Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 12-Mar-2020 | Report No: PIDC28837

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Indonesia	P173446		Global Environment Facility Indonesia Sustainable Cities Impact Project (P173446)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EAST ASIA AND PACIFIC	Dec 01, 2020	Nov 01, 2021	Urban, Resilience and Land
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**GEF Focal Area**
Investment Project Financing	Republic of Indonesia	Ministry of National Development Planning (BAPPENAS)	Multi-focal area

Proposed Development Objective(s)

To strengthen the capacity of participating cities to prepare integrated spatial plans and prioritized capital investments that incorporate environmental considerations.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	15.87
Total Financing	15.87
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	15.87
Global Environment Facility (GEF)	15.87

Environmental and Social Risk Classification	Concept Review Decision
Substantial	Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **Indonesia ranks among the top ten fastest urbanizing countries in the world** and has the second-largest urban population in East Asia after China. Today, 151 million live in cities, and this number is expected to increase to 220 million by 2045[1]. About 57 percent of Indonesia's current urban population live in metropolitan areas, where many have homes in the "periphery" districts, commuting to the "core" to work and to access services. These periphery areas can be urban or rural, and often expanding, especially as cities in Indonesia do not have growth boundaries to manage spatial expansions.

2. **Rapid urbanization in the absence of proper planning has led to urban sprawl, resulting in a significant loss of biodiversity[2] in the urban peripheries due expanded urban footprint in environmentally sensitive areas**. Urban sprawl has adverse impacts for the sustainability of natural habitats and resilience of cities. Green areas and water bodies are especially under threat from urban expansion and densification, along with the ecosystems linked to them. Over the last three decades, green cover in DKI Jakarta has shrunk more than half of the original size, from 86,796 ha in 1986 to only 36,529 ha in 2018, as a result of land use changes from green to built-up areas. In just three years (2013-16), 20% of water cover within the DKI Jakarta area disappeared. Cheap land at the peripheries and weak development controls have allowed indiscriminate greenfield development to take place on the city outskirts, resulting in significant loss of biodiversity. Global evidence shows that biodiversity management is critical for more equitable and inclusive economic growth. The costs of inaction on biodiversity loss are high; between 1997 and 2011, the world lost an estimated US$ 4-20 trillion per year in ecosystem services owing to land-cover change and US$ 6-11 trillion per year from land degradation[3]. Therefore, attention to biodiversity and economic growth go hand in hand, rather than the latter at the cost of the former[4].

3. **Many urban areas in Indonesia suffer from frequent flooding and extensive land subsidence.** Weak development controls and poor planning have also allowed development to happen in areas not suitable for development – those prone to flooding and inundation, of weak soil foundation prone to earthquakes, suffering from land subsidence, etc. Land subsidence is increasing the risk of flooding in major metro and urban areas along rivers or coastlines, such as DKI Jakarta, Bandung, Lhokseumawe, Medan, and Semarang. Land subsidence is exacerbated because of groundwater extraction for industrial use, gas extraction, and residential use as significant gaps in piped water access persist in cities. Bandung and Jakarta are sinking at an alarming rate of 7.2 centimeters a year. Medan is expected to be below sea level within the next 60 years, and parts of Jakarta Utara are already below sea level. Environmental degradation

[1] World Bank. 2019. Time to ACT: Realizing Indonesia's Urban Potential.
[2] Tree cover, flagship species, land-based and marine species, value of ecosystem services, etc.
[3] OECD (2019), Biodiversity: Finance and the Economic and Business Case for Action, report prepared for the G7 Environment Ministers' Meeting, 5-6 May 2019.
[4] World Economic Forum. 2018. Chart shows the link between emissions and economic growth, wherein some countries show economic growth while reducing emissions.

and deforestation associated with inadequately managed urban population growth, land shortage, and commercial activities are major contributors to pluvial floods and landslides.[1] Similar to the 2019-2020 floods, in both 2013 and 2014, DKI Jakarta was heavily inundated for many days in January, causing combined damages of about US$3.6 billion (2013/2014 price levels)[1]. Extreme weather, sea level rise, and other climate change impacts are increasing the intensity of flooding as urban residents, especially urban poor, become more vulnerable (poor quality infrastructure constructed in hazard prone areas, expansion of urban footprint in high disaster risk areas).

