INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE

Report No.: ISDSA844

Date ISDS Prepared/Updated: 11-Jun-2012

I. BASIC INFORMATION

1. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID:</th>
<th>Project Name:</th>
<th>Task Team Leader:</th>
<th>Estimated Appraisal Date:</th>
<th>Estimated Board Date:</th>
<th>Managing Unit:</th>
<th>Lending Instrument:</th>
<th>Sector:</th>
<th>Theme:</th>
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<tbody>
<tr>
<td>Indonesia</td>
<td>P118916</td>
<td>Infrastructure Guarantee Fund (P118916)</td>
<td>Kamran M. Khan</td>
<td>17-Apr-2012</td>
<td>04-Sep-2012</td>
<td>EASIS</td>
<td>Specific Investment Loan</td>
<td>Water supply (25%), General energy sector (25%), General transportation sector (25%), General water, sanitation and flood protection sector (25%)</td>
<td>Infrastructure services for private sector development (90%), Municipal finance (10%)</td>
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</table>

Financing (In USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>50.00</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>29.60</td>
</tr>
<tr>
<td>Total</td>
<td>79.60</td>
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</tbody>
</table>

Environmental Category: A - Full Assessment

Is this a Repeater project? No

2. Project Objectives

The Project Development Objective (PDO) of the Infrastructure Guarantee Fund Project (IGFP) is to strengthen the Infrastructure Guarantee Fund (IGF) as a single window institution to appraise infrastructure Public Private Partnership (PPP) projects requiring government guarantees.

3. Project Description

The WB has provided comprehensive advisory services to the MOF and other relevant GOI ministries and departments in the conceptualization, development and establishment of the IIGF. IIGF was formally instituted with the issuance of Presidential Decree No. 78/2011 which establishes the IIGF as the single window for appraising all infrastructure PPPs requiring GOI guarantees. The supporting Minister of Finance Regulation No. 260/2011 provides the details of how guarantees will be issued for infrastructure PPPs. IIGF is now fully operational, with current available capital of IGF is IDR3.5tn ($390 mil).

In order for the IIGF and its guarantees to have credibility in the market, the newly established institution has to quickly demonstrate that it has the capacity to appraise projects on technical and financial merits, and that it will be allowed to operate as an independent institution with the mandate to serve as the single window for the appraisal of all infrastructure PPPs requiring GOI guarantees. It will take some time for the IGF to develop full in-house capacity to appraise projects, and so it has rightly decided to procure the services of international consultants with the relevant expertise to support the appraisal and other key functions. However, there is a need for IIGF to demonstrate that its appraisal standards are not only sound, but that they will also stand the test of time and occasional pressure when the institution is forced to reject popular projects which are not financially or technically viable. Finally, as the GOI continues to make progress in developing a pipeline of PPP projects, it is also important that IIGF has access to additional capital in the future to keep up with increasing demand for guarantees. The GOI is understandably reluctant to lock in significant sums from the public budget to over-capitalize the IIGF before the project pipeline materializes; however, that increases the possibility of delays in allocation of additional capital for IGF in the future, particularly if IIGF is seen to not be supporting projects which have strong support in the parliament.

The proposed IGFP is designed to support the IGF in its initial stage of development. The strategic rationale for WB support to IIGF is threefold:

(i) The WB can help to build IGF capacity by working jointly with IGF to appraise some important PPP projects which can receive a WB-supported IIGF guarantee. IIGF only guarantees technically and financially viable projects.
(ii) By helping IIGF to establish appraisal standards and other operational and institutional procedures and codifying them in the Operations Manual (which includes the ESMF), the WB can help IIGF to demonstrate that its appraisal standards are acceptable to the WB and its institutional integrity is protected by the GOI – WB agreements under the IGF.
(iii) WB support to IIGF can contribute to the improvement in the quality of PPP projects in Indonesia, as IIGF will use the WB-financed technical assistance to advise CAs in the preparation of projects seeking IIGF guarantee support.

