



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

Appraisal Stage | Date Prepared/Updated: 21-Feb-2018 | Report No: PIDISDSA24103



BASIC INFORMATION

A. Basic Project Data

Country Indonesia	Project ID P157599	Project Name Indonesia Tourism Development Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 28-Feb-2018	Estimated Board Date 30-May-2018	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Regional Infrastructure Development Agency, Ministry of Public Works and Housing, Directorate General Highways, Ministry of Public Works and Housing, Directorate General Human Settlements, Ministry of Public Works and Housing, Directorate for Tourism Destination Development, Ministry of Tourism, Directorate General Investment Promotion, Indonesia Investment Coordinating Board (BKPM), Directorate General Investment Climate Development, BKPM, Directorate Institutional Development and Tourism Industry, Ministry of Tourism, National Development Planning Agency (BAPPENAS)	

Proposed Development Objective(s)



The Development Objective is to improve the quality of, and access to, tourism-relevant basic infrastructure and services, strengthen local economy linkages to tourism, and attract private investment in selected tourism destinations in Indonesia.

Components

1. Increase institutional capacity to facilitate integrated and sustainable tourism development
2. Improve tourism-relevant road quality and basic services accessibility
3. Promote local participation in the tourism economy
4. Enhance the enabling environment for private investment and business entry in tourism

Financing (in USD Million)

SUMMARY

Total Project Cost	754.88
Total Financing	754.88
Financing Gap	0.00

DETAILS

Total World Bank Group Financing	300.00
World Bank Lending	300.00
Total Government Contribution	452.78

Environmental Assessment Category

A - Full Assessment

Decision

The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

- Indonesia has achieved impressive gains in growth and poverty reduction during the last decade.** However, these achievements are now under stress amidst a slowdown in its commodity-driven economy, stagnant rates of poverty reduction and rapidly rising inequality. From 2001 to 2012, annual growth averaged 5.6 percent and poverty halved to 11 percent, using the national poverty line. As the external tailwinds of commodity prices have turned to headwinds since 2013, growth and job creation have slowed, exposing Indonesia's dependence on natural resources for export and investment and, indirectly, for job creation.
- The end of the commodity boom provides a unique opportunity for Indonesia to diversify its economy through judicious investments to support growth in non-commodity sectors.** As set out in the World Bank Group's Systematic Country Diagnostic (SCD), eliminating poverty and increasing shared prosperity in Indonesia requires addressing three key challenges: (i) sustaining economic growth that generates quality jobs, by addressing a broad range of structural weaknesses, including infrastructure bottlenecks; (ii) improving the quality of spending and access to key services; and (iii) enhancing the quality of natural resource governance and management. A return to stronger economic growth depends, apart from stable fiscal management, on closing Indonesia's large infrastructure gap and on further improvements in the business environment to reignite private investment.¹ However, if this growth is not achieved in a sustainable way, Indonesia risks depleting critical natural resources.
- Recognizing these needs and opportunities, the Government of Indonesia (GoI) has been adjusting its public spending to create the fiscal space for these infrastructure needs, business environment reform, and diversification priorities.** The fiscal stance remains mildly expansionary, with an overall fiscal deficit of 2.5 percent and 2.6 percent of GDP in 2016 and 2017, respectively (and a primary deficit of 1.0-1.2 percent). Given the fiscal rule to keep the deficit below a cap of 3 percent of GDP, the GoI has been improving the quality of its public expenditure to achieve its development goals: the 2017 Budget sustained a higher allocation for priority spending on infrastructure, health, and social assistance, and a further reduction in energy subsidy spending. In addition, beginning in 2017, subnational governments are required to allocate a minimum of 25 percent of general transfers (general block grants and revenue sharing) for infrastructure. Continuous improvements in budget planning and execution at central and subnational levels are needed to ensure that increases in budget allocations for key sectors translate into improved outcomes.

¹ World Bank. 2015. Indonesia - Systematic country diagnostic: connecting the bottom 40 percent to the prosperity generation; World Bank Group. 2015. Indonesia - Country partnership framework for the period FY16-20.

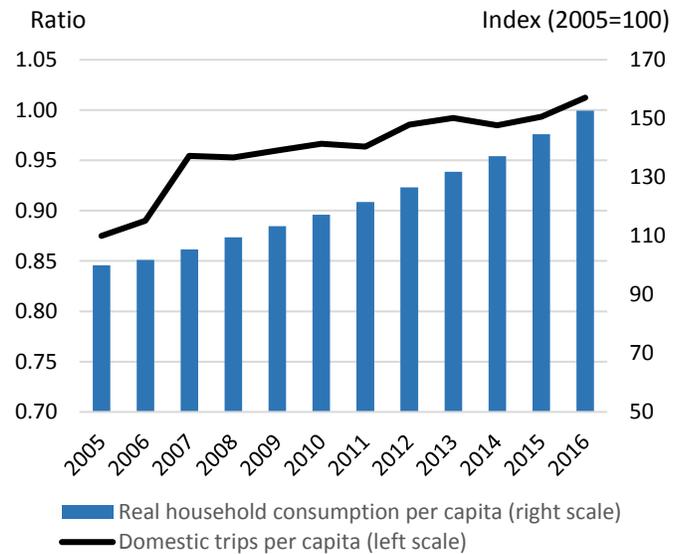


Sectoral and Institutional Context

4. **Tourism is a promising growth sector that can provide inclusive and sustainable growth across Indonesia.** Visitor spending can generate significant economic impacts in tourist destinations, if mostly spent on locally-produced goods and services. Data from Indonesia’s national accounts (input-output tables) suggests that most visitor spending stays in the Indonesian economy; around 20 percent of the spending goes towards imported goods and services.² The share that stays in the economy (i.e. for local goods and services) has strong subsequent multiplier impacts as a result of indirect effects (the resulting increase in output and employment for other sectors supplying inputs to support the rise in tourism spending), and induced effects (i.e. the additional spending by those deriving income from growing tourism activity). If planned and managed well, tourism can thus generate large employment and income multipliers for Indonesia, which can contribute to eliminating poverty and increasing shared prosperity. According to the World Travel and Tourism Council (WTTC), in Indonesia, every US\$1 million of spending in travel and tourism supports US\$1.7 million in GDP and around 200 jobs (of which 67 are direct jobs). Moreover, out of almost 7 million hotel and restaurant workers in Indonesia in 2017, women and men represented 58 percent and 42 percent respectively.³