4. **Inefficiencies exist within the expanded urban footprint and GHG emissions from cities need to be reduced significantly.** Adaptation to climate change is a critical issue in Indonesia, which ranks as the world's fifth-largest greenhouse gas emitter globally[5]. There is rich global evidence that demonstrates the linkages between climate change and economic growth. If temperatures rise by 2-degree Celsius global GDP would fall by 15%; in a 3-degrees Celsius scenario, global GDP would fall by 25%, which is not dismissible[6]. Emissions from transport are estimated to make up almost 30 percent of Indonesia's total CO_2[7] as the transport sector is still heavily dominated by fossil fuels. Congestion in cities due to poor planning and ad hoc infrastructure investments have adverse economic implications. According to the World Bank's Indonesia Urban Flagship 2019, congestion costs Indonesia at least 6 percent of GDP (Cost of traffic jam: 0.5% of GDP (~USD 4 billion a year), cost of premature deaths from pollution: 3.5% of GDP, cost of poor sanitation and hygiene: 2.3% of GDP.). This is only a tip of the iceberg, as the number focuses on very direct costs of congestion and does not capture costs associated with congestion of land and housing markets, and the associated sprawl.

5. **Failure to adapt to a changing climate will be shouldered by Indonesia's urban poor.** Already, approximately 110 million people in about 60 Indonesian cities are exposed to negative impacts of climate change. The greatest impacts fall on the poorest people, particularly those who are dependent on climate-sensitive livelihoods, such as agriculture, fishing, and forest activities. For instance, sea level rise threatens the 42 million people who live in areas less than 10m above sea level in Indonesia. A one-meter rise in sea levels could inundate 405,000 hectares of Indonesia's coastal land and cause low-lying islands to disappear, where many of its most vulnerable population reside[8]. As a result of urbanization, recent rural-urban migrants are often pushed toward vulnerable areas, such as flood-prone land and steep hillsides. In Semarang, 30 percent of the city's population lives in land subsidence zones, and the most severely affected areas that have been abandoned by high-income populations have turned into pockets of poverty, exposing the urban poor to greater environmental risks.

6. **Impact of climate change is also gender differentiated, impacting women disproportionately.** Climate change is likely to reinforce and exacerbate societal patterns of discrimination that, on average, render women more vulnerable to fatalities and reduce their life expectancy, especially for economically poor women, more than men.[9] For instance, in many Indonesian communities where women and girl children are not actively encouraged to learn swimming or climb trees, they may suffer greater injury and fatality in some kinds of climate change-induced natural disasters and flood events. Long attire and household and childcare responsibilities can make it difficult for women to seek safety

[5] WRI 2017.
[6] Burke, M., Davis, W.M. & Diffenbaugh, N.S. Large potential reduction in economic damages under UN mitigation targets. Nature 557, 549–553 (2018).
[7] Source: https://www.climate-transparency.org/wp-content/uploads/2019/11/B2G_2019_Indonesia.pdf (2019).
[8] Source: https://www.climatelinks.org/resources/climate-risk-profile-indonesia (2018)
[9] Nellemann, C., Verma, R. and Hislop, L., 2012. *Women at the frontline of climate change: Gender risks and hopes, a rapid response assessment.* United Nations Environment Programme.

in a timely fashion, increasing the risk of fatality and injury. Lower levels of education among women in lower-income communities and gendered dimensions of digital divide also limit women's access to safety information. Finally, planning and urban design do not sufficiently consider how women interact with the built environment, for instance, their potential greater need for safe green spaces in contexts such as Indonesia where greater child care responsibilities are shouldered by women.

Sectoral and Institutional Context

7. **As the world's fifth-largest emitter of greenhouse gases and the largest contributor of forest-based emissions, Indonesia's success in achieving its national climate pledges will be critical to keeping the global temperature rise at levels recommended in the Paris Agreement.** In 2016, Indonesia submitted its first national climate action plan to the United Nations where it had pledged to cut emissions by 29-41 percent by 2030[10]. For Indonesia to reach a target of 41 percent, emissions need to decrease by 1.1 billion tons of carbon dioxide equivalent (tCO_2e). In 2015, the Ministry of Finance (MOF) allocated US$870 million with 51 percent for the land use sector, of which only a small portion (0.5 percent) went to sub-national governments. Notably, the scale of finance needed to meet Nationally Determined Contribution targets is estimated to be much larger; in the range of US$ 70.5 to US$ 100 billion from public and private sources. To realize this goal, promotion of low-carbon development through densification and optimization of urban space is a key priority, calling for a structural change in how cities are planned, and investment locations identified.

