

**PT INDONESIA INFRASTRUCTURE FINANCE
SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM
(SEMS)**

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PT INDONESIA INFRASTRUCTURE FINANCE

OPERATIONS MANUAL

**SOCIAL & ENVIRONMENTAL
MANAGEMENT SYSTEM
(SEMS)**

December 2014

ABBREVIATIONS

AEMR	Annual Environmental Monitoring Report
AESPR	Annual Environmental and Social Performance Report
Amdal	<i>Analisis Mengenai Dampak Lingkungan</i>
ASSMR	Annual Social Safeguard Monitoring Report
CAP	Corrective Action Plan
CHSP	Community Health and Safety Plan
EA	Environmental Assessment
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ESS	Environmental and Social Specialist
Gol	Government of Indonesia
ICR	Implementation Completion Report
IEE	Initial Environmental Examination
IIF	PT Indonesia Infrastructure Finance
IPDP	Indigenous Peoples Development Plan
LARAP	Land Acquisition and Resettlement Action Plan
LHSP	Labor Health and Safety Plan
NGO	Non-Government Organisation
PAP	Project Affected People
RMC	Risk Management Committee
RKL	<i>Rencana Pengelolaan Lingkungan (Environmental Management Plan)</i>
RAP	Resettlement Action Plan
RPL	<i>Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)</i>
SEDD	Social and Environmental Due Diligence
SEMS	Social and Environmental Management System

SIA	Social Impact Assessment
S&E	Social and Environmental
SEM	Social and Environmental Manager
SEU	Social and Environmental Unit
TOR	Terms Of Reference
UKL	<i>Upaya Pengelolaan Lingkungan (Environmental Management Actions)</i>
UPL	<i>Upaya Pemantauan Lingkungan (Environmental Monitoring Actions)</i>

DEFINITION OF TERMS

Adat - local and traditional institutions, customs, laws and dispute resolution systems used in many parts of Indonesia.

Project Affected Peoples means people who may be beneficially or adversely affected by a project assisted by IIF.

Amdal (*Analisis Mengenai Dampak Lingkungan*) – Integrated Environmental and Social Impact Assessment - is mandated by Law No.32 of 2009 and implemented in accordance with Government Regulation PP 27 of 2012. The Amdal entails the preparation of four inter-linked documents, namely:

- Kerangka Acuan (KA ANDAL- Terms of Reference), outlining the proposed scope of the environmental impact assessment;
- Analisis Dampak Lingkungan (ANDAL - Environmental Impact Analysis), identifying significant positive and negative impacts of a project/activity;
- Rencana Pengelolaan Lingkungan (RKL - Environmental Management Plan), documenting proposed management efforts of significant impacts; and
- Rencana Pemantauan Lingkungan (RPL - Environmental Monitoring Plan), documenting proposed monitoring efforts to complement the environmental management efforts.

An Amdal describes the entire process including the ANDAL, RKL and RPL. The Amdal serves to identify and evaluate potential environmental and social impacts generated by a proposed project and to develop appropriate management and monitoring programs to prevent, eliminate or minimize negative impacts and maximize positive impacts.

ANDAL Analisis Dampak Lingkungan – Environmental Impact Analysis.

Client or Developer means an entity which undertakes or intends to undertake a development or a construction activity which is 'proposed to be funded' or 'funded' by IIF.

Due Diligence is the process of investigation/audit, performed by IIF, into the details of a potential investment, such as an examination of operations and management and the verification of material facts, especially from the Environment and Social safeguards point of view.

Strategic Investors constitutes the entities (IFC, IBRD, ADB, DEG, SMI) that have invested in IIF.

HSE Health, Safety and Environment – reference to standards on health, safety and environment and/or the Developer's unit responsible for building awareness, maintaining and monitoring and enforcing application of these standards.

Involuntary Resettlement refers to social and economic impacts that are permanent or temporary and are (i) caused by acquisition of land and other fixed assets, (ii) by change in the use of land, or (iii) restrictions imposed on land as a result of an IIF operation.

