

**INTEGRATED SAFEGUARDS DATA SHEET
ADDITIONAL FINANCING**

Report No.: ISDSA9796

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Indonesia	Project ID:	P123940
		Parent Project ID:	P111577
Project Name:	Local Government and Decentralization Project Additional Financing (P123940)		
Parent Project Name:	Local Government and Decentralization Project (P111577)		
Task Team Leader:	Taimur Samad		
Estimated Appraisal Date:	30-Jul-2014	Estimated Board Date:	22-Sep-2014
Managing Unit:	EASIS	Lending Instrument:	Investment Project Financing
Sector(s):	Sub-national government administration (100%)		
Theme(s):	Municipal governance and institution building (67%), Decentralization (33%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	500.00	Total Bank Financing:	500.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			500.00
Total			500.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	Yes		

2. Project Development Objective(s)

A. Original Project Development Objectives – Parent

The objective of the project is to improve the accountability and reporting of the central government's Specific Purpose Grants (DAK) for the infrastructure sub-sectors within pilot local governments (LGs). This will be done through improved financial and technical reporting, and verification of outputs delivered by LGs with the DAK grants.

B. Current Project Development Objectives – Parent

C. Proposed Project Development Objectives – Additional Financing (AF)

3. Project Description

Component 1: DAK Reimbursement (USD 500.0m of Bank Financing)

The component will reimburse the Borrower for Outputs produced by Sub-projects undertaken by Selected Local Governments financed by annual DAK Transfers and annual LG Contributions for roads, water, sanitation and irrigation.

Component 2: Institutional Support Program (USD 10.0m of Borrower financing)

The component will support the following sub-components:

2.1 Policy Advisory: Providing technical assistance and policy advice, and carrying out capacity building activities for the Ministry of Finance's Directorate General of Fiscal Balance to reform intergovernmental transfers and improve local government service delivery, including, inter alia, the design of output and performance-based transfers, the development of a system linking service standards to government transfers, the strengthening of the Borrower's monitoring and evaluation framework for intergovernmental transfers, and the development of tools for citizen accountability.

2.2 Strengthening Local Government Capacity to Improve Public Service Delivery: Carrying out capacity building activities to (i) improve DAK utilization by Selected Local Governments by, inter alia, providing support to Selected Local Governments to strengthen their capabilities in areas such as procurement and internal controls, investment planning and maintenance, technical quality control, safeguards management and reporting and accountability; and (ii) improve local public service delivery by, inter alia, developing and implementing tools to improve municipal management.

2.3 Strengthening Central Government Capacity for Effective and Efficient Use of DAK:

2.3.1 Providing implementation support on the day-to-day management of the Project including in areas such as reporting, monitoring and evaluation of Project progress, information dissemination to Local Governments, implementation of the DAK web-based reporting system, updating and expansion of reference unit costs, social and environmental safeguards, and development and updating of training materials for Local Governments.

2.3.2 Providing technical assistance for verification support by, inter alia, (i) improving the capacity of the Verifier of Outputs to conduct technical audits, and verify safeguards and Local Government procurement process, and strengthening internal controls in Local Governments.

2.3.3. Providing technical assistance for monitoring and evaluation support by, inter alia, strengthening the system for monitoring and evaluation of reports on DAK utilization submitted through the DAK web-based reporting system, and carrying out mid-term and end of Project evaluations.

Component 3: Verification of Outputs (USD 10.0m of Borrower financing)

Providing technical assistance for BPKP to strengthen its capacity to conduct verification of Outputs, which includes technical (engineering), procurement, financial management and environmental and social safeguards.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Location: The LGDP AF will finance investments in a total of 30 provinces, gradual rollout to 14 provinces in 2015, 22 provinces in 2016, and a total of 30 provinces by 2017.

Investment Typology: The LGDP AF project will reimburse infrastructure investments mainly for maintenance, rehabilitation and improvement of three types of investments; i.e. roads (fixing pot holes, resurfacing of existing road, minor alignment), irrigation (fixing the retaining walls, upgrading of existing canals, minor realignment), and water supply (repairing existing lines, and some upgrades and sanitation (construction of basic bathing, washing, toilet facilities and communal piped wastewater system). There may be new construction of small roads, irrigation channels, water supply facilities and distribution pipes to improve existing service. New construction of small roads, irrigation and water supply subprojects is defined based on the criteria specified in the Ministry of Environment Decree no 5/2012 on determining the appropriate level of environmental assessment required (AMDAL, UKL/UPL or SOP) and in the Ministry of Public Works No 10/2008. Construction for sanitation facilities is regulated by the MPW's Technical Guidelines for Community based DAK/SLBM (the latest version was issued in 2014). Based on these criteria new construction eligible for financing includes:

- new irrigation channels with a coverage area no greater than 2000 ha;
- new roads with the length of less than 5km; and
- new water treatment facilities with no more than 100 l/s capacity, water supply transmission lines no longer than 10 km and water distribution network systems serving no more than 500 ha.
- new basic community sanitation facilities (toilets, with communal septic tank system, sludge treatment and sewerage system (for no more than 100 families).

