Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 05/29/2019 | Report No: ESRSA00187
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<td>Indonesia</td>
<td>EAST ASIA AND PACIFIC</td>
<td>P169403</td>
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Project Name: Central Sulawesi Rehabilitation and Reconstruction Project

Practice Area (Lead): Social, Urban, Rural and Resilience Global Practice

Financing Instrument: Investment Project Financing

Estimated Appraisal Date: 5/20/2019

Estimated Board Date: 6/19/2019

Borrower(s): Republic of Indonesia

Implementing Agency(ies): Ministry of Public Works and Housing

Proposed Development Objective(s):
The PDO is to reconstruct and strengthen public facilities and safer housing in selected disaster-affected areas.

Financing (in USD Million)

<table>
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<th>Total Project Cost</th>
<th>Amount</th>
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B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?
Yes

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]
The disasters that Indonesia experienced in 2018 caused the highest losses of lives in over a decade. In July and August 2018, West Nusa Tenggara (NTB) province suffered a series of major earthquakes, the most significant occurring on 5 August 2018 measuring M7.0, which affected the entire island’s population of around 3.5 million as well as thousands of tourists. The National Disaster Management Authority (BNPB) confirmed that the earthquakes caused 561 fatalities and displaced over 396,000 people, damaging almost 110,000 houses, 663 schools, 52 health facilities, 6 bridges, and many roads, causing approximately USD854 million in damages and losses. In September 2018, a M7.5 earthquake with an epicenter located 81 kilometers north of Palu City in Central Sulawesi caused strong ground shaking and near field tsunamis that damaged coastal settlements along Palu Bay. This disaster caused an estimated 2,227 fatalities (with many more missing); USD1.3 billion in economic losses, estimated at 13.7 percent of...
regional GDP; and displaced almost 165,000 people. In December 2018, the eruption and subsequent partial collapse of Anak Krakatau Volcano led to a tsunami that affected coastal settlements in Banten and Lampung provinces along Sunda Strait, causing 437 fatalities, displacing almost 34,000 people, and damaging tourism infrastructure including 92 hotels and 60 culinary stalls.

The PDO will be achieved through three key components: (1) Resilient construction of permanent housing units and settlement infrastructure; (2) Resilient reconstruction and strengthening of public facilities; and (3) Project Implementation Support (including capacity building and contingencies).

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The current physical, chemical, biological and socio-economic baseline in the project area is strongly influenced by the widespread changes and damages to landscape and assets following the described natural disasters. Central Sulawesi Province is located in a seismically active zone and lies on top of the Palu-Koro fault line. In September 2018, a magnitude 7.4 and 11 km depth earthquake with an epicenter located 81 kilometers north of the capital Palu of Central Sulawesi caused strong ground shaking and nearfield tsunamis that damaged coastal settlements along the Palu Bay. This was immediately followed by a natural phenomenon, called ground liquefaction in three separate areas. The earthquake event caused extensive damage to infrastructure, buildings, public assets, and agricultural land uses; and destroyed three residential neighborhoods (Balaroa and Petobo in Palu, and Jono Oge in Sigi) due to the liquefaction processes. An interim data release from the Central Sulawesi Provincial Government (data as of 30th January 2019) indicates that approximately 173,000 people (55,172 households) have been displaced across 400 locations. Most of these displaced people are found in Sigi District, followed by Palu City. Following these disaster events, a proposal to revise the existing provincial and district spatial plans is being deliberated. Under coordination of the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (ATR/BPN), an initial hazard risk zone map (1:50,000) was prepared in December 2018. Red-zones have been identified and include areas affected by the recent disaster including liquefaction-affected areas (100 meter-buffer); tsunami affected areas (100 – 200 meter-buffer); fault lines (10 meter-buffer on both sides); and landslide areas. However, detailed boundary demarcations of these red-zones is yet to be undertaken, and are pending finalization of the detailed spatial plans at the district level.

The Central Sulawesi Province Post-Disaster Recovery and Reconstruction Master Plan indicates that 1,129 educational facilities and 172 health facilities were affected by the disaster events. Some of these facilities may be located within the red-zones and hence need to be relocated to safer locations. Households who have been displaced due to impacts of the tsunami and liquefaction processes, and those who may be occupying the red-zones are expected to be relocated at different stages of post-disaster recovery. The total number of these households is yet to be confirmed since a) the number of the former tends to fluctuate, and b) actual boundary demarcation of red-zones on the basis of which the government can commence head-counting of the latter is yet to be undertaken. The need for further verification of vulnerability, and revision of land-use spatial plans and land use restrictions, clearly has limitations on the local government to consult extensively and provide relevant information to affected communities. This has resulted in uncertainties and speculation amongst displaced communities as well as the broader public who may own land and houses within the red-zones. For the purpose of relocation, four potential resettlement sites (with a total of 922,93 hectares) have been identified including a) Tondo-Talise, b) Duyu; c) Pombewe-Olobuju and d) Ngatabaru.
Tondo-Talise, Duyu and Pombewe-Olobuju are included in the Central Sulawesi Governor Decree. Sites have been selected based on their potential availability (as unused or expired plantation concessions (HGU) and building-use permits (HGB) for commercial activities) and proximity to impacted areas. An alternative location in Ngatabaru has been identified by the local government after requests from Petobo disaster affected persons. The Government of Palu City is expected to compensate land owners in Ngatabaru before formal land transfer can be processed.

The Provincial Land Agency of ATR/BPN has commenced the land transfer process for the three sites (Tondo Talise, Duyu and Pombewe). Further validation indicates that out of the 922.93 hectares being proposed under the Governor Decree, only 292.15 hectares were recommended as ‘clean and clear’ by ATR/BPN. Hence, additional locations which will be included under the satellite relocation scheme (smaller size relocation of 50 – 70 households) will need to be identified. Responsibilities for land acquisition for these additional locations will remain in the purview of respective district and/or municipal governments.

