

Aliansi Demokrasi untuk Papua (ALDP); AURIGA; debtWATCH; ELSAM - Institute for Policy Research and Advocacy; Gemawan; Human Rights Working Group (HRWG); Indonesian Legal Resource Center (ILRC); Indonesia Corruption Watch (ICW); INDIES (The Institute of National and Democratic Studies – Indonesia); Jaringan Kerja Pemetaan Partisipatif (JKPP); JASOIL – Papua; Jaringan Masyarakat Gambut (JMG) Jambi; Justice Peace and Integrity of Creation (JPIC) Kalimantan – Indonesia; Kesatuan Nelayan Tradisional Indonesia (KNTI); KIARA – Koalisi Rakyat Untuk Keadilan Perikanan; Konfederasi Pergerakan Rakyat Indonesia (KPRI); Lembaga Bantuan Hukum (LBH) Semarang; Lembaga Bantuan Hukum (LBH) Palembang; Lingkaran Advokasi dan Riset (Link-AR) Borneo; LPM Equator; Pusat Kajian dan Perlindungan Anak (PKPA); Sekretariat Keadilan dan Perdamaian Keuskupan Agung *Merauke* (SKP-KAME); Solidaritas Perempuan; Swandiri Institute; The Ecological Justice; TuK Indonesia: Wahana Lingkungan Hidup Indonesia (WALHI) – Friends of the Earth Indonesia: Wahana Lingkungan Hidup Indonesia (WALHI) Jawa Barat; Wahana Lingkungan Hidup Indonesia (WALHI) Sulawesi Selatan; Wahana Lingkungan Hidup Indonesia (WALHI) Bengkulu; Wahana Lingkungan Hidup Indonesia (WALHI) Sumatera Selatan; Yayasan PUSAKA; BothENDS (Netherland); Bretton Woods Project (UK); Central and Eastern European Bank Watch Network (Czech Republic); Centre for Human Rights and Development (Mongolia); European Center for Constitutional and Human Rights (Germany); Engineers Against Poverty (UK); Friends of the Earth (US); Gender Action (US); Inclusive Development International (USA); India-Climate-Justice (India); International Accountability Project (USA); Public Services International Trade Union Federation; ReCommon (Italy); Sahabat Alam Malaysia; Ulu Foundation (USA); Urgewald (Germany)

Jakarta  
March 10, 2017

Dear World Bank President Kim and IFC President Le Hou  rou and World Bank Executive Directors,

We, the undersigned organizations are writing to you with deep concerns about two proposed World Bank-supported Indonesian Infrastructure funds, **planned for Board vote in March 2017**, the Indonesian Regional Infrastructure Development Fund and support for PT Indonesia Infrastructure Finance.

In 2009, the World Bank, IFC, ADB and a range of bilateral funders provided support for the Government of Indonesia to launch controversial high-risk opaque infrastructure financial intermediaries in Indonesia. These included PT Indonesia Infrastructure Fund, PT Indonesian Infrastructure Guarantee Fund, and PT Sarana Multi Infrastruktur. In general, environmental and social risks have been high at these funds, while environmental, social, and fiduciary due diligence – as well as overall performance -- has been quite poor.

Despite massive problems with these financial intermediaries, for the past several years, the World Bank has been trying to push the Indonesian Government to establish yet another controversial infrastructure FI, the proposed Regional Infrastructure Development Fund (RIDF) to be financed via \$100 million from WB for controversial PT Sarana Multi Infrastruktur and currently, despite ongoing problems at PT. IIF, plans to provide an additional finance for PT IIF.

Plans to launch the RIDF have had a particularly troubled history (see enclosed Memorandum) and the Bank has reduced its initially planned investment from \$500 million to \$200 million to the currently proposed \$100 million – only 20% of the amount originally proposed by the Bank in 2015. The Swiss government also reduced planned support for RIDF by 40% and the Indonesian government reduced its planned contribution to RIDF by \$300 million.

The projects of concern as follows:

- **Indonesian Regional Infrastructure Development Fund (RIDF) \$100 million WB / \$100 million AIIB**
- **PT. Indonesian Infrastructure Finance (IIF) - \$200 million WB**

Overarching concerns about these projects include:

PT IIF

- The lack of public disclosure of documents pertaining to projects in the pipeline and lack of meaningful consultation on PT IIF projects in the pipeline;
- The lack of key documents in Indonesian, including the PT IIF Operations Manual, recently made public after years of public requests for this document;
- Violations and failures in implementing WB environmental and social safeguards and IFC Performance Standards;
- Lack of disclosure of monitoring and assessment evaluations of PT IIF implementation of environmental and social safeguards.<sup>1</sup>
- Problems at the related PT Indonesian Infrastructure Guarantee Fund (IIGF), the provider of guarantees for all PPP infrastructure projects in Indonesia, still not yet resolved, including a “secret” Operations Manual with published OM “Guidance Notes” on land expropriation encouraging clients to target Indigenous forested lands for infrastructure projects. The Guidance Notes were finally removed from the website in late 2016 after years of concerns raised by NGOs. No new Guidance Notes have been made public and the OM is still secret.

