

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC13383

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Indonesia	Project ID:	P154948
Project Name:	National Affordable Housing Program (P154948)		
Task Team Leader(s):	Taimur Samad		
Estimated Appraisal Date:	14-Nov-2016	Estimated Board Date:	17-Jan-2017
Managing Unit:	GSU08	Lending Instrument:	Investment Project Financing
Financing (In USD Million)			
Total Project Cost:	450.00	Total Bank Financing:	450.00
Financing Gap:	-757.00		
Financing Source			Amount
Borrower			757.00
International Bank for Reconstruction and Development			450.00
Total			1207.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

A. Proposed Development Objective(s)

The development objective of the proposed operation is to improve access to housing for lower-income households.

The Program will fulfill this objective by supporting the Government of Indonesia in the design and implementation of the National Affordable Housing Program. Specifically the Program will:

- (i) Strengthen housing sector governance and the enabling environment for affordable housing through the development of a Targeting System and a Housing and Real Estate Information System.

(ii) Improve access to affordable housing finance with the design and implementation of specialized financial products for informal and low-income households, including a Savings-Linked Mortgage Subsidy Product and a Savings-Linked Housing Microfinance Subsidy Product.

(iii) Expand supply of affordable housing with assistance for the design and implementation of supply-side programs, specifically scaling up the existing home improvement subsidy (BSPS) to urban areas, developing a Core Starter Home Product, and facilitating access to urban land for housing.

C. Project Description

The Ministry of Public Works and Housing (MPWH) has been entrusted with a mandate to enable the provision of one million homes per year over the next five years as part of the Satu Juta Rumah initiative, officially launched on April 30, 2015. GoI considers Satu Juta Rumah to be a broad umbrella initiative that encompasses a suite of programs and interventions.

A core instrument launched under the initiative is a revised FLPP (Fasilitas Likuiditas Pembiayaan Perumahan or Liquidity Facility for Housing Finance) scheme (referred to in this document as FLPP 2.0) which aims to deepen concessional liquidity provision for housing loans to provide an immediate stimulus for home production targeting the lower-middle class. Under FLPP 2.0, the scheme has been recalibrated to incorporate the following incentives: (i) reduced cost of concessional funds for banks from the FLPP liquidity facility (from 0.5 percent to 0.3 percent); (ii) increase in the ratio of FLPP to bank own funding for each mortgage (from 75:25 to 90:10); (iii) provision of a IDR 4.0m down payment subsidy; (iv) reduction in the cost of mortgage insurance (from 30 basis points to 25 basis points); and, enabled by the above, (v) a reduced interest rate of 5 percent (from 7.25 percent) to the consumer for a fixed rate mortgage. These changes to the FLPP scheme will enhance the affordability of mortgages for lower-income households and provide an immediate stimulus to home production. However, the FLPP 2.0 scheme also will prove more expensive to GoI on a per unit basis, raising questions as to the long-term sustainability of the scheme. Additionally, the FLPP 2.0 scheme would only serve formal-income and bankable households that are able to qualify for mortgages.

The Government of Indonesia has recognized that it will need to do more under the Satu Juta Rumah initiative to target low-income households. In this regard, GoI has requested World Bank assistance on delivering affordable housing through a broader suite of instruments that reorient support towards the bottom 40 percent of Indonesian households. These activities would be structured as components under the umbrella of the overall Affordable Housing Program, with a specific focus on targeting low-income and informal-earning households. Figure 4 shows the way in which the proposed operation fits into the larger government housing program.

The specific components of the proposed operation are organized around the key results areas, including: (i) strengthening the environment for effective affordable housing policy by developing key prerequisites, (ii) the development of demand-side financing products capable of reaching informal and low-income households, and (iii) the reform and introduction of supply-side social housing products. Each of these components is described below in more detail.

Results Area 1: Enabling Environment for Affordable Housing

This component is focused on development of key systems essential to the effective implementation

of affordable housing policy: specifically (i) developing a functioning Targeting System for identifying and selecting beneficiaries, and (ii) investing in a Housing and Real Estate Information System (HREIS).