5. **Tourism demand is booming globally, especially in China, creating significant opportunities to gain market share for destinations in Southeast Asia.** Worldwide, the tourism industry is projected to grow by 4 percent per annum over the next decade (2017-2027), outpacing expected global economic growth.⁴ Destinations in Southeast Asia have been beneficiaries of this robust demand, receiving 120.1 million international visitors in 2017 (9.1 percent of total global international visitor flows).⁵ Tourism demand from China has been especially strong, with the number of Chinese outbound travelers to ASEAN countries having grown at an average annual rate of 26.1 percent between 2010 and 2015 (reaching 16.9 million). During the same period, Indonesia’s market share within ASEAN of Chinese outbound visitors decreased (from 9.6 percent in 2010 to 7.4 percent in 2015). With the number of Chinese outbound travelers to ASEAN expected to double over the next decade (to 36 million in 2026), the potential for Indonesia is significant, if it can reverse its recent market share decline through destination development and improved tourism sector competitiveness.⁶

Figure 1: Domestic trips and household consumption per capita



Source: World Bank (WDI), Ministry of Tourism

6. **Meanwhile, Indonesia’s domestic tourism trends are also promising.** With roughly 264 million domestic trips by domestic travelers in 2016, the ratio of trips per capita—a proxy of domestic propensity for tourism—is about 1, and this ratio of trips per capita has been on a steady rise since 2005, underpinned by a strong increase in real household incomes (Figure 1). This upward trend in the domestic propensity for travel is expected to continue on the back of further household income growth and rising vehicle ownership rates, among other favorable trends.



7. **Indonesia has the potential to capitalize on this demand and develop a world-class tourism industry, leveraging its rich tourism endowments in a sustainable manner.** The archipelago is home to one of the most biodiverse habitats in the world having a rich array of tourism endowments that form the underlying draw for visitors. The World Economic Forum (WEF)’s Travel and Tourism Competitiveness Report 2017 ranked Indonesia 14th (out of 136 countries) for its natural resources and 23rd for its cultural resources and business travel, both capturing the principal reasons to travel (Table 1). Indonesia expanded the offer and promotion of its natural resources by increasing the size of protected areas and attracting more online interest in natural activities. However, Indonesia’s tourism industry is not yet operating at a level consistent with the quality and diversity of its natural and cultural endowments. Environmental sustainability (131st) remains a key risk factor for the sector.⁷ Moreover, some of these tourism assets are vulnerable to climate change. As an archipelagic country with extensive low-lying and small island areas, Indonesia is vulnerable to the adverse impacts of climate change. Indonesia also experienced extreme climate events, such as floods and droughts, which make up 80 percent of disaster occurrences in the country, and is anticipating long-term impacts from sea level rise, shifting rainfall patterns and increasing sea surface temperatures.⁸ These potential impacts of climate change could affect the tourism sector through multiple channels, including more frequent infrastructure damage from hydro-meteorological disasters resulting in business and travel interruptions, changes in weather patterns and seasonality affecting tourism demand, increasing water scarcity in areas affecting both local populations and visitors, and degradation of tourism assets such as coral reef loss.⁹ Java and Sumatra islands, which host Project destinations, are areas with particularly high vulnerability of their population and infrastructure to climate change.¹⁰

Table 1: Indonesia’s Tourism Competitiveness (Rank out of 141 countries in 2015 and 136 in 2017)

Travel & Tourism Competitiveness Index	2015	2017
Indonesia’s overall rank	50	42
Enabling environment		
Business environment	63	60
Safety and security	83	91
Health and hygiene	109	108
Human resources and labor market	53	64
ICT readiness	85	91
T&T policy and enabling conditions		
Prioritization of Travel and Tourism	15	12
International openness	55	17
Price competitiveness	3	5
Environmental sustainability	134	131
Infrastructure		
Air transport infrastructure	39	36
Ground and port infrastructure	77	69
Tourist service infrastructure	101	96
Natural and cultural resources		
Natural resources	19	14
Cultural resources and business travel	25	23

Source: WEF. 2015/2017.

² Based on the tourism satellite account produced by Statistics Indonesia (*Badan Pusat Statistik*, BPS) and Ministry of Tourism.

³ WTTC. 2012. The Comparative Impact of Travel and Tourism; WTTC. 2015. Indonesia: How does Travel and Tourism compare to other sectors?; United Nations World Tourism Organization (UNWTO) and UN Women. 2011. Global Report on Women in Tourism 2010; WTTC. 2014. Gender equality and youth employment; and BPS. 2017. National Labor Force Survey (*Survei Angkatan Kerja Nasional*, SAKERNAS) 2017.

⁴ WTTC. 2017. Travel & Tourism Economic Impact 2017: World.

⁵ UNWTO. 2018. World Tourism Barometer. Volume 16, Advance Release January 2018.

⁶ Horwath *Hotel, Tourism and Leisure* (HHTL) and World Bank staff estimates, based on: China National Tourism Administration, cited at: www.travelchinaguide.com/tourism/; and Goldman Sachs. 2015. The Asian Consumer: The Chinese tourist boom.

⁷ WEF. 2017. Travel and Tourism Competitiveness Report.

⁸ Gol. 2016. Indonesia’s First Nationally Determined Contributions, November 2016.

⁹ Potsdam Institute for Climate Impact Research and Climate Analytics. 2013. Turn Down the Heat: Climate Extremes, Regional Impacts, and the Case for Resilience. Washington, DC: World Bank.

¹⁰ Gol. 2013. National Action Plan for Climate Change Adaptation (RAN-API) - Synthesis Report.



8. **Despite the strong growth in foreign visitor numbers since 2006, Indonesia continues to lag behind key regional competitors in reaching its full potential.** Over the last 10 years (2006-2015), the number of foreign visitors to Indonesia has more than doubled, on par with trends observed in Vietnam and Thailand and ahead of Singapore, Malaysia, Australia and New Zealand (Figure 2). In 2016, foreign visitors to Indonesia—as recorded at the 19 main ports of entry—totaled almost 10.6 million, an increase of 11.4 percent from 2015.¹¹ In 2016, the top four source countries were Singapore, China, Malaysia, and Australia. In terms of regional aggregates, Europe was the largest source (Figure 3). Despite this steady growth in international visitors, Indonesia’s total visitor level still lags that of its neighbors, such as Thailand (32.6 million), Malaysia (22.9 million) and Singapore (16.4 million).¹²

9. **Average spending by Indonesia’s foreign visitors (and consequently their economic impact) has been declining recently, in part reflecting the uneven distribution of tourism growth across the country and a marketing emphasis on mass-market¹³ visitor segments.** Indonesia’s daily foreign visitor expenditures decreased by 8 percent from US\$154 per day in 2014 to US\$142 per day in 2015, followed by a further 7 percent decrease in 2016 to US\$132 per day.¹⁴ At the same time, visitor growth has become increasingly concentrated in Bali (Figure 4). In 2016, Bali received more than 40 percent of all foreign visitor arrivals to Indonesia, with Jakarta and Batam a distant second and third, and the remainder thinly spread across the rest of the archipelago. For Indonesia to unlock its true potential, tourism development must move beyond Bali to other subnational destinations. Furthermore, in line with global trends, the GoI must shift its approach to destination development from one based on marketing and promotion to one that is more integrated and holistic, with an increased emphasis on visitor ‘quality’ (i.e. higher-paying segments) over quantity.