Indigenous Peoples are groups with social or cultural identities distinct from that of the dominant or mainstream society. Characteristics that may be used to define indigenous peoples include (i) descent from population groups present in a given area before modern states or territories were created, (ii)

maintenance of cultural and social identities and cultural, social, economic and political traditions and institutions, distinct from the mainstream or dominant society; (iii) self-identification and identification by others as being part of a distinct indigenous cultural group, and the display of the desire to preserve their cultural identity; (iv) a linguistic identity different from that of the mainstream or dominant society; (v) an economic system oriented more toward a traditional system of production than toward the mainstream production system, and/or (vi) an unique tie with and attachment to traditional habitat and ancestral territory and its natural resources.

Indigenous Peoples Development Plan is a project's specific set of plans with respect to Indigenous People impacted or potentially impacted by project development. IPDP promotes the (i) participation of Indigenous People in project preparation and implementation; (ii) ensures benefit from development interventions that affect Indigenous People and (iii) provides effective safeguards against adverse impacts.

Voluntary land transactions refers to market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail.

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1. INTRODUCTION

1.1 Purpose of the Manual

1. This manual detail the Social and Environment safeguard policies, principles, procedures, institutional arrangements, and workflows that IIF (PT Indonesia Infrastructure Finance) follows for making its investments. IIF uses the SEMS (Social and Environmental Management System) to ensure consistent and effective implementation of social & environmental management practices in all its activities, products and services.
2. The manual serves the following purposes:
 - Integrated project assessment to identify social and environmental impacts, risks and opportunities;
 - Effective stakeholders engagement through disclosure of project-related information, and consultation with Affected Communities on matters that directly and indirectly affect them; and
 - Management of social and environmental performance throughout the project life cycle.
3. The manual is intended for use primarily by IIF staff. It may also be useful to prospective IIF clients, to help them understand the Social and Environment (S&E) requirements of IIF.

1.2 Project Component and Financial Products

4. IIF will have three main financial product categories:
 - **Fee based products** provide fee income to IIF (for e.g.: for its advisory services) and do not involve any disbursement of IIF funds;
 - **Fund based products** (for e.g.: senior debt, subordinated debt, mezzanine funding, equity investment, bridge finance, refinancing, securitization) - involve actual disbursement of IIF funds. The first five categories - senior debt, subordinated debt, mezzanine funding, equity investment, bridge finance - all involve financing for new infrastructure. The final two categories (refinancing and securitization) involve raising financing on the basis of existing infrastructure (effectively as collateral), for the purpose of building new infrastructure;
 - **Non- fund based products** - such as guarantees - involve contingent disbursement of IIF funds. If a subproject to which IIF has provided a guarantee defaults on its loan obligations to another financial institution or other investors, only then is IIF required to pay the loan instead of the subproject.
5. IIF will offer different financial products and will consider for subprojects with different levels of preparedness or readiness for implementation. There will be four types of subprojects, which will require different types of review procedures:
 - **Type 1** – Subprojects in the early stages of preparation (with sites that have not been selected and design options that are still open);

- **Type 2** – Subprojects that have been fully prepared (where construction bids have been invited);
- **Type 3** – Subprojects under construction or with facilities that have already been constructed;
- **Type 4** – Fee-based advisory services.

6. The SEMS will be applied to subprojects in each of these categories. However, the specific activities undertaken in assessing, managing and monitoring environmental and social impacts of a particular subproject will be different for fee-based products (paragraph 4 item 1) than for Fund or non-Fund based products (paragraph 4 items 2 and 3). The approach of assessing, managing and monitoring environmental and social impacts of a particular subproject with different stage of preparedness will be different. The differences among types of products and level of preparedness are described in section 6 below.

1.3 The Operations Manual

7. The IIF Operations Manual consists of IIF's Social and Environmental Management System (SEMS).

1.4 Updating the Manual

8. The manual will be revised at regular intervals to ensure consistency with the requirements of the strategic investors, laws and regulatory requirements of the Government of Indonesia (GoI) as well as to strengthen their effectiveness, and reflect the experiences and lessons learnt during implementation.

2. SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM

9. This Social and Environmental Management System (SEMS) details the policy, operating procedures, institutional arrangements, and workflow that will be followed for investments made by IIF and capacity building initiatives to ensure minimization and/or mitigation of risks that may arise from the projects that it funds.

2.1 Social & Environmental (S&E) Policy

10. The objective of IIF's S&E Policy is to:

- Ensure project developers comply with all applicable national and local environmental and social requirements, particularly, those governing land acquisition, compensation, involuntary resettlement as well as those protecting the rights of indigenous people, and requirements of IIF's strategic investors;
- Ensure that social safeguards, based on the principle of restoration and possible improvement in the economic status of Project Affected People (PAP) and/or Affected Communities are integrated by developers into the project design prior to its financing and in its implementation during the construction and operational phases;
- Follow national labour laws and regulations and internationally recognised labour practices;
- Finance projects only when they are expected to be designed, built operated and maintained in a manner consistent with the applicable requirements;
- Ensure that all projects are operated in compliance with the applicable requirements on an on-going basis, during the tenor of IIF financing;
- Mitigate S&E risks of the projects through corrective actions acceptable to the relevant authorities and its strategic investors; and
- Ensure transparency in IIF's S&E risk assessment and mitigation process.

2.2 Applicable Policies

12. This IIF Operations Manual is taking into account:

- All relevant and prevailing Indonesian laws and regulations;
- The Performance Standards (PS) of the IFC version 2012, which are also utilized by DEG in its E&S assessment and management process;
- The seven World Bank Safeguard Policies that could be triggered by IIF's subprojects; and
- The ADB Safeguard Policies that would be triggered by the IIF's subprojects.

2.3 Scope and Objective of SEMS

13. The SEMS enables IIF to frame and deliver its S&E Policy that applies to all products and services offered by IIF. The objectives of SEMS are to:

- Comply with applicable environmental and social policies and principles of its Strategic Investors;
- Integrate social and environmental principles in the due diligence process;
- Identify and assess social and environment impacts, both adverse and beneficial, in the project's area of influence;
- Avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment;
- Ensure that affected communities are appropriately engaged on issues that could potentially affect them;
- Provide operational guidance to its staff and developers in preparing projects for appraisal at IIF, in conducting subsequent monitoring and reporting, and in undertaking corrective actions;
- Develop mechanisms for effective project supervision by IIF throughout the period of funding or investment;
- Promote improved social and environment performance of projects through effective use of management systems; and
- Actively seek new business opportunities for example by developing environmentally friendly programmes or addressing certain customer groups.

14. To achieve these objectives, all fee based assignments and projects financed by IIF will be subjected to environmental and social procedures described in Chapter 3.

2.4 S&E Performance Requirements

15. The IIF will ensure that all the projects are reviewed and evaluated against the following Social & Environmental requirements:

- IIF's Exclusion List;
- The relevant and applicable national laws on environment, health, safety and social issues; and
- The IIF's S&E Principles. The Principles are consistent with the requirements of the IIF's Strategic Investors as defined in the Shareholders Agreement dated March 19th, 2012, as amended from time to time.

2.5 IIF's S&E Principles (SEP)

16. The following Table lists the Principles that will be followed by IIF.

Table 2.1: Principles to be followed by IIF

No	S&E Principle	Remarks
1	Social and Environmental Assessment and Management System (SEMS)	<p>Incorporates the following elements:</p> <ul style="list-style-type: none"> • Screening and categorization of projects; • Social and environmental (S&E) Assessment; • S&E management program; • Organizational capacity and competency; • Training; • Emergency preparedness and response; • Stakeholder engagement; • Monitoring and review; and • Reporting.
2	Labor and Working Conditions	<ul style="list-style-type: none"> • Promote the fair treatment, non-discrimination, and equal opportunity of workers; • Establishes, maintains and improves worker- management relationship; • Addresses child labour, forced labour, migrant workers, workers engaged by third parties, and workers in the client's supply chain; and • Promotes safe and healthy working conditions and practices.
3	Pollution Prevention and Abatement and Climate Change	<ul style="list-style-type: none"> • Addresses pollution prevention and management of impacts arising from project activities; • Ensures conformance with global good practice and standards; • Promote more sustainable use of resources; and • Ensures that climate change issues associated with projects activities are assessed, mitigated and monitored over the life of IIF's investment.
4	Community Health, Safety	<ul style="list-style-type: none"> • Seeks to avoid or minimize the risks and impacts to Affected

