

*World Bank Group's 9<sup>th</sup> Global  
Affordable Housing Conference*

**Session 3**  
**"A Green Affordable Homes Revolution"**

# **Indonesia Green Affordable Housing Program (IGAHP)**

*A New Initiatives in Greening  
1 Million Houses in Indonesia*

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# CHALLENGES OF HOUSING PROVISION IN GLOBAL AND INDONESIA

SDG's  
**11**



*“make cities and human settlements inclusive, safe, resilient and sustainable”*

## HOUSING GLOBAL CHALLENGES



By 2025, **1.6 billion people** are expected to be **affected by the global housing shortage**

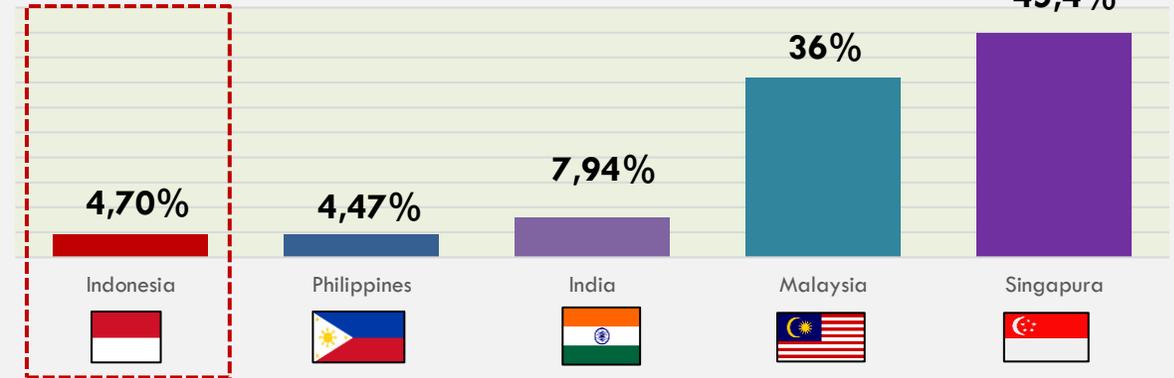
(according to the World Bank)



From 200 cities globally, **90% were found to be unaffordable to live in**

(with the average home costing more than three times the average income.)

## Mortgage Loans (As % of GDP)



Mortgage loans as a share of GDP in Indonesia is about **4.70%**, tend to be low compared to **Malaysia 36%** and **India 7,94%**

Source: <https://www.helgilibrary.com/indicators/mortgage-loans-as-of-gdp/>

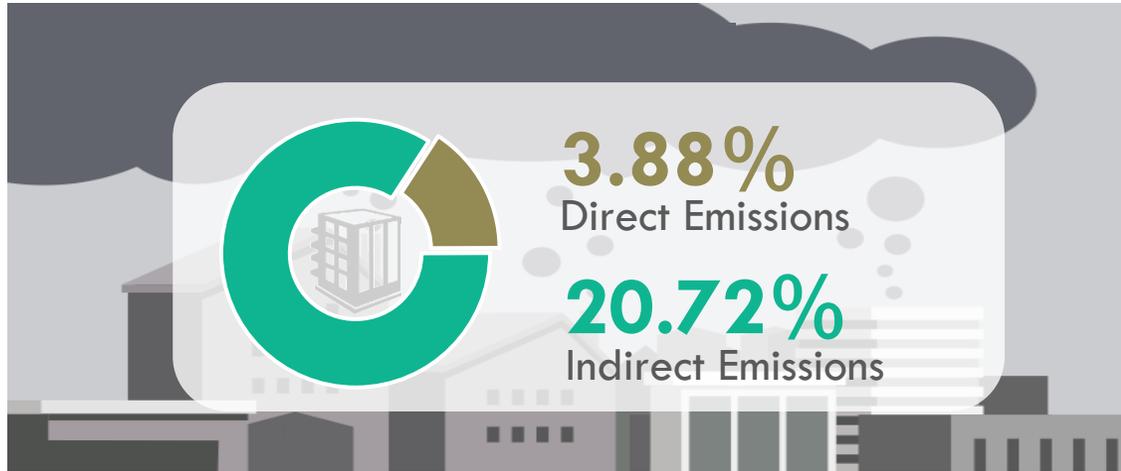




Building construction consumes more than **1/3 of the world's resources**

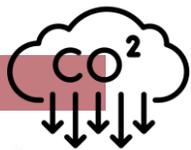
(according to United Nations Environment Programme)

