>3. Site related characteristic</li> <li>4. Engineering design</li> <li>5. Technology design/license</li> <li>6. Material and equipment specification</li> <li>7. Estimated total project cost</li> </ol>	<ol style="list-style-type: none"> <li>8. Safety engineering</li> <li>9. Construction progress and S-curve analysis</li> <li>10. Construction contract</li> <li>11. O&amp;M contract</li> </ol>
<b>Social &amp; Environmental Aspect</b>	<ol style="list-style-type: none"> <li>1. Social and Environmental Management System</li> <li>2. Labor and Working Conditions</li> <li>3. Pollution Prevention and Abatement and Climate Change</li> <li>4. Community Health, Safety and Security/Dam Safety</li> </ol>	<ol style="list-style-type: none"> <li>5. Land Acquisition and Involuntary Resettlement</li> <li>6. Biodiversity Conservation and Natural Resource Management</li> <li>7. Indigenous People</li> <li>8. Cultural Property and Heritage</li> </ol>

# Some Notable Renewable Power Plant Projects

## Mini Hydro Power Plant in Sumatra



- 2 x 6 MW mini hydro power plant in North Sumatra
- USD20 million loan facility
- 15 years tenor
- Supported by JCM funding

## Biomass Power Plant



- 12 MW biomass power plant in Aceh.
- IDR 250 billion loan facility
- 12 years tenor
- Supported by JCM funding.

## Gorontalo solar-powered power plant



- 2MW Gorontalo solar-powered power plant
- IDR 32 billion loan facility
- 8 years tenor

## Hydro Power Plant in Sumatra



- 2x90 MW hydro power plan located at North Sumatera, Indonesia.
- USD 17.85 million loan facility
- 15 years tenor

## Wind Farm



- Guarantee Facility to finance the first Wind Power Plant with capacity of 70MW.
- Guarantee Facility USD 20 million
- 16,5 years guarantee period

## Geothermal Power Plant



- Refinancing of Geothermal Power Plant with capacity of 227 MW in West Java.
- USD 38 million facility.
- 4 years tenor

## AGENDA 3

# Social & Environmental Principles



**Principle 1:** Social & Environmental Assessment & Management System



**Principle 2:** Labor & Working Conditions



**Principle 3:** Pollution Prevention, Abatement & Climate Change



**Principle 4:** Community Health, Safety & Security/Dam Safety



**Principle 5:** Land Acquisition & Involuntary Resettlement



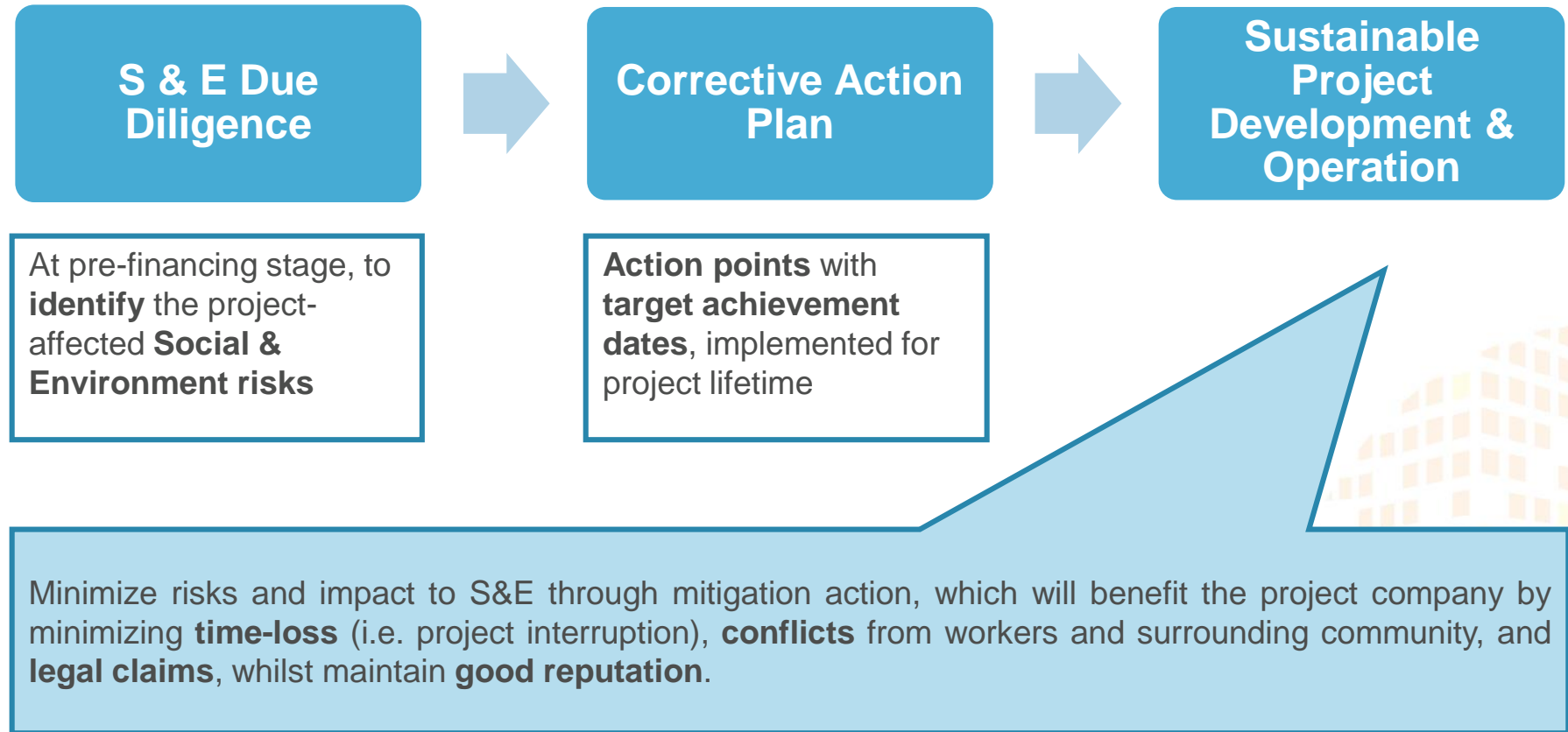
**Principle 6:** Biodiversity Conservation & Sustainable Natural Resource Management



