PT SARANA MULTI INFRASTRUKTUR (PERSERO)

PT SMI’s Initiative in Green Finance

Regional Workshop on Accelerating Renewable Energy Investment in Southeast Asia

20-21 May 2019, Da Nang, Vietnam
PT Sarana Multi Infrastruktur (Persero) (“PT SMI”) was established in 2009 as a State-Owned Enterprise under the Minister of Finance Regulation No. 100/PMK.010/2009 on Infrastructure Financing Companies.

PT SMI carries the duty of supporting the Government’s infrastructure development agenda for Indonesia through partnerships with private and/or multilateral financial institutions in Public-Private Partnership (PPP) projects. As such, PT SMI can serve as a catalyst in accelerating infrastructure development in Indonesia.

PT SMI is 100% owned by the Government of Indonesia.

To serve as catalyst in accelerating national infrastructure development

1. To become a strategic partner that delivers value added contributions to Indonesia’s infrastructure development
2. To develop flexible financing products
3. To offer service excellence backed with good corporate governance

Financial Highlight (December 2018)

AAA/Stable
National Rating

Almost equal to Government Rating

Highest rating for local company

Financial Statement Opinion 9 years in a row

Asset
USD 4.3 billion

Equity
USD 2.5 billion

Project Cost
USD 38.2 billion

Multiplier Effect to Financing Commitment
6.03 times

Multiplier Effect to Paid-up Capital
18.14 times

Commitment
USD 6.39 Billion

Outstanding
USD 3.39 Billion

Unqualified Opinion

AAA/Stable
National Rating

BBB/Stable
International Rating

Unqualified
Opinion
PT SMI Business Pillars

**Source of Funds**

- **Conventional**
  - Capital Injection from GOI
  - Capital Market (Bonds, Notes, Securitization, Green Bond)
  - Loans and Grants
- **Sharia**
  - Sharia Capital Market (Sukuk, Sharia Hedging)
  - BPJS / Sharia Insurance
  - Hajj & Syirkah Funds
  - Sovereign Wealth Fund

**Pillar #1: FINANCING & INVESTMENT**

- Infrastructure Financing
  - Senior loan (Working Capital, Investment Loan)
  - Junior Loan
  - Mezzanine
  - Equity investment
  - Arranger & Underwriter
  - Standby Lender PPP
  - Sustainable Financing

**Pillar #2: ADVISORY SERVICES**

- Financial Advisory
- Investment Advisory
- Financing Arranger

**Pillar #3: PROJECT DEVELOPMENT**

- PPP Project Development
- Fund Management for Geothermal Infrastructure Development
- Renewable Energy Project Development & Energy Efficiency
- Project Preparation for Municipal Financing
- Capacity Building and Technical Assistance

**Sectoral Focus**

- Electricity
- Transportation
- Telecommunication
- Road and Bridge
- Oil and Gas
- Efficiency Energy
- Water Supply
- Train Rolling Stock
- Waste Water & Waste Management
- Hospital
- Correctional Infrastructure
- Education Infrastructure
- Regional Infrastructure
- Market
- Tourism Infrastructure
- Social Infrastructure

**Source of Funds**

- Conventional:
  - Capital Injection from GOI
  - Capital Market (Bonds, Notes, Securitization, Green Bond)
  - Loans and Grants

- Sharia:
  - Sharia Capital Market (Sukuk, Sharia Hedging)
  - BPJS / Sharia Insurance
  - Hajj & Syirkah Funds
  - Sovereign Wealth Fund

**Sharia Financing**

- IMBT/ Lease with Option to Own
- Murabahah/Installment Sale with Deferred Payment
- MMOQ/Diminishing Partnership
- Musyarakah/Joint Partnership
- IMFZ/Indent Lease with Option To Own
- MMOB

**Pillar #1:**

- Infrastructure Financing

**Pillar #2:**

- Financial Advisory

**Pillar #3:**

- PPP Project Development

- *Under development process*

- **New initiatives in 2018**
Sustainable Financing

Grant Agreement with World Bank (CTF and GEF Fund) amounted to USD 55,25 million for geothermal exploration activities.

Establishment of Sustainable Finance Division to finance RE-projects related to Environmental and Safety Management Frameworks (ESMF).

The development and implementation of Guidelines of Environmental and Safety Management Frameworks (ESMF).

Bilateral / Multilateral Partnerships

Agence Française de Développement (AFD)

Partnership in green financing for renewable energy projects.