**Building Sector in Indonesia**  
Emissions from energy used to build, heat and cool buildings



Source: Indonesia Climate Transparency Report 2021

**Indonesia is in the top 10 carbon emitting countries**

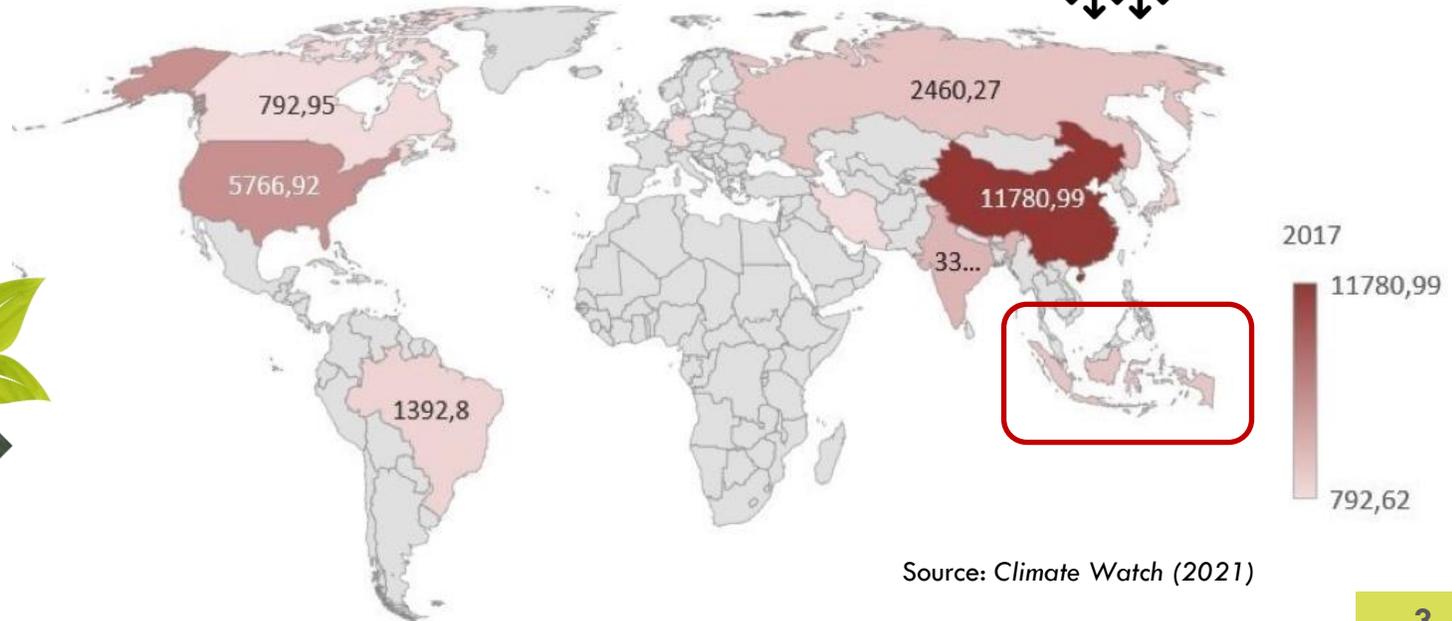


**TARGET**

**Indonesia NDC GHG Emission Reduction by 2030**

**29%** independently

**41%** with international support



Source: Climate Watch (2021)

## FLPP

### HOUSE FINANCING LIQUIDITY FACILITY

Credit-linked subsidy of **liquidity facility** designed to support homeownership through **affordable mortgage finance**. Capital funding for FLPP is 75%-funded by the Government and 25% by the participating banks and PT Sarana Multigriya Finansial (PT SMF).