These aforementioned technical specifications apply to all references of 'new construction' supported under the Project.

Despite the inclusion of new construction within the eligibility framework for both the original Project and the Additional Financing, experience under the original LGDP operation suggests that subproject supported under the Project are largely for rehabilitation and maintenance of existing infrastructure assets. Data for FY 2011 investments shows that of 791 total irrigation sector subprojects, none were for new construction. Similarly, of 523 total road sector subprojects, only 7 (or 1.34 percent) were for new construction. In the water sector, all 287 subprojects were for small-scale new construction (such as wells, hydrants, small reservoirs/tanks) in already built-up areas. New construction supported in the roads and water sector remained small in size – average contract value for new roads investment was approximately USD100,000 and USD 21,150 for water supply

investments. It is expected that these trends will largely prevail for the Additional Financing.

Salient characteristics relevant to safeguards: The LGDP AF, in expanding the geographical coverage of the program from 5 pilot provinces (covering eligible 82 LGs) to 30 participating provinces (covering approximately 400 eligible LGs), increases the possibility of new construction in some of the less developed provinces and, as such, alters the risk profile of the project due to the possible increase of impacts from new construction. The LGDP Additional Financing will also raise the threshold for eligible investments from USD 1.0m to USD 2.0m thereby increasing the possibility of greater social and environmental impacts caused by individual sub-projects. New construction of small scale irrigation system in some provinces could potentially increase the indirect risk of increase pesticide use due to the expected increase in crop production. Therefore, the Additional Financing triggers two additional Bank safeguard policies: Natural Habitats (OP/BP 4.04) and Pest Management (OP 4.09).

Application of OP/BP 4.04 Natural Habitats and OP 4.09 Pest Management will ensure that explicit and enhanced measures are in place to mitigate and manage any and all adverse impacts related to the potential indirect increase in pesticide use caused by increased crop production related to the irrigation investments and potential adverse impacts on natural habitats related to all subproject typologies in peri-urban and agricultural space. The Supplemental Technical Guidelines (STG) for Environmental and Social has been updated to reflect the two additional policies (Natural Habitats and Pest Management), the increased maximum amount for eligible sub-projects and the expanded geographical area of eligible projects.

The policies will also lead to improved safeguards management at the LG level with respect to natural habitats and awareness and adoption of integrated pest management methods. The policies were not triggered for the original Project due to the pilot nature of the operation and the limited scale and scope of the investments of the original Project.

Assessment of safeguards issues conducted during preparation of the AF found that the safeguards instrument for the original operation (STG for Environment and Social) has been applied to screen, identify and mitigate and manage social and environmental impacts associated with subproject investments. The assessment also found that the nature of the subproject investments to be supported under the AF would likely be limited to rehabilitation and maintenance works and minor new construction and not substantively different from those under the original operation given that both the original and AF are subject to the same subproject eligibility criteria as outlined in the MPW Technical Guidelines (TG) for DAK Infrastructure Sectors (including community sanitation) although the maximum eligibility for sub-projects has been raised to USD 2.0m.

5. Environmental and Social Safeguards Specialists

Indira Dharmapatni (EASIS)

Krisnan Pitradjaja Isomartana (EASIS)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The LGDP AF will finance the same types of activities as the original Project, including maintenance, rehabilitation and improvement of existing and new roads, irrigation and water supply systems. The LGDP AF will include basic

