

AFD Group in Indonesia



Presentation of AFD Group

Agence Française de Développement (AFD) is a public agency and the main operator of the French Official Development Assistance (ODA), which has been working for over sixty years to foster the development of South countries. With offices in more than 50 countries, the AFD Group finances and supports projects aiming at alleviating poverty, supporting economic growth and protecting the planet.

AFD and its private sector financing arm, **Proparco**, can provide a wide range of financial products (loans, guarantees and equity investments) to support Governments, local governments, State-owned enterprises, banks and private companies.

In 2008, AFD commitments amounted to 4.5 billion euros (about 6.3 billion US dollars), out of which 735 million euros (about 1 billion US dollars) were devoted to tackling climate change: in 2008, energy efficiency and climate change mitigation projects directly contributed to a reduction of CO₂ emissions by an estimated 3.3 million tons.

AFD activities in Indonesia

- AFD opened a resident mission in Jakarta by mid-2007. As for the other **emerging countries** (China, India, Brazil, Thailand and Pakistan), AFD focuses its activities in Indonesia on the management of the **Global Public Goods**:
 - mitigation of climate change,
 - preservation of biodiversity,
 - fight against emerging and communicable diseases.
- Following the COP 13 hosted in Bali in December 2007, the "National development planning: Indonesia responses to climate change" (also known as "Yellow Book") was released in July 2008; it designs the Government of Indonesia (GOI)'s efforts to tackle climate change issues and reduce CO₂ emissions, including the "Climate Change Program Loan".

The "**Climate Change Program Loan**" (**CCPL**) is a three-year program (2007 to 2009) whose purpose is to support policy reforms in favour of climate change mitigation and adaptation. Actions and indicators, which are reviewed annually between GOI (Bappenas and Ministry of Finance as well as line ministries) and the donors, are aggregated into three blocks within a "Policy Matrix": (i) reducing emissions of greenhouse gases (forestry, energy and industry), (ii) adaptation to climate change (water and agriculture) and (iii) cross-cutting activities (spatial planning, CDM, ...).

In this framework and in order to support the GOI policy, **AFD granted in 2008 a 200 million US dollar loan to GOI as a first tranche and a 300 million US dollar loan in 2009 as a second tranche**, in cofinancing with Japan International Cooperation Agency (JICA). AFD's soft and long-term loans have already been **disbursed and fully blended into GOI's budget**.

- In addition to the CCPL, the AFD is directly financing **targeted technical assistance** to ease the implementation of specific actions related to climate change with:
 - the Ministry of Industry : international expertise to introduce a greenhouse gases (GHG) emissions reduction scheme in the cement industry, which may be extended to other sectors such as steel industry;

- the Ministry of Forestry : i) Feasibility study of a “small-scale green carbon market” to give small scale forest plantations access to the voluntary carbon market; ii) Development of a spatial land use planning methodology for decision making (taking into account local development needs, forest resources dynamics and climate change risks);

- the National Council on Climate change (DNPI) : second phase of the “Indonesian carbon abatement cost curve” study by McKinsey & Company.

- Besides supporting the Government of Indonesia, AFD could also provide **non-sovereign financing** (long-term loans, guarantees) to **State-owned or private stakeholders** either directly or through local banks.

Because of its climate change mandate, **energy companies** (sectors of electricity, gas, geothermal energy, etc.) are the major potential partners of AFD. Regarding the electricity sector, AFD has just granted a 50 million US dollar loan to GOI (in cofinancing with the Asian Development Bank), which will be on-lent to PLN, to rehabilitate the distribution network in Java and Bali. The purpose of the project is to improve the energy efficiency of the electricity distribution network by reducing the distribution losses, which will have a positive impact on the CO2 emissions of the sector.

As far as local banks are concerned, AFD has just granted a **100 million US dollar credit line to a major State-owned bank** in order to finance “energy management and climate change” projects (energy efficiency, renewable energy, switch fuel-to-gas, etc.). AFD will also finance specific technical assistance and training to the bank employees on topics related to “energy management and climate change”.

- Under a specific mandate for post-tsunami reconstruction, the AFD Group allocated a 36.8 million euros highly subsidized loan to GOI to finance a urban drainage project in Banda Aceh. The financing agreement was signed in September 2008 and the project is now in the implementation phase.

- As of December 2009, AFD commitments in Indonesia amounted to 700 million US dollars (of which 500 million have already been disbursed).

Contact

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