No	S&E Principle	Remarks
	and Security/Dam Safety	<p>Community health, safety and security that may arise from project activities;</p> <ul style="list-style-type: none"> • The project's direct impacts on priority ecosystem services may result in adverse health and safety risks and impacts to Affected Communities; • Ensures that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the Affected Communities; and • Includes special requirements related to the safety of dams associated with projects.
5	Land Acquisition and Involuntary Resettlement	<ul style="list-style-type: none"> • Refers to both physical displacement (relocation or loss of shelter) and economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of project-related land acquisition; • Does not apply to physical or resettlement resulting from voluntary land transactions; • Avoid, minimize, mitigate or compensate for adverse social and economic impacts from land acquisition or restrictions on land use through the process of Social and Environmental Assessment under Principle 1; and • No forced evictions will be carried out except in accordance with law and the requirements of this Principle.
6	Biodiversity Conservation and Natural Resource Management	<ul style="list-style-type: none"> • Includes protection, conservation and sustainable management of biodiversity and living natural resources; • Maintain the benefits from ecosystem services; and • Evaluate primary suppliers' risk of significant conversion of natural and/or critical habitats.
7	Indigenous Peoples (IP)	<ul style="list-style-type: none"> • Includes identification of all impacts (positive & negative) on IP; social assessment, informed consultation and Participation (ICP) to Indigenous Peoples' Development Plan (IPDP); • Anticipate and avoid, or when avoidance is not possible, minimize and/or compensate project adverse impacts on communities of Indigenous Peoples; and • Applies to projects that impact individuals or communities that meet the definition of Indigenous People, determination of which may require Free, Prior, Informed, and Consent (FPIC).
8	Cultural Property and	<ul style="list-style-type: none"> • Recognizes the importance of cultural property and heritage

No	S&E Principle	Remarks
	Heritage	<p>for current and future generations, consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage; and</p> <ul style="list-style-type: none"> • Seeks to guide IIF project sponsors in identifying and protecting cultural heritage in the course of project design and execution.

3. OPERATING PROCEDURES

3.1 Introduction

17. This chapter details the steps and actions that are mandated as per the SEMS that are to be followed during the entire project cycle. The project cycle comprises the following three stages:

- **Preliminary review stage** - In this stage, all procedures required before the in-principal approval of the project, are carried out;
- **Project appraisal and sanction stage** - In this stage, all procedures required before the project is appraised for funding are performed. It includes a detailed appraisal of the project to be funded;
- **Post loan signing and Post Operation Monitoring stage** - In this stage, all procedures required for project monitoring during implementation as well as at the end of funds disbursement period are performed. Subsequently, these procedures are followed during the project operation cycle until IIF exits the investment.

3.2 S&E Operating Procedures: Preliminary Review Stage

18. The project identification stage will start with a dialogue with the private or public sector developer regarding the project, its need and IIF's requirements. It is the first step in the project life cycle and it eventually leads to a decision with respect to accepting a new proposal for a detailed appraisal. Documents required / prepared at this stage: Social & Environment Review.

19. S&E Steps at the preliminary stage will include the following activities:

For type 1 project, the IIF will:

- Obtain basic project information from the developer;
- Verify that the proposed business activity based on the information provided by the developer is not on the list of prohibited or excluded investments (IIF's Exclusion List);
- Perform initial screening of project activities and identify potential environmental and social impacts using the environmental and social checklists for the infrastructure projects (such as Thermal Power Plant, Highways & Roads, and Water Supply & Sanitation projects). Also, assess whether the activities involve land acquisitions, involuntary resettlements, affect indigenous people or ethnic minorities;
- On the basis of this initial assessment, the proposed investment is classified as category A, B, C or FI (Social & Environmental Screening Categories) and the corresponding level of environmental assessment i.e. Environmental Impact Assessment (EIA), Environmental Management Plan or Initial Environmental Examination (IEE);
- If the project involves resettlement, ascertain the requirement for a Resettlement Action Plan – RAP (refer to IIF's S&E Principle 5). If the project involves impacts on Indigenous