10. **Four key constraints, in particular, contribute to Indonesia’s current tourism growth and competitiveness challenges:** (i) continued poor access and quality of infrastructure and services for citizens, visitors and businesses; (ii) outside of Bali, limited tourism workforce skills and private-sector tourism services and facilities; (iii) a weak enabling environment for private investment and business entry; and (iv) poor inter-ministry/agency, central-local and public-private coordination and weak implementation capabilities for tourism development in general, and for monitoring and preservation of natural and cultural assets in particular. Addressing these constraints in a comprehensive, integrated and incremental manner is therefore key to unlocking Indonesia’s potential to develop a world-class tourism industry.

Table 2: Indonesia’s tourism development targets (2014 baseline values and 2019 targets)

Indicator	2014	2019
Contribution to GDP (%)	4	8
FOREX from tourism (trillion IDR)	120	240
Employment in tourism*(million)	11	13
Competitiveness ranking*	70	30
Foreign tourist arrivals (million)	9	20
Domestic tourist trips (million)	250	275

Source: BAPPENAS. 2014. *RPJMN 2015-2019*, Buku II, p.3-81. Note: * = Ministry of Tourism, Indonesia

11. **The GoI, in its National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional, RPJMN*) 2015-2019, has set several objectives to increase the role of tourism in the Indonesian economy**

¹¹ Using BPS data on 19 gateways makes comparison across years possible. BPS. 2017. International visitor arrivals by port of entry and nationality. New definitions and new data collection approaches for visitors through other port of entry generate higher numbers for 2015 (10.4 million) and estimated numbers for 2016 (12 million).

¹² The Tourism Authority of Thailand. 2017; Government of Singapore. 2017; Malaysia Tourism Statistics. 2017.

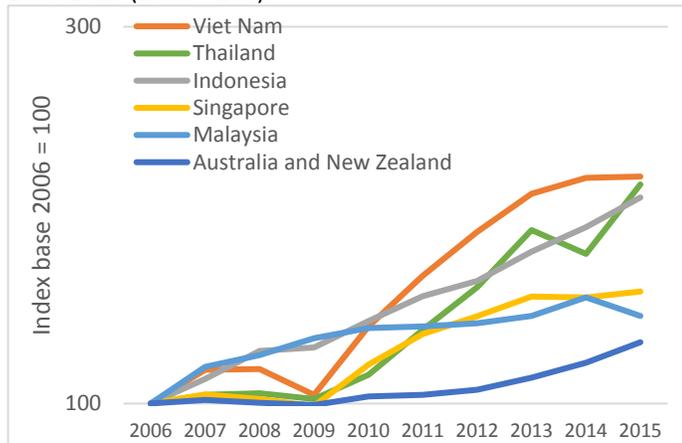
¹³ In Indonesia, mass markets are markets with low average daily expenditure and/or limited sensitivity to sustainability issues. Henderson, Joan. 2015. The new dynamics of tourism in South East Asia: Economic development, political change and destination competitiveness. Tourism Recreation Research.

¹⁴ Ministry of Tourism. 2014. 2015. 2016. Passenger Exit Surveys.



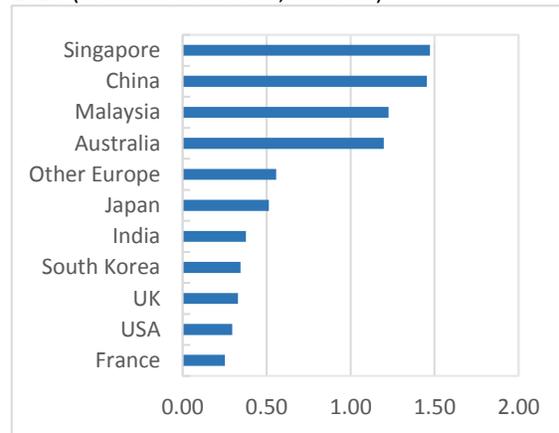
(Table 2). In 2015, the Ministry of Tourism’s budget for promotional activities quadrupled from IDR300 billion to IDR1.2 trillion. In March 2016, the GoI extended its free visa facility to 169 countries to attract more foreign visitors, resulting in the world’s second most open visa policy, per the WEF’s Travel & Tourism Competitiveness 2017 ranking. However, promotion and visa policy alone, without further improvements in the business environment, investment promotion and targeted infrastructure investments for multiple destinations, can overcrowd established destinations such as Bali, erode natural and cultural resources, and spoil the Indonesian ‘brand’. Recognizing this, the GoI decided to accelerate the development of ten priority tourism destinations.

Figure 2: International visitors to South East Asia and Oceania, 2006-2015 (2006 = 100)



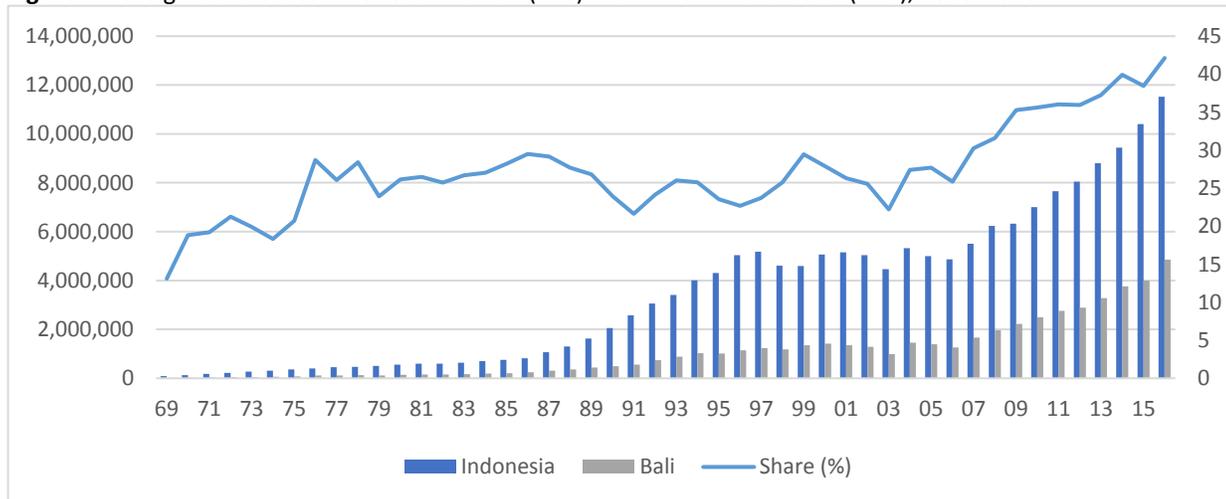
Source: UNWTO. 2016. Compendium of Tourism Statistics datasets.

