



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 08-Feb-2019 | Report No: PIDISDSA23595



**BASIC INFORMATION**

**A. Basic Project Data**

Country Indonesia	Project ID P163896	Project Name National Urban Development Project (NUDP)	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 05-Feb-2019	Estimated Board Date 22-Apr-2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Republic of Indonesia	Implementing Agency Ministry of Public Works and Housing (MPWH), Ministry of National Development Planning (BAPPENAS), Ministry of Agrarian Affairs and Spatial Planning/ National Land Agency (ATR/ BPN), Ministry of Home Affairs (MOHA)	

Proposed Development Objective(s)

To increase the number of participating cities carrying out integrated planning and prioritizing their capital investments.

Components

- Component 1: National Urban Institutional and Policy Development
- Component 2: Integrated Planning for Urban Development
- Component 3: City Financial Management Capacity Development
- Component 4: Project Implementation Support

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	49.60
<b>Total Financing</b>	49.60
<b>of which IBRD/IDA</b>	49.60



<b>Financing Gap</b>	0.00
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**DETAILS**

**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	49.60
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Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

**B. Introduction and Context**

Country Context

Rapid urbanization has placed cities at the center stage of Indonesia’s development trajectory but returns from urbanization have not reached their full potential. Indonesia ranked among the top ten fastest urbanizing countries in the world from 1990-2014 and has the second-largest urban population in East Asia after China. The country has approximately 137 million urban dwellers that make up 53.7 percent of the total population. The urban population of Indonesia increased at an average rate of 4.1 percent per year between 2000 and 2010, faster than in any other country in Asia. By 2025, an estimated 68 percent of Indonesians will live in cities. But Indonesia has not benefited fully from the positive returns to urbanization that other countries in the region have experienced. From 1970 to 2006, every one percent increase in share of urban population correlated with an average of 6-10 percent increase in several middle-income Asian countries such as China, Thailand, Vietnam and India. In Indonesia, similar rates of increase in urbanization resulted in less than 2 percent increase of per capita GDP.

A persistent infrastructure gap remains a significant barrier to an enabling economic environment that will enhance prosperity for all urban populations. The last decade has seen little increase in infrastructure investment with combined total investments by the central government, subnational governments, state-owned enterprises and private sector remaining consistently at only 3 to 4 percent of GDP. As a point of comparison, China and India invested 10 percent and 7.5 percent of GDP respectively. Firms consistently identify inadequate infrastructure as a constraint on their operations and investment in Indonesia. If the infrastructure capital stock had grown by 5 percent annually over 2001-2011 instead of the actual rate of 3 percent, real GDP growth would have averaged at estimated 5.8 percent, a difference of 0.5 percentage points. If the infrastructure stock had grown by 10 per cent annually, annual real GDP growth would have reached 7 percent.

Underinvestment in infrastructure is coupled with inadequate spatial prioritization and weak management of existing infrastructure. Diagnostics carried out during preparation reveal a disconnect between spatial and capital investment planning and budgeting, resulting in outcomes far below expectations and contributing to rising inequality in urban areas. Between 1995 and 2011, income inequality as measured by the GINI coefficient increased from 0.35 to 0.42 in urban areas. Evidence from the World Bank’s work in Denpasar city in 2016 revealed that municipal services are



concentrated in wealthier wards (kelurahans). Many urban poor wards lack accesses to multiple municipal infrastructure networks (including water supply, sanitation system and schools), becoming hotspots of depravation and highlighting intra-urban multidimensional inequality. Efficient implementation and maintenance of infrastructure are further impeded by bottlenecks ranging from inefficient procurement methods, insufficient multi-year contracting, low quality project management, cumbersome land acquisition procedures, and chronic issues of sub-standard regulation and lack of transparency.

Fast growing secondary and large cities are worst hit by infrastructure financing gaps with little capacity to access alternative sources of financing. Based on official population statistics from 2016 and census data the project team estimates the addition of 14 sizable urban agglomeration (including large, metro and mega cities) between 2016 and 2060. Infrastructure gaps are largest in these fast-growing cities, which are the focus of this project. While disproportionate amounts of overall sub-national revenues come from intergovernmental transfers (approximately 78%), the transfer system, which assumes that sub-national governments have the same absolute expenditure needs, is inequitable for urban areas. Fast growing, secondary cities are particularly disadvantaged as their population continues to grow and the infrastructure financing gap worsens. National transfers are also on a downward trajectory, with urban local governments being expected to raise more revenue for their investment needs. However, city governments have limited ability to access alternative financing. Poor project preparation, low creditworthiness, lack of clean audits, and capacity to carry out competitive, multi-year procurement processes have been major factors in the low utilization alternative financing mechanisms, public and private finance. The World Bank supported Regional Infrastructure Development Facility (RIDF, P154947) has highlighted these bottlenecks as a constraint to effective lending to cities.