People, then ascertain the requirement for an Indigenous People Development Plan - IPDP (refer to IIF's S&E Principle 7);

- Advise and provide guidance to the client or developer on the types of social and environmental management plans that need to be prepared and consultation and disclosure requirements prior to project appraisal;
- If the project qualifies after initial review, submit the proposal to the Investment Committee of the Board of Directors and returns the same to the Social & Environment Management Unit for further processing.

For type 2 and 3 projects, as specified in paragraph 5 above, IIF will

- Carry out a due diligence of the assessments, analyses, design documents, etc., that have been prepared by the client or developer;
- Carry out a due diligence to confirm that: (a) the subproject is in compliance with all applicable national environmental and social laws and regulations and the SEMS; (b) there are no reputational risks for the IIF; and (c) there are no legacy issues or no pending legal disputes or liabilities. Based on the findings of such an assessment, the IIF will ask its clients to implement remedial measures, if needed, or to mitigate potential reputational risks or to address legacy issues or liabilities;
- Obtain basic project information from the developer;
- Verify that the proposed business activity based on the information provided by the developer is not on the list of prohibited or excluded investments; and
- Review all available S&E assessment documents. Where gaps exist between existing documents and IIF's S&E requirements, IIF will ask its clients or developers to supplement these documents or develop new ones to meet the SEMS requirements. Depending on the nature of the additional documentation, it will be subject to consultation and disclosure requirements of the GoI and of IIF, as set forth in the IIF's Principles and any specific requirements associated with the type of documentation in question.

For type 4 project, IIF will ensure that all fee-based advisory services are provided in a manner that is consistent with the objectives of IIF's policies.

3.3 S&E Operating Procedures: Project Appraisal Stage

20. S&E steps at the appraisal stage will include the following activities:

- Gap Analysis. Conduct review and validation of the accomplished information received to determine adequacy of information provided by the developer. If information is inadequate, the SEM requests for additional information;
- Obtain, review and investigate information available in the public domain regarding any incidents, adverse impacts on local communities or the environment or adverse environmental or social performance associated with any proposed project;

- Conduct site visit by social and environmental specialist and/or consultant. The purpose of the site visit is to verify information provided by the client. Prior to the site visit, the member of SEU prepares a site visit plan and ensures that the plan covers the following:
 - Discussion with the company,
 - Visit to the project site including sensitive receptors, if any,
 - Interaction with people to be displaced (if applicable),
 - Visit to the relocation site (if applicable), and
 - Informal interaction with local NGOs and local government administration;
- Confirm the initial environmental and social categorization assigned to the project at this stage and also review the scoping done during the preliminary review stage;
- For projects classified as Full Impact (FI), review the Developer's SEMS;
- The developer will submit all applicable S&E documents – SEMS, EIA & SIA, EMP, RAP, IPDP, Corrective Action Plan, Labour Health and Safety Plan (LHSP), Community Health and Safety Plan (CHSP) for the project along with applicable government consents and permits;
- Appoint Lender's Engineer or Environmental Specialist/Consultant on behalf of IIF, if required. The Lender Engineer/Consultant reviews other developmental plans like EIA, IEE, RAP, IPDP, etc. for the project;
- Subsequent to the site visit and quality assurance of all information provided by the developer, prepare a Social and Environmental Due Diligence (SEDD) report in the form of memo to the Investment Committee of the Board of Directors routed through Director RMC with his/her comments and observations for approval of loan;
- Communicate the terms & conditions and environmental & social covenants to the developer and obtain their consent; and
- Upon approval, legal documents are signed. The legal documents specifying IIF's terms and conditions, including principles and operational policies requirements.

21. The SEU will prepare the applicable documents based on the result of the assessment at this stage. Documents required/prepared at this stage:

- SEDD Report;
- S&E Corrective Action Plan (CAP) and Loan covenants;
- Final Draft S&E Review to the Investment Committee of the Board of Directors routed through Director RMC for Project Approval.

