Financing Climate Change Project: Beyond Conventional Scheme – Case of Jakarta

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AGENDA

1. Infrastructures Development in DKI Jakarta
2. Spatial Use Scheme
3. Availability Payment (PPP)
4. Islamic Financing Scheme
Infrastructures Development in Jakarta
ESTIMASI TOTAL KEBUTUHAN (5 TAHUN)
RP. 279,02 TRILIUN

APBD
Rp. 204,88 T

APBN/Loan
Rp. 29,68 T

KPBU
Rp. 41,57 T

Obligasi

PERLIBATAN MASYARAKAT SECARA SUKARELA (CSR, Swa-Pendanaan)

Penugasan/ B to B
Rp. 2.76 T

PENDANAAN BERSUMBER DARI DISINSENTIF PEMANFAATAN RUANG

Meliputi, tapi tidak terbatas pada:
- Pembangunan LRT Fase II
- Pembangunan ITF (lokasi Sunter)

Meliputi, tapi tidak terbatas pada:
- Pembangunan MRT (N-S) Fase I & II
- Pembangunan Sistem Pengolahan Air Limbah Terpusat (zona 1 dan 6)

Meliputi, tapi tidak terbatas pada:
- Stadion Olahraga Berlari/Internasional Jakarta Sewerage System/Pengolahan Air Limbah untuk Zona 2, 5, dan 8
- Penyelenggaraan Kereta Api Ringan di wilayah Jakarta/LRT Fase II
- Penyelenggaraan MRT yang menghubungkan dengan daerah sekitar
- Fasilitas pengolahan sampah (Intermediate Treatment Facility/ITF) antara lain berupa Pembangkit Listrik Tenaga Sumber PLTS/Waste To Energy (WTE) pada 3 lokasi
- Pembangunan Rumah Sakit Khusus Terpadu Penyakit Tidak Menular
- Pengoperasian dan pemeliharaan Velodrome
- Pengoperasian dan pemeliharaan Equestrian
- Penyediaan Infrastruktur Transportasi (termasuk pengembangan air strip di Pulau Panjang), Listrik dan Air Bersih untuk pengembangan Kawasan Strategis Pariwisata Nasional (KSPN) Kepulauan Seribu
- Sistem Penyediaan Air Minum (SPAM) Regional Jatiluhur 1
- Pembangunan Integrated Tunnel atau Multipurpose Tunnel

Penanganan Banjir dan Rob (Tanggul Laut, Sungai/Danau/Waduk/Situ, dll)
Pembangunan Perumahan Rakyat (DP 0, Rusunawa, penataan Kampung/kumuh)
Penyediaan RTH (Hutan, Taman & Makam)
Pembangunan Pedestrian, FO/U, dll
Pengembangan RSKD dan RSUD (tipe B, C & D)
Pembangunan dan Peningkatan Gedung Sekolah (SD, SMP, SMA, SMK)
Penanganan Prasarana Sarana Umum (PPSU) tingkat Kelurahan
Jasa Petugas Penunjang Kegiatan Kantor/Lapangan
Pengembangan Kebudayaan dan Pariwisata
Belanja Subsidi Pangan, Transportasi, dll
Peningkatan Pencakayaan Kota
dll
Current Infrastructure Project in DKI Jakarta Related to Climate Change

- Waste Water Treatment
- Affordable Housing
- Normalization Riverside
- Mass Public Transport
- Open Public Space
- Road Infrastructure
Spatial Use Scheme
Transfer of Development Right (TDR) Zoning

The transfer of building rights is the value of the floor area ratio (FAR) that has not been utilized.

Provision of Public Facilities is prioritized on land/assets owned by the Regional Government or on land that must be submitted to the Regional Government in accordance with the priority needs of the Local Government based on the proposed needs Regional Work Unit (SKPD).

Forms of Compensation

Compensation for exceeding the FAR is set out in the form of provision of public facilities, among others (Governor Regulation No. 210/2016)

a. Provide Green Public Open Space;
b. Provide Public flats;
c. Provide Reservoir;
d. Provide Infrastructure;
e. Provide a pathway and improve the quality of pedestrian facilities integrated with public transport; and
f. Provide bike lanes integrated with public transport.

Source: Ministry of Agraria and Spatial Plan
The DKI Jakarta’s administration has a list of infrastructure projects that developers can choose from to build when they increase their KLB above the limits set in the 2014 Local Regulation on detailed spatial planning and zoning.

* Compensation for KLB value exceed has been set out in DKI Jakarta Governor Regulation (Pergub) No. 175/2015 as amended by Pergub No. 119/2016. Determination of KLB value exceed is an instrument of spatial planning as stipulated in Law No. 26/2007 on Spatial Planning.

Semanggi interchanges ring roads was built using the funds of KLB compensation from PT Mitra Panca Persada, when elevating the Wisma Sudirman Building from 17 floors to 60 floors.

IDR 366 milliar (28 million USD)
Developers Obligation

if you requested a location with a total area 5000 $m^2$ or more. You have to pay and build affordable flats include facilities, 20% from total benefit area as commercial or another requirement set by Governor DKI Jakarta

- **Governor’s Decree no. 504/1990**
  
  About guidance on the implementation letter of approval in principle of land acquisition on land for the physical construction of Jakarta
Availability Payment Scheme (PPP)
Implementing PPP Scheme → Availability Payment (AP)

- availability Payment Scheme is defined as “periodical payment made by Minister/Head of Agency/Head of Local Area to the Implementing Enterprise for Infrastructure Services delivery based on the quality and/or criteria as decided in PPP Agreement”.
- AP Scheme is a method to deliver high quality of public services while minimizing financial burden of public sector.
• Implementing PPP Scheme → Availability Payment (AP)
  – transfer the risks of designing, building, financing and operating/maintaining a project to a private partner.
  – Availability Payments can be an attractive financing and project delivery alternative for project which, for reasons related to policy, public perception and/or profitability are not feasible or advisable under a user-fee based concession.
PPP Scheme → Availability Payment

What is PPP?