#### Sectoral and Institutional Context

Indonesia has a well-developed, intricate planning system with a suite of statutory plans at national and central levels mandated by law. From an urban planning perspective, two laws are key. First is the development planning system, based on the National Development System Law 32/2004, which forms the basis for the development of city level Medium-term Development Plan (RPJMD) with a five-year time horizon. RPJMD reflects the vision of the elected mayor along with socio-economic indicators and targets that set the agenda for governance, social services, infrastructure priorities, and other aspects of socioeconomic development. With the Spatial Planning Law 26/2007 the planning system acknowledged the critical role of spatial planning in rapid urbanization. This law governs the city level spatial plan (RTRW) as well as the detailed spatial plans for priority areas (RDTRs). Together, these spatial plans provide the policy direction and strategy for land use, zoning, public transport, pedestrian networks, settlement expansion and density, and the allocation of green open spaces, among others. Both spatial plans are valid for 20 years and can be revisited every 5 years that also allows an opportunity to align with the RPJMD cycle, in principle.

Under RPJMD, city governments have the mandate develop a five-year capital investment plan under the coordination of the local planning agency (BAPPEDA). However, the list of investments in most RPJMD documents remain indicative without clearly defined spatial prioritization (e.g. 500m of local roads without a specified location). The indicative investments in RPJMD are also not linked with a robust exercise of matching investments with proposed sources of finance in the medium term. With city budgets approved annually, these investment lists without a strong rationale for prioritization often do not materialize into actual investments with a medium-term development perspective. RPJMD targets for service provision and socio-economic development are mostly numeric and often aggregated at the city level, without a spatial distribution, further weakening the links between spatial plans and development outcomes. Moreover, the timing to update RPJMD and RTRWs are not always well aligned, although both should technically be on the same revision cycle every five years.



This project interventions lays the foundation for a more efficient and effective spending of billions on financing infrastructure, especially under the national sectoral infrastructure investment programs. By design, it supports the development of city governments' capacity for making informed, sectorally integrated and prioritized capital investment decisions and enhances their ability to access alternative sources of financing in the long term. NUDP is envisioned as a collaboration platform for coordinating urban planning and infrastructure development across various national sectoral programs and several ongoing and pipeline World Bank engagements in s including, the RIDF (P154947), National Slum Upgrading Program (NSUP, P154782) , National Urban Water Supply Program (NUWAS, 156125) , National Program for Improving Solid Waste Management (P157245) , National Affordable Housing Program (NAHP, P154948) as well as proposed projects such Urban Transport, Urban Sanitation and RIDF-2. Existing procurement practices favor national government led channeling of investments to cities based on assumptions of local need, which are then procured nationally and transferred to cities for operations and maintenance. Creating better coordination between national ministries (horizontal coordination) as well as between national governments and cities (vertical coordination) will be crucial in reducing fragmentation in city building. Most importantly, a clear city-led prioritization of investments that references spatial plans as the basis for prioritization will significantly increase the effectiveness of infrastructure finance.

Spatially informed capital investment plans will identify investment priorities for sectoral projects, and in turn, enable strategic infrastructure investments across multiple sectors. In the future, having an integrated spatially informed capital investment plan can be an entry criterion for the Bank's and other donor projects and help avoid ad-hoc, uncoordinated interventions. Such a shift will not only put cities in a stronger position to drive their development trajectories based on a set of integrated informed processes, but also allow the national government to be more effective at delivering platform-based infrastructure programs and establishing national frameworks for eligibility for inclusion of cities in programs. Spatially informed capital investment plans will allow for better alignment of simultaneous infrastructure works within cities, increasing efficiency of public works. Discussions with the Transport Global Practice team have highlighted that the team is considering Urban Mobility Studies as a pre-condition for city selection within their proposed operation. Such plans do not currently exist in most Indonesian cities but will be included as one of the outputs under NUDP Component 2 (as part of the Integrated Land Use and Transport Plans). Interventions under NUDP can be seen as a point of departure for investments under such national sectoral programs.