Figure 3: Top 11 visitor arrivals to Indonesia by nationality, 2016 (Number of visitors, millions)



Source: BPS and Directorate General of Immigration. 2017. International Visitor Statistics.¹⁵

Figure 4: Foreign travelers to Indonesia and Bali (LHS) and Bali’s share of total (RHS), 1969-2016



Source: Bali Regional Office of Justice and Human Rights; Indonesia’s Ministry of Tourism¹⁶

¹⁵ The data was reprocessed by the Assistant Deputy of Research & Development on Tourism Policy, Ministry of Tourism. The Nationality Data on 2016 are preliminary figures.

¹⁶ For 2016, [http://www.kemenpar.go.id/userfiles/Lapbul%20Des%202016_klasik_eng%20des%20\(12JT\).pdf](http://www.kemenpar.go.id/userfiles/Lapbul%20Des%202016_klasik_eng%20des%20(12JT).pdf)



12. **It is in this context that the Gol launched the Indonesia Tourism Development Priority Program, which aims to shift towards a more comprehensive and inclusive approach to tourism development.** For the implementation of the program, the Gol decided to sequence the development of priority destinations and to start the program in three specific areas:

- a. **Lombok** in West Nusa Tenggara province. The island of Lombok is typically part of a ‘destination tour’ or a ‘side trip’ from Bali and is increasingly popular with foreign visitors (accounting for 52 percent of its 2 million total visitors in 2015). Its allure is as an ‘unspoiled paradise’, in contrast with Bali. Lombok has good supporting tourism-related facilities, such as restaurants, travel agents, and adventure activity operators. While Lombok possesses attractive natural and cultural resources that are favorable for tourism development, its tourism is concentrated in the north-western part of the island (Gili Islands and nearby Senggigi), and other equally attractive areas remain undeveloped. Investments in basic services (water, sanitation and solid waste management) will improve the environmental sustainability of the Gili Islands—a beach and diving destination. With further resort development in the south (Mandalika Resort area), and investment in related marketing, Lombok can become more viable as a standalone destination for proximate source markets, such as Australia, and as a new destination for Chinese and other East Asian visitors who currently do not visit.
- b. **Borobudur-Yogyakarta-Prambanan** in Central Java Province and the Special Region of Yogyakarta. Despite being inscribed on the World Heritage List in 1991, Borobudur Temple attracts a small number of foreign visitors. The temple compounds lack sustainable management practices, leading to deterioration from overuse. Limited availability of star and non star-rated hotels discourages overnight stays in the vicinity of the temples. The Project will help develop Borobudur-Yogyakarta-Prambanan as a sustainably managed cultural heritage destination, while enabling the surrounding communities to better capture cultural tourism opportunities and adventure markets (and greater urban tourism in the case of Kota Yogyakarta). With such improvements in heritage conservation and management, public spaces, and basic services in cultural villages, Borobudur-Yogyakarta-Prambanan could attract a greater diversity and number of foreign visitors—particularly Asian visitors, both short-haul (Singapore, Malaysia and Thailand) and long-haul (China and Japan)—while retaining its large domestic visitor base.
- c. **Lake Toba** in North Sumatra province. Lake Toba is the largest volcanic lake in the world and the center of Indonesia’s Batak culture. A holiday destination since the 1970s, the rich natural beauty of the lake is considered by the travel trade as a world-class attraction, with good air connections between Southeast Asia and Medan, the main gateway. However, road connectivity is poor, the lake suffers from pollution, hotel accommodation is of low quality and lacks variety, and supporting tourism facilities are limited. By addressing the key connectivity and environmental weaknesses, the Project will unlock opportunities for increased private investment enabling the destination to capitalize on underlying demand for its natural beauty. In turn, Lake Toba can become an attractive destination for a wider variety of domestic and some foreign visitors, particularly short-haul weekenders from Singapore and Malaysia.

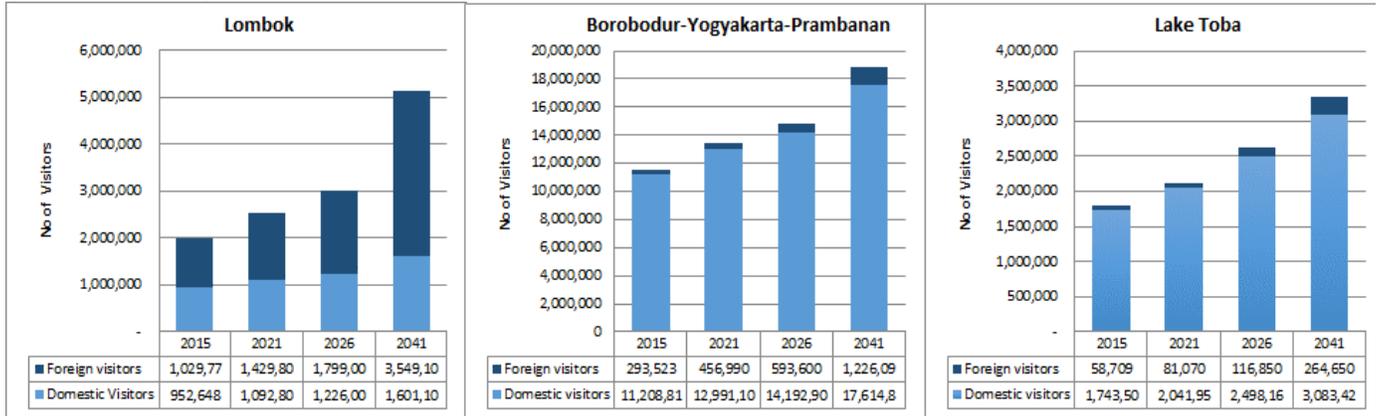
13. **If developed effectively, these three different and unique destinations** are expected to increase their combined annual foreign and domestic visitor numbers from an estimated 15.3 million in 2015 to 27.3 million in 2041 (Figure 5) and annual visitor expenditures from US\$1.2 billion in 2015 to US\$3.3 billion in 2041.¹⁷ They are expected

¹⁷ Based on HHTL. 2017. Lombok/Borobudur-Yogyakarta-Prambanan/Lake Toba: Baseline supply and demand, market demand forecasts, and investment needs (hereafter: ‘Demand Assessment’). As part of Project preparation, upon the Gol’s request,



to increase their combined annual investment realization from US\$23.1 million per year (2010-2016) to an average of US\$115.1 million per year (2018-2022).