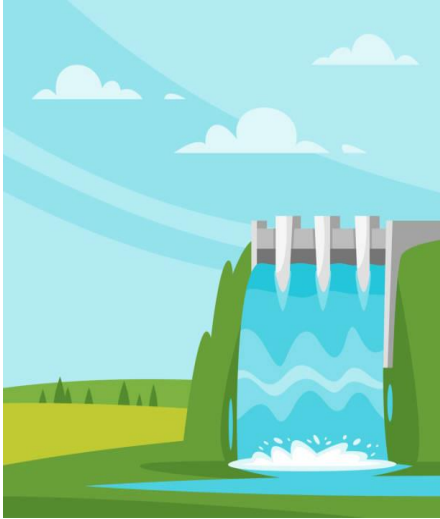
**Principle 7:** Indigenous Peoples



**Principle 8:** Cultural Property & Heritage



# Sample of S&E Issues in Mini Hydro Power Plant



- Upstream area
- Land acquisition
- Biodiversity study
- Ecosystem services
- Cumulative impact
- Ecological flow
- Transmission line area
- Construction phase: mobilization & demobilization, landslide, sediment control, housekeeping, basecamp, health & safety, community safety.
- Operation phase: operational safety, stakeholder engagement, hazardous material and waste management.

## Generic Corrective Action Plan

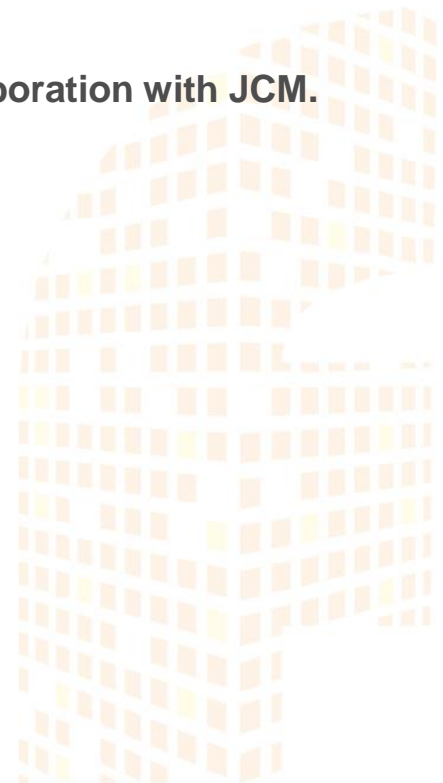
- Establishment of Social & Environmental Management System, which includes: grievance mechanism, stakeholder engagement plan, labor policies, organizational capacity & competency, training program, emergency preparedness & response, environmental monitoring plan, and reporting.
- Appointment of dedicated person(s) to manage S&E aspects
- Fatality report, including assessment on the causal and remedial/ improvement action.
- Regular reporting: S&E Annual Report, periodic regulatory report (e.g. implementation of RKL-RPL).

## AGENDA 4

# Closing Remarks

- IIF is mandated to support the financing of commercially viable infrastructure projects.
- IIF requires project company to conduct sustainable project development, by following IIF S&E Principles.
- IIF welcomes cooperation with other financiers, especially those that shares the same concern on social & environmental issues.

**IIF has financed 2 projects that use JCM mechanism, and open for further collaboration with JCM.**



# THANK YOU

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