### **C. Proposed Development Objective(s)**

Development Objective(s) (From PAD)

To increase the number of participating cities carrying out integrated planning and prioritizing their capital investments.

#### Key Results

Achievement of the PDO will be measured by the following PDO-level indicators:

- National Urban Infrastructure Strategy Plan developed
- City's long-term spatial planning reflects spatial development framework approach
- City is utilizing spatially-informed capital investment planning and budgeting framework

### **D. Project Description**

NUDP includes four components, namely, (1) National Urban Institutional and Policy Development; (2) Integrated Planning for Urban Development; (3) City Financial Management Capacity Development; and (4) Project Implementation Support. Component 2 is at the core of the NUDP operation, while Components 1 and 3 are enabling components to ensure sustainability. Component 2 interventions will address the quality of spatial plans in cities and



introduce a shift towards a strategic spatial vision within the existing statutory plans, which is currently lacking. It will further support the utilization of strategic spatial guidance as the basis for the prioritization of capital investments by implementing a spatially-informed, medium-term Capital Investment Planning and Budgeting process in selected local governments, including annual tracking mechanisms for implementation of budgeted investments. This approach to integrated spatial and capital investment planning will together contribute to reducing the vulnerability of infrastructure investments and urban residents to climate-related hazards. Component 1 aims to create an enabling national environment by addressing inter-ministerial coordination and policy issues to that prevent city governments from being the agents of sustainable urban development. Component 3 will focus on addressing the demand side constraints of city governments that are bottlenecks to accessing alternative sources of financing and effective implementation of capital investments, including capacity building for better project and procurement management, financial management, expenditure efficiency and creditworthiness.

**Project Approach:** NUDP will take a phased approach, working with up to 3-5 cities in the first two years of implementation to establish the most efficient sequencing of interventions and refine the interventions; followed by phases two and three where progressively more cities will be added. Building in this flexibility will allow to address any issues in the early stages of the project. Preliminary cost estimates suggest that, 10-15 is the maximum number of cities that can be accommodated in the current design of NUDP, depending upon the cohort of cities selected. The project will have an elaborate M&E framework with a detailed work plan to keep track and periodically reflect upon progress.

**Component 1: National Urban Institutional and Policy Development: (USD 5.0 million of IBRD Loan)** This component will finance the strengthening of inter-ministerial coordination platform on cross-sectoral urban issues at the national level. The capacities of local governments to plan strategically, prioritize capital investments and access alternative sources of finance will be significantly enhanced through an enabling national policy environment pertaining to strategic planning and urban management. Activities under this component will provide the opportunity to explore and better understand these coordination needs and develop appropriate approaches to address the issues at national and local levels. This component will also support the development of national policies, guidelines and strategies to promote efficient, sustainable and climate-resilient urban development.

Sub-component 1.1: Strengthening the capacity of an Urban Platform for Inter-Ministerial Coordination

Sub-component 1.2: Support for the formulation of the national urban policies for promoting integrated urban development

Sub-component 1.3: Formulation of National Urban Infrastructure Strategy Plans

**Component 2: Integrated Planning for Urban Development: (USD 32.6 million of IBRD Loan):** This component aims to strengthen the quality, strategic approach and implementation of integrated spatial planning within the participating cities, and links spatial planning with the prioritization of capital investments. In addition, a spatially informed, medium-term, annually rolling capital investment planning and budgeting framework will be developed and implemented under this component. Component 2 activities will jointly strengthen the capacity of cities to make spatial planning more effective, forward-looking and increase strategic prioritization of infrastructure and services to enhance sustainability and environmental and social resilience of cities.

Sub-component 2.1: Support for strengthening quality of data and institutional capacity for data governance.

Sub-component 2.2: Support for integrated spatial planning

Sub-component 2.3: Support for Precinct Planning

Sub-component 2.4: Capital Investment Planning and Budgeting (CIP) established as an investment prioritization and tracking system



Component 3 City Financial Management Capacity Development: (5.0 million of IBRD Loan): Component 3 will finance capacity building activities for local governments to address constraints to effective implementation of capital investments, including demand side constraints to accessing alternative sources of finance beyond national government transfers. Activities under Component 3 will also create an enabling environment for the operationalization of the prioritized capital investments identified within the CIP process. Participating cities will develop the additional financial management, procurement and project management capacity, that will in turn ensure better implementation of the prioritized strategic capital investments derived from the Component 2 interventions. Overall, Component 3 will strengthen the capacity of participating cities to (i) to procure large-scale infrastructure projects more efficiently and effectively; (ii) improve infrastructure project management, implementation and oversight and to (iii) better manage fiscal and financial resources and access alternative financing.