Green Bond Issuance

PT SMI issued the first corporate green bond in Indonesia (June 2018), awarded as Medium Green, to provide green financing.

Green Climate Fund (GCF)

PT SMI as the first accredited entity in South-East Asia.

SDG Indonesia One

Blended Finance Platform to support Sustainable Development Goals.

Geothermal Fund Management & Innovative Products

Geothermal fund management with amount of IDR 3,1 Trillion from Indonesia Investment Agency (PIP).

Grant Agreement with World Bank (CTF and GEF Fund) amounted to USD 55.25 million for geothermal exploration activities.

Innovative Projects to address SDGs with high social economic benefits.

PT SMI’s Concrete Steps to Support Sustainable Development

01 Sustainable Financing

02 Bilateral / Multilateral Partnerships

03 Agence Française de Développement (AFD)

04 Green Bond Issuance

05 Green Climate Fund (GCF)

06 Geothermal Fund Management & Innovative Products

07 Environmental and Safety Management Frameworks (ESMF)

08 SDG Indonesia One

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PT SMI’s Initiative in Sustainable Financing

Focus
- New & Renewable Energy
- Energy Conservation
- Waste Management

Product
- Loan
- Grant
- Quasi Equity Facility
- Technical Assistance

Strategy
- Create strategic relationship with potential clients
- Create strategic cooperation with multilateral institutions
- Coordination with government institutions

Sustainable Financing

Economical
Social
Environmental
Sustainable Development & Green Growth

New Business Unit

Sustainable Development & Green Growth

Landscape of Climate Change Funding

Contributor Countries

Multilateral Funds
- Green Climate Fund
- Clean Technology Fund
- Global Environment Facility
- Nationally Appropriate Mitigation Action Facility
- Adaptation Fund

Bilateral Funds
- International Climate Fund (UK)
- Global Climate Change Initiative (USA)
- KfW Development and Climate Finance
- International Climate Initiative (Germany)

Private Funds
- DEG - Deutsche Investitions- und Entwicklungsgesellschaft GmbH
- Climate Public Private Partnership
- Climate Insurance Fund
- Acumen

Implementing Agencies and Institutions
- The World Bank
- Asian Development Bank
- KfW Development Bank
- AFD – French Development Agency
- GIZ – German Development Agency

Recipient Countries

Contributor Countries

Multilateral Funds
- Green Climate Fund
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Recipient Countries
### Financing Business Model

**Source of Funds**
- **Donor / Partner**: Grant
- **Government**: State Capital Injection
- **Financial Institution**: Loan Facility
- **Capital Market (Bonds, Debt Securities)**: Loan Facility

**Intermediary**

**Products**

**Financing**
- **Features of Loan Facility**:  
  - Long-term tenor  
  - Innovative financing products  
  - Flexible financing scheme

**Partnership with Donors**
- **Type of partnership**:  
  - Co-financing  
  - Intermediary  
  - Fund management  
  - Capacity building

**Grant**
- **Project De-risking**:  
  - Soft loan facility  
  - Interest subsidy
- **Project Development**:  
  - Project development fund  
  - Technical assistance
Strategic Partnership with Bilateral / Multilateral Institutions

Technical Assistance

- Climate Policy Initiative (CPI)
  Grant USD 200,000 for project assessment & capacity building on climate change and clean energy project

- UNDP
  Technical Assistance
  Wind Power - USD 300,000

- GIZ
  Consultation RE & Sustainable Transportation

- GGGI
  Collaboration for Green Projects Promotion

Financing

- AFD
  Soft Loan USD 100 million, Grant USD 5 million, & TA EUR 400,000 for RE & EE

- GCF
  As Accredited Entity

- AIIB & World Bank Group
  RIDF Loan
  AIIB (USD 100 million)
  World Bank (USD 100 million)

- ADB & World Bank Group
  Subordinated Loan to IIF
  ADB (USD 100 million)
  World Bank (USD 200 million)

- Climate Policy Initiative (CPI)
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  Technical Assistance
  Wind Power - USD 300,000

- GIZ
  Consultation RE & Sustainable Transportation

- GGGI
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- GGGI
  Collaboration for Green Projects Promotion

* Development stage
Partnership between PT SMI and AFD

Case: The Use of FLM as a De-Risking Tool

**Purpose**
To derisk part of the Eligible Loan provided by PT-SMI to a SMI’s Client for an Eligible Investment.

**Eligibility**
PT-SMI would have the right to use a portion of the Grant to cover its first losses, up to the loss incurred by PT-SMI with a maximum of 15% of SMI’s Loan or a maximum amount of USD 2 Million in case any eligible investment failure happens before the Commercial Operation Date.