8. **The Indonesian Biodiversity Strategy and Action Plan (IBSAP) 2015-2020 was developed to provide Indonesia with a solid foundation to build a common understanding about the importance of protecting its biodiversity and the far-reaching social, economic and environmental benefits.** Given that 90 percent of urban areas in Indonesia are in coastal areas, the integration of water management and land development controls will be critical to protect habitats and marine life. By integrating biodiversity and ecosystem values in urban planning, cities have the potential to manage growth in accordance with their carrying capacity by controlling urban sprawl and development encroachment.

9. **Indonesia also launched the National Action Plan on Marine Debris in 2017, which called for efforts to control plastic waste leakage/marine debris and raise awareness of the issue.** Pollution entering marine and coastal systems has spiked across the country and estimated 0.27 to 0.9 million tons of waste enters the oceans every year through river flows[11]. Several Indonesia cities have initiated bans on plastic bags including the cities of Banjarmasin, Balikpapan and Bogor and in Bali province. The policy has succeeded in reducing plastic waste by two to three tons per day in Banjarmasin. In contrast, the capital city of Jakarta has not imposed restrictions on single-use plastic. The latest research from LIPI shows that 59 percent of the marine waste released from nine rivers in Jakarta, Bekasi and Tangerang consists of disposable plastics that have polluted Jakarta Bay. There is room to target greater efficiency of city-level investments in waste-management and sanitation in alignment with GoI's plans to reduce marine plastic waste by 70 percent by 2030. Known as a major fishing nation, Indonesia accounted for approximately 52 percent of global marine fisheries landings in 2015. However, microplastics have been found in the 28 percent of fish caught in Indonesian waters impacting, a high proportion of which can be attributed to upstream pollution from improper solid waste management in urban centers.

[10] 41 percent by 2030 with international assistance or 29 percent with its own resources, relative to a business-as-usual (BAU) scenario.
[11] According to the Indonesian Institute of Sciences (LIPI)

10. **Indonesia's National Action Plan for Climate Adaptation calls for intensified investment in climate-adaptive infrastructure.** Indonesia's National Action Plan for Climate Adaptation (RAN-API) targets the urban sector and infrastructure sector. For the urban sector, focus is on integration of climate adaptation with urban spatial planning, preventive adaption of urban infrastructure and facilities and the urban built environment and increasing public awareness and preparedness for climate-related threats in urban communities. On the infrastructure sector, focus is on adaptation of the structure, components, design and location of the infrastructure (such as green infrastructure) that is resilient to climate change, improvement of existing infrastructure that is vulnerable to climate change and facilitation of studies and research activities on green and climate resilient infrastructure.

11. **Indonesia is also committed to implementing the Sustainable Development Goals (SDGs)**. Under SDG 11, Indonesia has a national policy and vision for sustainable urban development, outlined in the RPJMN 2020-2024 (5-Year Mid-Term Plan). "Building the environment, enhancing resilience to disaster and climate change" is one of the seven priorities stated in the RPJMN – environmental quality and climate change have become national priorities. Since the 2011, Indonesia is actively reducing carbon emissions through the implementation of the National Action Plan on GHG Emissions Reduction and the 2020 Low-Carbon Development Initiative.

12. **While the numerous national initiatives highlighted above signal high commitment from GOI to pursue biodiversity and climate change actions, urban planning and management practices are not sufficiently evidence driven and often poorly informed by environmental sustainability actions and principles.** For instance, there is a lack of attention to the environmental carrying capacity of cities within city level spatial plans. The carrying capacity of a city refers to the maximum number of populations that can be supported by the natural resources and environment in a region without depleting or degrading them. Therefore, spatial planning needs to strive for a harmonized balance between the population and the environment carrying capacity. Although Indonesia has regulations on urban growth and carrying capacity under the Indonesian Planning Law 26/2007 and Environmental Protection and Management Law 32/2009, challenges exist for implementation at the city level due to the lack of cities' capacity to accurately calculate the optimal balance between population growth, environment carrying capacity and land use allocation for development.