Program Component 1.1: Targeting Systems. Create an effective and common targeting system across housing programs to inform the design of subsidies, eligibility criteria and selection of beneficiaries. The Targeting System will use existing consumer surveys and census data collected by BPS (Badan Pusat Statistik or Central Statistical Agency) and TNP2K (Tim Nasional Percepatan Penanggulangan Kemiskinan or National Team for the Acceleration of Poverty Reduction) as a starting point to:

- (i) develop a more concrete understanding of consumer segmentation and housing need by a range of socio-economic factors;
- (ii) put in place a clear process to allow easy calculation and updating of the housing backlog deficit (both quantitative and qualitative);
- (iii) determine eligibility guidelines and extent of subsidy needed in different geographic locations, on a program-by-program basis, to allow MPWH to improve the design and targeting of housing programs and subsidies; and
- (iv) rank order the housing needs by district and province to help the MPWH prioritize its housing program support, subsidy budget as well as capacity building efforts towards those districts and provinces with highest needs.

Additional consumer surveys may be conducted as necessary to complete the understanding of the consumer segmentation.

Program Component 1.2: Housing and Real Estate Information System. Build out a Housing and Real Estate Information System (HREIS). The HREIS will serve as a depository of housing and real estate related data, with indicators collected from areas of housing supply and housing finance, as well as tracking of home price movements and the implementation of public housing programs. Figure 5 below presents a schematic summary of the key data that will constitute the HREIS. The process starts with the collection of data from local governments, relevant ministries and public agencies, developers, and financial institutions. This data would be aggregated for trend analysis and key indicators will be developed for ongoing reporting. MPWH will work in close cooperation with the Bank of Indonesia to further extend the quality and geographical coverage of the quarterly Residential Home Price Index. Over time, once the HREIS has achieved the necessary depth, quality, consistency and reliability of information, regulators can use the database for forecasting and stress-testing of the market, allowing them to put in place early warning indicators and address potentially negative trends that could impact the stability in the market.

Processes for administering and maintaining the targeting system and HREIS (including the precise institutional set up and data management responsibilities) will be developed in collaboration with MPWH stakeholders at the QER (Quality Enhancement Review) and Appraisal stage

Results Area 2: Access to Housing Finance

This component focuses on improving access to finance for low-income and informal-earning households, with the design and implementation of two savings-linked subsidy and financing products: (i) a Savings and Subsidy-Linked Mortgage (SSM) product targeting the informal middle-income sector, and (ii) a Savings and Subsidy-Linked Housing Microfinance (SSHMF) product

targeting the low-income sector.

Program Component 2.1: Savings and Subsidy-Linked Mortgage (SSM) Product. The SSM product would be targeted to informal-earning households from mid to low-income who may be able to afford a mortgage to purchase or self-construct a home with formal land title but lack access to finance. Successful lending to the informal income sector requires lenders to assess income despite the lack of income documentation. Income proxies for informal households may be established through a minimum period of savings (e.g., 12 months) or a pre-existing savings or lending history. The savings amount is then linked to a subsidy to increase the borrower's total equity for a mortgage loan to be provided by a participating commercial bank priced for the relevant risk at the prevailing market rate. Eligibility criteria and relevant subsidy levels would be developed with a progressive scale with more support for the lower-income segments. This product design allows the government to maximize subsidy effectiveness and reach an underserved market segment while attracting private sector participation and funding.

MPWH is currently designing a savings-for-housing scheme that may form the basis for the proposed product. The government KUR guarantee schemes for small businesses could be assessed to draw best practices for adoption if deemed applicable. Finally, housing finance companies in India have brought the underwriting of informal income borrowers to a high level of expertise and standards that can inform the development of this product.

Program Component 2.2: Savings and Subsidy-Linked Housing Microfinance (SSHMF) Product. The second housing finance product, tentatively called SSHMF (Savings, Subsidy, Housing Microfinance) follows the same principle as the SSM product, but would link the government subsidy to housing microfinance instead of a mortgage to support the incremental expansion or upgrade of a home with informal tenure. The target market segment would be low-income households in the bottom 40 percent. Given that the loans are uncollateralized and that both household income and tenure are informal, loan amounts would be smaller and interest rates relatively higher than other housing finance products. Larger construction projects may require successive loan cycles, possibly increasing in size as the household proves more credit-worthy.

Payment capacity is established through a period of savings if pre-existing savings or lending history does not exist. The savings would be accompanied by a subsidy enhancement as well as construction technical assistance to ensure quality of construction. This technical assistance could include construction techniques, advisory from professionals and/or access to lower-cost construction materials. Successful models include Patrimonio Hoy in Mexico, where the cement maker CEMEX provides construction materials at a competitive price point to households. This model has since been expanded to other Latin American countries. In addition, a Habitat for Humanity-led pilot bundling construction technical assistance with HMF has proved successful in Nigeria and the Philippines. The development of the SSHMF has some unique advantages in Indonesia as the SME micro-lending market is robust both in volume and geographical footprint and large commercial banks such as BRI, Mandiri and Danamon are key players in the sector. Converting micro-lending to housing micro-finance has been done successfully in many countries and good practices exist for replication.