**Social Economic Benefits**
- **Support**
  - ~US$ 300 Million Green Investment
  - Reduce ~250 Thousand Ton CO$_2$ per year protect 1,5 Million People from climate change impacts (access to clean water)
  - Build 15,5 MW renewable energy capacity / equivalent to 21,527 thousand households (900 VA)

**Project**
- **Project**
  - **Location**: Ladang Palembang, Lebong Utara, Bengkulu
  - **Project Cost**: US$ 50.44 Million
  - **Capacity**: 21 MW

**Project Description**
Power generation under a run-off river scheme with annual energy electricity of 116.42 x 10$^6$ kWh. The project will supply electricity to the regional power network and contribute to improving the stability and reliability of the power system.
## Optimization of Sustainable Funding:
### PT SMI as the First Issuer of Corporate Green Bond in Indonesia

<table>
<thead>
<tr>
<th>Compliance of Standard</th>
<th>Regulatory Standard</th>
<th>Second Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>Green Bond Principles (GBP)</td>
<td>CICERO Center for International Climate Research</td>
</tr>
<tr>
<td>Regional</td>
<td>ASEAN Green Bond Standards (GBP)</td>
<td>ºCICERO</td>
</tr>
<tr>
<td>Local</td>
<td>OJK Regulation (POJK Number 60/2017)</td>
<td>&quot;Medium Green&quot;</td>
</tr>
</tbody>
</table>

- **1st Corporate Green Bond in Indonesia**
- **100%**
- **Eligible Green Projects**
- **Eligible Sectors**
  1. Renewable energy
  2. Energy efficiency
  3. Sustainable pollution management and prevention
  4. Sustainable natural resource and land use management
  5. Clean transportation
  6. Sustainable water and sewage management

**Total Issuance**
- **IDR 500 Billion**
  - Programme Bond with Total Amount of IDR 3 Trillion

**Unique Features**
- Environmental and Social Safeguard (ESS)
- Annual Impact Reporting
- Management of Funds (Dedicated Account)

**Second Opinion Result:**
- 100%

<table>
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- Environmental and Social Safeguard (ESS)
- Annual Impact Reporting
- Management of Funds (Dedicated Account)
**Optimization of Sustainable Funding: PT SMI as Green Climate Fund’s Accredited Entity**

### Category

<table>
<thead>
<tr>
<th>Maximum size of an individual project or activity within a programme</th>
<th>GCF Board Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (Including Micro)</td>
<td>Total project cost ≤ USD 50 million</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Fiduciary Function</th>
<th>Medium Risk (Category B/Intermediation 2 (I-2))</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basic fiduciary standards;</td>
<td>Mild adverse environmental and/or social risk, generally site specific, largely reversible, readily addressed through mitigation measures</td>
</tr>
<tr>
<td>2. Project management</td>
<td></td>
</tr>
<tr>
<td>3. Grant award and/or funding allocation mechanism;</td>
<td></td>
</tr>
<tr>
<td>4. On-lending and/or blending (for loans)</td>
<td></td>
</tr>
</tbody>
</table>

### Maximum environmental and social risk category

#### Financial Instruments
- • Grant
- • Loan facility
- • Guarantee
- • Equity

#### Sectors
- • Renewable energy
- • Energy efficiency
- • Climate change

#### Ministry of Finance of Republic of Indoenesia
Fiscal Policy Agency (BKF)
National Designated Authority (NDA) for GCF

#### PT Sarana Multi Infrastruktur (PT SMI)
PT SMI as the first accredited entity in South-East Asia

#### PT SMI as Green Climate Fund’s Accredited Entity

#### SDG Development Facilities
- • PDF grant provided by Green Climate Fund (GCF) for activities including: Feasibility study, ESIA, LARAP
- • PDF procured by GIZ for activities including Pre-FS, Legal Study, Gender Assessment, Risk Analysis, Stakeholder Management

#### Location
Semarang City, Central Java

#### Project Cost
Rp 18.9 billion (~USD 1.26 million)

#### Role of PT SMI
- • PDF grant provided by GCF for activities including: Feasibility study, ESIA, LARAP
- • PDF procured by GIZ for activities including Pre-FS, Legal Study, Gender Assessment, Risk Analysis, Stakeholder Management