ATR/BPN has in-principle agreement from concession holders for Duyu and Pombewe. In the case of Duyu, no contesting claims were reported. Whereas, in the case of Pombewe, communities were reported to be willing to relinquish claims on the land they are occupying. Negotiations are ongoing for Tondo-Talise where concession holders are reportedly seeking to retain some land parcels within their existing and/or expired concessions. Land-clearing of approximately 41 hectares by the government of Palu City was reported in Tondo Talise (Mantikore sub-district), which resulted in a law-suit filed by the existing concession holders. Some community members also reported impacts on the land they are occupying as a result of such land clearing. These contested areas were not further recommended by ATR/BPN and as a result, only 148.8 hectares out of indicative 481.63 hectares are considered ‘clean and clear’. Further land due diligence assessments will be undertaken prior to any construction and this requirement has been agreed in the Environment and Social Commitment Plan (ESCP) for the project.

As part of the overall reconstruction in the proposed relocation sites, the National Slum Upgrading Project (NSUP – active project co-financed by the World Bank) has activated the project’s Contingency Emergency Response Component (CERC). Current planning and allocation indicate that financing will be provided to support construction of public facilities in the proposed relocation sites under the project. In addition, Buddha Tzu Chi (a humanitarian non-government organization) has committed to constructing 3,000 housing units and providing basic public and social facilities as part of the support package. Budha Tzu Chi’s preference is to have a cluster-based housing complex in one site instead of sporadic construction across multiple sites to enable economies of scale for the public facilities they plan to build. The proposed activities under this new operation will likely be implemented in the relocation sites where such planned and on-going operations are taking place.

D. 2. Borrower’s Institutional Capacity

Under Component 1 on resilient construction of permanent housing units in Central Sulawesi, the Directorate General of Housing Provision of PUPR will be the PIU, whilst the resilient construction of settlement infrastructure will be implemented by the Directorate General of Human Settlements of PUPR. Land transfer in the designated locations (i.e. Tondo-Talise, Duyu and Pombewe-Olobuju) is being managed by ATR/BPN, whereas land acquisition in satellite locations will be managed by respective district and municipal governments. A due-diligence process for these land parcels will be conducted and no-investments will be mobilized by the project until such clearance has been obtained from the World Bank. A team of facilitators, who may build on the existing NSUP’s institutional arrangements, will be
mobilized to assist with community engagement, facilitation and mobilization to ensure participatory, consultative and community driven processes of community relocation. A team of environmental and social specialists will be assigned to monitor and provide technical support to the management of environmental and social aspects of the project activities, including management of grievances. Under Component 2, the Ministry of Public Works and Housing (PUPR) has a long-standing engagement and experience in managing projects financed by the World Bank. The active portfolio includes the National Slum Upgrading Project (P154782 – under DG of Human Settlements), National Affordable Housing Program (P154948 – under DG of Housing Provision), National Rural Water Supply and Sanitation Project/PAMSIMAS (P162654 – under DG of Human Settlements). The scale of Central Sulawesi’s reconstruction, combined with the expected speed to deliver results, may stretch the overall capacity to manage environmental and social (E&S) risks from the on-going reconstruction activities executed by PUPR. Capacity of provincial and district/municipal government agencies through their technical agencies to manage E&S risks is affected by the increased workload as well as widespread environmental damage that the disaster events have caused. Depending on the agreed institutional arrangements with delegation of responsibilities remaining to be confirmed, identified E&S risks from each proposed component may be significantly increased by tiered decentralized institutional arrangements for rehabilitation and reconstruction, and the potential lack of capacity of the asset owners, contractors and regulators to effectively manage robust E&S assessments such as debris management, waste disposal, land restoration, etc. Also, the current capacities and capability in planning and implementation for such a large number of activities may present institutional risks, such as the Provincial and District Environment Offices’ responsibility to handle permitting. The local environmental agency for Kota Palu currently has 2 permanent staff and 6 contract staff managing the OSS system for environment permit, ii) provincial and district education or health offices ability to assess/manage risks associated with rehab/reconstruction of damaged facilities; iii) the Land Agency’s capacity to complete land complete land transfer and titling for resettlement areas (and all areas affected by the disaster).

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating Substantial

The Environmental risk and impact has been determined as Substantial. Overall, the project will have positive environmental and social benefits in rebuilding homes and public facilities to communities after a natural disaster, allowing people to start rebuilding their lives. However, there are very specific post-disaster conditions of the project area that need to be considered such as safety and hygiene aspects of debris waste handing, unstable geological conditions, high demand on local timber for construction works, etc. Many project activities will take place on existing building footprints especially related to reconstruction and retrofitting of public facilities; the nature of the impacts are not irreversible, unprecedented or complex and the existing construction standard operating procedures (SOPs) and building codes administered by PUPR can be implemented as mitigation measures. Housing units constructed in new settlement sites will be located in peri-urban area and are not located in the protected areas with high environmental service or conservation values. The project aims to not simply rebuild to pre disaster conditions but to also help the local governments and communities to ‘build back better’ and mitigate future earthquake risk.

For Component 2, the substantial risk is associated to the Borrower’s management capacity and commitment during project implementation to manage risks and impacts in a manner consistent with the Environmental and Social
Standards (ESSs) under the World Bank’s Environmental and Social Framework (ESF), including lack of experience of local governments with post-disaster recovery could lead to poor planning and handling of construction waste, and to the failure to plan for sustainable functional landscapes and ecosystem services in recovery and reconstruction activities. Even though there is good institutional and legal framework in place covering most of the ESSs, compliance is weak and there is limited human capacity in controlling and monitoring environmental performance in environmental impact assessments (AMDAL and UKL-UPL) during post-disaster situations. Another potential risk is the location of the project in highly disaster-prone areas so that the project design must enhance risk mitigation measures in the face of future earthquake events. The Regional Infrastructure Development Agency (BPIW) under PUPR has considered this aspect in the infrastructure master plan for Central Sulawesi, and such considerations will need to be incorporated during development of the project’s Environmental and Social Management Framework (ESMF).