22. The outcome of this stage of a project being evaluated will be either a "Rejection Note" or an "Approval of Mandate" along with signing of the agreement.

23. The Project Proponent will disclose certain project S&E documents (final), for example: Amdal documents, EA reports, Resettlement Action Plans (RAPs), Indigenous Peoples Development Plans (IPDPs), or other S&E related documents, etc., on IIF's website or sponsor website, client or developer's website, and if applicable and required, a public place accessible to affected groups, local NGOs and other stakeholders as needed to meet GoI requirements.

3.4 S&E Operating Procedures: Post Sanction of a Loan

24. This stage will comprise regular monitoring and auditing of compliance conditions for the investments and corrective action plan proposed as part of the SEDD report. This stage requires that the developers submit regular reports with regard to compliance of social and environmental covenants of the loan.

S&E steps at the post-sanction stage will include the following activities:

- Regular compliance monitoring using Monitoring & Supervision Indicators;
- Monitor compliance with loan covenants;
- Assess and monitor implementation of Environment & Social Corrective Action Plan and mitigation measures, and check for adherence to ambient standards; monitoring by field visits/ investigations;
- Obtain, review and investigate information available in the public domain regarding incidents, adverse impacts, local communities or the environment or adverse environmental or social performance associated with the project;
- If on review, EMP shows inadequacies and/or inappropriate reflection in project costs, then update and re-do financial appraisal to strengthen EMP and reassess commercial viability of the project. Obtain board approval for the revisions, if any; and
- Conduct compliance monitoring, and assess effectiveness of the Resettlement Action Plan or Livelihood Restoration Plan or Indigenous Peoples Development Plan, Labour and Community Health and Safety Plans at the defined frequency as per the loan covenants.

25. The above will be the responsibility of the Social & Environmental Specialist in the SEU in coordination with consultants engaged by SEU for specialized input. SEU will be responsible for the Annual Environmental and Social Performance Report (AESPR).

- Reporting:
 - Report on the compliance of Social and Environmental covenants of financing and implementation of corrective action plan at frequent intervals to be defined in the investment agreement (developer will report quarterly during implementation stage),
 - Report on the implementation of various mitigation plans including EMP, resettlement/indigenous people plans (LARAP/IPDP) at defined frequency (developer will report quarterly),

- Prepare reports on its (SEU) performance on environmental and social safeguards and submit to stakeholders/board annually;
- Environmental audit: conduct environmental audits and disclosure to public regularly.

Documents at this stage will include the following:

- Annual Environmental Monitoring Report (AEMR) and Annual Social Safeguard Monitoring Report (ASSMR) to be submitted by the Project to IIF;
- Annual Environmental and Social Performance Report (AESPR) by IIF to all Strategic Investors; and
- Periodic compliance reports by the client or developer.

3.5 Project Completion Stage

26. After completion of the project i.e. at the end of the funds disbursement period or upon IIF's exit of the investment, monitoring and evaluation of Social and Environment parameters associated with specific project will continue. It may incorporate the following (where relevant and necessary):

- Continuous Monitoring and evaluation of Environmental/Social Management Plans;
- Preparation of Implementation Completion Report (ICR);
- Reporting of lessons learnt and good practices followed;
- Conducting environmental audits and disclosure to public regularly; and
- Monitoring S&E performance against Environment Guidelines.

4. ORGANIZATION AND RESPONSIBILITIES

4.1 Organization Structure

27. The Social & Environmental Management Unit (SEU) will be responsible for overseeing the S&E requirements. The SEU will function as an extension to the Risk Management Committee. The SEU will be headed by a full time Social and Environment Manager (SEM), who will be responsible for all functions of the SEU. The SEU will be suitably staffed with Social & Environmental Specialist(s) to assist SEM in the review and preparation of memos to the Board including other responsibilities described in Section 4.2.

28. Projects that have significant S&E impacts may require additional expertise and special attention. For such projects, the SEU may engage third party S&E Consultants to support the activities listed in section 4.2 of this manual. The following figure illustrates the structure of the SEU.