13. **Mechanisms for development control are weak especially given the large backlog and low-quality of Detailed Spatial Plans (RDTRs).** Only 10 percent of urban areas in Indonesia currently have finalized and approved RDTRs, while a large proportion are in draft and lack regulatory force. Even if prepared and approved, the quality of RDTRs being produced remains questionable. A scenario modelling conducted for Semarang under the World Bank's City Planning Labs, highlighted that if the proposed spatial planning under the RDTR was implemented as planned, population in several new development areas would result in lower overall population density than the current, increase urban footprint and exacerbate gaps in access to basic amenities for Semarang residents. People living in these areas would have to travel longer distances to access jobs and services, resulting in higher energy consumption and GHG emissions as compared to a Transit Oriented Development (TOD) scenario that modelled densification near existing transport networks. Given that the TOD based options would also lower the overall infrastructure investment costs, the city opted for investing in such an approach.

14. **Infrastructure investments lack spatial prioritization, contributing to an expansion of urban footprints. Unplanned urban expansion not only creates inefficiency in service delivery but also threatens biodiversity and contributes to increased GHG emissions.** Under the local medium-term development plans (RPJMD), city

governments have the mandate to establish a five-year capital investment prioritization plan. However, the list of investments in most RPJMD documents remain indicative without clearly defined spatial prioritization (e.g. 500m of local roads without specified locations). The indicative investments in RPJMD are also not linked with proposed sources of finance in the medium term, resulting in ad hoc and fragmented implementation in the context largely annually approved budgets. 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 investments in infrastructure and development outcomes. Recently, the Government of Indonesia has announced additional fiscal transfers directly to the *keluharan* to close service delivery gaps and promote community empowerment (*Dana Keluharan*) for urban populations. While these funds aim to improve public services through community engagement, they are not coherently linked with city-level capital investment planning. At both city and community levels, there is also significant room to strengthen attention to environmental considerations.

15. **Finally, cities lack the capacity to prepare high-quality subprojects with due environmental considerations and lack of access to financing for those subprojects.** Alternative sources of financing are increasingly becoming available to Indonesian cities, such as the Regional Infrastructure Development Fund (RIDF) that offers a sub-national financing facility for infrastructure. However, due to the limited capacity of subnational governments, subproject preparation faces quality issues, with the projects proposed often not informed sufficiently by environmental considerations and good data on location selection. This includes identifying better locations for subprojects (disaster free and area of high development priority), preparing high-quality subproject preparation documents (e.g. FS, DD, EIA), balancing competing interests at the local level against other sources of financing. Unlocking this bottleneck would greatly enhance the cities' access to not only sources like RIDF but also reduce some of the constrains for accessing private sector financing.

Relationship to CPF

16. **Engagement Area 1:** Infrastructure Platforms at the National Level. At the national level engagement, the Bank will seek to work in those sectors where impact can be driven through 'platforms' in partnership with government and development partners to reach scale, and where relevant, the private sector. The project will be a 'platform' that strives to bring together various GoI-World Bank national sector programs to promote greater environmental sustainability across selected cities in Indonesia. This would be conducted through targeted intervention to promote low-carbon urban development, including energy efficiency activities and transport intervention.

17. **Engagement Area 3:** Maritime Economy and Connectivity. The GoI made 'Maritime Nation' a pillar of its development agenda, but progress has been stagnant. The project presents project cities the opportunity to incorporate biodiversity and climate mitigation priorities in their planning and investment cycles. This would enhance biodiversity and inspire low-carbon development in costal and riverine cities. Eventually, success in project cities can be leveraged to influence local industry, commerce, and citizens to transition towards more sustainable urban environments.

18. **Engagement Area 4:** Delivery of Local Services and Infrastructure. The key priorities for this engagement are i) prioritizes i) strengthening the decentralization framework to improve local service delivery and ii) supporting the sustainable urbanization of cities, particularly through infrastructure development. The project promises to link spatial planning and urban design to sustainable urban development and investment planning for a circular economy

approach, and to further explore linkages with the direct fiscal transfers to urban communities (Dana Kelurahan). This would give rise to the implementation of climate smart infrastructure, resulting in greater city and community level investments in waste management, strengthen regulation of industry, and higher efficiency rate of public transport use.