RIDF, to be implemented by the controversial PT. Sarana Multi Infrastruktur (PT. SMI)

- Lack of meaningful consultation;
- The violation and weakness of the ESMF of RIDF
  - 500 page ESMF in English language with a only very short summary provided in Bahasa Indonesia, making meaningful consultation in Indonesia impossible;
  - Weak and poor quality analysis of Indonesia’s “Country System”
    - Omission of Regulation of the Minister of Environment pertaining to Strategic Environmental Assessment (SEA).
    - Indonesian EIA weaker than WB OP 4.01 requirements;
    - Land expropriation regulations which harm communities;
    - High levels of corruption at the regional government level identified by Indonesia Corruption Watch and Indonesian Anti-Corruption Commission
    - Problems with government recognition of Indigenous Peoples
- Poor Track Record of PT SMI

We note that many of these concerns have been brought up in civil society letters and reports in 2015 and 2016.

Based on these matters, we demand the following:

1. Given the lack of resolution of **problems at existing WB-supported Infrastructure financial intermediaries**, including PT IIF, PT IIGF, and the lack of an **RIDF ESMF in Bahasa Indonesia**, making meaningful consultation impossible, the **WB should not approve the RIDF or PT IIF at the March 2017** Board meetings; The lack of meaningful consultation and materials in local language violates both the World Bank’s Safeguards and the AIIB’s ESF (for RIDF);

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<sup>1</sup> According to the World Bank and IFC, “The WB (and in the case of IIF, IFC) also closely monitors the implementation of the environmental and social safeguards and IFC performance standards to ensure compliance in the execution stage.” Yet no supervision reports have been made public. WB, IFC “Letter to Concerned NGOs”, November 18, 2016.

2. **Before funding new Indonesian Financial Intermediaries**, the substantial environmental and social problems at existing WB/IFC/ADB supported Infrastructure Financial Intermediaries, including those under PT SMI such as PT Indonesia Infrastructure Investment (PT IIF) and those such as PT IIGF must be corrected and brought into compliance with required MDB safeguards before pushing forward with the establishment of new infrastructure FIs, such as RIDF. This includes: disclosure of projects in the pipeline by PT IIF, PT IIGF's OM and Guidance Notes on Land Acquisition, meaningful consultation, proof of resolution of land conflicts, use of gender disaggregated data; security force assessments, clarification, including by PT IIGF and PT IIF regarding indigenous rights, forest & biodiversity protection;
3. PT. SMI, in existence since 2009, needs to prove track record of environmental and social protection, assessment, monitoring and anti-corruption track record, including in procurement at *existing PT SMI FIs*, prior to being funded for a new FI, the RIDF.

The Green Climate Fund, in its assessment of PT SMI found that PT SMI has no disclosure policy, and could not provide proof of large scale compliance for large scale projects (as requested by GCF).

4. Given the apparent reliance on Indonesia's "country system" for these projects, the World Bank must make **public for comment a detailed Country Systems Safeguard assessment demonstrating the equivalence** or lack thereof between Indonesian "national systems" and World Bank Safeguard requirements (in accordance with WB OP 4.00);
5. **Gender-differentiated baseline census of all women likely to be impacted by the project, gender-disaggregated analyses and a gender-sensitive approach** to ensuring full participation and recognition of rights, including land rights, of women must be Led;
6. Due diligence risk assessment is needed to assess **Security Force Risk**, specifically the risk of violence from armed parties including military (TNI), police, local police (Satpol PP) and armed thugs (preman) linked to the project. This is an **AIIB requirement for RIDF**;
7. There must be an explicit **legally-binding ban on the use of armed security forces and threats and violence against communities** with a legally binding clause that any such threats made or use of violence against communities or civil society organizations will result in the **cancellation of the project**;
8. **Corruption:** The World Bank should require legal recourse against any misuse of the project budget for PT IIF or PT RIDF.

Thank you for your attention to this matter.

#### **Indonesian Civil Society Organizations:**

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