#### Key- Features:



**5%**

Fixed Interest Rate



**20 years**

Subsidy Period

**IDR 112 Mio**

GOI Funds over the life of loan



**IDR 8 Mio**

Maximum Income



**Ownership of Landed and Vertical Housing Allotment**

## SSB

### INTEREST GAP SUBSIDY

**Interest rate subsidy that buys down the mortgage market rate to 5%**, which is fixed for the life of the loan. Unlike FLPP, capital funding for SSB is the responsibility of participating lenders.

#### Key- Features:



**5%**

Fixed Interest Rate



**10 years**

Subsidy Period

**IDR 144 Mio**

GOI Funds over the life of loan



**IDR 8 Mio**

Maximum Income



**Ownership of Landed and Vertical Housing Allotment**

## BP2BT

### SAVINGS-BASED HOUSING FINANCING ASSISTANCE

**BP2BT provides one-time down-payment assistance to low-income households based on savings**. Market interest rate originated from the participating banks who will use their capital to fund the mortgage.

#### Key- Features:



Down Payment Assistance:

**IDR 40 Mio**

**IDR 60 Mio**

for Landed Housing | for Vertical Housing

**IDR 40 Mio**

GOI Funds over the life of loan



Facilitate the issue of bankability of **non-fixed income segment**.



**Housing Ownership, Construction, Improvement Allotment**



BP TAPERA

### PUBLIC HOUSING SAVINGS

The future of the Indonesian Housing Finance Program that aims to collect and provide long-term sustainable low-cost funds for housing finance to meet the needs of decent and affordable housing for Participants through **mobilization, cultivation, and utilization of housing savings and financing programs**.

#### Key- Features:



**5%**

Fixed Interest Rate



**30 years**

Subsidy period

**IDR 112 Mio**

Saving Funds over the life of loan

Credit for Construction **IDR 100 Mio**

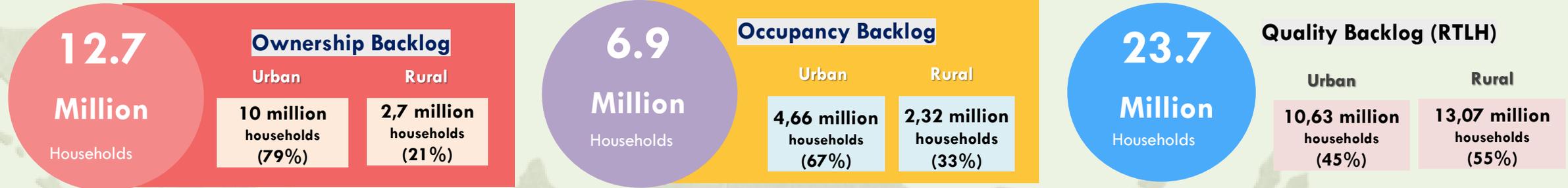


Credit for Improvement **IDR 70 Mio**



**Housing Ownership, Construction, Improvement Allotment**

## Housing Finance Challenges



## Housing Finance Issues

### 01 Housing in Urban Area

FLPP\* & SSB\*\* disbursement for vertical housing is only of 992 units or 0,05%. Meanwhile, ownership backlog in urban area reaches 10 million HHs