Results Area 3: Supply of Affordable Housing

This component focuses on increasing supply of affordable housing through the reform and expansion of the existing BSPS Home Improvement program, technical assistance to the

Government's public rental (Rusunawa) program, the design and delivery of a Core Starter House program, as well as development of a Land for Housing initiative that facilitates supply of urban land for affordable housing.

Sub-Component 3.1: BSPS Home Improvement Subsidy. The BSPS home improvement subsidy product enables low-income households to purchase construction materials and undertake self-help (swadaya) construction. The subsidy is currently IDR 10 million for incremental home improvements, such as upgrading of materials or addition of floor space, and IDR 20 million for complete reconstruction of preexisting but structurally insufficient homes. The BSPS program primarily targets rural areas but it is increasingly expanding to peri-urban zones. The GoI intends to address the acute housing need in cities in part by scaling up BSPS in urban areas and is working on adapting the swadaya program for cities.

The BSPS product will be developed to utilize improved targeting characteristics, more efficient delivery systems, output-based approach and the provision of construction technical assistance to support sound home improvement and expansion in urban areas. Specifically, the product will involve:

- Improved targeting by linking with the Targeting System (developed under Program subcomponent 1.1 above) as well as the triangulation of targeting system results with community-based systems under the PNPM program and the proposed National Slum Upgrading Program;
- Enhanced delivery systems, by focusing the product in urban areas on clusters of substandard houses and aligning with slum upgrading initiatives under the proposed National Slum Upgrading Program;
- Use of an output-based mechanism, by which subsidy disbursement will be linked to physical improvements;
- Improved construction quality through the provision of technical assistance. This allows for: (i) reduction in project cost through up-front technical support; and (ii) construction supervision during the project.

Program Component 3.2: Core Starter Homes Product. The Program includes a Core Starter Homes Product that would deliver basic or core units to low-income households in rural, peri-urban and urban areas in smaller agglomerations where land supply constraints are less acute. This program would provide a cost-effective option for government to target very low income households who cannot afford to purchase a formal completed unit. Core units are typically one-floor with a minimum floor area of approximately 25m², are move-in ready and can be extended incrementally over time by households on a self-help basis according to their changing needs and preferences. The core starter home component's main principles are: (i) affordability to enable replication and scale without exhausting public resources; (ii) access to basic infrastructure and amenities to eliminate negative externalities; and (iii) land tenure security to enable private investment. The World Bank will provide support to GoI to structure and implement this product during preparation.

Program Component 3.3: Urban Land for Housing. GoI is also focused on the challenge of urban land and finding solutions to access land for the successful implementation of the Satu Juta Rumah program. This component is focused on an Urban Land for Housing intervention that sets up a special unit and framework for identifying and mobilizing publically-controlled land assets for affordable housing, in particular, unused or under-utilized, state-owned and waqaf (donated) land. The special executing unit would work with local governments, MPWH, and BPN to identify land

needs, ascertain the location of developable public lands, and put in place a clear process to negotiate with the land-owning entities in order to prepare land for release, under certain protocols. The preparation of the Urban Land for Housing framework may require regulatory changes to clarify land release regimes or to ensure that the conditions of land release are transparent and that land prices are fairly set between the agencies involved in each case. This approach will simplify the release of urban land for housing, without requiring complex and costly acquisition of land by one central agency. The Roadmap for Housing Policy Reform contained a detailed but preliminary analysis of the key issues related to land supply, land demand for housing, the legal framework, urban land administration/management, and current and proposed policies and programs to improve urban land supply for housing. The Bank will study these issues in depth at the QER and Appraisal stage in order to confront the complexity inherent in releasing land for affordable housing in an environment of high land values and overall land shortages in urban areas.

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

The increased access to mortgage and down-payment subsidized financing under component 2 would lead to increased affordability for low income households to purchase or self-construct a home with formal land title and undertake incremental expansions or upgrades of an existing home. Houses will be built individually or in small clusters on the households' own land or government land within the already build-up areas in a district or city.