Social Risk Rating

High

The overall social risk rating has been assessed as high due to the inclusion of planning and resilient construction of new housing settlements (up to 7,000 housing units) and associated infrastructure (Component 1). The proposed project’s investments are expected to support relocation of households who have been displaced due to the tsunami and liquefaction, and those who are still occupying the red-zones for preventative resettlements. This justifies the application of the ESS 5 as the standard is relevant for the latter and therefore, livelihood restoration measures will represent a policy requirement.

a. Livelihood restoration measures may fall beyond the direct mandates of the DG of Housing Provision as the lead implementing agency for Component 1 and therefore, developing an integrated resettlement plan with a robust livelihood restoration plan and securing inter-agency commitments may represent an institutionally complex arrangement. Such risks may increase exponentially depending on the scale of relocation, the choice of relocation sites (which may not consider access to livelihoods and people’s preferences), as well as the level of institutional complexity to deliver such support.

b. Managing expectations of affected people who have now been displaced in temporary shelters and camps for an extended period will not be an easy process, especially given the fact that post-disaster recovery will coincide with national and regional elections.

c. The speed of housing construction and subsequent relocation will hinge upon other agencies’ actions and commitments. These include land acquisition and transfer which falls under the responsibility of ATR/BPN, preparation of ancillary infrastructure and support facilities which mainly falls under the responsibility of DG of Human Settlements, finalization of provincial and district spatial plans by the Central Sulawesi Provincial and District Governments, as well as other delivery of assistance and support by other development partners, particularly during the transitional period.

d. Other factors include inequitable/disproportionate impacts on vulnerable groups in terms of registration and allocation of housing units, conflict between resettled and host communities, as well as risks associated with the large and diverse workforce including poor working conditions, occupational health and safety, child labor, labor influx and gender-based violence (GBV) issues associated with the diverse workforce. As above, each of these risk factors may increase since the institutional capacities to monitor and manage such risks may likely be stretched given the spread and scale of existing impacts and other more urgent priorities to which efforts and resources may get diverted. A
preferred approach for both relocation of displaced people, and preventative resettlement for people within the red-zones, is being developed. In principle, such relocation is expected to mainstream a consultative and community driven approach to relocation, which allows community decision-making processes, consultations of preferences, as well as facilitation. The GoI is considering several relocation schemes, which include relocation to the three designated sites, small-scale “satellite” relocation (between 50–70 households) to sites selected by the target communities, as well as individual cash assistance support for in-situ reconstruction provided that the sites are deemed safe. These schemes are expected to enable communities to make informed decisions based on their preferences and hence, maintain consultative & community driven approach principles. Phase 1 of the project will prioritize displaced people who are occupying temporary shelters (HUNTARA) and tents. Phase 2 will gradually target people who are occupying the red-zones following finalization of the Provincial and District/Municipal revised spatial plans. A consultative and community driven approach will be adopted for both population groups.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The project has the potential to reap positive environmental and social impacts, including positive benefits to disaster affected people in the form of inclusive and sustainable permanent housing, settlement infrastructure, and public facilities. Potential Environmental and Social impacts under Component 2 are considered to be moderate to substantial. The project will finance multiple activities/subprojects including the rehabilitation and reconstruction of small to medium-scale public infrastructure for disaster-affected people in Palu, Sigi and Donggala (e.g., schools, health facilities). Specific assets and locations of sub-projects are yet to be determined. While retrofitting activities will be conducted in situ, reconstruction activities may include re-siting of facilities and the potential for land acquisition and resettlement impacts. Adverse impacts are potentially associated with construction works on building occupants and general citizens (including dust, noise, disturbance on existing traffic flows, safety, access to local communities, issues related to labour influx), potentially unsafe conditions or poor occupational health and safety practices, and potential exposure of works and building occupants to hazardous materials (e.g., asbestos containing materials – ACM); and debris waste management – associated impacts related to dismantling and demolition of severely damaged buildings, and removal of debris (including hazardous materials such as ACM). Under this component, there are no potential large-scale, significant or irreversible impacts associated with the project activities. Potential environmental and social impacts of project activities can be managed through robust and well implemented design controls and mitigation measures, which have been established in the draft Environmental and Social Commitment Plan (ESCP). These include Environmental Codes of Practice (ECOPs), enforcement of relevant engineering and building codes, as well as construction Environmental and Social Management Plans (ESMPs). The Research and Development Center of PUPR has developed relevant practical guidelines, for instance bio-septic management, debris recycling processes which can feed into the management of overall E&S risks. A project-level ESMF, capturing key E&S mitigation measures and institutional arrangement, is being proposed prior to Loan Effectiveness. Initial investments (first year) in Central Sulawesi in the context of post-disaster reconstruction will be financed by the National Slum Upgrading Project (NSUP). The governing safeguards framework covers the project’s ESMF and its addendum under the project’s Contingency Emergency Response Component (CERC), which have been approved by the World Bank. Hence, management of risks under activities financed by NSUP will follow these existing
safeguards instruments and rely on the existing safeguards management established by the project. The ESMF for the new operation will build on the existing NSUP’s ESMF, and consist of gap filling measures to address all applicable ESSs under the project. Procurement of contractors and subsequent mobilization of contractors, and commencement of any construction activities financed by this project will take place after loan effectiveness. Since the ESMF represents a conditionality for loan effectiveness, no financing can be mobilized until all conditionalities are met. Relevant management plans, e.g., Contractor’s Environmental and Social Management Plans (CESMPs) must be reviewed and approved prior to the start of any construction works. Acknowledging the scale of reconstruction efforts needed, considerable E&S resources and capacity will be required due to the number of activities/subprojects and the expected speed for completion. High social risks are expected under activities under Component 1 under which support for planning and development of up to 7,000 housing units is being requested. This investment is expected to benefit disaster affected households from Palu, Sigi and Donggala. Four settlement areas have been identified however the location and details of project investments are yet to be confirmed. The resettlement of displaced people and preventative resettlement (due to land-use rezoning restrictions) carry high social risks that require management including land acquisition, land expropriation and/or land use restrictions, loss of land ownership/rights and assets, livelihoods impacts; inequitable/disproportionate impacts on vulnerable groups; conflict between resettled and host communities; as well as risks associated with the large and diverse workforce including poor working conditions occupational health and safety, child labour, labour influx and GBV issues associated diverse workforce. Under this component, there is a need to introduce and integrate livelihood restoration measures and consider livelihoods impacts as part of the overall relocation plan. This includes specific measures to address the specific needs of resettled people including people with disabilities, the elderly, women, young adults, indigenous peoples, and trauma-affected populations. These considerations, through a robust social impact assessment process will be needed to understand and inform decisions on relocation sites, which is critical to minimize the risks of project failures. A consultative process as well as livelihood restoration planning will form the overall approach under this component. Prior to the start of construction works, contractors are required to develop a CESMP to address potential E&S risks, which will be subject to the World Bank’s review and clearance. Further assessments with regards to associated facilities, especially those being financed by other World Bank-financed projects and other financiers in the proposed relocation sites, will be required once GoI’s decisions have been made with regards to overall potential investments to support relocations of displaced people and preventative resettlements. This will be pending finalization of the project design. All the proposed relocation areas consist of modified habitats. Initial due diligence indicates that none of the sites are located in legally protected areas or areas of high biodiversity value. While the scale of the activities is large (7,000 houses), environmental impacts are straightforward and manageable.