The IGFP is designed to establish an operational relationship between the IIGF and WB which will build IIGF’s capacity and establish its credibility in the market. The project will also help to protect the institutional integrity of the institution by making IIGF compliance with its WB-reviewed appraisal procedures and standards a condition of the WB-GOI loan agreement and the WB-IIGF project agreement. The WB-financed TA to the IIGF will also help to improve to quality of infrastructure PPPs being prepared by the various CAs.
The IIGF will use a single Operation Manual (OM) developed by IIGF with WB’s assistance to appraise all projects seeking government guarantees, regardless of financing source. It is anticipated that this key design element will ensure: (i) optimal usage of all guarantee types (IIGF guarantees using IIGF capital, IIGF guarantees using WB funds under IGFP, and MOF guarantees) based on what risks the underlying funding sources (IIGF capital, WB funds, and MOF capital, respectively) are able to cover; and (ii) clarity, transparency and administrative efficiency in IGFP guarantee appraisal operations under a single institution, using a single OM.

It is envisaged that projects passing the IIGF’s appraisal criteria will be eligible to receive government guarantee(s). Such guarantees would include one or a mixture of: (a) IGF guarantees (using IGF capital); (b) IGF guarantees (backed by WB funds from the SIL on-lent to IGF projects which are appraised by the WB and meet WB policies as well as other reputational risk considerations and either be advanced into a separate escrow account of the IGF at the time of issuance of the guarantee or disbursed at the time a claim is properly made and assessed against the guarantee and for which an advance was not previously made); and (c) direct GOI/MOF guarantees. All IGF guarantees which are backed by WB capital will also be appraised by the WB. A project may benefit from any of these guarantees, or a combination thereof.

The IGFP is expected to result in: (i) the upstream benefit of raising the standards of project preparation; and (ii) the downstream benefit of providing guarantees to mitigate the private sector’s exposure to risks related to CAs’ credit as well as reliability of government policy. It is anticipated that project preparation will improve through the guidance offered by the IIGF to CAs soon after projects are identified as PPPs and potential candidates for guarantees. This early guidance will help ensure that projects are bankable and meet stringent, internationally accepted standards of preparation, so that guarantees are provided only to well-prepared projects that pass strict and robust appraisal standards embodied in the OM agreed and acceptable to both GOI and WB.

The IIGF is designed to be an open platform in that once it is fully operational, it will be able to attract third parties (in addition to the WB) in its capital / funding structure, and/or as partners in providing guarantees to eligible projects. This will enable the IIGF to gain the breadth and depth of experience that will help develop its capacity, as well as demonstrate the IIGF’s operational and institutional legitimacy to the market.

The proposed project has two components:

Component 1. WB-Supported IGF Guarantees. The Project will provide US$25 million to support IIGF in issuing its own IIGF guarantees for qualifying projects. Qualifying projects will be those which are appraised by the WB and meet WB policies as well as other reputational risk considerations. In order to prevent the mingling of this $25 million with IIGF capital, the WB loan proceeds under Component 1 will only be advanced (i) into a separate escrow account of the IIGF; and (ii) only after project(s) that will potentially benefit from associated IIGF guarantees have been identified and appraised by IGF and the WB.

Component 2. Technical Assistance (TA). The Project will provide a loan for Technical Assistance (TA) in the amount of approximately $4.6 million to develop IIGF’s institutional capacity to appraise and monitor projects as a single window for government guarantees for infrastructure PPPs, manage allocated capital, build capacity in Contracting Agencies (CAs), and develop standardized documents and procedures for preparing PPP projects – the adoption of which would become conditions for eligibility for IGF guarantees. IIGF will also use part of these funds to IIGF to provide technical assistance and other necessary assistance to Contracting Agencies (CAs) for the preparation of PPP projects seeking government guarantees.

The geographical scope of the project extends the entire country.

5. Environmental and Social Safeguards Specialists

Bekir A. Onursal (EASOS)
Indira Dharmapatni (EASIS)
Andrew Daniel Sembel (EASIS)

6. Safeguard Policies

<table>
<thead>
<tr>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Provision</td>
<td>Application</td>
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<tr>
<td>-----------</td>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>Yes</td>
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</table>

The project will strengthen the Indonesia Infrastructure Guarantee Fund (IIGF) as a single window institution to appraise infrastructure Public Private Partnership (PPP) projects requiring government guarantees. The IGF will provide guarantees in support of infrastructure projects that would belong to the following infrastructure projects: (i) transportation infrastructure for airport services, harbor services, and railroad facilities and infrastructure; (ii) road infrastructure (toll roads and toll bridges); (iii) irrigation infrastructure (ducts for raw water); (iv) drinking water infrastructure (supply, transmission, distribution, treatment); (v) wastewater infrastructure (collection, conveyance, treatment); (vi) solid waste management infrastructure (transportation, disposal facilities); (vii) telecommunications and informatics infrastructures (telecommunication networks, e-government infrastructure); (viii) electricity infrastructure (generation, transmission, distribution - including geothermal); and (ix) oil and natural gas infrastructure (oil and natural gas transmission and distribution).