	<p>community sanitation investments. Sub-project sites are all located at an existing facility on already converted sites in urban, peri-urban or agricultural sites. There may be new construction of small roads, irrigation channels, community sanitation facilities (public bathing, washing and toilet facilities), water supply facilities and distribution pipes – as specified above – to improve the existing service of the existing infrastructure.</p> <p>Potential adverse environmental impacts are expected to be similar to the original project as described in section II below. Given the nature of the activities to be financed, potential adverse environmental impacts are expected to be minor to moderate in scale, site specific, reversible and readily managed through application of standard mitigation measures and adherence to proper guidelines at the local level. All subprojects will be screened using the mechanisms in the updated Supplemental Technical Guidelines (STG) to screen the subproject impacts, policies triggered and specific instruments to be prepared. The said guidelines were updated in June 2014 to take into account new policies triggered by the LGDP Additional Financing and the lessons learned from implementing the original Project.</p> <p>Eligibility for new construction of DAK investments is governed by the Ministerial Decree no. 15/PRT/M/2010 regarding “Technical Guidelines for DAK Infrastructure” dated 1 November 2010 Appendix 1 - section III.3.2.1 which stipulates that new construction subprojects “shall not require or involve land acquisition and not in the protection forest (sensitive area)”.</p> <p>In addition, MPW’s Circular Letter no 19/ SE/2010 regarding the Supplemental Technical Guidelines (STG) article III.2.b and the same clause within the STG (June 2014) stipulates that the subprojects which have significant and/or irreversible environmental impacts – and as such would require AMDAL – are considered ineligible for the financing under the Project. Such subprojects with significant and irreversible</p>
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		<p>environmental impacts are considered ineligible due to the annual implementation cycle of DAK activities (which does not provide adequate time for a full environmental assessment and the implementation of an environmental management plan consistent with AMDAL requirements) and the limited capacity of Local Governments to manage complex environmental issues.</p>
Natural Habitats OP/BP 4.04	Yes	<p>The policy is triggered based on the fact that the LGDP AF will increase the geographical coverage of the Project and thereby increase the risk and exposure of subproject impacts to natural habitat areas. Civil works, whether related to rehabilitation, expansion or new construction (as defined above) would generate impacts from site development, which may affect natural habitats.</p> <p>The Project includes environmental screening procedures that reflect key considerations related to reducing, mitigating and managing any and all adverse impacts on natural habitats including appropriate mitigation measures for subprojects that are identified as having impacts on natural habitats. Such measures are included in MPW's Circular Letter no 19/SE/2010 on the Supplemental Technical Guidelines (STG) and Environmental Management SOP of MPW, which has been updated in June 2014. Viable mitigation measures to address adverse impacts of rehabilitation, maintenance and new construction activities in sensitive areas such as wetlands, mangrove, coastal areas and rivers are adequately covered in SOP 10/BM/2009 of Bina Marga - MPW Implementation Guidelines of Environmental Management and Ministry of Environment Decree No 16/2012 concerning Guidelines for Preparing Environmental Documents (AMDAL, UKL/UPL, and SPPL) The LGDP AF will not result nor cause significant conversion or degradation of natural habitats nor in established or proposed critical natural habitats because the AF will continue to apply the STG's principle article III.2 a (4) and (5) "The Project cannot finance any Project Activity within, adjacent to or traversing forest area (conservation, production and protection forest) and at protected areas and sensitive areas</p>

		such as natural conservation areas etc. (see Annex 5 of the STG for detailed criteria for such areas).”
Forests OP/BP 4.36	No	<p>The Project will not finance activities that involve plantation forestry activities or significant conversion or degradation of critical forest areas or natural forests as defined under the policy.</p> <p>For new road construction up to 5km of DAK project, the Ministerial Decree no 15/PRT/M/2010 about “Technical Guidelines for DAK Infrastructure” dated 1 November 2010 Appendix 1 - section III.3.2.1 - stipulates that the new construction project “shall not require or involve land acquisition and not in the protection forest (sensitive area)”.</p>
Pest Management OP 4.09	Yes	<p>The policy is triggered on a precautionary basis based on the expansion in geographical coverage of the Project that could potentially increase the indirect risk of increased pesticide use due to the expected increase in crop production resulting from larger subproject investments in the irrigation subsector.</p> <p>It is important to note from the outset that the Project will not procure nor supply any pesticides based on the Circular Letter Ministry of Public Works (MPW) No. 19/SE/M/2010 about Supplemental Technical Guidelines article no III.2 a (4) and (5) ‘DAK funded project must not contain activity that purchase any products containing pesticides’. In the Verification Checklist Form, measures are included to ensure that the procurement pesticides, herbicides and insecticides are not supported under the LGDP AF. The abovementioned guidelines were updated in June 2014 for the LGDP AF.</p> <p>It is also important to note that pesticide use in Indonesia is primarily used for horticulture efforts in highland areas and not for irrigated crops or rice fields which are the primary focus of DAK irrigation investments. In addition, the price of pesticides is quite high in Indonesia, preventing most small scale farmers from being able to afford pesticides. As such, local farmers tend to use bio-pesticides made from organic local source and implement Integrated Pest Management</p>