Figure 5: Visitor projections (2016-2041)



Source: HHTL. 2017.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Development Objective is to improve the quality of, and access to, tourism-relevant basic infrastructure and services, strengthen local economy linkages to tourism, and attract private investment in selected tourism destinations in Indonesia.

Key Results

- Number of beneficiaries of improvements in quality and sustainability of destination road infrastructure and basic services
- Local community satisfaction with tourism awareness raising efforts and tourism sector economic opportunities
- Value of private investment in the tourism sector
- Increased performance on the "sustainable tourism" indicators

Demand Assessments were prepared that covered for each of the destinations: (i) baseline supply and demand of tourism services; (ii) investment analysis; future market demand analysis (future visitors and investors); and (iv) investment needs (destination infrastructure, tourism infrastructure, skills, firm capabilities, and legal and regulatory environment). The reports are available at www.bpiw.pu.go.id



D. Project Description

14. **The Project consists of four integrated components, each of which targets a key constraint to unlocking tourism potential in Indonesia**, and which collectively are expected to contribute to higher-level impacts on the number of foreign and domestic visitors, related increases in tourism foreign exchange earnings, employment, contribution to GDP and overall competitiveness. As a whole, the Project also serves as an organizing framework to help address coordination failures between central (APBN), provincial (APBDI) and local governments (APBDII), and mobilize their resources towards a common objective in each of the selected tourism destinations.¹⁸ This common objective is anchored in integrated tourism master plans (ITMPs) that will be prepared for each of the destinations, as well as in the institutional arrangements that are specifically established to enhance collaboration amongst various institutions. The preparation of these plans, together with strong program management support (initiated with Preparation Advance and Grant financing), will help align existing government programs for roads, basic services, skills development, community engagement and the business environment for better results in tourism destinations.

Component 1: Increase institutional capacity to facilitate integrated and sustainable tourism development

15. **This component consists of a technical assistance program to strengthen institutional capacities at the national and subnational level to facilitate integrated and sustainable tourism development.** In particular, it will support improved destination planning and implementation arrangements for the tourism development agenda, and reduced degradation of natural and cultural assets. The key elements of the technical assistance, managed by the Regional Infrastructure Development Agency (RIDA) of the Ministry of Public Works and Housing (MPWH), include:

- a. **Integrated tourism master plans (ITMPs), downstream sectoral master plans and studies, and institutional development and capacity building for integrated tourism destination planning**, including on improved capacity for protection and management of World Heritage sites. Each ITMP consists of an overall development plan for the entire tourism destination area (with a planning horizon of 25 years) and detailed development plans (with a planning horizon of 5 years) for existing and future key tourism areas within the tourism destination. The plans will be based on the Demand Assessment and economic analysis for each destination and will be prepared in close consultation with all stakeholders, including local communities and the private sector.
- b. **Program Management Support (PMS):** The PMS Consultant will provide PMS to RIDA (the Executing Agency for the Project) including for Project planning, budgeting, quality control, supervision, monitoring, reporting, and coordination to ensure that implementation is consistent with Project objectives and in compliance with the Loan Agreement. In addition to the PMS Consultant, the central government project management unit (CPMU) that will be established under RIDA, will also require additional consultants and operating costs to play this important role for the Project.

16. **Component 1 will also support activities managed by the Ministry of Tourism's DG Tourism Destination Development related to natural, cultural and social asset monitoring and preservation**, including through the establishment or strengthening of institutions, such as Sustainable Tourism Observatories (STOs) as part of

¹⁸ APBN is Anggaran Pendapatan dan Belanja Negara (State Revenue and Expenditure Budget); APBDI is Anggaran Pendapatan dan Belanja Daerah Tingkat I (Provincial Revenue and Expenditure Budget); and APBDII is Anggaran Pendapatan dan Belanja Daerah Tingkat II (Kota/Kabupaten Revenue and Expenditure Budget).



UNWTO International Network of Sustainable Tourism Observatories (INSTO), or equivalent bodies. These bodies are expected to monitor selected indicators of ‘sustainable development’ in the destinations, to be identified during the integrated master planning process. The Project is expected to finance technical assistance to and the operating costs of these new institutions, under the Ministry of Tourism’s budget.

Component 2: Improve tourism-relevant road quality and basic services accessibility of selected destinations

17. **This component aims to enhance the quality and condition of tourism-relevant roads, provide facilities for public transport and non-motorized transport, as well as improve access to basic services and infrastructure essential for a satisfactory tourist experience and for the preservation of natural and cultural assets of selected tourism destinations.** To this end, and considering the needs identified in the selected destinations, Component 2 will finance:

- a. Road transport expenditures for improving the quality (rehabilitation and reconstruction) and maintenance of the tourism-relevant existing network of national, provincial and *kabupaten/kota* roads, including bridges, in the selected destinations in accordance with national standards and targets for stable maintenance condition (i.e. International Roughness Index (IRI) < 6).
- b. Tourism services and infrastructure, such as pedestrian and non-motorized traffic facilities, parks and greenery development, and the construction or improvement of subnational facilities for public transport, such as bus stops and terminals, jetties, boat landing sites, ferry terminals, and taxi and truck stands.
- c. Basic services infrastructure to improve access to sustainable water supply, solid waste management, waste water management and sanitation in the key tourism areas (21 kecamatans), and the 27 additional kecamatans in the Lake Toba destination that are targeted for the sanitation and solid waste programs.
- d. Feasibility studies (FSs) and detailed engineering designs (DEDs) for the abovementioned physical investments. This includes three consultants’ packages to ensure quality of physical works, as well as ensuring environmental and social safeguards measures are incorporated in line with the Environmental and Social Management Framework (ESMF).¹⁹

18. **Finalizing the ITMPs is not a pre-requisite for starting activities under Component 2.** While the ITMPs are being prepared, the type of eligible sub-projects for Component 2 is limited to investments that would be advisable no matter what the final outputs of the master plans would be—i.e. the ‘no regret’ investments.