As the projects which IGF will support have not been identified, an Environmental and Social Management Framework (ESMF) has been prepared by IIGF and has been approved by the Bank. The ESMF includes: (i) the background information on the project, (ii) the project objective, (iii) project components and financial products, (iv) types of projects; (v) objective of ESMF, (vi) applicable policies, (vii) methodology for the environmental and social assessment of projects [including: (a) classification of projects based on the level of environmental and social risks, (b) studies required considering a project's environmental and social risks - environmental assessment/environmental auditing, (c) public consultation requirements, (d) disclosure requirements, and (e) environmental and social management tools], (viii) environmental supervision during construction and operation; (ix) implementation arrangements of projects (institutional responsibilities), (x) consultation and disclosure of ESMF, and (xi) exclusion list of sectors or subsectors.

By loan negotiations, IIGF's OM will be finalized and adopted based on the ESMF. The OM will include detailed procedures to be implemented by the Contracting Agency (CA) during the project preparation phase prior to requesting the guarantee from the IIGF and by the Private Investor during project construction, operation, and handover phases, following issuance of the guarantee by IIGF. In addition, the Manual will provide detailed guidance for IIGF’s environmental and social specialists and their consultants to follow. The environmental and social requirements to be specified in the OM will follow the Indonesian requirements as well as the World Bank safeguards requirements (including World Bank's Operations Policies), as specified in the ESMF including RPF and IPPF (refer to Section Indigenous Peoples and Section of Involuntary Resettlement below)

It is most likely that all projects guaranteed by IIGF will have moderate to significant short-and/or long-term environmental and social impacts (i.e. EA Category A and B projects). However, the scale, type and location of impacts will only be confirmed at project appraisal by the CAs. The environmental instruments to be used under this assessment (EA) to be undertaken by the CA during preparation of the green field projects; and (ii) environmental audit associated with any construction undertaken by the CA during transfer of the constructed facility to the Private Investor. Impact mitigation measures and environmental management plans (EMP) of projects for the construction, operation and handover phases will be prepared by the CAs as part of the EA according to the guidance provided to the CA by IIGF. The EMP will be implemented by the CA according to the OM (based on guidance provided by IIGF) during project preparation; and by the Private Investor (again, according to the OM based on the guidance provided by IIGF) during the construction operation and handover phases.

