The role of government guarantees in environmental and social management for infrastructure development

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Abstract. The Indonesian government is currently focusing on infrastructure development to stimulate economic growth with equal distribution of infrastructure throughout Indonesia. Good Infrastructure availability will improve connectivity between regions so that the flow of goods and services becomes more efficient. However, infrastructure development has challenges in managing the impact on complex environmental and social conditions. The Indonesian government encourages to accelerate infrastructure development, one of which is by providing government guarantees through the Badan Usaha Penjaminan Infrastruktur (BUPI). The existence of the BUPI can accelerate infrastructure development by providing guarantees to Project by requiring feasibility of environmental and social aspects. These conditions encourage sustainable infrastructure development by look carefully at ecological equilibrium, social conditions of the community, and respect for local culture.

Keywords: Infrastructure, Government Guarantee, BUPI, Environmental and Social

1. Introduction
Economic growth is one indicator to measure economic performance. The Government will find it difficult to improve people's living standards without positive growth. However, economic growth does not only guarantee the creation of justice and social welfare in society. One of the main challenges in Indonesia's development today is to overcome the problem of inequality that not only occurs in the individual dimension but also in the region.

One factor driving the change is inter-regional infrastructure development. As a driver of economic growth, infrastructure plays a significant role in regional development. Some empirical facts show that the development of infrastructure capacity in a region goes in harmony with economic development [1]. This is because economic development has demanded the availability of adequate infrastructure and supporting facilities. The existence of infrastructure drives an increase in the productivity of the production factors.

The Indonesian government encourages infrastructure development by involving the private sector through the scheme of Government and Private Investor Cooperation [2]. The scheme of cooperation is an alternative to financing infrastructure development in the public interest by referring to the specifications established by the Government as a Contracting Agency by considering risk-sharing with the Private Investor. The cooperation between Government and

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Private Investor is carried out based on the Principles: Partnership, Benefit, Competing, Risk Management, Effective and Efficient. To encourage this scheme of cooperation, the Government provides support, which is to support project feasibility and providing a government guarantee.

The infrastructure guarantee is a guarantee for the financial obligations of the Contracting Agency for the occurrence of infrastructure risk by following the risk allocation stated in the cooperation agreement. Infrastructure guarantees are carried out by Badan Usaha Penjaminan Infrastruktur (BUPI) to provide certainty and comfort for investors in investing [3]. BUPI, in this case, PT Penjaminan Infrastruktur Indonesia (PT PII) in providing Infrastructure Guarantee must ensure the feasibility of the project, which is technical, financial, economic, legal, and environmental and social feasibility. The feasibility of environmental and social aspects to ensure infrastructure projects can not only encourage economic growth but also ensure the benefits of the project for social and ecological sustainability.

2. Methodology
Infrastructure guarantees are carried out after ensuring the project is technically, economically, and financially feasible, the project meets the legal aspects and has considered the environmental and social aspects properly and appropriately. PT PII will carry out 4 stages of the project guarantee process, which is screening, appraisal, structuring, and monitoring [4].

At the screening stage, PT PII will conduct initial identification of environmental & social project risks and obligations for managing environmental & social aspects carried out by the Contracting Agency. Then in the appraisal stage, PT PII will conduct an assessment to ascertain whether the Indonesian regulatory requirements and PT PII Environmental and Social Protection Principles have been met by the project and whether the project has identified significant impacts & developed an appropriate management plan. Both of these are considered as the feasibility of the project which determines the provision of infrastructure guarantees. Furthermore, in the structuring phase, PT PII ensures that all parties are committed to managing and monitoring significant impacts in the cooperation agreement and ensures that the commitment plan will be carried out by each party according to the agreed risk allocation. During the monitoring phase, PT PII will monitor the implementation of impact management by following environmental documents and agreed on improvement plans regularly.

3. Result and Discussion
Infrastructure development with a scheme of the Government and Private Investor cooperation is carried out in 4 stages, which are: Planning, Preparation, Transaction, and Construction & Operation [5]. In the planning stage, the Contracting Agency identifies the project to be carried out and ensures the collaboration scheme between the government and private investors is the best choice for infrastructure development by considering value for money. After that the Contracting Agency will prepare the project by conducting a pre-study project feasibility study, submitting government support and/or government guarantees, and submitting the project location determination. In the following stages, the Contracting Agency conducts project transactions by assessing market interest, determining the location of the project, procurement of business entities, and signing of project agreements with selected business entities.

