Early Warning System

AIIB-000012

Indonesia: Regional Infrastructure Development Fund Project

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Quick Facts

Countries	Indonesia
Specific Location	Indonesia, nationwide
Financial Institutions	Asian Infrastructure Investment Bank (AIIB), World Bank (WB)
Status	Approved
Bank Risk Rating	U
Voting Date	2017-03-22
Borrower	Government of Indonesia
Sectors	Infrastructure
Potential Rights Impacts	Cultural Rights, Housing & Property, Indigenous Peoples, Labor & Livelihood, Right to Health
Investment Type(s)	Loan
Investment Amount (USD)	$ 100.00 million
Project Cost (USD)	$ 406.00 million

Project Description

The following Early Warning System Analysis has been prepared in partnership with the NGO Forum on ADB (NGO Forum). The NGO Forum on ADB is an Asian-led network of civil society organizations, based in Asia and the Pacific region who monitor the Asian Infrastructure Investment Bank and the Asian Development Bank. This alert is based on a review of available project documents at the time of writing. In addition, this alert references the work of Indonesian NGOs, who have been monitoring this project and other Indonesian financial intermediaries.

Early Warning System Project Analysis

Risk Category: Category FI. The project is co-financed by the World Bank (WB) and Asian Infrastructure Investment Bank (AIIB). According to AIIB's Environmental and Social Framework, the project will apply the World Bank's policies. The World Bank classifies projects according to the project's component presenting the highest environmental or social risks including direct, indirect, cumulative and induced impacts as relevant in the Project area. The World Bank classifies a project as "FI" if the financing structure involves the provision of funds to or through a financial intermediary (FI) for the Project. Under that categorization, the Bank delegates to the FI the decision- making on the use of Bank funds. This includes the selection, appraisal, approval and monitoring of Bank-financed subprojects.

APPLICABLE SOCIAL & ENVIRONMENTAL STANDARDS

The AIIB will apply the World Bank's environmental and social safeguard policies. According to World Bank documents, the following environmental and social safeguards are triggered by this project:

Environment Assessment OP/BP 4.01 – This safeguard is triggered because the RIDF will accordingly finance environmental infrastructure investments e.g. water and sewerage plants, sanitary landfill, hazardous waste management facilities, hospital revitalization and urban slums improvement. As the project is categorized as FI, the subprojects to be supported could either be Category A or B.

Natural Habitats OP/ BP 4.04 – Several subprojects may have an impact on natural habitats located in eastern part of Indonesia i.e. Papua, Kalimantan, Sulawesi, NTB.

Forests OP/ BP 4.36 – This safeguard policy is triggered as some of the investment proposals may take place in close proximity to or within forest areas. However, at the time of writing, there is no available detailed information on the said investment proposals.

Pest Management OP 4.09 – There is one proposal, which pertains to irrigation improvement from West Sumatra.

Physical Cultural Resources OP/BP 4.11 – Triggered as some of the subprojects may affect cultural property.

Indigenous Peoples OP/ BP 4.12 - Due to the scope of the RIDF it is also anticipated that it might have an impact on indigenous peoples communities including the Masyarakat Adat or Masyarakat Hukum Adat.

Involuntary Resettlement OP/BP 4.12 – This safeguard policy is triggered, as some of the proposed projects will likely involve land acquisition and/or resettlement. The scope and scale of the social impacts will be determined in the process of reviewing the subproject proposals submitted by subnational governments.

Safety of Dams OP/BP 4.37 – One of the subprojects might also finance the construction of a dam as part of water supply system and water resource management infrastructure.

People Affected By This Project

OUR RISK ASSESSMENT

A coalition of Indonesian NGOs and international allies have tracked financial intermediary funds and raised concerns over the risks to communities and the environment posted by RIDF and the other Indonesian infrastructure financial intermediaries. Their analysis can be found in the links below (see sources). As noted above, until specific subprojects are disclosed and approved, there are limitations to understanding the risks posed by this project. Based on available Bank documents and the analysis of NGO partners, we believe that the following human rights may be impacted:

RIGHT TO HOUSING AND PROPERTY

The sectors eligible for subproject financing under this project include water supply and sanitation; solid waste and drainage, low income housing upgrading, transportation and logistics infrastructure and social infrastructure like educational and health facilities. The potential impacts from the proposed 32 subprojects are identified to be from medium to high, significant, diverse and irreversible. Due to this array of possible investments, these subprojects may likely have an impact on the right to housing and property of potentially affected households. According to project documents, PT Sarana Multi Infrastruktur developed an Environment Social and Management Framework which includes a Land Acquisition and Resettlement Policy Framework (LARPF) and a Process Framework to screen and evaluate the subprojects and its corresponding potential land acquisition and resettlement and social impacts. The scope of LARPF includes situation wherein impacts caused by a subproject resulted in involuntary land acquisition, relocation, loss of assets or loss of access to assets, loss of income sources or means of livelihood. Furthermore displacement can also be full or partial, permanent or temporary and includes both physical and economic displacement.