Component 3: Promote local participation in the tourism economy

19. **Component 3 aims to increase participation of local firms and individuals in the tourism sector.** This component is implemented by DG Institutional Development and Tourism Industry of the Ministry of Tourism,

¹⁹ For this Component, the ESMF includes: A screening procedure for determining the appropriate environmental and social safeguards instrument for any proposed investment, based on scale and risk, and in accordance with World Bank safeguards policies and Indonesian environmental and social laws and regulations; Guidance for preparation of instruments, in the form of procedures, frameworks, and annexes containing formats and templates; Guidance for implementation of safeguards instruments; and Arrangements for monitoring and enforcing implementation.



and its key outcomes relate to: (1) guaranteeing a continuous supply of relevant workforce skills for jobs in the tourism economy; (2) supporting local firms to capture opportunities in the increasingly-digitalized tourism economy; (3) improving the quality of service standards among local tourism firms; and (4) improving local community awareness (*Sadar Wisata*) and engagement in tourism development.

20. **The development of relevant workforce skills will include the provision of relevant and high-quality competency based training (CBT) and the strengthening of the certification system of the tourism sector in selected destinations.** While the Project focuses on strengthening technical and vocational education and training (TVET) institutions relevant to the selected destinations, it will also help improve the system for tourism-related workforce skill development, from which other destinations will also benefit. During Project implementation, technical assistance will increase alignment of CBT with the demands of the private sector over time. To enable this, Component 3 includes:

- a. Developing competency-based standards, qualification frameworks and related curriculum packages, including holding related industry-government consultations.
- b. Training of trainers, teachers and assessors for improved delivery of CBT.
- c. Provision of technical assistance for TVET institutions to align with private sector demands and provision of required TVET equipment.
- d. Consulting services for the development and implementation of life-long learning (upskilling) programs for a targeted number of existing tourism professionals.
- e. Certification of trainees and tourism professionals.
- f. Holding bi-annual tourism skill development forums in each of the Project's selected destinations to improve coordination and collaboration between TVET stakeholders (TVET institutions, government ministries/agencies and the private sector).

21. **With regards to local firms, the Project's support will focus on equipping the Ministry of Tourism with the means to better prioritize and more effectively deliver capacity building to these firms.** Through a partnership with a travel website company, DG Institutional Development and Tourism Industry will identify those tourism firms that are currently offline and develop a series of workshops that will improve these firms' online presence and engagement—critical for any tourism firm to remain competitive and to maximize its access to markets. Furthermore, through this partnership, the Ministry will monitor and evaluate service and quality standards of tourism firms, identify areas needing improvement in each destination, and tailor practical CBT to enable tourism firms to meet higher overall standards. In practice, the Component includes:

- a. Acquisition of data from a travel website company to assist in the design of policies and programs aimed at increasing local firms' linkages to global online platforms and improving their quality standards.
- b. Consulting services to deliver training for local tourism firms to help boost their online market access. The training delivery also requires non-consulting services and operating costs.
- c. Consulting services for the content and delivery of targeted programs that focus on improving firm quality and service standards that the travel website data identifies as weak.



22. To support the improved design, implementation, and monitoring of community awareness and engagement programs, this Component also includes:

- a. Training and operating costs for the existing Ministry of Tourism's Sadar Wisata awareness program.
- b. Consulting services to redesign, using international best practice, this existing program to be more focused on, and effective in, empowering communities in the selected destinations to participate in tourism, for examples in decision-making processes or in capturing economic and social benefits.
- c. Community satisfaction surveys to better assess the perceived benefits from tourism (individual and community benefits; economic and social benefits; conservation of traditions; etc.), changes in the level of engagement including changes in socio-economic conditions (e.g. prices, access to resources, traditional values), changes in environmental conditions (improvement or degradation), and interaction with visitors, etc.

23. In promoting local participation in the tourism economy, gender equity is a potential concern. While more than half of tourism businesses in Indonesia are run by women²⁰ and more women (58 percent) than men (42 percent) in 2017 are employed in the tourism sector in Indonesia (61%-39% in West Nusa Tenggara province; 57%-43% in Central Java province and the Special Region of Yogyakarta; and 60%-40% in North Sumatra),²¹ initial assessments indicate a gender equity gap in the Project's three destinations in two key areas. Data on the number of tourism graduates and professionals certified in 2017 shows that twice as many males compared to females were certified, 67 percent and 33 percent respectively. Additionally, female participants of the Ministry of Tourism's tourism awareness program, Sadar Wisata, in 2017 accounted for only 27 percent of participants, compared to 73 percent male.²² The Project will support activities to reduce these gaps and will include a gender equity indicator for participation in community engagement programs ensuring gender equality in women's and men's engagement in tourism. The community satisfaction surveys (by including gender disaggregated data) and the Sustainable Tourism Observatories' indicators (see Component 1) offer opportunities for new data, to be reported to the project management unit, to inform policy, planning and investment decisions and actions. Other potential gender equity issues the Project will explore relate to the relative seniority of males versus females, variance in employment conditions and contractual standards, access to training opportunities, possibilities for advancement, and how the impacts of tourism differ on the lives of men and women in the destination.²³ Women's economic empowerment is generally considered the capacity to participate in, contribute to, and benefit from different activities that enable them to negotiate fairer distribution of benefits.²⁴

²⁰ UNWTO/UNWOMEN. 2011. Global Report on Women in Tourism 2010.

²¹BPS. 2017. SAKERNAS 2017.

²² Ministry of Tourism 2017 data for the three destinations (Lake Toba, Lombok and Borobudur-Yogyakarta-Prambanan).

²³ Similar patterns as in other sectors tend to occur with women working in lower-level positions and earning 10 to 15 percent less than their male counterparts. Furthermore, data indicate that women in tourism contribute much more time and effort to family businesses (in hotels, homestays, and restaurants) and that much of this economic activity is unpaid or underpaid.

UNWTO/UNWOMEN. 2011. Global Report on Women in Tourism 2010.

²⁴ Organisation for Economic Co-operation and Development (OECD). 2011. Women's Economic Empowerment: Issues Paper.



Component 4: Enhance enabling environment for private investment and business entry in tourism

24. **Component 4 consists of a technical assistance program designed to simplify business entry and licensing requirements for the tourism sector and strengthen systems to monitor and facilitate private investments in the tourism sector.** In implementing this component, BKPM must work closely together with various line ministries and subnational government agencies. Specific activities include:

- a. Technical assistance, managed by BKPM's DG Investment Climate, for the design of a licensing simplification program, including training packages and supporting tools, conducting training, and progress monitoring.
- b. Support to DG Investment Promotion of BKPM in the development of destination-specific investment promotion strategies and the institutional capabilities to proactively attract, facilitate, retain, and expand private investment.