19. **Indonesia's SCD (Indonesia: Eliminating extreme poverty, enlarging the middle class) is currently being updated.** In the latest draft[12], **Pillar 4 Managing Natural Assets for Enduring Prosperity** is particularly relevant for this project. The SCD clearly points out the fact that natural resources-based growth has also led to rapid depletion of land and coastal assets, and to increased vulnerability to climate change. It also discusses how poor waste collection and treatment services lead to higher rates of ocean leakage and calls for the need to improve waste management practices in Indonesia, invest in public recycling facilities, and raise broader awareness to reduce demand, focusing in high leakage areas. The SCD further highlights how effectiveness of subsidies and fiscal incentives could be improved, by aligning them with productivity and sustainability goals.

C. Proposed Development Objective(s)

To strengthen the capacity of participating cities to prepare integrated spatial plans and prioritized capital investments that incorporate environmental considerations.

Key Results (From PCN)

Expected measurable outcomes of the project at the concept stage are as follows:

1) City is utilizing spatially and environmentally informed integrated planning
2) City and community investment prioritization frameworks include attention to environmental considerations
3) Increased capacity of cities to prepare high-quality subprojects that enhance environmental considerations including the achievement of Global Environmental Benefits (GEBs)[13]

Sub-indicators will be developed in the results framework during preparation to ensure effectiveness of the project monitoring and evaluation framework including indicators on citizen engagement and gender, as relevant.

D. Concept Description

20. **GEF-7 Sustainable Cities Impact Program:** As a response to the importance of cities in addressing climate change, GEF is promoting urban sustainability in their Sustainable Cities Impact Program. The approved work program includes $97.3 million ($89.23 million in grants and $8.08 million in fees) for seven Bank projects (Indonesia, China, Sierra Leone, Rwanda, Brazil, Dominica, El Salvador). Additionally, GEF will fund a Resource Team made up of other actors supporting sustainable city initiatives such as UNEP, World Resources Institute (WRI), Local Governments for Sustainability (ICLEI), and C40 (a network of megacities including Jakarta committed to addressing climate change).

[12] Draft as of January 2020.
[13] Global Environment Benefits (GEBs) as defined by GEF are as follows: biodiversity GEBs refer to the conservation and sustainable use of globally significant biodiversity, and climate change GEBs refer to the sustainable mitigation of the concentration of anthropogenic greenhouse gases (GHG) in the atmosphere.

The resource team will support technical capacity building to complement project activities and help share experiences with cities beyond those involved in the program.

21. **Indonesia GEF SCIP child project:** Overall, the proposed child project aims to promote GEBs through targeted cross-sectoral interventions in spatial planning, environmentally informed designs (green infrastructure, water-sensitive approaches), integrating waste management within broader planning, biodiversity conservation and ecosystem revitalization etc. Such approaches require a critical shift in thinking of how we develop cities, especially strengthening links between urban planning and infrastructure development to make the investments more efficient and reduce the vulnerability of populations to climate-related hazards by directing development towards lower risk areas. The candidate cities being discussed are: DKI Jakarta, Surabaya, Makassar, Balikpapan, Banjarmasin, Tarakan, Bitung - of which five will be selected with the inclusion of DKI Jakarta confirmed. The city selection takes into consideration criteria such as: large secondary cities/ metro areas, inclusion of the city in C40 Cities Climate Leadership Group, biodiversity significance, climate-change relevance, commitment from city governments on addressing climate change, the presence of other urban sectoral infrastructure investment programs (including World Bank projects) and potential for co-financing, and geographical mix. While the GEF guidance is to focus on larger cities, the GOI would like to include a smaller city for piloting biodiversity informed sustainable urbanization approaches. *Not all activities outlined under the project components will be applied equally in all cities and will narrowed down based on need and context of each city during preparation*.