RIGHT TO LIVELIHOOD

The following categories of impact or loss have also been identified in the LARPF: loss of agricultural land for food security, loss of forest land, loss of crops and trees, loss of structure including shops, and loss of income, venture and job. The corresponding qualified entitled person and entitlements for each loss are also indicated in the Entitlement Matrix for the potential project-affected persons. As mentioned in the previous section, the estimated number of affected households in each province should be duly accounted for and meaningful consultations should also undertake in all the phases of the project implementation.

INDIGENOUS PEOPLES RIGHTS

According to Bank documents, “it is also anticipated that it might have an impact on indigenous peoples communities including the Masyarakat Adat or Masyarakat Hukum Adat.” In the Indigenous Peoples Planning Framework, the term “Indigenous Peoples” is often associated with “Masyarakat Hukum Adat” (or MHA--Customary Law Communities), which is a common terminology, used in Indonesian Laws and Regulations to describe groups of people with similar characteristics. These include self – identification as members of a distinct indigenous cultural group, collective attachment to geographically distinct habitats, customary cultural, economic or political institutions and have an indigenous language. As mentioned earlier, the scope of subprojects are mostly scattered throughout the country. Hence indigenous peoples might be present and adversely affected in these sites particularly if the large subprojects are located in rural or remote areas such as regional roads. The presence and impacts of IPs can only be evaluated during the review of subproject proposals.

RIGHT TO HEALTH

The Environment and Social Impact Assessment identified environmental issues and risks on physical, chemical and biological hazards related to occupational health and safety. There is also an anticipation of possible exposure to infections and diseases and exposure to radiation and fire safety relevant to the social infrastructure investments i.e. construction of healthcare facilities which might pose some risks.

RIGHT TO CULTURE

Investment Description

- Asian Infrastructure Investment Bank (AIIB)
- World Bank (WB)

Bank financing: As previously indicated, the project is co–financed by the AIIB and the World Bank. AIIB and World Bank will finance $100 USD million each for the Capital Support component for the RIDF. The Government of Indonesia will also support $200 USD million for the same component. The RIDF Project Development Facility will be financed through a $3 USD million grant financing from Switzerland and another $3 USD million of Borrower contribution.

Borrower: Ministry of Finance. Implementing Agency: PT Sarana Multi Infrastrutuk (Persero)

Total project cost: $406 USD million

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- PT Sarana Multi Infrastruktur (Financial Intermediary)

Contact Information

AIIB:
Mr. Sylvester Hsu
Project Team Leader / Senior Investment Operations Specialist
Email: shsu@aiib.org

World Bank:
Mr. Marcus Lee
Task Team Leader / Senior Urban Economist
Email: mlee1@worldbank.org

Borrower:
Ms. Ayu Sukorini
Director of Loans and Grants, Directorate General of Budget Financing and Risk Management,
Ministry of Finance
Email: ayusukorini.mof@gmail.com

Implementation Agency:
Ms. Emma Sri Martini
President Director, PT. SMI
Email: emma@ptsmi.co.id

CONSULTATIONS

According to World Bank documents, stakeholder consultations on the draft Environmental and Social Management Framework were conducted on 21 – 22 June 2016 in Jakarta only. In addition the relevant inputs are incorporated into the final draft of the ESMF. The final ESMF is disclosed on the PT SMI website and on the World Bank website. Bank documents state that specific subproject safeguards instruments, such as environmental impact assessments, “will be subject to consultations and disclosure by the SGs. The timing for consultations shall be carried out prior to subproject appraisal. The SGs will disclose the EIA [Environmental Impact Assessment], EMP [Environmental Management Plan], LARAP [Land and Acquisition and Resettlement Action Plan], IPP [Indigenous Peoples Plan], etc. at the planning stage of subproject preparation, in their websites, a public space accessible to affected groups, local NGOs and other stakeholders. In addition, PT SMI will also disclose such instruments in its website, upon endorsement of the SGs getting the loan from RIDF and support from PDF.”

PUBLIC INFORMATION DISCLOSURE POLICIES

Based on AIIB’s Public Information Interim Policy, the public has the right to access information. Such information on AIIB’s policies and decision-making determines the public’s participation and ultimately on environmental and social sustainability and safeguards. This Policy will be fundamental to understanding and monitoring the AIIB’s impact, as well as carrying our corrective measures when needed. Similar to other multilateral development banks, the AIIB should also provide the possibility of appeal in cases where a requester believes that the AIIB client or the AIIB have improperly restricted access to information. Information disclosure requests can be sent to: information@aiib.org. Additionally, the World Bank’s Access to Information policy requires the World Bank to disclose any information in possession of the Bank, subject to a list of exceptions. Information disclosure requests can be sent online at:
http://www.worldbank.org/en/access-to-information/request-submission

ACCOUNTABILITY MECHANISM

The AIIB has established the Accountability Mechanism for Project-Affected People (PPM). The PPM provides “an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely

Bank Documents

- AIIB Project Document [Original Source]
- Project Implementation Monitoring Report (22 Nov 2018)
- Project Summary [Original Source]
- World Bank Environmental and Social Management Framework

Other Related Projects

- WB-P154947 Regional Infrastructure Development Fund