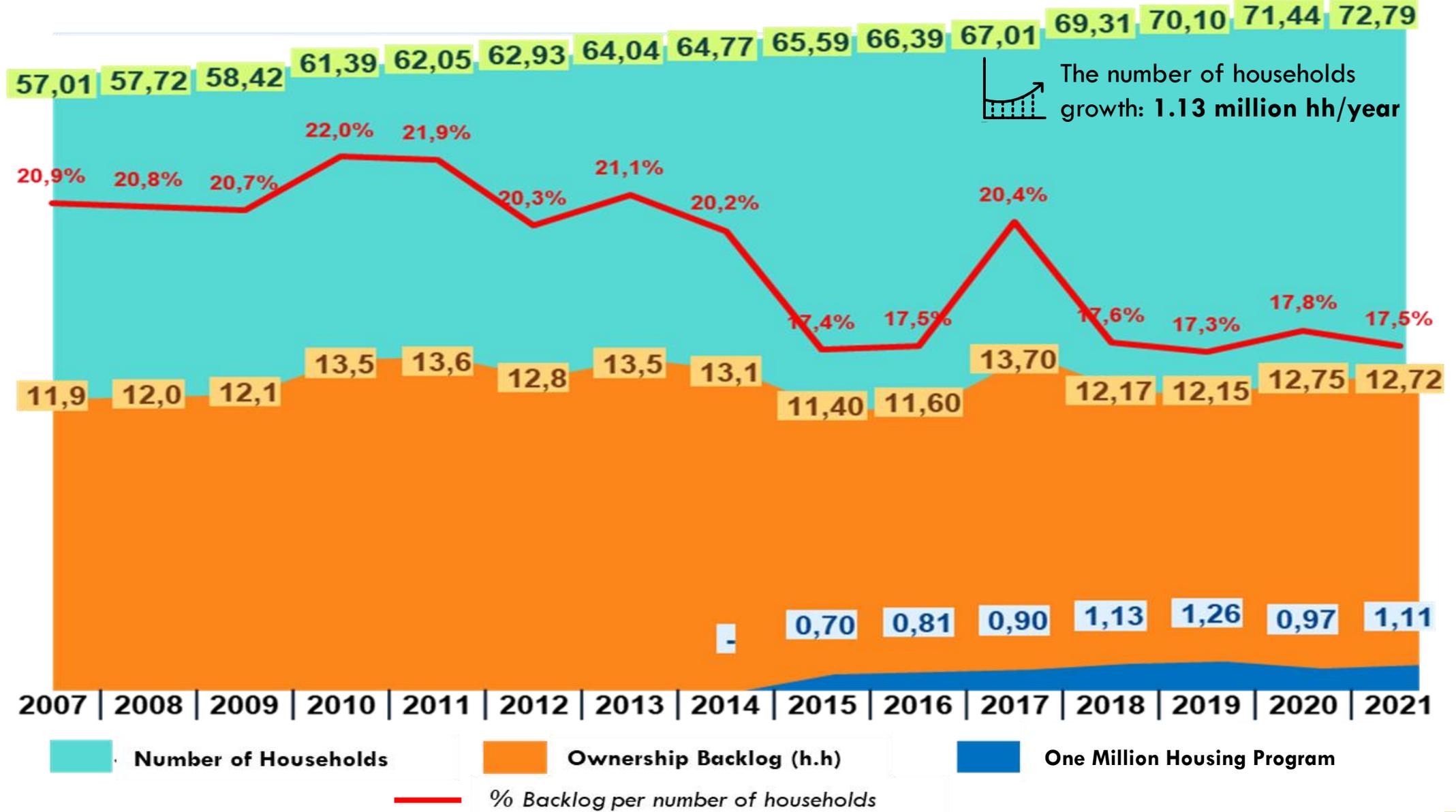
### 02 Housing for Informal Sector

- Informal sector needs facility to build house independently and incrementally, as well as renovation and retrofitting for RTLH but the current FLPP product only focuses on new housing
- Informal sector only serves 18% of total beneficiaries. Meanwhile, ownership backlog for informal sector reaches 59,45%.