E. Implementation

Institutional and Implementation Arrangements

25. **The MPWH will be the executing agency for the Project** and responsible for financial management of the IBRD loan proceeds, implementation of environmental and social safeguards in accordance with Bank policies and guidelines, and the procurement and management of most contracts (including all contracts under component 2). A central government project management unit (CPMU) will be established under the RIDA of the MPWH. Central project implementation units (CPIUs) will be established in all implementing Directorate Generals (DGs): DG Highways and DG Human Settlements in the MPWH; DG Tourism Destination Development and DG Institutional Development and Tourism Industry in the Ministry of Tourism; and DG Investment Climate Development and DG Investment Promotion in BKPM. The RIDA will be supported by the PMS Consultant. The CPMU and CPIUs are expected to be established by March 2018. These implementation arrangements are being designed based on similar arrangements that have been established—and are currently in place—in the same ministry and the same Departments for other programs, thus learning from successful multi-ministry Platforms in Indonesia, where the MPWH is also the executing agency.

26. **For overall strategic guidance, a ministerial Tourism Coordination Team, chaired by Indonesia's Vice-President, will provide cross-sectoral strategic coordination.** In 2017, a new Presidential regulation assigned the Coordinating Minister of Economic Affairs (CMEA) along with three other coordinating ministers as deputies to the chairman. This revision strengthens coordination, as the key ministries/agencies involved in the Project report to different coordinating ministries—for instance, the MPWH to the Coordinating Minister of Economic Affairs; the Ministry of Tourism to the Coordinating Minister of Maritime Affairs, the Ministry of Education and Culture (MoEC) to the Coordinating Minister for Human and Cultural Development, and the Ministry of Home Affairs, relevant to local governments, to the Coordinating Minister of Legal and Security Affairs.²⁵

²⁵ Presidential Regulation, No. 64 of 2014 concerning the Cross-Sectoral Strategic Coordination of Operations of Tourism, and its subsequent revision through Presidential Regulation No. 40 of 2017.



27. **The National Development Planning Agency (*Badan Perencanaan Pembangunan Nasional, BAPPENAS*) will establish central level institutional arrangements for alignment between investment planning and budgeting, including:**

- a. A proposed Steering Committee to be composed of Echelon 1 officers from each involved ministry or agency.
- b. A proposed Technical Committee consisting of Echelon II officials from each involved ministry or agency.

These two committees will also include government agencies/ministries that have no direct implementing responsibility for the Project, but are critical stakeholders (e.g. MoEC, responsible for cultural heritage and several TVET institutions).

28. **For APBDI/II alignment, for each province and kabupaten/kota in the destinations, BAPPENAS is expected to establish Province and Kabupaten/Kota task forces in each of the 4 provinces and 11 kabupaten/kota where the Project operates.** Local governments are involved in the implementation of Component 2. For road sub-projects and subnational transport, local project implementation units (LPIUs) include provincial and local public works agencies. DG Highways conducts technical supervision of subnational roads through two sub-directorates under the Directorate of Freeways, Urban Road, and Subnational Roads Facilitation: (i) the Sub-Directorate of Management and Evaluation of Subnational Roads, which is responsible for assessing, coordinating, and facilitating proposals from subnational governments, and monitoring and evaluating the implementation of subnational roads; and (ii) the Sub-Directorate of Technical Guidance of Subnational Roads, which is responsible for guiding the planning, programming, implementation, and management of subnational roads and road network connectivity. These two sub-directorates are part of the project implementing arrangements (as deputy heads of the CPMU). For basic services, local public works and settlements agencies are LPIUs. The PMS Consultant will have in-destinations teams which will support local agencies in aligning their sub-projects with the ITMPs and ensuring compliance with the Project's ESMF and fiduciary requirements.

29. **Existing destination level arrangements for tourism development coordination include:**

- a. A Management Authority Board for Lake Toba Tourism Area, which corresponds to the area defined in the Presidential Regulation No. 81 of 2014, the Spatial Planning of Lake Toba and its surrounding areas. Within this boundary, an 'authority-zone' of approximately 600 Ha has been established.²⁶
- b. A Management Authority Board for Borobudur Tourism Area, including: (i) the National Tourism Destination Areas of Borobudur-Yogyakarta, Solo-Sangiran and Semarang-Karimun Java;²⁷ (ii) the area defined through Presidential Regulation No. 58 of 2014 concerning the Spatial Plan for Borobudur and its surrounding areas, and (iii) an additional area of approximately 300 Ha located in Purworejo District and currently managed by Perum Perhutani, a state-owned forestry company. Within these 300 Ha, an area of approximately 50 Ha has been identified as an 'authority-zone'.²⁸ The scope of the ITMP, however, is limited to Borobudur-Yogyakarta-Prambanan.

²⁶ Presidential Regulation No. 49 of 2016, issued on June 13, 2016.

²⁷ Government Regulation No. 50 of 2011 concerning the National Tourism Development Plan of 2010-2025.

²⁸ Presidential Regulation No. 84 of 2017, issued on April 11, 2017.



30. **The Tourism Authority Boards for Lake Toba and Borobudur are composed of two bodies:** an Advisory Board (or Steering Committee), chaired by the Coordinating Minister for Maritime Affairs, which will establish the general policy, provide overall direction and supervision of the Lake Toba and Borobudur Tourism Areas interventions; and an Executive Board (or Implementing Agency), a working unit under the Ministry of Tourism, which will coordinate, synchronize, and facilitate the planning, development, and construction of both Tourism Areas. Regarding the ‘authority-zones’, the Executive Board has also been granted specific management rights to facilitate its development (i.e. plan the allocation and use of land, sublease and/or cooperate the use with third parties and organize licensing and non-licensing services). Different ministries, provincial governors, and agencies are members of the Advisory Board (membership varies for each Tourism Area reflecting its specific configuration). The Executive Board is responsible for the preparation of the Master Plans for Lake Toba and Borobudur Tourism Areas for a period of 25 years; as well as for a 5-year detailed Development and Construction Plan for each ‘authority-zone’. The Tourism Coordination Team agreed to keep the responsibility for the Tourism Area Master Plans, or so-called ITMPs, with the MPWH. Considering that different institutions have been assigned the management of the Borobudur Tourism Area, including the Borobudur Temple Area,²⁹ Prambanan Temple and the Ratu Boko Temple, the Presidential Regulation stipulates that they shall continue to perform their activities but in addition will: (i) refer to the Master Plan for the Borobudur Tourism Area and the detailed Development and Construction Plan that will be prepared by the Executive Board; and (ii) will coordinate with the Borobudur Authority Board while carrying out their specific management activities.