Each project of IIGF will be screened to determine if the project will potentially cause a significant conversion (loss) or degradation of natural habitats, whether directly (during construction) or indirectly (during human activities induced by the project). If OP 4.04 is triggered, then the project's impact assessment on natural habitats or critical natural habitats will be conducted as part of the EA process, and the necessary mitigation measures will be prescribed for adverse impacts and included in the EMP along with a monitoring plan. These project preparation activities will be undertaken by the CA prior to requesting the guarantee from the IIGF, and reviewed by IIGF during the appraisal stage. The implementation of the EMP will be the responsibility of the Private Investor, following issuance of the guarantee by IIGF. IIGF will monitor the implementation by the Private Investor.
<table>
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<tr>
<th>OP/BP</th>
<th>Policy Description</th>
<th>IGF Guidance</th>
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</thead>
<tbody>
<tr>
<td>Forests OP/BP 4.36</td>
<td>The IGF will not provide guarantees to projects that involve: (i) commercial logging operations in primary tropical moist forests, (ii) purchase of logging equipment for use in primary tropical moist forests, or (iii) production or trade in wood or other forestry products from unmanaged forests. These activities will be specifically listed in an exclusion list to be included in the OM as well as IIGF guidance to the CAs.</td>
<td>No</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>The IGF will not provide guarantees to projects that involve: (i) production, distribution or sale of illegal pesticides; or (ii) production or trade in pesticides/herbicides subject to international phase-outs or bans. In addition, in Indonesia, no pesticides are used for maintenance of the right-of-way of an energy transmission line or water pipeline. These activities will be specifically listed in an exclusion list to be included in the OM as well as IIGF guidance to the CAs and the Private Investors. However, this policy is triggered as the subject project may provide guarantees to projects that involve supply of irrigation water to agricultural activities. In such projects, pest and pesticide management issues will be addressed in an EA, and a separate pest management plan (PMP) will be prepared in case of significant pest management issues in the project's area of influence.</td>
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<td>Physical Cultural Resources OP/BP 4.11</td>
<td>Some of the projects receiving guarantees from IIGF may have adverse impacts on physical cultural property. During preparation, each project will be screened to identify the presence of physical cultural resources that might be adversely affected by project activities in the project's area of influence. As part of the EA process, the project's impacts on physical cultural resources will be assessed. If adverse impacts are identified, mitigation measures for avoiding or mitigating these impacts will be incorporated into the Physical Cultural Resources Management Plan. In addition, the Plan will include provisions for chance finds, any necessary measures for strengthening institutional capacity, and a monitoring system to track the progress of these activities. These project preparation activities will be undertaken by the CA prior to requesting the guarantee from the IIGF, and will be reviewed by IIGF during project appraisal. The implementation of the Physical Cultural Resources Management Plan will be the responsibility of the Private Investor, following issuance of the guarantee by IIGF. IIGF will monitor implementation by the Private Investor.</td>
<td>Yes</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>Based on available information on sectors and geography, projects may occur anywhere in the country, including rural areas that may contain IPs communities. Because projects may trigger OP/BP 4.10, IIGF will prepare an Indigenous Peoples Planning Framework (IPPF), approved by the Bank and disclosed by appraisal. The CA will undertake the screening and the social assessment (SA) to evaluate the project's potential positive and adverse effects on the IPs. If the policy is triggered by a project, then on the basis of the SA and in consultation with the affected IPs communities, an IPP should be developed and implemented based on the IPPF by the CA or PI as appropriate. IIGF will monitor, supervise and verify IPP's implementation in the field to ensure that the CA and/or PI implement the approved IPP. For all projects involving IPs, the IPP will be submitted to the Bank (through IIGF) for clearance before the project guarantee is granted. The TT should accompany IIGF on the field appraisal for the first 3 projects affecting IPs communities. In the case that the CA and/or PI have implemented activities that deal with IPs communities prior to project appraisal (due diligence), or are in compliance on the implementation of the approved IPP, they will have to prepare a Corrective Action Plan. The Correction Action Plan will have to be approved by the IIGF (or by the Bank until the IIGF has adequate capacity in environmental and social management) and satisfactorily implemented by the CA and/or PI, prior to the project approval, or prior to continuation of project construction and/or operation, as applicable.</td>
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<td>OP/BP</td>
<td>Description</td>
<td>Requirement</td>
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<td>4.12</td>
<td>Involuntary Resettlement</td>
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<td>4.37</td>
<td>Safety of Dams</td>
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<td>7.50</td>
<td>Projects on International Waterways</td>
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<tr>
<td>7.60</td>
<td>Projects in Disputed Areas</td>
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II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts:

   The Project will strengthen the Infrastructure Guarantee Fund (IIGF) as a single window institution to appraise infrastructure Public Private Partnership (PPP) projects requiring government guarantees. The IIGF will provide guarantees for private sector investments associated with toll roads and toll bridges; airport, harbor, railroad, drinking water, irrigation, wastewater infrastructure; solid waste, telecommunication; oil and transmission and distribution; and electricity generation, transmission and distribution facilities. The projects to receive IIGF guarantees have not been identified. It is most likely that all projects guaranteed by IGF will have moderate to significant environmental and/or social impacts (i.e. EA Category A and B projects). However, the scale, type and location of impacts will only be confirmed at project appraisal by the CAs, and subsequent appraisal by the IGF as the basis of its decision of whether or not to provide the guarantee(s) requested.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

   It is very likely that many of the projects guaranteed by IIGF will have moderate to significant short- and/or long-term environmental and/or social impacts. However, the scale and location of impacts can only be identified at the time when CAs screen project proposals. Impact minimization and mitigation measures will have to be prepared by the CAs.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The measures to be taken by the Borrower to address safeguards policy issues involves: (a) preparation and disclosure of project safeguards documents, and (b) establishing a fully trained institution to implement the safeguards measures, in particular, mobilizing trained social and environmental safeguards specialists (consultants on retainer) based TORs acceptable to the Bank, and recruiting a professional firm with TOR satisfactory to the Bank to assist IGF in project screening, appraisal and monitoring. The Consultant will also provide training and capacity building as necessary for IIGF and related CAs.