ESS10 Stakeholder Engagement and Information Disclosure

Preliminary identification of stakeholders (groups and individuals) who may likely be affected by the project and may have an interest in the project has been undertaken as part of the project’s preparation. These stakeholders are broadly categorized as follows: Under component 2 on resilient reconstruction of public facilities, (including public schools and health facilities), key stakeholders who will be affected include asset owners (provincial and district government agencies), the wider public who regularly access these facilities, including students, teachers, patients and medical staff, as well as the surrounding communities where these facilities are located and/or re-sited.

Under Component 1 on resilient construction of new housing units and settlement infrastructure for displaced people, key affected stakeholders include: a. Displaced people due to tsunami and liquefaction: approximately
170,000 people (55,172 households) have been displaced following the disaster events in Central Sulawesi (Provincial Government’s data release as of 30th January 2019). Most of these DAPs can be found in Sigi District, followed by Palu City. This group likely consists of people/households i) whose house are no longer habitable but potentially reconstructed in situ; iii) who lost their houses and land permanently due to tsunami and liquefaction and hence, need relocation; iv) who fear of future earthquakes and tsunami and decided to seek refuge in camps and/or temporary housing and; v) who need logistical support and/or subsidies and therefore seek to be registered in camps and/or temporary housing. b. People/households living in the red-zone areas who will need and/or encouraged to move to new settlement sites at a later stage of post-disaster recovery processes. The number of expected households remains to be determined due to the pending finalization of red-zone areas. c. Host communities include people who reside near the proposed relocation sites. Potential relocation areas which have been endorsed by the Governor include Duyu, Tondo-Talise, and Pombewe-Olobuju. An additional site being proposed by the City of Palu is Ngatabaru, which is currently being administered by the district of Sigi as well as smaller satellite relocation sites. d. Companies and individuals who hold land concessions and claims in the relocation sites. These concession owners are comprised of private companies holding non-forestry plantation licenses (HGU) and commercial infrastructure development licenses (HGB). These concessions are currently not developed/used and will expire in one to three years. Whereas in the case of Ngatabaru, the land is privately owned and identification of landowners for land acquisition and compensation purposes is yet to be undertaken by the Municipal Government of Palu. e. Under Component 1, a mix of contractor-led and participatory approaches will be sought and hence, contracted and community workers are key stakeholders since they represent risk sources and receptors.

The preferred relocation approach by the DG Housing Provision for the housing component is currently being discussed. In principle, such relocation is expected to be consultative and community driven in nature. The Bank team is encouraging a community-driven approach to relocation and is discussing proposed community decision-making processes, consultations, accommodation of community preferences, and facilitation support. The GoI is currently considering several relocation schemes, which includes relocation to the three designated sites and small-scale “satellite” relocation (between 50 – 70 households) in sites selected by the communities as well as individual cash assistance support for communities that prefer to re-build in their own preferred sites provided that such sites are deemed safe. These schemes are expected to enable communities to make informed decisions based on their preferences and hence, maintain community driven and consultative principles under the project.

A community preference assessment is being undertaken by the district and municipal governments and consultations will be undertaken with target households prior, during and post relocation processes. Under all the above components, interested parties would consist of but not limited to Non-Governmental Organizations (NGOs), Civil Society Organizations (CSOs), other development partners operating in disaster affected areas, such as JICA, ADB and UNDP. Potential impacts range from low to high, with the latter likely applicable to Component 1 and hence differentiated levels of engagement and approaches will be needed under the project.

