

INDONÉSIE

Supporting investment in renewable energy and climate



AFD renewed its support for PT SMI, the Indonesian public infrastructure financing bank, to finance infrastructure projects that directly contribute to the SDGs and the fight against climate change.

CONTEXT

Despite sustained economic growth and rapid urbanisation, the lack of investment in infrastructure has had a strong impact on Indonesian growth over the past decade. The competitiveness of the archipelago is negatively impacted by inadequate infrastructure, especially transport and connectivity infrastructure, which affects businesses as well as urban and rural populations. Climate change could further impact the quality of Indonesia's infrastructure, with implications for growth, poverty reduction, foreign investment and the environment.

While the country is one of the world's largest emitters of greenhouse gases (GHGs), Indonesia has committed to achieving carbon neutrality by 2060. To accelerate the implementation of this goal, the Ministry of Finance and PT SMI, a state-owned financial institution in charge of infrastructure development and an IDFC member since 2019, have launched the SDG Indonesia One Platform. This initiative, in which AFD is participating, aims to put in place the necessary tools to significantly increase the financing of projects that contribute to achieving the SDGs.

DESCRIPTION

The objective of the project is to strengthen the range of PT SMI's financing that directly contributes to the SDGs and to the fight against climate change, in order to promote sustainable and low-carbon growth in Indonesia. To this end, PT SMI has three tools:

- A credit line of up to USD 150 million to finance "climate" infrastructure projects: mitigation (e.g. small and medium scale renewable energy) and adaptation, in line with IDFC's common recommendations and principles for climate finance.
- 3.6 million euros of technical assistance from an AFD grant (0.6 million) and funds delegated by the European Union (3 million) to build PT SMI's capacity, assist in project identification and analysis, and support its gradual transformation into a universal development bank
- 2 million in investment grants, funded by the EU. These will provide additional financial support to projects with high social or climate impact that would



This project is carried out with the support of the European Union

11/07/2019

Project start date



Indonésie
Location



Financial Systems , Energy ,
Infrastructure
sector(s)



Non Sovereign Non
Concessional Loan
Grant
financing tool(s)



138 600 000 EUR
Financing amount



10 ans
Duration of funding

ONGOING
Status

PTSMI
Beneficiaries

not have been financed without this instrument (3-4 projects planned).

IMPACTS

This project will contribute to the development of low-carbon infrastructure in Indonesia and the achievement of the SDGs by mobilising the private and public sectors and going beyond the positive results already achieved through the previous partnership. The project is expected to reduce emissions by at least 280,000 tonnes of CO2 per year and protect over two million people from the effects of climate change. This funding will enable PT SMI to support more ambitious operations in the field of the SDGs than it is currently funding. In addition, this project supports PT SMI's transformation into a universal development bank, thus strengthening the successful cooperation between AFD and this key player in the Indonesian financial system.