Safeguards Documents. The following safeguards documents will be prepared by IGF:

(i) Operations Manual (OM). Based on the ESMF, detailed procedures for the environmental and social review of projects have been incorporated into IIGF’s Operations Manual (OM), covering project screening, appraisal, construction, operation and handover. The OM specifies the roles and responsibilities of the IIGF, Contracting Agencies (CAs), Private Investors (PIs), and the World Bank during the project screening/preparation, construction, operation, and handover phases. The OM describes the establishment and capacity building of IIGF’s Environmental and Social Management System (ESMS) as well as assistance to CAs and IPs for safeguards strengthening and Project implementation. The OM will be used to develop Guidance Notes to assist the CAs during the project screening/preparation phase and the PIs during the project construction, operation, and handover phases.

(ii) CA Guidance Note. This Guidance Note, which will be based on the OM, will specify all the safeguards responsibilities to be undertaken by the Contracting Agencies (CAs) for any project guaranteed under this project. The CA Guidance Note will be prepared by Project Effectiveness.

(iii) PI Guidance Note. This Guidance Note, which will be based on the OM, will specify all the safeguards responsibilities to be undertaken by the Private Investor (PI) for any project guaranteed under this project. The PI Guidance Note will be prepared by Project Effectiveness.

Environmental and Social Safeguards Procedures.

Overview. The safeguards procedures that will be used under this Project have been specified in the ESMF and OM. More specifically:

- For Project Components 1, the safeguards procedures to be used under this Project by IIGF have been specified for project screening/preparation, construction, transfer (from CA to PI), operation (by PI), and handover (to CA) phases. IGF will be responsible for appraising projects under Component 1. These projects will comply with the ESMF as well as international standards on labor and occupational health and safety as specified in the OM. The World Bank will conduct its own appraisal – which is separate from that conducted by IIGF – before issuing a No Objection to the use of the World Bank loan for the purpose of an IGF-issued guarantee (Component 1).

- The technical assistance (TA) to be provided under Project Component 2 will support IGF in implementing the OM, the corporate governance structure, and other critical functions. As such the TA will support all projects which are pursued by IGF after this Project becomes effective. Specifically, the TA will not be limited to only the projects which receive IGF guarantees that are backed by the World Bank funds (Component 1). The World Bank will not review or supervise projects which are not supported by the World Bank loan proceeds. However, the World Bank will, during supervision missions, review IIGF’s use of the OM in the appraisal activities funded by the World Bank TA.

Detailed procedures:

A. Project screening and categorization:

Each IIGF project will be screened by the CA based on IGF’s guidance to: (i) evaluate the environmental risks associated with the project construction and operation; (ii) to determine the depth and breadth of Environmental Assessment (EA); and (iii) to recommend an appropriate choice of EA instrument(s) suitable for a given project. It is most likely that all these projects will have moderate to significant, short and/or long-term environmental and/or social impacts (corresponding to the EA Category B or A under the World Bank project classification system). Social impacts include impacts that would likely to occur due to land that needs to be acquired by a project. In addition, it also includes assessment of...
the likelihood that IP communities are affected by a project. However, the specific category to be assigned to the project by the CA will be determined based on the scale, type and location of the project impacts. Based on guarantee coverage period, the types of environmental and social safeguards instruments to be used along with their timing in project cycle and responsible agencies involved are as follows:

B. Project preparation:

(i) CA will prepare an Environmental Assessment (EA) report. The EA will also include an Environmental Management Plan (EMP) that covers mitigation measures during the construction, operation, and handover phases of the project. In case of significant pest management issues in the project’s area of influence are identified, CA will prepare a Pest Management Plan (PMP). In case of the project’s adverse impacts on physical cultural resources, CA will prepare a Physical Cultural Resources Management Plan (PCRMP).

(ii) For large or high hazard dams, CA engages an expert panel conduct a safety review with the preparation of detailed plans; and for small dams CA has generic dam safety measures designed by qualified engineers.

(iii) In reference to the RPF and OM, CA prepares a Land Acquisition and Resettlement Action Plan (LARAP) in the case that a project needs to acquire land involuntarily causing involuntary resettlement, loss of land, assets, source of incomes and disturbance or loss of livelihoods, or access to resources. In the case that CA will acquire land through local government or other government entity, in preparing a LARAP, the CA has to work closely with the local government or other government entity.