	<p>(IPM) methods on their farm plots. Indeed, Indonesia is at the forefront of application of IPM methodologies on small holder farms and such methods are strongly supported by formal government regulations.</p> <p>Specifically, the sustainable agriculture system currently applied in Indonesia is implemented to address the challenge faced by traditional/ conventional agriculture systems which caused adverse effects due to increased persistence of pests against pesticides, reduced soil fertility and crop productivity. One of the efforts enacted by government to overcome this was through the Integrated Pest management approach based on UU (Act) no. 12, 1992 on Crop Cultivation System.</p> <p>In Article 20, it is stipulated that the crop protection system shall be done with IPM approach. Since 1989, Indonesia has implemented and developed the IPM training program for the extension workers and the farmer collectively. This program is now extensively applied with the name of Field School IPM. The IPM program is based on the agro-ecosystem based management.</p> <p>The monitoring of the application of OP 4.09 in the project will be done in: (1) The implementation report of Environmental Management Plan (EMP), the regular UKL UPL reporting). For example, one of the environmental management effort (UKL) proposed is the installation of the "V" notch to measure the potential increase in the flow rate of the irrigation system and as part of the monitoring effort is to regularly monitor its flow rate; (2) Support the adoption of IPM during project socialization or during STG socialization (brochure, presentation); and (3) The verification checklist for new irrigation works will include the question about IPM implementation efforts</p> <p>Project Component 2 - will incorporate a component to strengthen the local government capacity in developing the UKL UPL or ECoP (Environment Code of Practice) that will</p>
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		appropriately covers the pest management aspect and also this capacity building component will also target BPKP and MPW key personnel.
Physical Cultural Resources OP/ BP 4.11	No	<p>Project activities will not affect archeological, paleontological, historical, religious, or unique natural values as defined under the policy because the project sites are located on existing sites and in already converted space. Thus, no major impacts on PCRs are expected during project implementation, yet attention will be paid to the possibility of chance finds.</p> <p>Standard chance finds procedures will continue to be included in all construction contracts regarding procedures to be followed in the event of 'chance finds' of culturally significant artifacts. Existing MPW Guideline no 010/BM/2009 from DG Bina Marga referred in Supplemental Technical Guidelines about Environmental Management during construction include guidelines for PCR.</p>
Indigenous Peoples OP/BP 4.10	Yes	<p>The Task Team screened for the presence of IPs in participating districts in the 5 provinces of the original LGDP and in all districts of the 9 provinces additional provinces scheduled to participate in the Additional Financing during GoI FY 2015. (ref. World Bank Study for IPs Screening, 2010). This screening exercise identified that 34 of the 77 districts of the original LGDP and 59 of the 178 districts in 9 provinces have IPs presence. A list of the geographical distribution of IPs communities in the AF provinces is presented in project files. In 2015, the IP screening exercise will be expanded to cover the additional 16 provinces scheduled to commence participation in the Additional Financing in 2016 and 2017.</p> <p>As subproject investments financed by the AF may be located in the 93 districts, the AF continues to triggers OP/BP 4.10. However, as the sites of the subproject investments cannot be identified at this stage, the extent to which they would affect and/or engage IPs can only be assessed once subproject investment sites are identified. Methods to screen for the presence of IPs as well as to assess the potential significance of the impacts and how best to engage IPs in</p>

		<p>project interventions are included in the MPW's Circular Letter no 19/SE/2010 on Supplemental Technical Guidelines (STG) for Safeguards. The STG also provides guidance on how to prepare an IPP. The STG was updated for the LGDP-AF in June 2014, including a strengthening of the section on IPs.</p>
<p>Involuntary Resettlement OP/BP 4.12</p>	<p>Yes</p>	<p>It is anticipated that, as is the case of the original LGDP operation, subproject investments in the AF that require land acquisition will adopt the same approach, i.e., through voluntary land donation. Very few cases of land acquisition with compensation were identified under the original operation.</p> <p>In cases where land acquisition may be necessary, it is anticipated that it will also be for small plots. Given the expanded number of districts in the AF and the increased ceiling amount of a subproject package (from USD 1 to 2 million), it is anticipated that land acquisition may increase either due to a larger subproject size or higher number of new subprojects.</p> <p>Eligibility for new construction of DAK investments is governed by the Ministerial Decree no. 15/PRT/M/2010 regarding "Technical Guidelines for DAK Infrastructure" dated 1 November 2010 Appendix 1 - section III.3.2.1 which stipulates that new construction subprojects "shall not require or involve land acquisition and not in the protection forest (sensitive area)".</p> <p>The STG provides detailed guidance on screening and identifying the intensity of potential adverse impacts, and selection of appropriate social safeguard instrument to mitigate and manage identified impacts, i.e. Simplified (LARAP) or Comprehensive LARAP. The STG also provides guidance on how to prepare the LARAP and provides outlines of both types of LARAPs.</p> <p>For voluntary land donation, the STG provides specific criteria for defining it and template for documenting the voluntary land donation. The track record indicates that the STG guidance and associated tools have been applied but awareness</p>