Subcomponent 3.1: City level assessment of financial and project management capacity

Subcomponent 3.2: Project Management and procurement training

Subcomponent 3.3: Enhancing capacity for accessing alternative sources of finance

Component 4: Project Implementation Support: (7.0 million of IBRD): For successful implementation of the complex project activities, a strong implementation support framework is needed. To operationalize this implementation support, this component will finance the costs of National Management Consultants (NMCs) for the CPMU, Technical Management Consultants (TMCs) for all PIUs and Oversight Service Providers (OSPs) to strengthen the capacity of the Project Management Unit (PMU) and the Project Implementation Units (PIUs) to oversee implementation of the program at national, provincial and city levels. It will include contract supervision, financial and technical audit, oversight on the inclusion of environmental and social safeguards aspects (including citizen engagement), monitoring and evaluation etc.

## **E. Implementation**

The project design requires inter-agency cooperation, necessitating a multi-PIU institutional arrangement. To minimize potential coordination challenges during implementation and enhance the absorption of interventions at the city level, detailed implementation and coordination arrangements have been mapped out at the national and city level. Further refinement of implementation arrangements may be needed during project implementation following the implementation of phase one cities.

Executing Agency: MPWH will be the Executing Agency for this project, with the Central Project Management Unit (CPMU) established within the Regional Infrastructure Development Agency (BPIW - Badan Pengembangan Infrastruktur Wilayah). The roles and responsibilities of the executing agency are as follows: hold regular meetings with Project Implementing Units (PIUs) to ensure on-target progress; implementation of environmental and social safeguards in accordance with Bank policies as specified in the ESMF, management and reporting on the Monitoring and Evaluation Framework, development, utilization and updating of the Project Operations Manual (POM) in coordination with PIUs. CPMU will be supported by Project Management Support (PMS) to ensure overall work quality, accountability and timeliness through clear KPIs linked with the project and outlined in the TORs. PMS will ensure that implementation at the central and city levels moves forward in accordance with the work plans and will also provide consultants to support local government coordination committee for smooth implementation. In addition to operational experts (Financial Management, Procurement, M&E etc.), PMS will also retain a pool of technical experts to draw upon for providing technical support for smooth implementation.



Project Implementing Units (PIUs): PIUs include relevant directorates of ministries in charge of sub-components. PIUs will be established within the National Development Planning Agency (BAPPENAS), Ministry of Public Works and Housing (MPWH), Ministry of Home Affairs (MOHA), and Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (ATR/BPN). Each of these lead agencies will coordinate with key agencies at the national level including, Central Bureau of Statistics (BPS: Badan Pusat Statistik), Central Bureau of Geospatial Information (BIG: Badan Informasi Geospasial), Ministry of Communication and Information Technology (MoCI), Ministry of Transport (MOT), Ministry of Environment and Forestry (MOEF), Ministry of Communication and Information Technology (KOMINFO: Kementerian Komunikasi Dan Informatika) etc. No city-level PIUs will be established. PIUs will be responsible for achieving the project development objective and relevant performance indicators by coordinating all activities under their respective mandate, ensure that the activities progress in line with the progress implementation schedule and work plans in the POM; overseeing the implementation of sub-components under their responsibility; coordinating with relevant directorates or agencies in implementing their obligations, and ensuring that financial, procurement and contract management, safeguards and overall project implementation conforms with the World Bank policies. Each PIU will supported in their implementation role by Technical Management Consultants (TMCs), who will be supervised by the PIU staff. TMCs will also be responsible for regularly coordinating with the PMS on the status of specific packages under implementation.

Inter-Ministerial Coordination at the national level: At the national level, a multi-ministerial urban coordination structure will be enabled and strengthened. The Inter-Ministerial Steering Committee (TKPPN) under BAPPENAS will be leveraged for high level coordination during implementation, with the understanding that its function and structure would be further elevated and enhanced within the project life cycle. The CPMU and PIUs will report strategic issues and high-level progress and achievements of NUDP during periodic TKPPN meetings.