(iv) CA will have to prepare a LARAP in the case it will acquire land through direct negotiations between the land owners and the CA.

(v) CA prepares Indigenous Peoples Plan (IPP) in the case that a project affects IP communities positively or negatively within the project impact area as defined by the EA, IPPF and the OM.

(vi) In the case that a project had prepared LARAP or IPP before the CA had been familiar with the ESMF, IPPF and RPF as specified in the OM, or had acquired land, or had handled IP communities prior to the approvals of the LARAP or IPP, CA has to prepare a Tracer Study and A Correction Action Plan for the IP communities, respectively.

(vii) Specific details of all identified types of potential impacts – cumulative, induced, indirect impacts, social impacts other than those covered by RPF and IPPF, occupational health and safety impacts etc. shall be detailed in relevant documents.

(viii) The IGF will carry out a due diligence for proposed projects that have characteristics as mentioned in (v) above. This may also includes Type I projects that are partly or wholly will be financed by the IGF. It is expected that implementation of LARAP and/or TS and or Corrective Action for IPs for this type of projects would be in line with the IGF’s RPF and OM. IGF will identify specific actions required to address non-compliance issues, if any. The type II projects will require an in-depth assessment of the project’s design (including the preparation of LARAP and TS), implementation procedures and supervision requirements to assess the projects’ compliance with the IGF’s OM.

(ix) Draft LARAP, IPP, Tracer Study and Correction Action Plan for the IPs will be submitted by the CA to the IGF as part of project appraisal documents for approval. The IGF will give a No Objection to the CA to proceed with the implementation of the approved LARAP, IPP, Tracer Study and Correction Action Plan.

(x) CA implements the approved LARAP and IPP for activities that have to be implemented prior to project construction or at any time as indicated by the approved LARAP and IPP. It is anticipated that to some point, PI has to implement part of the activities specified in the approved LARAP and IPP, for instance, for the rehabilitation support for income restoration and livelihood recovery, and for activities that are related to construction, etc.

(xi) During the project appraisal, the IGF will also assess the capacity of the CA submitting project proposals wishing for applying for a guarantee. In the case that the CA has lack of capacity in environmental and social safeguards management, the IGF will provide assistance to strengthen their capacity.

C. Project construction by CA:

(i) CA implements the EMP (and PMP/PCRMP, if applicable) as well as activities in the LARAP and IPP to be implemented during the project’s construction phase.

(ii) CA continues to implement the approved LARAP or IPP, especially those related to rehabilitation supports to the PAPs until they recover their livelihood and income. CA will continue to consult the IP communities during project construction to ensure that the agreed activities in the IPP are consistently implemented.

(iii) CA to implement the corrective actions as specified in the approved TS or corrective action plan for the IPs.

(iv) CA to implement corrective actions in the case that it has incompliance with the implementation of the approved LARAP.

D. Transfer of the project to PI:

(i) CA prepares the Request for Proposal (RFP) for project guarantees, covering the construction (for Type I and Type II projects), operation, and handover phases. CA evaluates the bids received from PIs, and selects, negotiates and extends contract to the successful bidder.

E. Project construction by PI:

(i) PI implements the EMP (and PMP/PCRMP, if applicable) for the project’s construction phase.

(ii) In the case that the approved LARAP and/or IPP implementation are to be done or continued by the PI, PI continues to implement these two instruments, especially those related to rehabilitation supports to the PAPs until they restore their livelihood and income. PI will continue to consult the PAPs and/or IP communities during project construction to ensure that the agreed activities in the approved LARAP and IPP are consistently implemented.

F. Project operation by PI:

(i) PI will implement the EMP (and PMP/PCRMP, if applicable) and IPP for the project’s operation phase.

(ii) IIGF supervises the safeguards aspects of PI’s project operation (e.g. compliance with the EMP for the operation phase, including assessment of environmental and social impacts of the project operation; implementation of IPP and LARAP, and consultation with the IP communities as specified in the IPP, TS, corrective action plan for the IPs and corrective actions to address incompliance of LARAP implementation, as applicable). IGF supervision involves review of monitoring information presented in the implementation reports of the safeguards instruments by the PI as well as field visits of the project facilities, if necessary.

