

Ex-Ante Evaluation

1. Name of the Project

Country: Republic of Indonesia

Project: Renewable Energy and Infrastructure Acceleration Facilities

Loan Agreement: December 11, 2017

Borrower: PT. Indonesia Infrastructure Finance (hereinafter the "IIF")

2. Background and Necessity of the Project

Although economic growth has become stable in recent years in Indonesia, the infrastructure has not kept pace, and developing infrastructure that is adequate in quantity and quality is essential for achieving sustainable economic growth. According to PT. PLN (Persero) (hereinafter the "PLN"), the capacity of power generation in 2015 is 43,457MW, it is just beyond the energy peak demand which is 36,787MW. PLN's target supply reserve rate is 35% though, actual supply reserve ratio is only 18% which means that the capacity of facility is less than the target. As one of the solution to mitigate of climate change, the Government of Indonesia aims to increase the power generation share of renewable energy to 23% in 2023. The National Development Planning Agency Republic of Indonesia (BAPPENAS) has estimated that 5.519 trillion rupiahs (approximately 50 trillion yen) in funding will be needed over the five-year period from 2015 to 2019, and under the assumption that 30 percent of that amount will come from the mobilization of private funds, there are strong expectations for private investment in infrastructure.

Under the leadership of the Government of Indonesia, the IIF, a financial agency specializing in infrastructure projects, was established in 2010 with public and private participation with the objective of promoting the participation of the private sector in infrastructure projects. Equity has been provided by a government-owned financing company and some international financing agencies. Sumitomo Mitsui Banking Corporation has joined IIF in 2012.

Japan's Country Assistance Policy for the Republic of Indonesia (April, 2012) identifies "Assistance for correction of inequality and establishment of a safe society" as one of the priority areas. In order to assist these areas, Japan will offer assistance for enhancement of internal connectivity as well as development of regional core areas. In addition, Japan announced the "Partnership for Quality Infrastructure" on May, 2015. In order to meet the massive infrastructure demand in Asia, this initiative will play a catalytic role to provide "quality infrastructure investment" in further mobilizing private sector financial resources and know-how to Asia, both in terms of quantity and quality. As mentioned above, this Project is in line with policies of the Republic of Indonesia, as well as the assistance policies of Japan and JICA. Therefore, it is highly necessary for JICA to implement this Project.

3. Project Description

(1) Project Objective

The Project Objective is to promote the mobilization of private funds for infrastructure

development including renewable energy in Indonesia. This support is expected to have the effect of improving the business and investment environment while accelerating economic growth through providing financial support for infrastructure projects to be financed by the IIF.

(2) Project Site/Target Area: All area of Republic of Indonesia

(3) Project Component (s): None

(4) Environmental and Social Consideration

a) Category: FI

b) Reason for Categorization: Proposed projects are classified as Category FI if they satisfy all of the following requirements: JICA's funding of projects is provided to a financial intermediary or executing agency; the selection and appraisal of the sub-projects is substantially undertaken by such an institution only after JICA's approval of the funding, so that the sub-projects cannot be specified prior to JICA's approval of funding (or project appraisal); and those sub-projects are expected to have a potential impact on the environment.

c) As for the sub-projects, IIF will categorize each project based on the Indonesian national law and the JICA Environmental and Social Guidelines, and necessary countermeasures will be taken according to the applicable category. Category A will be not included in sub-projects.

(5) Other Important Issues: None

4. Targeted Outcomes

As quantitative effects, total mobilize private funds will be monitored. As qualitative effects, improvement of the business and investment environment are expected as a result of infrastructure development. IRR is not calculated because sub-projects have not been specified yet.

5. Lessons Learned from Past Projects

(1) Lessons Learned from Past Projects

The ex-post evaluation of "Agricultural Credit for Rural Development and Job Creation Project" in Thailand pointed out that support for intermediary financial institution's appraisal and risk management capacity improvement is important.

(2) Application on Lessons Learned to the Project

In this project, the IIF's examination capability, risk management ability as well as support from shareholders such as international organizations have been examined through due diligence and confirmed that they have sufficient capacity and organization structure.

6. Plan for Future Evaluation

(1) Indicators to be used: Total mobilize private funds (Fourteen Billion Yen)

(2) Timing: 2 years after Availability Period

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