		and application of the said guidelines needs to be continuously improved. The said guidelines were updated in June 2014 for the LGDP AF.
Safety of Dams OP/BP 4.37	No	The project will not finance construction or rehabilitation of any dams.
Projects on International Waterways OP/BP 7.50	No	Project sites will not be located in the watersheds of any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project is not located in any known disputed areas as defined under the policy.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>Scale of Potential Adverse Environmental and Social Impacts: The AF is not expected to generate nor result in any large scale, significant or irreversible environmental or social impacts.</p> <p>Summary of Potential Adverse Environmental and Social Impacts: Subprojects will be primarily located in already converted urban, peri-urban or agricultural sites. The road and community water supply and sanitation sub-projects will be located in peri-urban areas. Irrigation investments are all located on established farm land area. The potential adverse environmental and social impacts of all types of subproject investments financed by the AF are expected to be minor to moderate in scale, site-specific, reversible and readily managed through application of standard mitigation measures at the local level.</p> <p>Environmental Impacts: Potential adverse environmental impacts for the three types of subproject investment typologies might include temporary soil disturbance, vegetation removal, construction phase increase in traffic and noise, increased generation of construction waste requiring proper transport to a suitable final disposal site and, for irrigation projects, the minor to moderate risk of an indirect increase in pesticide application. During the supervision of the original Project, adverse environmental impacts led to the ineligibility of only two subprojects. These impacts were minor, involving the impact of road rehabilitation on the operation of existing public facilities, i.e. a community water well or public hydrant due to damage caused during construction (in Mamuju LG). In the second case, the drilling of a new ground water well (in Jambi LG) was considered to be poorly located near potential sources of groundwater contamination. These two subprojects were excluded from the eligibility for reimbursement and remedial actions were identified and communicated to the relevant LGs. The factors for ineligibility in both cases were related to the impacts of the works on existing public facilities (e.g. community water wells or public hydrants) and not with respect to broader adverse environmental impacts.</p> <p>For irrigation works, due to limited time and budget of LGDP annual cycle - all previous irrigation subprojects are all rehabilitation works (the objective is to meet its original design capacity, via dredging, and cleaning works. Data for FY 2011 investments shows that of 791 total irrigation sector subprojects, none were for new construction. For new construction of irrigation sub sectors under LGDP AF the monitoring of the pesticide management in the project will be addressed in the project's EMP.</p>
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Social impacts: Land acquisition related to subproject investments is expected to be minor due to the nature of the subproject investments which are primarily focused on rehabilitation and maintenance of existing structures on converted sites. During the supervision of the original operation, it was also noted that LGs actively aimed to minimize land acquisition in subproject selection, planning and implementation. For example, LGs demonstrated a preference for selecting subprojects already included in community priority lists and for which land is voluntarily provided by the community members. The recent supervision suggested that this occurred in the development of sanitation and water supply facilities.

LGDP supervision missions indicate that most subproject investments that required land obtained it through voluntary land donation. Some land owners provided a Statement Letter of Voluntary Land Donation (VLD), but some did not, as it is a common practice in the country that land owners who are also beneficiaries of the subproject investments donate away land voluntarily. Most land obtained was for small plots, and, in one case of road improvement (including widening) in Jambi province, affected structures in the road shoulder within the right of way and also affected private land were compensated by the LG. Beneficiaries had been consulted and all agreed on the compensation level.

For FY12 reimbursements, the BPKP Verification Report identified 4 of the 44 sampled subprojects as ineligible for reimbursement due to improperly documented land acquisition or the lack of voluntary land donation. It is anticipated that under the AF there will continue to be a limited number of requests for land acquisition and majority of land needed by subprojects will remain small in scale and obtained through VLD.

Indigenous Peoples: Potential IPs presence was screened in reference to the World Bank Study on IPs Screening (2010). In the original LGDP, Indigenous Peoples communities were found to possibly be present in 34 of 77 participating districts. Based on the supervision record, the project has not affected or involved IPs communities as beneficiaries. In addition, the verification report of BPKP also did not identify the presence of any IPs communities affected or engaged in the original LGDP.

In the 9 new provinces scheduled to be covered under AF in 2015, there is a potential IPs presence in 59 of the 182 districts. Although the number of participating districts in the new 9 2015 provinces in AF is not yet confirmed, screening was conducted for all eligible 182 districts. As the LGDP AF will cover all of Local Governments in the 14 provinces (assuming that the 178 districts in the 9 provinces apply to join the project and are accepted), it is likely that some investments would take place in villages where Indigenous Peoples are present. The geographical distribution of IPs in the 14 provinces scheduled to participate in the Additional Financing in 2015 is presented in Project documentation. Similar screening exercises will be conducted in 2015 for the remaining 16 provinces that will commence participation in the Additional Financing in 2016 and 2017.

Although it is likely that some investments would take place in villages where Indigenous Peoples are present in the new participating districts, at this stage the potential areas or villages are not known. During project implementation if screening concludes that investments could take place in such villages or Indigenous Peoples are present in the area, public consultations will be undertaken prior to sub-project investments to ensure there is Broad Community Support and free, prior and informed consultations as indicated in the Supplemental STG for Environmental and Social Safeguard.