G. Project handover by PI:
PI implements the project’s handover phase. A consultant engaged by PI conducts an environmental and social audit of project facilities to identify potential environmental liabilities and deficiency in social management measures, and devise a mitigation (e.g. remediation and corrective actions) plan with a budget and implementation schedule. PI provides reports to CA, and CA will share this report with the IIGF, which in turn, will share the report with the MoF and the Bank.

IIGF supervises all the safeguards aspects of PI’s project handover (compliance with the EMP, IPP and LARAP or TS or corrective action plan for the handover phase). IIGF’s supervision involves review of monitoring report containing information presented by PI as well as field supervision visits of the project facilities to check any environmental liabilities and deficiency on the social management measures resulting from PI’s operation of the project. Any deficiency, such as site contamination or lack of achievement of rehabilitation supports (e.g. for income restoration), will be restored to specified standards by the PI.

The environmental and social audit / due diligence will be used to:

a. Determine the nature and extent of all potential environmental and social issues and adverse impacts from an existing facility that has not been addressed;
b. Prescribe an EMP and a TS or corrective actions that will identify appropriate measures mitigate and/or compensate for the potential adverse environmental and social impacts of the project; and
c. Determine whether the CA and/or the PI have adjusted the originally planned mitigation measures during project implementation and why and to what extent they are appropriate.

IIGF’s OM will specify the roles and responsibilities of the IIGF, CAs and the PIs. The Manual will be used to develop Guidance Documents to assist the CAs during the project preparation phase, and the PIs during the construction, operation, and handover phases. The OM will be developed as an operationalization of the ESFM that includes the Indigenous Peoples Planning Framework (IPPF) and a Resettlement Policy Framework (RPF), in compliance with the requirements of OP 4.10 and OP 4.12, respectively. The IPPF and RPF are included as Annexures 1 and 2 respectively of the draft ESFM.

Institutional Capacity Building for Safeguards Implementation. The OM will prescribe the necessary measures for the establishment of IIGF’s Environmental and Social Management System (ESMS). IIGF being a newly established entity has recruited Environmental and Social Development Specialists to oversee the environmental and social management aspects of projects during their preparation, construction, operation, and handover phases. These specialists will implement the detailed procedures, requirements and formats to be prescribed in IIGF’s OM that will comply with the Government of Indonesia’s laws and regulations, the seven World Bank’s safeguards policies, and international labor and occupational health and safety standards. IIGF’s environmental and social specialists will hire expert consultants to support detailed project reviews depending on specific project characteristics.

These Specialists will provide training to the IIGF and related CAs in the areas of PPP project preparation and adoption of the IGF operational and safeguards procedures. In addition, a professional firm will be recruited to assist IIGF in all phases of guarantee screening/appraisal/monitoring and further provide capacity building, including safeguards review and management. The individual environment and social specialists might be converted into full-time staff of IGF, subject to their satisfactory performance and sufficient workload resulting from the larger IIGF project pipeline.

As IIGF is responsible to implement consistently the Project’s OM, it is necessary that IIGF’s environmental and social development specialists as well as IIGF’s consultants be fully conversant with IIGF’s OM.

In addition, for the first three projects (or until adequate capacity at IIGF is established), the World Bank will supervise closely IIGF’s operations associated with such safeguards instruments as EA, EMP, PMP, PCRM, IPP, and LARAP, as well as TS and Corrective Action Plans for IPs and corrective actions to address the incompliance of the LARAP implementation. The World Bank will also closely supervise the IIGF during project appraisal and due diligence process until adequate capacity for environmental and social safeguards management at the IIGF is established.

A safeguard capacity building plan for IIGF, potential CAs and PIs will be developed as part of the TA component.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The three main stakeholders are IIGF, MOF, and the Bank. In addition, the potential CAs, the potential PIs, and civil society (including NGOs) are project stakeholders. The Project’s stakeholders will involve the CAs preparing the projects and the PIs receiving the guarantees under this Project. These entities have to consult the Project Affected Persons (PAPs) who are affected by their projects, including non-government organizations (NGOs) who have concerns and interest in ensuring the protection of the PAPs and/or the environment from negative impacts. In cases where Indigenous Peoples (IP) communities are present, there are special requirements for free, prior, informed consultation (FPIC) leading to broad community support before projects can succeed.