#### Project Uniqueness
- • Reduce GHG emission by enhancing public transport role as the backbone for urban mobility
- • BRT project will also increase the quality of life of these 1,000 individuals and might open new job opportunity up to 2,000 people.
- • The time savings obtained in the 15-20 km corridors will be multiplied by more than 115,000 passengers who use the system on daily basis

#### Funding Type
- NDA
- Readiness and Preparatory Support
- Project Preparation Facility (PPF).
  Financial Instrument: Grant, Repayable
  Grant, Equity
- Funding (Investment) Proposal.
  Financial Instrument: Grant, Loan, Equity, Guarantee

#### Social-Economic Benefits
- • PDF grant provided by GCF for activities including: Feasibility study, ESIA, LARAP
- • PDF procured by GIZ for activities including Pre-FS, Legal Study, Gender Assessment, Risk Analysis, Stakeholder Management

#### PT SMI
PT SMI as the first accredited entity in South-East Asia
## Geothermal Exploration Drilling

1. CTF US$ 49 million
2. GEF US$ 6.25 million

### Grant & TA
- **CTF**
  - US$ 49 million
- **PT SMI**
  - Co-financing
  - US$ 49 million
- **GEF**
  - US$ 6.25 million
- **TA**
  - NZD 2.13 million

### Indicative Project Structure

<table>
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<th>Project Description</th>
<th>Exploracion project in geothermal energy to increase the electrification ratio of East Nusa Tenggara Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geothermal Area</td>
<td>Wae Sano</td>
</tr>
<tr>
<td>Province</td>
<td>East Nusa Tenggara</td>
</tr>
<tr>
<td>Potential</td>
<td>30 MW</td>
</tr>
<tr>
<td>Estimated Project Cost</td>
<td>USD 27.5 million</td>
</tr>
</tbody>
</table>

### Social & Economic Benefits

1. Illuminate approximately 33,000 houses in the surrounding area.
2. Increase the electrification ratio of East Nusa Tenggara Province. Currently the ratio is only at 59%.
3. Improve the regional economy with the potential of increased tourism development and create jobs opportunity.

### Time Frame and Project Status

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<th>Activity</th>
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<td>Valuation</td>
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<tr>
<td>2019</td>
<td>Exploration drilling</td>
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<tr>
<td>2020</td>
<td>Market Sounding</td>
</tr>
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</table>

## Indicative Capital Structure

- **CTF**
- **PT SMI**
- **GEF**
- **TA**
- **Private**
- **Debt (Private)**
- **Equity 30%**
- **Debt 70%**

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### Project Description

Exploration project in geothermal energy to increase the electrification ratio of East Nusa Tenggara Province.

### Social & Economic Benefits

1. Illuminate approximately 33,000 houses in the surrounding area.
2. Increase the electrification ratio of East Nusa Tenggara Province. Currently the ratio is only at 59%.
3. Improve the regional economy with the potential of increased tourism development and create jobs opportunity.

### Time Frame and Project Status

- **2018**: Valuation
- **2019**: Exploration drilling
- **2020**: Market Sounding
Off-Grid Solar PV Financing (East Sumba, NTT)

- **Project**: Off-Grid Solar PV
- **Location**: East Sumba, NTT
- **Project Cost**: US$ 5,945,153
- **PT SMI’s Portion**: US$ 2,200,000

**Project Description**
- One of renewable energy projects that is financed under the grant from Millenium Challenge Corporation (MCC) and the Government of Indonesia.
- Increase electricity capacity of 492 kWp in East Sumba

**Source of Repayment**
- Grant from International Donor

**Experience**
- Good track record in long-term EPC projects, especially in renewable energy power plant (+10 years)

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The Utilization of Grant to finance Off-Grid Solar PV in East Sumba

2 Mega Watt of electricity deficit or around 33% from the total of electricity power in East Sumba
The Uniqueness of PT SMI’s Financing and Investment Products
Case Study: Promoter Financing for PLTMH Lau Gunung Project

Project Profile

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<td>Dairi, North Sumatera</td>
</tr>
<tr>
<td>Project Cost</td>
<td>IDR 288 billion</td>
</tr>
<tr>
<td>PT SMI’s Portion</td>
<td>IDR 50 billion</td>
</tr>
<tr>
<td>Project Description</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoter Financing as a capital injection and/or loan to PLN’s subsidiary for Mini Hydro Power Plant development and operational with 2x7.5 MW capacity in Dairi, North Sumatera</td>
</tr>
</tbody>
</table>