22. **The proposed project is not standalone but builds upon the foundations laid by several World Bank linkages. the National Urban Development Project (NUDP),** a World Bank finance technical assistance loan. NUDP aims to strengthen the capacity of local governments to carry out evidence driven urban planning, support the cities to develop a pipeline of prioritized medium-term capital investments and boost local fiscal management capacity. The GEF project will leverage NUDP in three ways. One, it will utilize the national inter-ministerial urban platform led by that has been already established in the form of a Steering Committee (TKPPN) as part of NUDP appraisal conditions under the Ministry of National Development Planning (BAPPENAS). Two, the GEF project will benefit from the innovative integrated planning approaches being developed under NUDP and use these as the basis to enhance environmental considerations within planning rather than starting from scratch. Three, in the cities where there is overlap with NUDP Phase 1, GEF project will finance Feasibility Studies (FS) and Detailed Engineering Designs (DED) of priority projects that enhance GEBs since the support for FS and DED is not financed under NUDP.

23. **The project is a close collaboration with the Urban and Environment Global Practices, including team composition and synergies with existing work of the Environment GP**, specifically with the Programmatic ASA Sustainable Management of Indonesia's Oceans and Coastal Resources and Reducing Marine Debris as well as the Oceans for Prosperity Project under preparation. Areas discussed include alignment of coastal and city level spatial plans, designs for restoration of coastal and riverfront areas as corridors of habitats and enhancing environment-informed urban designs in urban areas through green infrastructure solutions. Coordination with the Indonesia Urban Solid Waste Management Project has identified a mutual area of interest around pilots for enhancing integration of solid waste management in urban planning and urban design. Project cities to roll out these initiatives will be further explored through identifying geographic overlap of cities.

24. The proposed project also expects to leverage the Regional Infrastructure Development Fund (RIDF) by increasing the readiness of subprojects that can may be able to access financing from RIDF. Furthermore, effective linkages can

be made with projects such as the National Urban Water Supply Program (NUWAS) and potentially the National Indonesian Mass Transit Program Support Project (if new cities are added beyond Medan and Bandung), where the proposed project outputs may become potential inputs for identifying investments in overlapping cities. Discussions with the Social Team have highlighted the potential for working together on strengthening community participation, especially around *Dana Kelurahan* grants.

2. Project Components

25. **Component 1: Integrated spatial planning and urban management (US$ 4.5 million):** This component will support cities to develop integrated spatial plans (e.g. multi-sectoral plans aligned with spatial planning within priority areas of the city, placemaking approaches etc.) supported by robust analytics, carrying capacity considerations etc., with an aim to enhance the inclusion of environmental considerations within spatial planning. The component will finance capacity building of local governments and local urban planners to utilize urban development scenario modelling tools that allow operationalization of environmentally sensitive decision making for spatial planning and investments.[14] Development of enhanced resilience modules in the capital investment planning framework will also be financed building upon the framework developed under NUDP. Integration of community level planning tools and approaches with the city-level planning will be carried out to facilitate more efficient usage of the direct fiscal transfers to urban communities under *Dana Kelurahan* and alignment with the local government investments. Finally, the component will also finance piloting of integrated city planning and solid waste management solutions that have the potential to reduce plastics in upstream waterways, including approaches that engage communities. *Note that every city will have a tailored set of activities that are specific to the needs of the city and will be agreed during preparation and appraisal.*

26. **Component 2: Catalyzing integrated investment in priority areas (US$ 6.0 million):** This component will finance Feasibility Studies (FS), Detailed Engineering Designs (DED), Urban Designs, Environmental and Social Impact Assessments (ESIA), Land Acquisition and Resettlement Action Plans (LARAP), Biodiversity reports, etc. for preparing priority projects in a manner that contributes to GEF's Global Environment Benefits related to biodiversity and climate resilience. While infrastructure construction is not included within the scope of the project, the design of the subprojects expected to catalyze investments downstream. Examples of the types of activities financed under this component include: 1) FS/DED/EIA for green infrastructure solutions, water sensitive urban design, design of engineering approaches to mitigate the impact of land subsidence on networked infrastructure, resilient affordable housing designs, solutions for increasing energy efficiency in public facilities, enhancing integration of solid waste management to reduce riparian plastics etc.; 2) FS/DED/EIA etc. for projects focused on coastal and riverfront revitalization, hydrological modelling to inform rehabilitation of drainage systems etc.; 3) FS/DED for sub-projects linked with transit oriented development etc. Supporting cities with the design of such interventions will not only have positive impact on urban environmental sustainability but also create potential activation points to crowd in subsequent investments from multiple sources (such as the private sector) by unlocking the potential of urban land. *Note that every city will have a tailored set of activities that are specific to the needs of the city and will be agreed during preparation and appraisal.*