Stakeholder Consultations and Disclosures of Safeguard Documents. It has been agreed that IIGF will have one common ESMF that complies with the environmental and social safeguards policies of the World Bank and Indonesia as well as some international standards (on labor and occupational health & safety). The IIGF and World Bank have organized three rounds of consultations, and held a number of bilateral meetings, with Contracting Agencies (CAs) and Private Investors (PIs) on safeguards management and the ESFM. Feedback received from interactions with key stakeholders has been very valuable and incorporated in subsequent drafts of the ESFM and IIGF project documentation. Summaries from these consultations are presented in Annex 5 of ESFM. Project related information, including the safeguards aspects have been disseminated through IIGF’s website. The final draft version of the ESFM was disclosed at the IGF’s Website and at the World Bank’s InfoShop prior to appraisal. A Communication Strategy shall be developed address any public misperception that the World Bank is responsible for all projects guaranteed by the IGF and to disseminate information about actions taken by IIGF (such as ESFM/OM) to manage potential environmental and social risks.

The consultations and disclosure carried out to date are appropriate, given the fact that specific IIGF projects to be guaranteed by IGF have not yet been identified. IIGF project specific safeguards instruments will be determined through screening by IIGF’s clients, i.e. the CA. IIGF’s clients will disclose draft and final versions of EA reports, Land Acquisition and Resettlement Action Plans (LARAPs), Indigenous Peoples Plans (IPP), etc., both in English and Bahasa Indonesia. EA TOR for Category A projects will be disclosed in a public place accessible to
affected groups, local NGOs and other stakeholders. If needed, the IPP has to be translated to the IPs’ language.

The final version of the revised ESMF has been disclosed in www.iigf.co.id, and in the Infoshop prior to the completion of appraisal.

### B. Disclosure Requirements Date

**Environmental Assessment/Audit/Management Plan/Other**
- Date of receipt by the Bank: 27-Apr-2012
- Date of "in-country" disclosure: 27-Apr-2012
- Date of submission to InfoShop: 01-Apr-2012

**Resettlement Action Plan/Framework/Policy Process**
- Date of receipt by the Bank: 27-Apr-2012
- Date of "in-country" disclosure: 27-Apr-2012
- Date of submission to InfoShop: 01-Apr-2012

**Indigenous Peoples Development Plan/Framework**
- Date of receipt by the Bank: 27-Apr-2012
- Date of "in-country" disclosure: 27-Apr-2012
- Date of submission to InfoShop: 01-Apr-2012

**Pest Management Plan**
- Was the document disclosed prior to appraisal? NA
- Date of receipt by the Bank: NA
- Date of "in-country" disclosure: NA
- Date of submission to InfoShop: NA

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

### C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

**OP/BP/GP 4.01 - Environment Assessment**
- Are the cost and the accountabilities for the EMP incorporated in the credit/loan? Yes [x] No [ ] NA [ ]

**OP/BP 4.04 - Natural Habitats**
- If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank? Yes [ ] No [ ] NA [x]

**OP/BP 4.09 - Pest Management**
- If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist? Yes [ ] No [ ] NA [x]

**OP/BP 4.11 - Physical Cultural Resources**
- Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property? Yes [ ] No [ ] NA [x]

**OP/BP 4.10 - Indigenous Peoples**
- If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager? Yes [ ] No [ ] NA [x]

**OP/BP 4.12 - Involuntary Resettlement**
- If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan? Yes [x] No [ ] NA [ ]

**OP/BP 4.37 - Safety of Dams**
- Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training? Yes [ ] No [ ] NA [x]

**The World Bank Policy on Disclosure of Information**
- Have relevant safeguard policies documents been sent to the World Bank’s Infoshop? Yes [x] No [ ] NA [ ]
- Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? Yes [x] No [ ] NA [ ]

All Safeguard Policies
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Have costs related to safeguard policy measures been included in the project cost?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
</tbody>
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### III. APPROVALS

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Date</th>
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<tbody>
<tr>
<td>Task Team Leader:</td>
<td>Kamran M. Khan</td>
<td></td>
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<tr>
<td>Approved By:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Safeguards Coordinator:</td>
<td>Name: Panneer Selvam Lakshminarayanan (RSA)</td>
<td>Date: 20-Jul-2012</td>
</tr>
<tr>
<td>Sector Manager:</td>
<td>Name: Franz R. Drees-Gross (SM)</td>
<td>Date: 12-Jun-2012</td>
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