In Indonesian context, based on Perpes 38/2015, PPP is the cooperation between government and Business Entity in infrastructure provision for the public interest in accordance with the specification previously determined by the Minister/Head of Institution/Head of Region/State Owned Enterprise/Regional Owned Enterprise, which partially or fully uses Business Entity's resources, with particular regard to the allocation of risk between the parties.

Type of Return on Investment

- User Pay
  - Tariff is determined to ensure a return on investment that covers capital cost, operational cost, and profit within a determined period of time.
- Availability Payment (AP)
**Difference between PPP User Pay and AP Scheme**

<table>
<thead>
<tr>
<th>PPP TYPE</th>
<th>SERVICE and REVENUE</th>
<th>DEMAND RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td>User Pay</td>
<td>Project Company</td>
<td>Typically, demand risks resides with PRIVATE SECTOR</td>
</tr>
<tr>
<td>e.g. Toll Road BOT</td>
<td>Service</td>
<td></td>
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<td></td>
<td>Tariff/ Fee</td>
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<td></td>
<td>Users</td>
<td></td>
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<tr>
<td>AP Scheme (Public Pay)</td>
<td>Project Company</td>
<td>Typically, demand risks resides with PUBLIC SECTOR</td>
</tr>
<tr>
<td>e.g. Hospital</td>
<td>Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tariff/ Fee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Users</td>
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</tbody>
</table>

Source: JICA
Conventional Scheme and AP Scheme

<table>
<thead>
<tr>
<th></th>
<th>Conventional (APBN/APBD)</th>
<th>AP Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Burden/Payment Schedule</td>
<td><img src="chart1.png" alt="Bar Chart: Top Heavy" /></td>
<td><img src="chart2.png" alt="Bar Chart: Flat" /></td>
</tr>
<tr>
<td>Typical Contract Year</td>
<td>Construction (1-3 years)</td>
<td>10-30 Years</td>
</tr>
<tr>
<td></td>
<td>Maintenance (Every year)</td>
<td></td>
</tr>
<tr>
<td>Financial Source for Construction</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Typical Risk Allocation</td>
<td>Public</td>
<td>*Risks are transferred to Private</td>
</tr>
<tr>
<td>Procurement</td>
<td>Several (Design, Construction, Operation)</td>
<td>Only One (Single PPP Contract)</td>
</tr>
</tbody>
</table>

*Actual figure may have fluctuation based on inflation adjustment

Source: JICA
Availability payment (AP) is made from GCA to SPC as a reward of ensuring availability of the facility and providing specified services under a PPP (AP) contract.

As AP, a fixed amount is paid throughout the operation period, with a possible deduction in case SPC fails to fulfill certain requirements.

The AP amount essentially covers all the costs (construction cost, O&M cost, project financing cost etc.) and return for investors.

The simple cash flow structure of SPC is shown in the figure below:

*O&M might be taken over by Hospital or continued by SPC from X+ th years of operation.

Source: JICA
Islamic Finance Scheme (Zakat)
• **ZAKAT (Alms or Tithe)**
  - A term used in Islamic finance to refer to the obligation that an individual has to donate a certain proportion of wealth each year to charitable causes.
  - Zakat is a mandatory process for Muslims in order to physically and spiritually purify their yearly earnings that are over and above what is required to provide the essential needs of a person or family.
• The most common level of zakat on wealth from cash, equities and gold is 2.5% of the total value.
• For zakat funds to be used for the purpose, an additional condition need to be met, i.e. the beneficiaries must be poor.
Environmental protection and sustainability fits in nicely with the Islamic finance agenda that seeks to enhance the general welfare of society.

Protection of the planet and the environment, climate management and adaptation, as organizational goals are clearly in conformity with the goals of the Shariah as well as with the SDGs.

Islamic social funds can potentially play a significant role in absorbing the incremental costs with clean technologies where subsidies are not forthcoming to absorb the same.
The institution of waqf, along with zakat and Sadaqa, can certainly play a role in coping with humanitarian crises resulting from climate change.

Awqaf like foundations may directly engage in provision of goods and services related to mitigation and adaptation.

Awqaf may also be dedicated to research and development and towards increasing consumer awareness and stronger support of action to mitigate climate change.

Similar to SRI Funds, the Islamic Green Funds and similar to Green Bonds, the Islamic Green Sukuk can contribute significantly to the agenda of climate change.
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Islamic Finance through ZAKAT (Alm or Tithe)

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Implementing Islamic Finance through ZAKAT in Jakarta

- Amount of Zakat Collected → 13 Million USD.
- Distributed for education, health, livelihood, mosque and public facility renovation/new building and disaster
- Still an idea .... Need more discussion... proposal.... Feasibility study....
Thank you

Sources:

• Basic Concept of Availability Payment (AP) and Budgeting Implication, July 26, 2017. JICA Technical Assistance. KPPIP Support Facility
  
  • Zakat [https://www.investopedia.com/terms/z/zakat.asp#ixzz5DvxAb3pQ](https://www.investopedia.com/terms/z/zakat.asp#ixzz5DvxAb3pQ)
  
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