A Stakeholder Engagement Plan (SEP) will be initiated at an early stage of the project development process and is an integral part of early project decisions and the assessment, management and monitoring of the project’s environmental and social risks and impacts. An initial SEP for the project has been developed, outlining general principles, engagement approach, stakeholder identification and analysis as well as a collaborative strategy and plan for an engagement process in accordance with ESS 10.
Initial engagement with sub-national stakeholders has been undertaken by MPW in the contexts of post-disaster reconstruction and rehabilitation efforts in Central Sulawesi. Views and concerns expressed by the sub-national stakeholders through previous engagement has fed into the development of the project’s SEP. Further consultations are envisaged on specific topics such as for SOPs and building codes to promote compliance for resilience reconstruction of public buildings such as schools, hospitals and government buildings are meeting the requirements of the World Bank’s Environmental, Health and Safety (EHS) Guidelines such as for Life and Fire Safety requirements, waste water treatment (using bio-septic tanks), etc. In the event that stakeholder engagement with local individuals and communities depend substantially on community representatives, the project implementation units (PIUs) will make reasonable efforts to verify that such persons do, in fact, represent the views of such individuals and communities and that they are facilitating the communication process in an appropriate manner. In the event that Indigenous Peoples are present and/or impacted by the project activities, stakeholder engagement for this group will also be developed and such a requirement will be reflected in the ESCP. A draft of the SEP will be disclosed as early as possible. Further engagement will continue to be sought throughout project preparation and remain to be a reiterative process during project implementation.

Due to the sensitivity of post-disaster contexts under which the project is being prepared, community engagement will be undertaken once the project design, including relocation options, have become clearer in order to minimize public confusion and other social implications. Key implementing agencies under the project will maintain and disclose as part of the environmental and social assessment, a documented record of stakeholder engagement to date, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was addressed or the reasons why it was not. This requirement has been established in the ESCP. An independent third-party specialist to assist in the stakeholder identification, monitoring and analysis is being considered to support a comprehensive analysis and the design of an inclusive engagement process. Such a commitment has similarly been established in the ESCP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project workforce is expected to be large and diverse including government officers, contractors and community workers, and primary supply workers. Many workers (e.g., contractors) are likely to be sourced from other parts of the country. The project workforce will be involved in demolition, site preparation, design and rehabilitation or reconstruction/construction activities.

Labor influx and GBV risk is high. There is a shortage of skilled labor for the recovery effort. Early recovery has already involved the sourcing of skilled workforce from other areas of the country. While Palu is a relatively large city, these labor influxes are likely to be concentrated in specific locations (i.e. relocation areas), or at major construction sites, where there may still be activities by patients and school children. The capacity for contractors and to effectively mitigate GBV risk to the community is unknown but is likely to be limited. GBV service providers exist in Palu, and have been supported by various NGOs during response and early recovery, however it is understood that resources will remain stretched due to damaged facilities and increased GBV risks inherent in post disaster situations.
Workforce protection: the large and diverse workforce presents a number of challenges regarding the management of working conditions (fair terms and conditions of employment, non-discrimination and equal opportunity) and workforce protection (i.e. child labor and OHS). Key issues include low levels of awareness amongst employers and workers, coordination and capacity constraints within government, and difficulties in managing compliance with groups such as primary suppliers.

An initial assessment indicates the following:

a. OHS risk is high due to physical hazards associated with demolition, reconstruction and construction and low awareness/experience/capacity amongst employers/workers to identify and manage risk.

b. Child labor/risk of underage labor (under 15) is considered low with exception of community workforce. Participation of youth labor (15-17 years) is likely and presents risks of their involvement in hazardous work or interruption to education.

c. Community workforce (housing reconstruction) presents heightened risks in terms of working conditions, OHS, child labor.

d. Use of third party contractors, primary suppliers may present OHS risks. Nevertheless, the project’s leverage to enforce corrective actions on these types of workers may be limited.

Third parties and primary suppliers will be required to have labor management procedures in place as part of selection criteria and/or contract renewals. Furthermore, working conditions at the Palu ‘Kawatuna’ landfill for formal and informal workers is a key concern. Further due diligence on borrower capacity to address provisions under ESS 2 will be required. Implementing agencies are likely to have limited capacity to develop and monitor implementation project labor management procedures as per GoI labor laws and WB ESS2.

Further engagement with the Ministry of Manpower and Transmigration (MOMT), the four (4) directorates of labor inspection and provincial/district labor units (P/DLUs) as well as the International Labor Organization (Indonesia Branch) is required. Resources/capacity of P/DLUs to monitor legal compliance with labor laws is likely to be stretched in post-disaster situation.

E&S Instruments that will be required under the standard include: a) GBV risk assessment to be conducted to assign project level risk, b) labor management framework and procedures (before effectiveness and to be updated once the scope of the sub-project activities has been confirmed), c) Worker feedback and grievance redress mechanism (FGRM) (before effectiveness) and OHS management (to be incorporated into ESMF and sub-project ESMP), d) labor management plans will be prepared prior to any construction activities by selected contractors.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant as there are potential sources of pollution from rubble, and various waste that could result from the widespread destruction, ranging from household waste, medical waste, construction rubble, to asbestos containing materials (ACM), lead paint, spilled fuels and chemicals. Safe waste handling and disposal will be one of the major environmental challenges in the project. The construction of new housing units has not been identified to be located in water scarce areas, and the water consumption in the project area will be provided through adequate primary water supply facilities that are not part of the project activities. This project might consume raw materials such as timber that would be sourced through measures specified in Good International Industry Practices (GIIPs) and
also reuse or recycle timber, concrete, crushed aggregate and bricks for use in concrete, building blocks, drainage, roads, fill materials, retaining walls and foundation base. It would be assessed by a qualified Heavy Equipment Contractor (to be appointed) under the management and coordination of PUPR as part of the demolition and recycling team. A technical report for Central Sulawesi Post-Disaster Debris Management Technical Assessment and Advisory Services (February, 2019) has been prepared for PUPR and includes technical recommendations and guidelines on debris waste management, recycling, handling and disposal. Further management tools for post debris management including common disaster waste classification and waste handling and disposal procedures to be prepared by PUPR as ECOPs or SOPs.