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

Not Applicable.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Not Applicable.

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.

Instruments used for environmental and social safeguards management for the original LGDP that will be used in the AF, include:

(i) MPW Decree no. 15/2010 on Technical Guidelines (TG) for DAK Infrastructure that is nationally adopted as the main umbrella guideline for DAK including for original LGDP and LGDP AF. The Team is aware that MPW is updating this TG which is planned to be issued this year. Ministry of Public Works issued MPW Circular Letter No. 19/SE/M/2010 served as a supplement of the MPW Decree no. 15/2010, issued specifically for DAK infrastructure financed under the original LGDP (DAK-reimbursements). This Supplemental Technical Guidelines (STG) was developed in reference to the GOI's regulations and World Bank Safeguard Policies. For LGDP Additional Financing the STG has been updated in June 2014 to reflect the triggering of OP 4.04 and OP 4.09 and the lesson learnt from the application of the STG in the previous project, including strengthening the environment and social screening of subprojects. MPW considers that the updated STG will be part of the new TG. For Sanitation, the LGDP AF will also adopt the Technical Guidelines for the SLBM issued by the MPW in 2014.

(ii) STG for Environmental and Social Safeguards. The STG (June 2014) outlines provisions for environmental and social management consistent with five environmental and social safeguard policies, i.e., Environmental Assessment, Involuntary Resettlement, Indigenous Peoples, Natural Habitats and Pest Management which have been streamlined into the DAK project cycle. It also includes a provision for verification and provides outlines on EMP, Land Acquisition and Resettlement Action Plans (LARAPs), Indigenous People Plans (IPPs), and templates related to environmental management, public consultation, complaint handling, voluntary land donation, social assessment, monitoring the implementation of RAP, and SOP for environmental management. The STG (June 2014) covers: (a) requirements, procedures and protocols for screening and mitigating potential adverse environmental impacts for the three types of investments (road, irrigation and water supply) during planning, design, construction and operation (following the DAK cycle); (b) requirements, procedures and protocols for various schemes of land acquisition (VLD, compensation, exchange), to address livelihoods, to carry out consultation and grievance mechanisms and documentations; (c) requirements, procedures and protocols for subprojects involving IPs to ensure that they are fully consulted with participatory approach with sufficient information provided in advance facilitated by local facilitator(s) or other parties interested or support the IPs communities during the planning, implementation and operational stage; (d) requirements, procedures and protocols for subprojects to ensure that subproject financed under the Project do not have significant or irreversible impacts in natural habitat areas and sensitive areas; as part of EMP development and (e) requirements, procedures and protocols for subprojects that ensure that integrated pest management practices are utilized in cases where subprojects may potentially increase the use of harmful pesticides as an integral part of the EMP development. The STG provides guidance on how to prepare safeguards

instruments such as EMP, Land Acquisition and Resettlement Action Plan (LARAP) , IPPs, in addition to templates for VLD, outlines of LARAP and IPP. The STG (June 2014) also provides guidance to refer to SOPs issued by the MPW for road, water supply development and irrigation sectors for environmental management which also covers requirements for land acquisition. The STG includes the verification process, subjects to be verified and generic indicators that will be done by the BPKP; this is to inform the districts early on so that they can prepare the necessary documentation. The STG applies to sub-project investments that are partly or wholly financed by the Project. Furthermore, it applies to all local investments for which reimbursement will be made under the Project. Any investment that is found out of compliance with the safeguards arrangements as set out in the STG will be ineligible for reimbursement.

(iii) Project Operation Manual (POM), issued by Ministry of Finance. It details the compliance process and outcomes (implementation, monitoring, and reporting) of the adoption of the environmental and social safeguards management specified in the STG for Safeguards. The initial POM was also socialized to all participating districts and cities by the MOF.

(iv) BPKP as an independent verifier has developed a Verification Guidelines which includes Verification Checklists for Environmental and Social Safeguards, to assist the regional BPKP officials in implementing the LGDP output verification. The Verification Checklists has been recently updated for LGDP-AF. Amongst BPKP's responsibilities (as a Verification Agent) in cooperation with the MPW will be to ensure compliance with safeguards by LGs. BPKP samples of 20 percent of subprojects. The verification arrangement creates an additional layer of supervision and risk mitigation, since the Project would not reimburse expenditures where safeguards are not complied with.

(v) Verification Arrangements. BPKP is tasked to carry out the verification of outputs, from the technical, costs, financial, procurement and safeguards aspects. It has Verification Guidelines which has been updated periodically twice to date, in which verification indicators are established including those for safeguards. The verification process for safeguards is done in two steps. First, BPKP reviews DAK report, subproject proposals, and also reviews each of the sampled contract/subproject documents (this includes the VLD Statement Letter, UKL/UPL, etc. and other documents as relevant). Second, BPKP conducts field visits to sites of sampled subprojects. Field visits include examining physical outputs of completed subprojects, carrying out interviews with beneficiaries and project stakeholders. Based on the discussions during supervision missions with regional BPKP staff in various provinces as part of supervision, most have not faced serious issues in verifying safeguards aspects of subprojects. They have noted that the associated verification checklist is quite clear and impacts on the ground are relatively simple and small-scale.