### 03 Green Affordable Housing Construction Finance

- Housing quality for low income HH are not environmentally friendly and mostly sub-standard
- Housing in Indonesia contributes to Carbon Emission (3,88% direct emission & 20,72% indirect emission)
- Indonesia targeted to 41% Carbon Emission Reduction and 100% Net Zero Carbon Housing by 2030

# THE TREND OF HOME OWNERSHIP BACKLOG IN INDONESIA



Source: National Socioeconomic Survey in Indonesia

## SUPPLY SIDE



- Expanding access of housing programs for a greater range of households, including those with informal income
- Combining the curative (slum upgrading) with the preventive (new affordable housing construction)
- Providing housing in urban centers to improve households' overall accessibility

## DEMAND SIDE



- Developing Segmented Solutions Tailored to Different Income Groups
- Providing proper schematics, base data, and spatial suitability tools to target beneficiaries and meet needs effectively
- Developing housing micro-finance and/or guarantee funds to provide solutions to enhance the affordability of less creditworthy borrowers

*“The housing ecosystem needs to be fully understood and products must respond to the needs of the market.”*



**Need innovative approaches through collaborative efforts** between the government, private sector, and civil society



**Need sustainable solutions** to tackle the housing crisis and improve the lives of millions of Indonesians



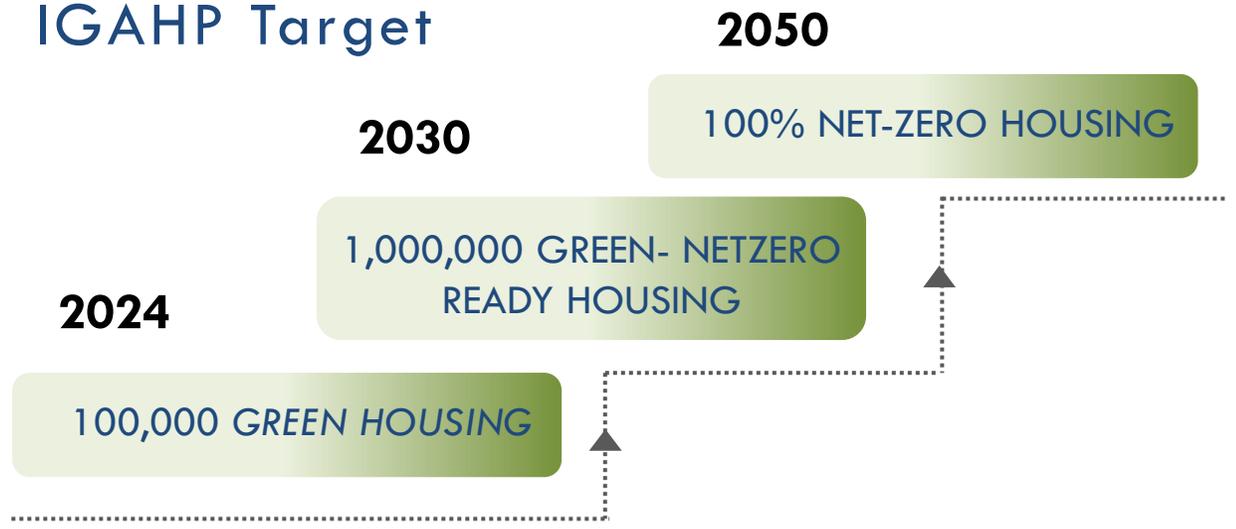
**Need to develop a rigorous roadmap** towards a more adequate, inclusive, safe, and resilient housing sector



## Introduction to IGAHP

Provision of affordable housing for both new house construction and quality improvement by applying the principles of **Green Building (BGH)** implemented by the Government, Business Entities and non-governmental organizations in supporting the achievement of SDGs and fulfillment of the **Paris Climate Agreement**