Coordination at the city level: At the local level, an NUDP Coordination Team will be established through a Mayoral Decree. The NUDP City Coordination Committee will function under the overall leadership of the City Secretary (Sekda), with BAPPEDA (city planning agency) in the lead and key members drawn from relevant agencies. This team will coordinate, monitor and supervise all activities under NUDP and the coordination role will be supported by city-level consultants appointed through the PMS. PIU specific TMCs will further support the city coordination committee as needed. Technical working groups within the Coordination Team will be established to oversee specific NUDP activities and tap into existing institutional mechanisms at the city level to institutionalize capacity building. For instance, the Integrated Planning Working Group would leverage an existing mechanism available in certain cities, namely the City Spatial Planning Coordination Unit (TKPRD – Tim Koordinasi Perencanaan Ruang Daerah). These working groups will report regularly to the City Coordination Committee and periodically to the Sekda on project progress. Cities will be asked to commit to the establishment the NUDP City Coordination Committee as part of the Expression of Interest (EOI) to join the project, which will be solidified via a Memorandum of Understanding (MOU) with the national government.

Quality control reference groups: Given the complexity of the project encompassing multiple sectors and stakeholders and the need to time and sequence the intervention points well, the CPMU will consider convening an independent panel of experts, or “quality control reference groups”, drawn from academia and planners associations to periodically review quality of key outputs and advise the CPMU and PIUs. These experts will also be tapped into for stakeholder workshops and will become champions in their own capacity for the project by maintaining a vibrant dialogue on the issues of integrated planning and urbanization in



Indonesia.

**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The National Urban Institutional and Policy Development (Component 1), which partly will be implemented through the RPJMN 2020-2024, will benefit all of the cities and urbanized areas in the country. Currently, Bappenas, together with the World Bank, is in the process of reviewing cities that would be included as priorities for getting support from Component 2 and Component 3. The tentative long list of 40 cities being considered covers select national and regional activity centers in 34 provinces. The Project will take a phased approach, working up to 3-5 cities in the first two years of implementation to establish the most efficient sequencing interventions and refine the interventions; followed by phases two and three where progressively more cities will be added. Preliminary cost estimates suggest that, 10-15 is the maximum number of cities that can be accommodated in the current design of NUDP, depending upon the cohort of cities selected. Bappenas will confirm the selected cities prior to appraisal. With regards to the salient physical characteristics of the project, the activities will be consultant-related works which are desktop and research oriented, involving dialogues and consultation with key stakeholders, data and spatial analytics, strategic studies, training and coaching, installation of software/hardware, consultancy support for strengthening the quality of statutory plans, development of models, Term of References and frameworks etc. It will involve working with the local planning agency staff (BAPPEDA), key infrastructure, spatial planning and ICT departments in local governments, city planners as well as the national level agencies (National Planning Agency/BAPPENAS and some technical agencies such as MPWH, MOHA, ATR/BPN, etc.). It is important to note that while providing technical assistance to improve the quality of planning as well and prioritization of investments is within the scope, the Project itself will not involve any construction, or preparations of FS and/or DEDs.

**G. Environmental and Social Safeguards Specialists on the Team**

Krisnan Pitradjaja Isomartana, Environmental Specialist  
Lucy Madeline Mitchell, Social Specialist  
Agustina Parwitosari, Environmental Specialist

**SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project will generate positive impact of planned urban development by helping the cities produce



higher quality inputs (data, studies, analytics strategies) for statutory plans. The project interventions will aim to address the lack of strategic spatial vision within the statutory plans by guiding the spatial prioritization of capital investments in the medium term, with the aim of reducing the vulnerability of these investments to climate-related hazards, matching with them with existing revenue sources and identifying financing gaps. This will create the potential for a positive feedback loop of proper planning, prioritization and optimization with better resources management, positive social impacts and less adverse impact to the environment.

The four components of the TA activities themselves do not have direct adverse environmental or social impacts. Nevertheless, the outcomes of TA support and its downstream activities may have potential environmental and social implications going forward, entailing risks and potentially inducing adverse impacts. Each TA component is screened and assessed in reference to the 2014 Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank as follows:

Component 1: Strengthening the National Urban Institutional and Policy Development, is classified as Type 2 activity. Overall, the output of this component is likely to have environmental and social implication when implemented through future downstream programs and/or projects. This component will not: (i) directly or indirectly support engineering design or technical studies leading to the preparation of physical investments; or (ii) establish or support the formulation of new land use plans.