ESS4 Community Health and Safety

Community health and safety risks relating to the operation of project-financed infrastructure, include exposure to natural hazards (e.g., earthquakes, tsunami, tropical storms) and physical hazards (e.g., unsafe facilities, unsafe operation) and accidents (e.g., fire, electrocution) and access to vulnerable groups (e.g., people with physical disabilities). Community health and safety risks during demolition and/or construction of public infrastructure, and the installation of equipment include exposure to: i) physical hazards on sites where the community has access; ii) traffic and road safety hazards associated with the operation of project vehicles (i.e. government, contractors, suppliers) on public roads and at construction sites; iii) health issues including water-borne, and vector-borne diseases which may result from poor site management (e.g., stagnant water), and communicable diseases such as HIV/AIDs associated with labor influx (refer ESS2); and iv) hazardous materials such as asbestos containing materials (ACM), hazardous chemicals used/stored by contractors (refer ESS3).

Post-disaster Gender Based Violence (GBV) and Sexual Exploitation and Abuse (SEA) risks are considered high. The UN Women and UNFPA in 2018 on the Gender Assessment of Central Sulawesi Earthquake in the settlement areas, women and girls make up 50% of the displaced population, among them more than 352,000 individuals and women in reproductive age. In camp sites, violence and abuse are high risks, particularly due to limited privacy and security issues. Furthermore, although clean and drinking water is available (in limited number), clean water and sanitation remains lacking. In camp sites, unsafe places for women include bathrooms, toilet and water collection points, with women reporting feeling unsafe since toilets are mostly not separated between men and women (around 93%). In camps, these facilities are often located outside the camps (can be up to 20 minute walk). Under the project, further assessments on GBV and/or SEA prevalence and service provider mapping will be conducted. This will also include a strategy for GBV/SEA prevention, awareness raising, as well as safe designs of the relocation sites and public facilities. Emergency events may arise from natural or man-made hazards during construction. These risks are heightened on sites in close proximity to sensitive areas such as schools and health facilities in which teachers/students and staff/patients are still present, as well as and on sites in close proximity to residential areas. Women, children, elderly and people with disabilities (including those with new disabilities following disaster events) the infirmed are particularly vulnerable. The project is not expected to adversely impact ecosystems services (refer ESS6). Security arrangements for the protection of personnel and property during construction of project activities/sub-projects is currently unknown.

Community health and safety risks associated with project will be assessed in the ESMF and relevant sub-project ESIAs. The ESMF and sub-project ESMPs will outlined specific management and mitigation measures for community health and safety during construction and operation. Operational phase risks will also be considered and mitigated.
through the project’s resilient planning, detailed design (including gender sensitive design and universal access) and operation and maintenance planning activities. The ESMF will also include a risk hazard framework for emergency events and sub-project specific ESMPs will include emergency response plans. The Borrower will engage independent experts to review the design and construction of the infrastructure to be financed by the proposed project since such infrastructure will be constructed disaster-prone areas and will be accessed by the broader public.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
The project will finance the rehabilitation/reconstruction of small to medium-scale public infrastructure (Component 2) and resilient construction of up to 7,000 new houses with supporting settlement infrastructure (Component 1). The majority of these Component 2 investments are expected to be conducted on the existing sites however some may be relocated to new sites and involve land acquisition. Such facility relocation may have impacts on accessibility of the new facilities (i.e. students’ access to the new locations).

Component 1 investments may support relocation of people from up to four (4) liquefaction affected wards in Balaroa, Palu City and Petobo, Jono Onge and Sibalaya, Sigi Regency; and tsunami affected areas in 13 wards in Palu City and Donggala Regency. Resettlement is expected to include disaster displaced people (i.e. those who lost their houses, land and assets) and households still living in these areas and within newly designated red-zone areas. Proposed locations where there are contesting and/or overlapping claims and lack of existing occupants’ willingness to relinquish their rights will not be further recommended. Furthermore, the relocation approach for displaced people and people in red-zones will be consultative and community driven and relocation options, including ‘satellite relocation’ on the basis of community preferences, are being finalized.

Further screening will be carried out once the revised spatial plans (RTRW) and Detailed Spatial Plans (RDTRs) based on the disaster risk zoning map have been made available. Such screening will assess potential implications of and the extent to which revisions in spatial plans will impact on people’s livelihoods. While red-zones have been determined, the provincial RTRW and RDTRs are not expected to be confirmed until at least August 2019. This could delay on-ground management of these areas, presenting additional risks for the project as some displaced people have started to move back to rebuild houses or use land for livelihood activities in these zones.

Challenges concerning livelihood restoration for project supported resettlement presents a high risk for the project. It is understood people occupying red zones will be expected to relocate. In the event that such decision materializes, ESS 5 would apply to those who will be pre-emptively relocated from the red-zones. While ESS 5 may not apply to people already displaced by the natural disasters (but to be confirmed based on additional information on the nature of displacement), they are covered under ESS 1 and consideration should be given to the design of the relocation assistance packages to avoid creating or exacerbating socio-economic disparity among affected communities while suffering from various degrees of hardship post-disasters.

The many communities affected by the disaster have different livelihood needs. Livelihoods in Balaroa, an urban area include trade and commercial activities. Livelihoods in Petobo, Jono Onge and Sibalaya, peri-urban and rural areas are agricultural based. While people in the 13 tsunami affected areas along the coast typically rely on a mixture of fishing, agriculture and trade. The proximity of new settlement areas to these livelihood sources and the capacity of old and new areas to restore livelihoods are important considerations in resettlement planning.
The extent to which livelihood restoration has been considered by the Government’s resettlement planning is currently being discussed and collaboration with other ministries and/or agencies managing livelihoods restoration efforts will be sought. Livelihood restoration measures may fall beyond the direct mandates of the DG of Housing Provision and DG of Human Settlements of PUPR as the lead implementing agencies for Component 1 and therefore, developing an integrated resettlement plan with a robust livelihood restoration plan and securing inter-agency commitments may represent an institutionally complex arrangement. Such risks may increase exponentially depending on the scale of relocation, the choice of relocation sites which may not consider access to livelihoods and people’s preferences, as well as the level of institutional complexity to deliver livelihoods support.