(vi) Borrower and the Bank have agreed to a joint field-based review to take stock of the experience and application of the current safeguard instrument within the first six months of Project effectiveness in light of the enhanced geographic scope and subproject size. The review will recommend any necessary measures to be developed and implemented for the LGDP-AF. Additionally, the Borrower and the Bank have agreed to incorporate technical assistance activities in component 2 of the AF (as further detailed in the Operations Manual) to strengthen LG awareness and capacity with respect to managing environmental and social safeguards in general, and in more specific in natural habitat issues and strengthening the current integrated pest management practices as indicated and mandated in the instrument GOI's regulations, accompanying project manual, MPW TG and the overarching national legal and regulatory framework.

(vii) Capacity Building under Component 2 of the project will continue to provide environmental and social safeguards training to the technical agency (Ministry of Public Works), BPKP, and MOF as well as to LG beneficiaries, including LGs' technical agencies of the four project typologies. MPW has experienced in many Bank supported projects over the last three decades and has a good understanding on the Bank's environmental and social safeguards policies. It has sufficient capacity to implement the Bank environmental and social safeguards policies, but its capacity to monitor and assess the performance of the LGs in implementing the STG needs strengthening as per the following recommendations and guidelines:

- The Bank pre-appraisal and recent implementation support mission recommended the assignment of consultant(s) in charge for monitoring ES safeguards implementation to assist the MPW and MOF;
- BPKP and the MOF have experienced in implementing the Bank environmental and social safeguards policies under the LGDP project. However, the BPKP and MOF awareness in the application and monitoring of Bank safeguard policies in the DAK Grants need to be strengthened by the project. The AF will assist with training program for central and regional BPKPs with a focus on the BPKPs of the new participating provinces on the understanding of environmental and social safeguards requirements, technical guidelines, and the practical use of the safeguards verification indicators checklist;
- LGs have some capacity in implementing environmental and social safeguards instruments according to Indonesian regulations. Some have experienced in other World Bank projects such as EIRTP-1 and 2, PAMSIMAS, and PNPM Rural/Urban. However, many LG staff handling DAK (especially in new potential participating districts) have limited awareness of the importance of safeguards management and understanding, furthermore, also have limited capacity to implement the Bank requirements on environmental and social safeguards; and
- In coordination with MPW, the LGDP AF will continue increasing awareness and capacity building for safeguards implementation amongst participating LGs, particularly the technical agencies, and also the local environmental agency (BLHD/BLH/KLH) and BAPPEDA. To the extent possible, the Environmental Agency will be involved in the DAK preparation/monitoring. The LGDP-AF project will also ensure that quarterly and final reports prepared by LGs include information of the implementation of the requirements, procedures and protocols of the environmental and social safeguards as specified in the STG such as UKL-UPL reporting etc.

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

Stakeholders: BPKP, MOF, MPW and LGs in the 30 participating provinces.

Disclosure. The draft STG for Environmental and Social Safeguards was disclosed on the MPW website (see: www.djpk.depkeu.go.id/berita) on June 24, 2014 and in the Infoshop on June 23, 2014, prior to Appraisal. A final STG issued as a Circular Letter of the Minister of Public Works to all provinces and local governments participating in the Additional Financing will be disclosed after Board Approval and prior to Loan Effectiveness. The issuance of the Circular Letter and STG is stipulated in the Legal Agreement as a condition of Effectiveness.

Consultation. The LGDP AF will finance investments in a total of 30 provinces, with a gradual rollout to 14 provinces in 2015, 8 more provinces in 2016 for a total 22 provinces in 2016, and once again 8 more provinces in 2017 for a total of 30 provinces. Public consultation has taken place and is ongoing and will continue during project implementation with the gradual rollout of

the project. A public consultation program has been developed and agreed upon with counter-parts in order to ensure that consultation that has taken place, the ongoing consultation and the future consultation during project implementation is meaningful, timely and taken into consideration. The consultation program includes recurring annual consultations, a preliminary consultation for the Additional Financing and a detailed consultation program on the final draft STG that is ongoing and will take place prior to the eligibility of new provinces. The public consultation program is structured as a continuing/ongoing process in order to address Indonesian counter-parts regulations and procedures using a government decree such as the STG as the main safeguards instrument while taking into account Bank requirements on public consultations. It also takes into account the results of the previous ongoing Project and the successive rollout of the eligible provinces during project implementation.