[14] Example of such scenarios may be: baseline scenario, government plan scenario (such as the RTRW/ RDTR scenario), wherein an optimal scenario comes in as a third option, such as TOD scenario (modeling densification near transport networks) or Efficient scenario (modeling densification near regeneration sites, tourism destinations, public space while not including the development of new amenities) – urban expansion rates and GHG reductions can be estimated as outputs of such modelling exercises.

27. **Component 3: Piloting innovative financing approaches and instruments (US$ 3.0 million):** This component will support the capacity building of local governments to access alternative sources of finance beyond national transfers. Cities will receive support to identify detailed criteria and indicators for selecting suitable projects for private sector finance. This component will finance the identification and design of appropriate land-based financing mechanisms such as land value capture (LVC) instruments applicable to the context of secondary cities in Indonesia. Structuring of innovative marine based financing instruments (e.g. upstream municipal blue bonds structuring process and/or blue credit for avoided cost will be supported, along with an increase in the capacity of cities to access sub-national financing facilities such as RIDF for environmentally sustainable financial investments. Support will also be available for increasing cities' access to other permissible financing sources, including private sector financing. Municipal blue loans (e.g. through RIDF, regional banks, and/ or Local State-Owned Enterprises) will particularly benefit the coastal cities to access financing for projects that are eligible under the applicable frameworks. A list of eligible subprojects that are aligned with the environment sustainability directions of GEF and ready to access alternative sources of financing will be identified during the project preparation. *This component will only be available for high capacity local governments.*

28. **Component 4: Policy dialogue and knowledge management for relevant stakeholders, to support the promotion towards environment-friendly behavioral changes of the public (US$ 1.5 million):** This component will support the engagement of relevant stakeholders in series of policy dialogue and knowledge exchange events. The Inter-Ministerial Urban Steering Committee established under NUDP (namely, TKPPN) will also be leveraged to deepen the policy dialogue. Funding for the mandatory global knowledge sharing events that cities and national government will be expected to attend under GEF-7 is also included. Activities for community related behavior change will also be financed, for instance around the solid waste agenda. A collaborative process with stakeholders will be able to inspire recommendations and actions at local, national and regional levels to advance urban sustainability agenda.

29. **Component 5: Project management (US$ 0.8 million):** This component will support overall project management, including technical, fiduciary, procurement and safeguards issues, among others.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

30. The project aims to strengthen environmental considerations in city planning and is envisaged to generate environmental and social benefits. Activities included in this project, such as the preparation of feasibility studies (FS) and detailed engineering designs (DED) will likely lead to medium to large scale physical works related to solid waste and marine debris management and environment-informed and climate-resilient urban infrastructures. Although many of these investments will take place in large/metropolitan cities and degradation of sensitive areas is unlikely, further investigation is needed during project preparation. Although this project does not involve financing any construction works, there are potential downstream impacts such as environmental pollution from construction

waste, minor disturbances to marine/riverine species and work-related incidents. However, these impacts are expected to be medium to large in terms of scale, and mostly temporary, predictable and/or reversible. The project activities will not involve land acquisition, involuntary resettlement or access restriction. However, spatial planning processes in cities are closely linked to land use planning and could potentially cause involuntary resettlement in the foreseeable future on account of land use violations. These could include people being required to relocate for safety reasons, resettlement in disaster prone areas, from protected areas or in areas where state agencies are involved in land consolidation for future infrastructure development plans. The spatial plans, the land use plans and the physical investments will cover urban areas of the selected cities. The presence of Indigenous Peoples (IPs) in the selected urban areas will only be known once the participating cities are identified and if found would require the preparation of an Indigenous People?s Planning Framework (IPPF). An ESMF including a Land Acquisition and Resettlement Policy Framework (LARPF) will be drafted to mitigate these identified potential direct and indirect impacts.

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