Provided the nature of Component 1, the indicative EA Category is B.

Component 2: Integrated Planning for Urban Development. The project under Component 2 will use Spatial Development Frameworks (SDF), Strategic Area Framework (SAF) approaches, to



strengthen the current Spatial Plans for participating cities. The SDF is simply a document that integrates overall development strategy inputs and highlights infrastructure gaps, projected areas of urban growth, neighborhoods of urban poverty and an overall spatial development direction for the city. Capital Investment Planning (CIP) is a multi-year rolling plan of capital investment projects (including retrofitting) prioritized by year with anticipated beginning and completion dates, annual estimated costs, proposed financing methods, and identification of the financing gap. CIP is a methodology to prioritize, budget fit, track progress annually from the budgetary perspective and targets. These documents will establish or support the strengthening of existing land use plans (RTRW, RDTR) that may have potential environmental and social impacts. In addition, precinct plan will highlight infrastructure gaps at neighborhood level SDF, SAF and precinct plan together will provide input for the CIP of participating cities.

Component 2 will also support and strengthen data and information in urban planning. The project will conduct various studies, among others are environmental zoning and land suitability study, which will produce high quality input for the SDFs, SAFs, and Precinct Plans to enhance sustainability and promote the positive outcomes of future investments. The environmental zoning and land suitability study will incorporate environmental and social information in spatial planning (e.g natural ecosystems, vulnerable lands, presence of indigenous peoples, etc.) and ensure that all activities developed within the plans will take into account environmental and social aspects.

The Project does not intend to create new plans that have no statutory basis or to add to new lists of proposed projects beyond the ones internally identified by the local governments as part of their normal planning. Further, a key principle of NUDP is to work off of the existing statutory plans for city planning, such as RPJMD (mid-term development plan), RTWR (long term spatial land use plan), and RDTR (detailed spatial plan).



It is important to note that while prioritization of capital investments from the city wish-list is within the scope of this Project, along with providing technical assistance to improve the quality of planning as well as strengthening of development controls, the construction of the projects will not be undertaken under the NUDP. These will be the domain of the beneficiary projects in the future. In other words, no construction is planned in the current project design, nor are Feasibility Studies or DEDs supported within the current design of the Project.

Hence, this component is classified as Type 3 based on the guidelines that could involve potential indirect impacts such as concerns on historical sites within or in the periphery of the urban area, and induced impacts on use of resources in urban periphery and possible relocation of people, including illegal dwellers on public lands. Thus, the indicative EA Category is B.

The Executing Agency has developed Environmental and Social Code of Practices (ESCOPs) as the best practices for planning guidelines to safeguard the project.

The approaches/strategies for safeguard interventions are among others:

- Strengthening the existing planning processes with mainstreaming E&S analysis.
- Strengthening the capacity for public participation /citizen engagement.
- Embedding E&S in CIP priority criteria and providing the World Bank's EHS guidelines to address E&S risks for future investments prioritized in the CIP.
- Providing input for the TOR of environmental zoning and land suitability studies to avoid adverse impacts and promote positive outcomes of potential future investments.
- Providing TOR for improved SESA/KLHS to enhance the quality of the document.
- Providing guidance for future preparers of ESIA or ESMP for recommended infrastructure as to the



main environmental and social risks they will need to address.

Each approach has the mitigation measures and the detailed description can be found in the ESMF document Chapter 3 and 4.

Component 3: City Fiscal Capacity, with an output in the form of a strategy and training for sound financial management systems and practices to increase revenues, more effective expenditures, increase creditworthiness and better debt and asset management. This component intends to strengthen the fiscal capacity of the participating cities. This component therefore will not lead to environmental and social impacts when implemented through future programs or projects; will not lead to the completion of technical or engineering designs, or other outputs in preparation for the construction of physical infrastructure or for the implementation of other activities with potentially significant physical impacts and will not establish, or support the formulation of resource or land use plans that may have potential social and environmental impacts.

This indicative EA category for this component is C.

Component 4: Project Implementation Support, will strengthen the PMU and the PIUs through financing the NMCs, TMCs, and OSPs. It will cover contracts for supervision, financial and technical audit, oversight on the inclusion of environmental and social safeguards aspects, monitoring and evaluation, etc. This component may involve the design and/or provision of capacity building to support institutions/agencies/cities that carry out activities or physical investment recommended by the CIP that have potentially significant social and environmental impacts. This component is classified as Type 1, and indicative EA category is C.