## IGAHP Target

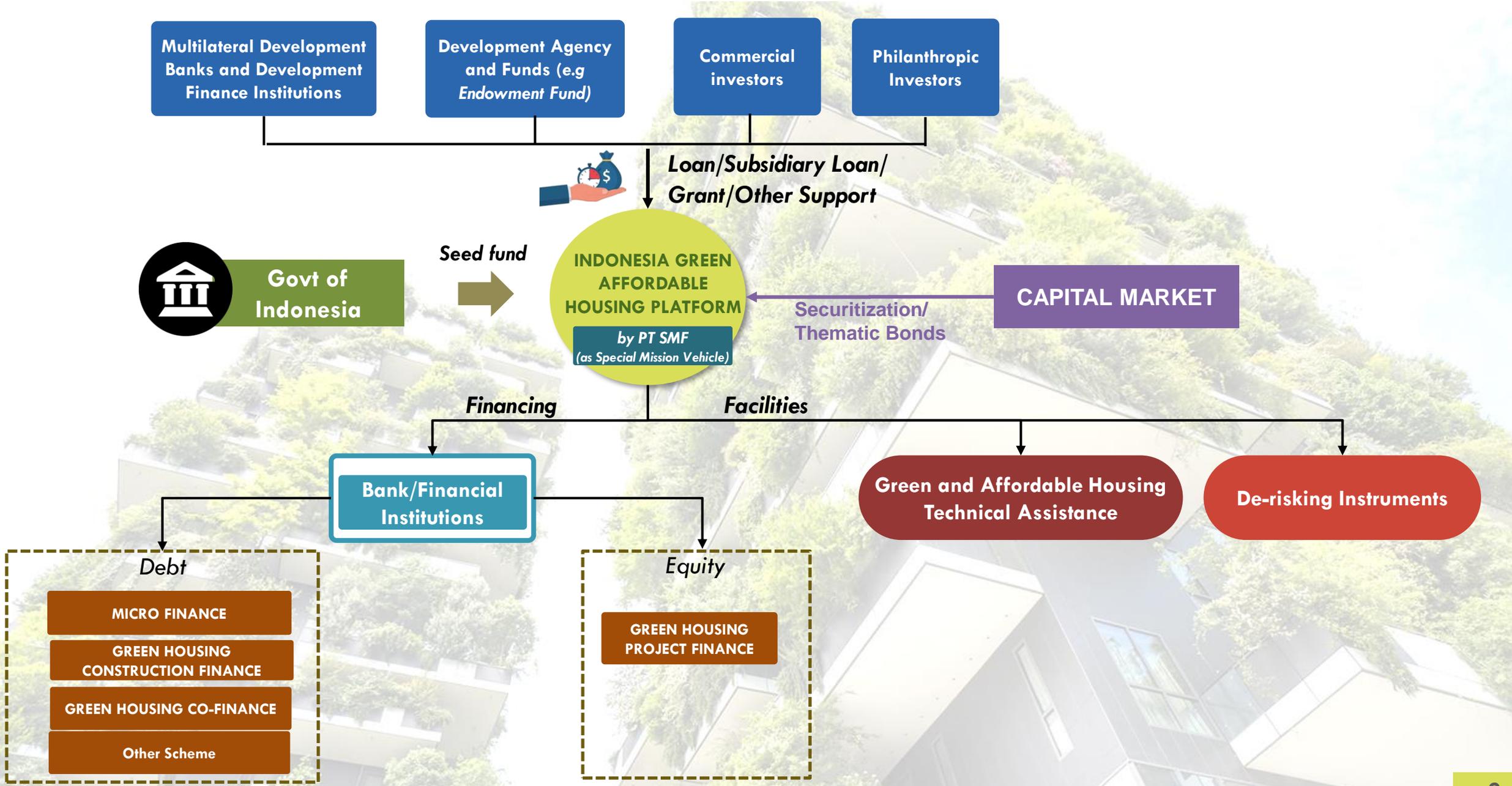


### Greening 1 Million Houses Impact Simulation\*)

SCENARIO	760,000 New Houses **)	315,000 Home Retrofits
Energy Efficiency	22.95% - <b>42.22%***)</b>	24.91%
Water Efficiency	22.73%	20.97%
Materials Efficiency	23.52%	00.00%
	<b>17-34***)</b> mm ton CO <sub>2</sub> emission reduction	1,5 mm ton CO <sub>2</sub> emission reduction