To reduce such risks, a satellite relocation scheme (smaller size relocation of between 50 – 70 households) will be included to enable community preferences to be accommodated into the project design. ESS5 will apply to the establishment of resettlement areas if there are land claimants and/or owners affected by the land acquisition processes. The following resettlement sites have been identified through the Central Sulawesi Governor’s Decree: Duyu and Tondo-Talise, Palu City; and Pombewe-Olobuju, Sigi District. An alternative location in Ngatabaru has been identified by the local government after requests from Petobo disaster affected persons.

A number of smaller sites are also being identified for the satellite relocation scheme. Target resettlement areas for project investment are yet to be confirmed. The acquisition of the identified main sites is currently undergoing a negotiated settlement process. In Duyu, Pombewe-Olobuju and Tondo-Talise the Government is seeking to acquire expired/soon to be expired unused concessional land for the development of resettlement areas. ATR/BPN is adopting a low risk approach – seeking to negotiate a settlement with concession holders and focus on land within these concessions which is currently not being used. The Ngatabaru site is privately held land that the Government of Sigi is currently seeking to acquire. While the site is just north of the Petobo liquefaction area, it is located in Palu Municipality, presenting administrative issues which will need to be resolved. In all proposed settlement sites, there is potential for informal settlers who are using these areas to experience loss of access to this land, assets and associated livelihoods. People living in villages in close proximity to new settlement areas (i.e. Host Communities) are likely to experience temporary impacts as a result of the establishment of these areas.

While few people are likely to experience loss of land or assets, there is potential for adverse impacts on access and or quality of existing public infrastructure/services. There is also potential for perceived or real inequities regarding the provision of housing and support, leading to tension between displaced people and host communities.

For all land acquisition processes under the project, the GoI will (i) maintain documentation of negotiated settlements and acquisition of the resettlement sites that have been started, (ii) provide a due diligence assessment report to demonstrate that the acquisition and transactions meet ESS 5 requirements. These requirements will be established as part of the Resettlement Policy Framework (RPF), which will form part of the ESMF – to be finalized prior to loan effectiveness. The RPF will outline resettlement principles, organizational arrangements, and design criteria to be applied to project activities/sub-projects. The RPF will include a beneficiaries/affected people engagement framework and a project grievance redress mechanism (refer ESS7). Stakeholder engagement activities will continue throughout this process. Resettlement Action Plans/Abbreviated Resettlement Action Plans (RAPs/ARAPs) will be prepared (as necessary) for specific subprojects as details on their scope, design and location become clear. Where project induced livelihood impacts are identified through the RAP/ARAP process, Livelihood
Restoration Plans will be developed. Instruments for substantial-high risk sub-projects will be prepared by independent specialists.

**ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

Given that all the four locations of the proposed resettlement sites are known, initial due diligence indicates that none of the sites are located in legally protected areas or areas of high biodiversity values. Major parts of project activities are likely to happen on existing footprints for public facilities and for the housing units development at the new settlement sites, it mostly consists of modified habitats. Further impacts on the modified habitats will be assessed during the preparation of the ESMPs and CESMPs as necessary during project implementation. This project might consume raw materials such as timber but it would be sourced through measures specified in Good International Industry Practices (GIIPs). The preparation of the EIA will also assess the potential impacts of Project-financed construction materials, e.g., timber from nearby forest areas and the use of other resources such as sand, gravel, stones, etc.

**ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

ESS7 applies to the project. The Kaili people are understood as original population groups of the Palu valley and remain as the dominant group in the project area and are expected to be the overwhelming majority of direct project beneficiaries/affected people. Non-indigenous groups from across Indonesia are present in the project area, as a result of government transmigration programs, and will also benefit from the project.

The presence of Indigenous Peoples as per ESS 7 will remain to be determined once specific locations for both Components 1 and 2 have been confirmed. Several remote tribes, who may have Indigenous Peoples’ characteristics as per-ESS 5 are present in the mountainous areas around Palu, Sigi and Donggala including the Da’a tribe in Donggala and Sigi however at this stage not expected to be directly impacted by project activities. Under such circumstances, an Indigenous Peoples Planning framework (IPPF) will be prepared to guide the screening, consultations and engagement and management of impacts on Indigenous Peoples if they are present and/or will be affected by the project activities. This IPPF will be included in the ESMF.

For Component 1, the project’s Stakeholder Engagement Plan (SEP) will be continuously updated to ensure that Indigenous Peoples’ ownership and participation in project design, implementation, monitoring and evaluation will be fostered if they are part of the project beneficiaries and/or affected population groups. The SEP implementation will seek input on cultural appropriateness of proposed facilities and identify and outline ways to address any economic or social constraints that may limit opportunities for Indigenous Peoples to benefit from or participate in the project.

Confirmation on the need for an Indigenous Peoples Plan (IPP) will be made once siting and project footprints have been determined. A screening process will be included in the IPFF, which forms part of the project’s ESMF.

**ESS8 Cultural Heritage**
Based on local information for any possible cultural heritage sites in Palu City, and Donggala and Sigi Regencies, there is a low possibility that archaeological items may be uncovered during construction activities. As a precautionary measure, a chance find procedure will be established as part of the ESMF.

ESS9 Financial Intermediaries
This project will not involve any FIs.