In summary, Component 1, 2 and 4 potentially have social and environmental implications going forward, though they may differ in terms of directness, specificity and timing. For Components 1 and 4, social and environmental concerns are more diffuse



		and induced impacts may play out over a longer time period. For Component 2, environmental and social concerns are mostly associated with specific subsequent physical investments in downstream activities. As such, it is proposed that overall, this TA project is classified as a Category B for environmental assessment, and the instrument to be prepared prior to appraisal is the ESMF, including LARPF and IPPF.
Performance Standards for Private Sector Activities OP/BP 4.03	No	This policy is not applicable because there are no activities involving private sector and the recipient is not the private sector.
Natural Habitats OP/BP 4.04	No	The project will not finance any activities that will have direct impacts and involve significant conversion or degradation of critical natural habitats or natural habitats, nor the potential downstream activities that would be implemented in the developed urban areas with no potential existence of critical natural habitats.
Forests OP/BP 4.36	No	The project will not support any activities or downstream activities that involve conversion or degradation of critical forest areas or natural forest as defined under the policy. The project is not intended for commercial plantation and there is no project component to improve the forest function.
Pest Management OP 4.09	No	The investment prioritized by the Capital Investment Plans, will not procure or use any pesticide or support activities that may lead to the use and/or a significant increase in the use of pesticides.
Physical Cultural Resources OP/BP 4.11	No	The project will have no direct impact to any PCR locations as there will be no physical infrastructure investment included as part of the components. The SDF resulting from the project will serve more as an input to the planning process. There may be some downstream activities that will involve physical investment, however, most of the activities will be located in already developed locations in urban areas where PCR are unlikely to be discovered.
Indigenous Peoples OP/BP 4.10	Yes	The recommended spatial plans or land use plans in the Spatial Development Framework will cover urban areas. The physical investments specified in the Capital Investment Plans will be located in urban areas or in cities. The presence of IP in the urban areas will only be known once the participating cities receiving support from this TA Project are identified.



		<p>This will be followed by verification and confirmation of the IPs presence prior to implementation. The Project has prepared an IPPF (as part of the ESMF) for the recommended spatial plans/land use plans and for the physical investments specified in the CIP.</p>
Involuntary Resettlement OP/BP 4.12	Yes	<p>While the implementation of this TA Project itself will not involve involuntary resettlement (land acquisition or physical or economic displacement), the physical investments prioritized from an existing list of government projects by the CIP, if they are implemented, would entail involuntary resettlement. At this point, the location, size and intensity of the potential involuntary resettlement caused by the physical investment prioritized by the CIP cannot be identified and will only be assessed and envisaged during or after the CIPs are finalized. The Project component activities do not directly involve land acquisition, involuntary resettlement, access restriction or displacement. Nevertheless, city planning processes are closely linked to land use planning and is envisaged to cause possible involuntary resettlements in the foreseeable future due to land use violations (e.g. resettlements in disaster prone areas, protected areas, where people may be required to relocate for safety reasons, or where government agencies are involved in land consolidation for their future infrastructure development plans). Therefore OP 4.12 is triggered, to ensure attention to the issues of land and resource access, for livelihood purposes as well as residential needs. The Project has prepared an ESMF (including LARPF) that shall be adopted by the Consultants preparing the CIP and will provide detailed guidance for the parties/agencies/consultants who will in the future implement the physical investments recommended by the CIP to prepare the LARAP and/or Plan of Action. The TOR for Consultants preparing the CIP will specify that they shall adopt and comply with the LARPF in the ESMF.</p>
Safety of Dams OP/BP 4.37	No	<p>The investment prioritized by the Capital Investment Plans (CIP) will not recommend financing the construction and/or rehabilitation of dams. The terms of reference for preparing CIP will incorporate the requirements of the policy.</p>



Projects on International Waterways OP/BP 7.50	No	The areas covered in the Spatial Development Framework and the locations of the investment specified in the Capital Investment Plans will not be located in the watersheds of any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The areas covered in the Spatial Development Framework and the locations of the investments specified in the Capital Investment Plans will not be located in the any of the Disputed Areas.