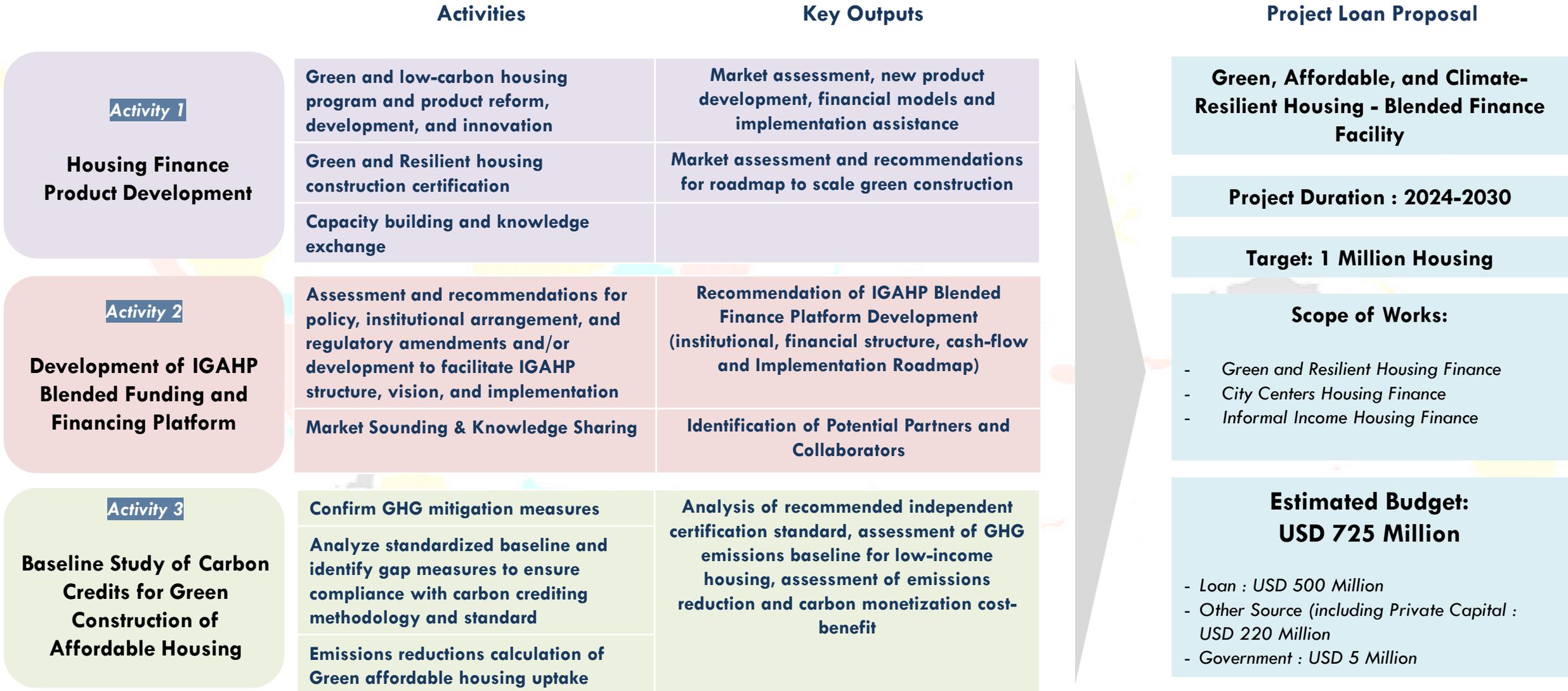
Note: \*) Worldbank Analysis using IFC EDGE Method  
 \*\*) 64% Low Income Landed, 19% Commercial Landed, 17% Multistory  
 \*\*\*) with Solar panel

# PROPOSED STRUCTURE OF IGAHP BLENDED FINANCE



## IGAHP Structure & Product Development – TA

FUNDED BY KOREAN GREEN GROWTH TRUST FUND, FACILITATED BY WORLDBANK





MINISTRY OF PUBLIC WORKS AND HOUSING OF THE REPUBLIC OF INDONESIA

**THANK YOU**