The consultation program includes different activities that are part of an annual consultation process. LGDP PIU has conducted an Overall Program Consultation between November and January with all prospective participating LGDP provinces and local governments on overall Project procedures and approach, including safeguards aspects. A preliminary Overall Program Consultation was conducted between November 14-22, 2013 through three regional workshops in Manado, Jakarta and Denpasar covering the nine participating provinces scheduled for inclusion in GoI FY15. These nine provinces include Lampung, Bengkulu, West Java, Central Java, West Kalimantan, North Sulawesi, South Sumatera, NTB and NTT

MPW also conducts annual detailed technical consultation with all provinces and LGs receiving DAK funds in infrastructure sectors. These consultations focus on socializing Technical Guidelines for DAK Infrastructure while additionally, for provinces and LGs participating in the LGDP program, this consultation includes the Supplemental Technical Guidelines on Environmental and Social Management. The recent MPW socialization took place in November 2013. Furthermore, the central BPKP has disseminated its verification guidelines to regional BPKP offices leading up to each ensuing fiscal year. Central BPKP also conducted socialization with regional BPKP offices as part of its consultation process. BPKP conducted a preliminary socialization on the LGDP AF, including safeguards requirements, in the nine provinces scheduled for inclusion in GoI FY15 in November 2014.

In addition to the abovementioned program of recurring annual consultations and the preliminary consultation for the Additional Financing, a detailed consultation program on the final draft STG has been developed, is ongoing and will continue during project implementation. This consultation program includes three regional sessions in the 14 provinces and constituent local governments eligible for participation in the LGDP Additional Financing for GoI FY 2015. The regional consultation sessions cover: the Eastern Indonesia: Denpasar, Bali region with the three provinces of North Maluku, West Nusa Tenggara, East Nusa Tenggara; The Central Indonesia: Makassar, South Sulawesi region with the provinces of Central Kalimantan, West Kalimantan, North Sulawesi, South Sulawesi, West Sulawesi; and the Western Indonesia: Surabaya, East Java region with the provinces of Jambi, Lampung, Bengkulu, West Java, Central Java, East Java.

The consultation program also includes consultations with the other Provinces and constituent local governments that will become eligible for participation under the LGDP AF in GoI FYs 2016 and 2017 will be conducted between October and December of 2015 and in 2016 prior to project commencing in the respective provinces.

Furthermore, although it is likely that some investments would take place in villages where

Indigenous Peoples are present in the new participating districts, at this stage the potential areas or villages are not known. During project implementation if screening concludes that investments could take place in such villages or Indigenous Peoples are present in the area, public consultations will be undertaken prior to sub-project investments to ensure there is Broad Community Support and free, prior and informed consultations as indicated in the Supplemental STG for Environmental and Social Safeguard.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	23-Jun-2014
Date of submission to InfoShop	23-Jun-2014
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Indonesia	24-Jun-2014
<i>Comments:</i> The draft STG for Environmental and Social Safeguards was disclosed on the MPW website (see: www.djpk.depkeu.go.id/berita) on June 24, 2014.	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	23-Jun-2014
Date of submission to InfoShop	23-Jun-2014
"In country" Disclosure	
Indonesia	24-Jun-2014
<i>Comments:</i> The draft STG for Environmental and Social Safeguards was disclosed on the MPW website (see: www.djpk.depkeu.go.id/berita) on June 24, 2014.	
Indigenous Peoples Development Plan/Framework	
Date of receipt by the Bank	23-Jun-2014
Date of submission to InfoShop	23-Jun-2014
"In country" Disclosure	
Indonesia	24-Jun-2014
<i>Comments:</i> The draft STG for Environmental and Social Safeguards was disclosed on the MPW website (see: www.djpk.depkeu.go.id/berita) on June 24, 2014.	
Pest Management Plan	
Was the document disclosed prior to appraisal?	NA
Date of receipt by the Bank	NA
Date of submission to InfoShop	NA
"In country" Disclosure	
Indonesia	00000000
<i>Comments:</i>	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

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C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment			
Does the project require a stand-alone EA (including EMP) report?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
OP/BP 4.04 - Natural Habitats			
Would the project result in any significant conversion or degradation of critical natural habitats?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]	NA [<input type="checkbox"/>]
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input checked="" type="checkbox"/>]
OP 4.09 - Pest Management			
Does the EA adequately address the pest management issues?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Is a separate PMP required?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input checked="" type="checkbox"/>]
OP/BP 4.10 - Indigenous Peoples			
Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement			
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
All Safeguard Policies			

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader:	Name: Taimur Samad	
<i>Approved By</i>		
Regional Safeguards Advisor:	Name: Peter Leonard (RSA)	Date: 26-Jun-2014
Sector Manager:	Name: Nathan M. Belete (SM)	Date: 26-Jun-2014