**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

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

The project is designed to improve and promote integrated urban planning and processes at the city level and the overall project impacts are indirect and expected to be largely positive. The activities across all components entail strengthening planning, prioritization and optimization of resource management, with multiple opportunities to increase attention to potential environmental and social impacts of the future zoning and infrastructure changes that would result from the project activities. Through new studies, enhanced planning processes and additional methodology that will be introduced to cities such as CIP (Capital Investment Planning), attention to the diverse range of environmental and social variables in city development will increase and can be expected to lead to avoidance of negative impacts from poor planning. The potential for indirect adverse impacts from NUDP are minor and relate only to the conduct of studies or data and information collecting for the preparation of Spatial Development Plans including Spatial Development Framework, Strategic Area Framework, and Precinct Planning, as well as the development of CIP methodology. This may or may not create uncertainty or anxiety in some stakeholders and may also trigger speculative (land transaction) activity as an indirect result. There is also potential for the exclusion of vulnerable people and neighborhoods in the aforementioned studies, such that particular safeguard efforts are warranted.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Although NUDP does not finance any FS, DED or infrastructure developments, safeguard measures will nevertheless serve as a precaution and enhance local capacity to anticipate future indirect, downstream impacts that might include induced impacts on historical sites, induced impacts on use of resources in urban periphery, possible relocation of people including illegal dwellers on public lands, as well as detrimental effects on sensitive or restricted areas downstream from possible future physical investments.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. The outcome of NUDP provides multiple opportunities to increase attention to potential environmental and social impacts of the future zoning and infrastructure changes. It will provide input to future project alternatives in avoiding or minimizing 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.

Proposed safeguards instrument that will be prepared by the borrower to mitigate the risks is an Environmental and Social Management Framework (ESMF) that will guide implementing agencies to enhance the positive environmental and social impacts generated by the Project, as well as to provide reference and guidance for the project management staff, consultants, city governments, and other related parties participating in project on a set of principles, rules, procedures and institutional arrangements to screen, assess, manage and monitor the mitigation measures of potential environmental and social impacts of project’s spatial planning and for the handling of project consultation processes and grievances.

The Directorate General of Human Settlements (DGHS), Ministry of Public Works and Housing (MPWH) was listed as the Executing Agency in the Concept Stage. After a thorough review, the Government has decided in the Pre-Appraisal Stage that the Executing Agency is the Directorate General of Regional Infrastructure Development Affairs (RIDA) under the same Ministry. This DG office has had experience in executing the World Bank supported Tourism project. The staff of this DG has a good understanding and knowledge of the World Bank Safeguards Policies and requirements; and also has good capacity for implementing Indonesian laws and regulations as well as World Bank’s safeguards policies and requirements in such projects. So far, RIDA has performed well in implementing Indonesian regulations and World Bank safeguards policies in the Tourism project. They have experience in establishing and carrying out public consultations and disclosures for the ESMFs during projects’ preparation and implementation.

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

The key stakeholders will be the Ministry of Public Works and Housing, National Planning Agency, Ministry of Home Affairs and Ministry of Agrarian and Spatial Planning/Land Agency. Some coordination will be needed with the Ministry of Environment and Forestry. The ESMF has been prepared by the Directorate General of Regional Infrastructure Development Affairs (RIDA) Ministry of Public Works and Housing and it will be publicly disclosed and consulted prior to Appraisal. As of 14 December 2018, the ESMF draft has been disclosed in RIDA’s website [bpiw.go.id] and the first public consultation has been initiated on 19 December 2018. The second stakeholder consultation to provide further input to the ESMF draft was conducted on 8 February 2019, before the appraisal started.

**B. Disclosure Requirements**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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**"In country" Disclosure**



**Resettlement Action Plan/Framework/Policy Process**

Date of receipt by the Bank

Date of submission for disclosure

**"In country" Disclosure**

**Indigenous Peoples Development Plan/Framework**

Date of receipt by the Bank

Date of submission for disclosure

**"In country" Disclosure**

**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**

Does the project require a stand-alone EA (including EMP) report?

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

**OP/BP 4.10 - Indigenous Peoples**

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?



### **OP/BP 4.12 - Involuntary Resettlement**

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

### **The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

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?

### **All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Have costs related to safeguard policy measures been included in the project cost?

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

### **CONTACT POINT**

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**APPROVAL**

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**Approved By**

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Country Director:	Rolande Simone Pryce	09-Feb-2019