Home improvement or new construction financed by component 3.1 will be located in the existing individual land plots owned or occupied by the beneficiaries, typically spread out in a district or city with one or two houses in each cluster. Core-starter units (component 3.2) would deliver basic or core units to low-income households in rural, peri-urban and urban areas in discrete, smaller agglomerations where land supply constraints are less acute.

Initiatives under component 3.3 would increase the availability of urban land for affordable housing development by releasing unused or under-utilized, state-owned and waqaf land according to certain protocols. The increased urban land available would lead to increased government capacity in facilitating low income and poor families' access to affordable homes. The project anticipates that acquiring unused or under-utilized state owned urban land and waqaf urban land involving transfers of assets will be complicated and may take few years, and also, the size of each land area that can be obtained will be relatively small as urban land is scarce and expensive.

In summary, location for houses potentially financed by component 2 and 3 will be in discrete sites, geographically spread out within districts or cities, and consist of individual to small clusters of houses. Hence, there will be no cumulative social impacts within the area of influence. The intensity of involuntary land acquisition and resettlement in each site will be small-scale. The likely environmental and social impacts would occur during construction, including disturbance to the communities in the area such as noise, dusts, materials stocking, and access to the sites. Component 2 and 3 will not be used for supporting housing development or improvement that will involve large-scale involuntary land acquisition and resettlement that will lead to significant, irreversible adverse significant environmental and social impacts.

The project is a nation-wide program and therefore will ultimately cover all districts and cities in the country, covering rural, peri-urban and urban areas. Gradually the focus of the project, particularly those to be financed by component 3, will move more towards urban areas as the pressures for affordable housing accessible to low-income and poor families in cities has significantly increased.

Environmental and social impacts will take place in already developed areas where houses financed by component 2 and 3 are built. Potential environmental and social impacts are expected to be insignificant, non-irreversible, small-scale, and site-specific. As a nation-wide project, it is anticipated that IPs communities or ►(Masyarakat Hukum Adat►((MHA) would be part of the target beneficiaries and/or affected by the project. Due to the project nature, sites of housing improvement and housing development as well as typical positive and adverse environmental and social impacts ►(including on IPs ►(are unknown at this stage. Housing improvement and development will improve the living conditions of the occupants, which will ultimately lead to better health and social quality of life. Participating districts and cities will be identified during project preparation, but the exact sites of housing improvement and housing development in each districts and cities would only be known during project implementation.

E. Borrowers Institutional Capacity for Safeguard Policies

Ministry of Public Works and Housing has extensive experience in implementing Bank-financed projects and therefore has good understanding and capacity in environmental and social safeguards management in accordance with Bank and GoI safeguards policies. However, the DGs of Housing Finance and Housing Production (the Executing Agency) within MPWH have limited experience with Bank projects. The project will develop a strategy to strengthen their environmental and social safeguards management capacity, which will be discussed and agreed with the Bank during project preparation. The Bank will provide support to the Executing Agency and participating Local Governments (LGs) involved during the course of the project preparation and implementation, including awareness and technical training and guidance during the preparation and implementation of the Environmental and Social Management Framework (ESMF).

F. Environmental and Social Safeguards Specialists on the Team

Indira Dharmapatni (GSUID)

Virza S. Sasmitawidjaja (GEN2A)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project will involve improvements of existing homes and construction of new houses. New construction activities will typically involve small-scale civil works (for example, roof, floor and wall repair and small new house construction ►(max 25 m ²), that takes place in individual land plots or small land areas with small group of houses in each cluster. Each site is distinct and discrete from others, geographically spread in wide areas in a district or city, and located in developed areas. Cumulative impacts are unlikely. Given the nature of the project as explained in Section I.C and I.D, it is expected that the project will have minor, non-irreversible, small-scale, and site-specific environmental and social impacts. Overall environmental impacts will be positive whereby low income and poor families will enjoy better housing quality that will lead to