Figure 4.1: Organisation structure for Social and Environmental Management System



4.2 Roles and Responsibilities

29. The following sections describe the roles and responsibilities of each member of the SEU.

4.2.1 Social and Environment Manager (SEM)

30. The roles and responsibilities of a SEM are listed below:

- Oversee implementation of SEMS;
- Ensure integration of S&E risk assessment in due diligence and risk management committees;

- Submit the memo to Director, Risk Management confirming project compliance with the applicable performance requirements as described in Section 2.2 of chapter 2;
- Prepare and include the required S&E covenants in the loan agreements or other agreements;
- Finalize corrective actions based on the findings of environmental and social due diligence;
- Direct the capacity building initiative to improve quality of environmental and social due-diligence and supervision;
- Recruit and manage staff for SEU;
- Update the SEMS as needed to ensure consistency with requirements of the Strategic Investors and laws and regulations of the Republic of Indonesia;
- Regular reporting on S&E Performance to strategic investors and to the management on portfolio S&E performance and on-going compliance with the Applicable Performance Requirements;
- Inform Strategic Investors of any S&E Claims against IIF and/or its clients in the timely manner following knowledge of such S&E Claims;
- Interact and consult with investors and co-lenders, where relevant and necessary;
- Develop and provide advisory services to the developers; and
- Provide S&E inputs in all fee based assignments and ensure that fee based assignments are carried out in conformity with S&E Policy and Principles.

4.2.2. Social & Environmental Specialist(s) (SES)

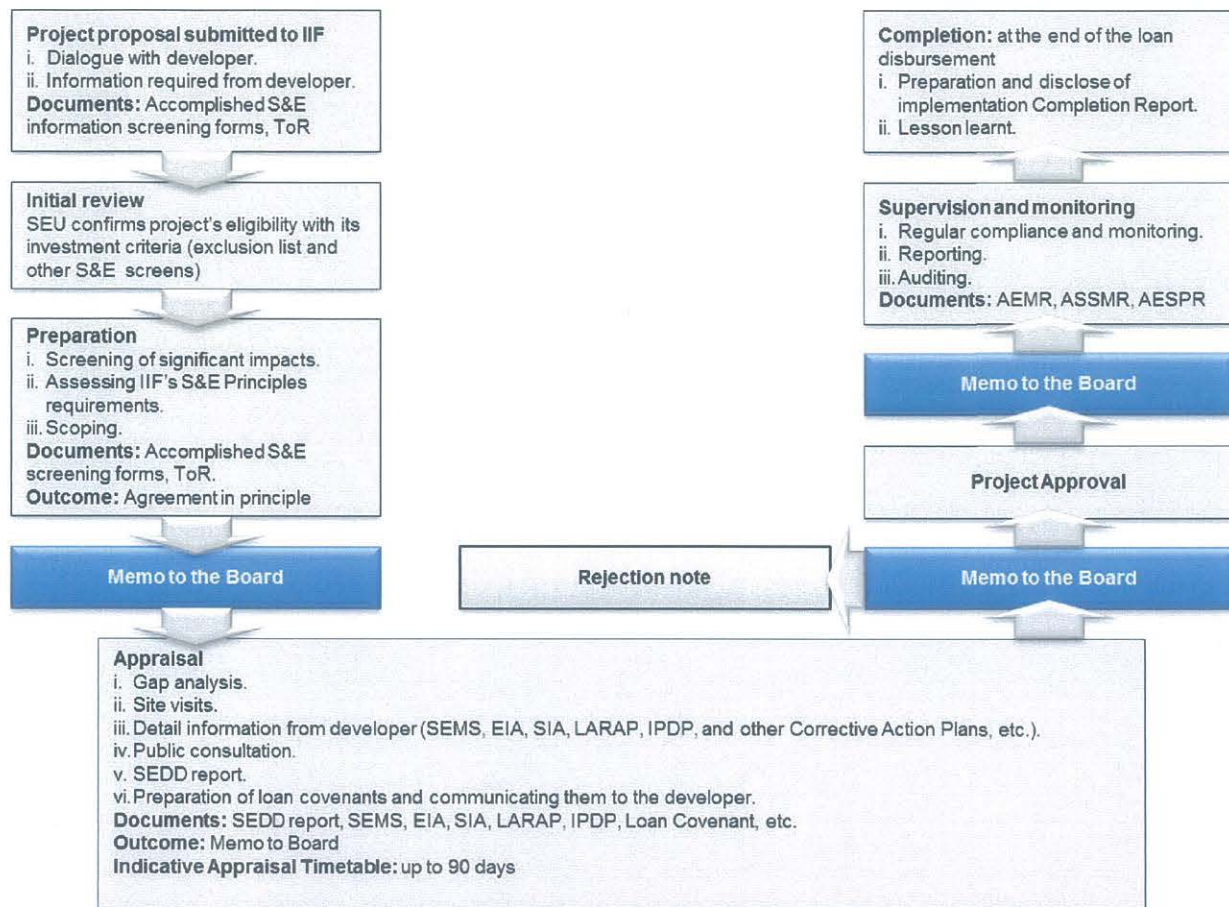
31. The roles and responsibilities of an SES are listed below:

- Conduct compliance reviews;
- Conduct field visits;
- Perform screening and scoping of infrastructure projects;
- Conduct Social and Environment Due diligence;
- Prepare corrective action plans and propose S&E covenants to be included in investment agreements;
- Prepare progress and performance reports for various investors;
- Monitor and supervise the projects to ensure on-going compliance with applicable S&E performance requirements and implementation of corrective plans;
- Assist in grievance mechanisms, stakeholder engagement including public consultations and disclosures where relevant and required;
- Conduct information dissemination and annual learning workshops for IIF;

- Conduct training, consultation and dissemination of IIF's Principles for project developers;
- Preparation of project specific TORs for EIAs, SIAs, RP, IPP or other required studies;
- Hire external qualified S&E consultants as per the requirements; and
- Ensure S&E training to IIF staff.

32. The project cycle is illustrated in the figure given below.

Figure 4.2: Illustration of the project cycle



5. CAPACITY BUILDING

5.1 Capacity Building Initiatives

33. The SEMS envisages a capacity building plan for IIF staff and project developers to advance the environmental and social mainstreaming in the project cycle. Training will be conducted for both clients or developers, and the IIF staff. Training could be delivered outsourced hired by the IIF.

34. The initiatives are as follows:

- Introduction training, training and refresher training for all IIF staff on S&E issues of infrastructure projects and S&E Policy, Principles, Procedures and Guidelines including periodic training on emergency preparedness and response;
- Awareness workshops for the developers on norms, procedures and IIF's environmental and social review and due-diligence requirements to achieve effective implementation of early steps in preparation of EIA/SIA such as screening and/or scoping and guidelines of IIF, as well as preparation of RP and IPDP;
- IIF will ensure that at least one of its senior representatives receives environmental and social safeguard training under a recognized program;
- Training to IIF staff may cover guidance on such topics such as analysis of alternatives for a 'Category A' project, engaging S&E consultants, adequacy of impact assessment, EMP provisions, costing, and S&E covenants in the loan agreement or other agreement;
- Provide guidance to developers to adopt and enhance its own SEMS; and
- Subscription of relevant social and environmental publications for knowledge upkeep.

6. APPROACH TO S&E RISK MANAGEMENT

6.1 Approach to S&E Risk Assessment for Different Types of Transactions

35. The approach to assessment, management and monitoring of S&E impacts varies for different types of projects. For instance, approach to corporate transactions would vary from the approach adopted for project finance transactions. Similarly, fee based subprojects will need to be assessed differently.

36. Fee based projects and assignments will essentially involve advisory and consulting services to a range of clients such as the Government, private sector developers, regulatory agencies, etc. For all fee based products, IIF will need to ensure, based on its initial review (refer to Chapter 3.2 above), that its recommendations are consistent with the S&E Policy and S&E Principles of IIF. For this to happen, the Director, Risk Management Committee will need to ensure that SEM is informed of all fee based assignments.

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