The Contracting Agency requesting infrastructure guarantees will submit a guaranteed proposal to PT PII. Furthermore, PT PII will carry out the project appraisal process by ensuring technical feasibility, financial, economic, legal aspects fulfillment, and consideration of environmental and social aspects. Environmental and social aspects are an important consideration because infrastructure projects are expected to be of benefit to the social community by not eliminating local cultural identity and ecological sustainability so that the project can be sustainable. Consideration of the environmental and social aspects of the project refers to the PT PII’s Environmental and Social Protection Principles, namely the Principles that are built based on Government of Indonesia regulations on Environmental and Social Protection and Management and best practices in managing environmental and social impacts of the project as described in table 1 below.
| No | Principle | Description |
|----|-----------|-------------|
| 1. | Environmental and Social Assessment | PT PII ensures that guaranteed projects meet the following elements:  
• Project screening and categorization  
• Environmental and social assessment  
• Environmental management and monitoring plan  
• Project management capacity  
• Stakeholder involvement  
• Complaints management  
• Reporting |
| 2. | Labor and Working Conditions | • Promoting fair treatment, non-discrimination and equal opportunities for all workers  
• Prevent child labor, forced labor, and migrant workers who violate Indonesian Government regulations  
• Prioritize safe and healthy working conditions and practices |
| 3. | Resource Efficiency and Pollution Prevention | • Prevent pollution and manage impacts arising from project activities  
• Ensure project compliance with existing standards and best practices  
• Promoting the sustainable use of resources |
| 4. | Community Health and Safety | • Work to avoid or minimize risks and impacts on the health, safety, and security of affected communities, which may arise from project activities  
• Seek security of personnel and property by following human rights principles and strive to avoid or minimize the risk of conflict to affected communities |
| 5. | Land Acquisition and Involuntary Resettlement | • Ensuring that land acquisition and relocation are forced to be based on principles: humanity, justice, expediency, certainty, openness, agreement, participation, welfare, sustainability, and harmony.  
• Avoid forced displacement, but if it cannot be avoided it is necessary to ensure that affected communities receive appropriate and fair compensation.  
• The social impacts of land acquisition must be avoided, reduced/compensated, through an environmental and social assessment process by following the Environmental and Social Assessment Principles. |
| No | Principle                        | Description                                                                                     |
|----|---------------------------------|-----------------------------------------------------------------------------------------------|
| 6  | **Biodiversity Conservation**   | • This principle is not triggered if the land acquisition is done voluntarily                  |
|    |                                 | • Ensure that the project applies the principles of biodiversity conservation and sustainable use of natural resources. |
|    |                                 | • Ensuring the sustainability of ecosystem services.                                            |
| 7  | **Cultural Heritage**           | Ensure that the Project identifies and protects the cultural heritage that may be affected by the project. |
| 8  | **Indigenous People**           | • Anticipate and avoid, or if not possible, minimize and/or compensate for the negative project impacts that may occur on indigenous peoples whose existence is recognized by The Government of Indonesia regulations. |
|    |                                 | • Encourage project managers to involve indigenous peoples at the planning and implementation stages of the project |

PT PII will conduct an environmental and social aspect project assessment to ensure the safeguard principles are triggered and the management plan prepared by the contracting agency. If based on the results of the assessment there are conditions that have not been met by the project, a Commitment Plan will be prepared which is a corrective action plan that will be mutually agreed between the contracting agency and the private investor. Also, an assessment is carried out on the Contracting Agency and Private Investor's capacity in managing environmental and social impacts by following the agreed risk allocation. This makes it easy to identify the risk owners and estimate the costs arising from the project;

The challenge in applying this safeguard principle is to change the perception that environmental and social aspects are not a priority in project implementation and the costs arising from managing environmental and social impacts of the project will be a burden that can increase investment costs. However, good communication between the contracting agency and the private investor is an entry point to ensure that consideration of environmental and social aspects of the project is an important thing to do to ensure the sustainability of the infrastructure project to be carried out;

4. **Conclusion**

The government continues to encourage economic growth by evenly develop infrastructure in Indonesia to improve services and the flow of goods and services. One form of government support in providing infrastructure guarantees through PT PII to increase investment certainty for the private sector. One of the considerations in providing infrastructure guarantees in environmental and social aspects, where the project must meet the principles of environmental and social protection and have an appropriate and realistic impact management plan. The existence of PT PII can accelerate infrastructure development by providing guarantees to the Project by requiring the feasibility of environmental and social aspects. These conditions encourage the sustainable infrastructure development by looking carefully to ecological equilibrium, social conditions of the community, and respect for local culture.

5. **Reference**

[1] Calderon C and Serven L 2004 The effect of infrastructure development on growth and income distribution. *Working Papers* No 3400
[2] Presidential Regulation No 38 of 2015 regarding cooperation between the government and business entities in providing of infrastructure
[3] Presidential Regulation No 78 of 2010 regarding Infrastructure guarantees in government cooperation projects with business entities carried out through infrastructure guarantee business entities
[4] Operation Manual PT PII. 2018.
[5] Minister of National Development Planning Regulation No 4 of 2015 regarding Procedure for Implementing Government Cooperation with Private Investor in Providing Infrastructure.