		<p>improved health quality and social life. No natural habitat, no forest, no sensitive or protected areas will be affected or involved in the project. Given the nature of the potential site-specific nature of the environmental impacts of the project, the project is proposed to be a Category B for environmental assessment.</p> <p>As explained in Section I.D, the potential participating LGs will be identified during project preparation, however, the exact site and scale of home improvement and new development will be known during project implementation. The project will adopt an Environmental and Social Management Framework (ESMF) in compliance with the World Bank safeguards policies identified at this stage and with the relevant Government of Indonesia laws and regulations. As part of the ESMF, the project will develop practical guidance to screen, identify potential environmental and social impacts (beyond involuntary resettlement) and to develop mitigation measures to address the identified impacts. The ESMF (which will focus on the ECOPs) will be prepared during project preparation, to be reviewed and approved by the Bank, consulted with stakeholders and disclosed in the MPWH's website and Infoshop prior to project appraisal.</p>
Natural Habitats OP/BP 4.04	No	The project activities will take place on already-developed land/areas. The project will not finance activities that involve significant conversion or degradation of critical natural habitats or natural habitats.
Forests OP/BP 4.36	No	The project will not finance activities that involve conversion or degradation of critical forest areas or natural forests 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 project 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 pesticide.
Physical Cultural Resources OP/BP 4.11	No	The project will be located in already developed locations that are known as residential areas, and will not change the landscape with large construction development.
Indigenous Peoples OP/BP	Yes	As described in Section I.C and I.D, the project may

4.10		<p>benefit or affect (positively or adversely) IPs or ►(Masyarakat Hukum Adat►((MHA) communities. According to the World Bank Screening Study (2010), IPs or MHA communities are present in many locations across the country, including inland, coastal areas and highland. Further confirmation and verification of IPs or MHA presence in the sub- project area of influence will be done once the list of participating districts and cities as well as the sitting of the sub-project are confirmed and identified during the project implementation. This will be followed up with identification of positive and adverse potential environmental and social impacts and agreed measures to address such impacts with IPs or MHA communities through a Social Assessment that will be carried out with a free, prior, informed consultation. The project will adopt an IPPF to screen, identify positive and adverse potential environmental and social impacts, and develop measures to address such impacts based on Social Assessment carried out through a free, prior, informed consultation with the IPs or MHA communities, in compliance with OP 4.10. The IPPF will be part of the ESMF as well as a stand-alone document. As part of the ESMF, the IPPF will be prepared during project preparation, to be approved by the Bank, consulted with stakeholders and disclosed in the MPWH►(s website and Infoshop prior to project appraisal.</p>
Involuntary Resettlement OP/ BP 4.12	Yes	<p>Given the project nature as described in Section I.C and I.D, the project will involve on-site housing improvement and new housing development on existing land plots owned by the beneficiaries or on unused or under-utilized government land that have been made available through asset transfers. On-site home improvement and new house development on existing individual land plots or new individual land plots (component 2 and 3.1 and 3.2) will be located in discrete, wide spread and in some cases on land with groups of houses in small clusters located in various sites geographically dispersed within developed areas in a district and city. The project will not finance any involuntary land acquisition or resettlement causing significant social impacts, particularly to informal occupants, if any, on the unused or under-utilized government land or waqaf land that will be converted for housing development</p>

		<p>for low income households to be financed by component 3.3. As described in Section I.D, unused or under-utilized government urban land conversion to land for housing development is a complicated process and may take years. As well located urban land is scarce and expensive; it is very likely that land made available for housing development under this scheme will take place in limited scale. Overall, the project will have limited adverse social impacts due to involuntary land taking, but at the same time, will create positive social impacts to the beneficiaries as improved house quality and access to new housing will lead to better social living condition.</p> <p>As the participating districts and cities will be identified during project preparation and the exact sites and areas of sub-project influence will be identified during project implementation. Involuntary land acquisition and resettlement would take place, although it would be in limited scale. The project will prepare a Land Acquisition and Resettlement Policy Framework (LARPF) as part of the ESMF during project preparation, to be approved by the Bank, consulted with stakeholders and disclosed in the MPWH's website and Infoshop prior to project appraisal. The LARPF, which will also be a stand-alone document, will specify the screening of the scope and intensity of project affected persons (PAPs), assess the potential social impacts, define the measures to address such impacts and define appropriate instrument to be developed (comprehensive or abbreviated Resettlement Action Plan or RAP), as well as guidance for the participating districts and cities to prepare the RAP.</p>
Safety of Dams OP/BP 4.37	No	The project will not finance construction and/or rehabilitation of dams.
Projects on International Waterways OP/BP 7.50	No	The project 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.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 27-May-2016

B. Time frame for launching and completing the safeguard-related studies that may be needed.

The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

ESMF will be completed in July 2016

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

IV. APPROVALS

Task Team Leader(s):	Name: Taimur Samad	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 08-Nov-2016
Practice Manager/ Manager:	Name: Abhas Kumar Jha (PMGR)	Date: 08-Nov-2016