C. Legal Operational Policies that Apply

| OP 7.50 Projects on International Waterways | No |
| OP 7.60 Projects in Disputed Areas | No |

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

<table>
<thead>
<tr>
<th>DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</td>
<td></td>
</tr>
<tr>
<td>ORGANIZATIONAL STRUCTURE: The PMU to hire at least two personnel as qualified environmental and social specialists with a least five years of relevant professional experience, to be embedded in the Project Management Unit (PMU).</td>
<td>11/2019</td>
</tr>
<tr>
<td>ENVIRONMENTAL AND SOCIAL ASSESSMENT AND MANAGEMENT INSTRUMENTS: Prepare a project-level Environmental and Social Management Framework (ESMF) which establishes requirements for screening and/or to guide the development of specific projects and sub-projects which may require specific environmental and social assessments or management plans.</td>
<td>11/2019</td>
</tr>
<tr>
<td>ENVIRONMENTAL PERMIT AND AUTHORIZATIONS: Under components 1 and 2, obtain relevant environmental permits and/or update existing permits in conjunction with the GoI’s environmental permitting requirements such as AMDAL or UKL-UPL where relevant</td>
<td>12/2019</td>
</tr>
<tr>
<td>THIRD PARTY MONITORING: Prepare a Terms of Reference (TOR) under the project’s ESMF for independent E&amp;S audits for Component 1, indicating the scope, timing, reporting processes and feedback loops.</td>
<td>12/2019</td>
</tr>
</tbody>
</table>

| ESS 10 Stakeholder Engagement and Information Disclosure | |
| STAKEHOLDER ENGAGEMENT PLAN: Develop and implement a SEP that describes how information will be provided to and received from stakeholders, participatory planning, as well as Grievance Redress Mechanisms (GRMs) | 11/2019 |
### ESS 2 Labor and Working Conditions

<table>
<thead>
<tr>
<th>LABOR MANAGEMENT PROCEDURES: As part of the ESMF, develop a Labor Management Procedure (LMP) in accordance with GoI’s legal framework and the ESS 2. This LMP is applicable to project workers as defined in ESS 2.</th>
<th>11/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRIEVANCE REDRESS MECHANISM (GRM) FOR PROJECT WORKERS: As part of the LMP, develop and maintain a GRM for direct and contracted workers as well as community workers.</td>
<td>11/2019</td>
</tr>
<tr>
<td>OHS MEASURES: As part of the ESMF, develop and implement occupational, health and safety (OHS) measures for project workers and provide relevant training during project implementation.</td>
<td>11/2019</td>
</tr>
<tr>
<td>EMERGENCY PREPAREDNESS AND RESPONSE: Prepare Emergency Preparedness and Response Plan under Components 1 and 2 for the construction period and operation stage.</td>
<td>02/2020</td>
</tr>
</tbody>
</table>

### ESS 3 Resource Efficiency and Pollution Prevention and Management

| MANAGEMENT OF WASTE AND HAZARDOUS MATERIALS: As part of the ESMF, develop and implement measures and procedures for management of waste and hazardous materials during demolition, dismantling and disposal. | 11/2019 |

### ESS 4 Community Health and Safety

| TRAFFIC AND ROAD SAFETY: In consultation with host communities, develop and implement a road safety management plan as part of the CESMP to minimize OHS risks on local communities. | 01/2020 |
| TRAFFIC AND ROAD SAFETY: Develop and implement a noise and vibration management plan to mitigate disturbance of local communities in the CESMP. | 01/2020 |
| GBV AND SEA RISKS: Develop and implement measures and actions to assess and manage the risks of gender-based violence (GBV) and sexual exploitation and abuse (SEA) as part of the project’s ESMF. | 11/2019 |
| EMERGENCY RESPONSE MEASURES: As part of the ESMF, develop and implement measures to address emergency events during the construction and operation phases. | 11/2019 |

### ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

| DUE DILIGENCE FOR LAND ACQUISITION: carry out due diligence (or hence known as a tracer assessment) to ensure that the legal status of the land is free of any encumbrances (‘clean and clear’). | 11/2019 |
| RESETTLEMENT POLICY FRAMEWORK (RPF): Develop an RPF as part of the project’s ESMF, describing policies, procedures and processes to mitigate social impacts due to project-related land acquisition, restriction on land use and involuntary resettlement. | 11/2019 |
| **RELOCATION PLANS:** Develop and implement Relocation Plans consistent with the requirements of Government of Indonesia law and regulation as well as ESS5 for the development of the permanent housing. | 02/2020 |
| **MONITORING AND REPORTING:** Appoint a qualified independent monitor for the implementation of the Relocation Plans. | 03/2020 |
| **GRIEVANCE MECHANISM:** Develop and implement the arrangements for the grievance mechanism for relocation (if established separately from the grievance mechanism under ESS10) | 02/2020 |

**ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

| **BIODIVERSITY RISKS AND IMPACTS:** As part of the ESMF, develop and implement screening procedures to mitigate biodiversity risks and impacts resulting from the proposed infrastructure and guidelines for responsible timber sourcing. | 11/2019 |

**ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

| **SCREENING OF INDIGENOUS PEOPLES:** Conduct an assessment to screen the presence of Indigenous Peoples as per-ESS 7 once sub-project locations have been confirmed for both Components 1 and 2. | 11/2019 |

| Indigenous Peoples Planning Framework (IPPF): Develop an IPPF which establishes Indigenous Peoples screening, consultation and engagement and development of risk mitigation and opportunity enhancement measures as part of the project's overall ESMF. | 11/2019 |

**ESS 8 Cultural Heritage**

| **CHANCE FINDS:** Develop and implement a chance find procedure as part of the ESMF. | 11/2019 |

**ESS 9 Financial Intermediaries**

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**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

Is this project being prepared for use of Borrower Framework? **No**

**Areas where “Use of Borrower Framework” is being considered:**

At the preparation stage, reliance on the GOI’s framework for addressing environmental and social risks of the project investments is not envisaged. This will be subject to further assessment during implementation.

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**IV. CONTACT POINTS**

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Implementing Agency(ies)
Implementing Agency: Ministry of Public Works and Housing

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VI. APPROVAL
Task Team Leader(s): George Soraya, Marcus John Jin Sarn Lee, Yong Jian Vun
Practice Manager (ENR/Social) Nina Bhatt Cleared on 29-May-2019 at 01:46:47 EDT