Project Structure

<table>
<thead>
<tr>
<th>Assets</th>
<th>Senior Loan</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLN</td>
<td>PPA</td>
<td></td>
</tr>
</tbody>
</table>

Maturity

1 Year

Notes

SMI provides promoter financing facility as a creditor for the project sponsors
Implementation of Environmental and Social Safeguard in PT SMI’s Project Financing

**PT SMI ESS Architecture**

**Policy**
- Compliance and Assessment of the Environmental and Social Rules and Regulations
- Employment & Work Environment, Gender Policy
- Pollution Prevention and Reduction
- Safety and Health
- Land Acquisition and Resettlement
- Biodiversity and Natural Resources Management
- Indigenous People and Cultural Heritage
- Cultural Heritage
- Energy Conservation and Use of Environmentally Friendly Energy
- Consultation and Grievance Handling Mechanism

**Procedures**
- Evaluating E&S Risk
  - Transaction Screening
  - Risk Identification
  - E&S Due Diligence
  - Conditions of Financing
- Monitoring E&S Risk
  - Reviewing Client/ E&S Performance
  - Managing non-Compliance

**Continuous capacity and capabilities improvement**

**Monitoring and Reporting**
# SDG Indonesia One Concept Note

<table>
<thead>
<tr>
<th>Platform Name</th>
<th>SDG Indonesia One</th>
</tr>
</thead>
</table>
| Use of Proceeds | 15 Sustainable Development Goals  
Today PT SMI obtain the mandate to focus only on infrastructure sector; therefore, it is permitted only to get involved in the 15 out of 17 SDGs |
| Priority Sector | Health, education, renewable energy and urban infrastructure (transportation, water and waste management)* |
| Role of the Platform | • Integrated platform support to projects (development, de-risking, construction)  
• Link project activity with the most suitable investors  
• Channel development finance via integrated-managed facilities |
| Project Location | Indonesia |
| Product Type | Grant, Loan and Equity, Technical Assistance, Capacity Building, Research |
| Structure | PT SMI as the intermediary, partners, fund manager, co-financier, sponsor, investor and implementing agency |
| Value Proposition | • PT SMI as a non-bank financial institution, 100% owned by the Government of Indonesia.  
• Extensive experience and strong track record investing in Indonesia.  
• The first financial institution accredited in Southeast Asia by the Green Climate Fund (GCF). |
| Source of Capital | Philanthropist, donor, climate funds, green investors, multilateral development bank, international agencies, commercial banks, sovereign wealth funds, institutional investors. |

*Potentially Can Be Expanded
### SDG Indonesia One Provides End-to-End Financing Support to Project Development

<table>
<thead>
<tr>
<th>Investor</th>
<th>Contributions</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor (Philanthropist) and Impact/ Climate Funds</td>
<td>Grant, Technical Assistance</td>
<td>Pre-construction project development support</td>
</tr>
<tr>
<td>Donor, Impact/Climate Funds and Development Banks</td>
<td>Concessional Loan, Grant</td>
<td>Project de-risking (improving bankability)</td>
</tr>
<tr>
<td>Commercial Banks and Institutional Investors</td>
<td>Loan, Bond, Sukuk</td>
<td>Construction / post-construction finance</td>
</tr>
<tr>
<td>Institutional Investor and Developer</td>
<td>Equity</td>
<td>Investment in high impact / new frontier SDG sector</td>
</tr>
</tbody>
</table>

### Contributions

- **Grant**: Project Preparation, Technical Assistance, Research
- **Concessional Loan**: First-Loss Facility, Interest Subsidy, Guarantee Premium Subsidy, VGF etc.
- **Senior Loan**: Subordinated Loan
- **Equity**: Equity, Equity-Linked Investment

### SDG Projects

- SDG Development Facilities
- SDG De-Risking Facilities
- SDG Financing Facilities
- SDG Equity Fund

**SDG Indonesia One** *(Managed by PT SMI)*
Partnership for SDG Indonesia One (Status as of 7 December 2018)

**Development Facilities**
- USD 40.8 Million

**De-Risking Facilities**
- USD 1.92 Billion

**Financing Facilities**
- USD 316 Million

**Equity Fund**
- USD 188 Million

USD 2.46 Billion
Thank You

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