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

The Project will support part of the government’s tourism development program in three of the government’s priority destinations: Lombok in West Nusa Tenggara province; Borobudur-Yogyakarta-Prambanan in Central Java Province and the Special Region of Yogyakarta; and Lake Toba in North Sumatra Province. Most of the physical investments to be supported under Component 2 will be located in key tourism areas (see below for each destination). The key tourism areas are clusters with tourist objects or attractions. In the Borobudur-Prambanan-Yogyakarta destinations, key tourism areas constitute of urbanized areas that will continue to urbanize, with good regional and national accessibility. In Lombok destination, some key tourism areas are urbanizing such as those located in the southern and east coastal areas as well as in the western coastal islands. The key tourism areas in the Lake Toba destination are urbanized areas with good regional access. Non-physical investments to be supported by Component 1, 3 and 4 as well as the studies supporting activities under these two components will take place for all areas

²⁹ For the Borobudur Temple Area (including the two smaller temples of Mendut and Pawon) the GoI, through Presidential Decree 1 of 1992, has established management zones, each assigned to a different agency or business entities. The MoEC, through the *Borobudur Conservation Office*, is charged with conservation and preservation management of the Borobudur Temple (Zone I). *PT. Taman Wisata Candi Borobudur, Prambanan and Ratu Boko* – a state-owned enterprise manages tourist activities in Zone II; markets and promotes Borobudur in both local and international markets; and ensures the local community is benefitting from the tourism development of Borobudur. *Kabupaten Magelang* – manages and enforces spatial planning, land use and development control in the greater Borobudur area (Zone III – V).



within the destinations. The planning area for the Integrated Tourism Master Plan (ITMP) will cover the whole area within the destination.

G. Environmental and Social Safeguards Specialists on the Team

Thomas E. Walton, Environmental Safeguards Specialist
Indira Dharmapatni, Social Safeguards Specialist
Virza Syafaat Sasmitawidjaja, Environmental Safeguards Specialist
AMY CHUA FANG LIM, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The policy is triggered because the Project will support physical investments and Feasibility Studies (FS) and Detailed Engineering Designs (DEDs) under Component 2 and the preparation of Integrated Tourism Master Plans or ITMPs (including detailed development plans) and sectoral plans (as needed) under Component 1 in each destination. The Project will support multiple sectors (road, transportation, water and sanitation) infrastructure and prepare plans that will guide the provision of infrastructure in three tourist destinations to support sustainable tourism development. Because of the sensitivity of natural, social, and cultural resources in the three destinations and the potential for downstream high risk, significant direct, indirect, induced or cumulative impacts, the Project is rated Category A. An Environmental and Social Management Framework (ESMF) has been prepared, because the specific investments and their locations within the three destinations will not be known prior to appraisal. The ESMF has been disclosed and consulted to the relevant stakeholders in Jakarta and the three respective destinations. It will guide the environmental and social management aspects of the preparation of activities supported under



Component 2 and preparation of terms of reference (TOR) for the ITMPs including (a) detailed development plans, and other activities that will be procured under the Project and (b) subject each TOR to review and clearance by the Bank as for any Category A project. Component 1 of the Project will also finance program management support that will, among other things, assist the executing agency and implementing agencies in implementing the ESMF and in building environmental and social management capacity. The RSA will retain the review and clearance of the environment and social safeguards parts of the ITMPs, the screening and review of the initial sub-projects as well as provide project implementation support to the team.

This policy is triggered because the activities under Project Component 2 and the ITMPs (including detailed development plans) and their subsequent implementation may potentially have adverse impacts on natural habitats. The Project will not support activities that involve significant conversion or degradation of critical natural habitats or natural habitats. Requirements of the policy will be addressed in the Consultants' Services TORs and integrated into the ITMPs and other activities as well as into the safeguards instruments that will be prepared for Component 2 activities.

The Project will not include activities that involve conversion or degradation of critical forest areas or natural forests, establishment of plantations, or forest management.

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 pesticides.

This policy is triggered because the activities under Component 2 and the integrated tourism master plans (including detailed development plans), sectoral plans (Component 1) and their subsequent implementation may potentially have adverse impacts on physical cultural resources.

Requirements of the policy will be included in the Consultant's TOR for DEDs, in the bidding document and contract for the physical works to adopt the chance finds procedures during construction.

Natural Habitats OP/BP 4.04

Yes

Forests OP/BP 4.36

No

Pest Management OP 4.09

No

Physical Cultural Resources OP/BP 4.11

Yes



Requirements of the policy will also be addressed in the Consultants' Services TORs and integrated into the ITMPs (including detailed development plans), and other activities. Preservation and proper management of Physical Cultural Resources (PCR) is included as a PCR Framework and a Chance Finds Procedure in the ESMF and will be a key element of the integrated tourism master plans.

Indigenous Peoples (IPs) or "Masyarakat Adat" (or Customary Communities), or "Masyarakat Hukum Adat" (MHA, or Customary Law Communities), or "Masyarakat Tradisional" (or Traditional Communities), all terms that are commonly used in Indonesia, are present in Lombok and Lake Toba destinations. Initial screening carried out based on the World Bank IPs Screening Study (2010), which was confirmed during public consultations on the TOR for the ESMF and draft ESMF, indicates that IPs and local communities are present in Lombok destination and in some of the Kabupatens in Lake Toba destination, but not in the Borobudur-Yogyakarta-Prambanan destination. Verification and reconfirmation on the presence of potentially affected IPs and local communities in the three priority destinations will be done by the Bank during the early stage of Project implementation (for Component 2) once physical investment sites are confirmed and during the ITMP preparation through a series of consultations with local governments, local experts, universities, and NGOs.

Based on the Bank's verification and confirmation on the presence of IPs in the proposed sites, the agencies or entities that will implement physical investments to be supported under Component 2 shall assess the extent to which they will be affected by such investment. If IPs are presence and affected, the agencies or entities will prepare a Social Assessment and IPP through a process of free, prior and informed consultation leading to broad IPs and local community's support for the proposed physical investment.

Indigenous Peoples OP/BP 4.10

Yes



The preparation of the FS and DEDs (under Component 2) and the integrated tourism master planning process for destinations with IPs presence will need to be conducted in a manner consistent with OP 4.10 as elaborated in the ESMF (which includes an Indigenous Peoples Planning Framework, IPPF), including a social assessment through a process of free, prior and informed consultation leading to broad IPs' and local community's support for the elements of the FS, DEDs and ITMPs. This is to ensure that elements of the FS, DEDs and ITMPs reflect the IPs and/or local communities' concerns and aspirations, avoid potential adverse effects on them, and ensure they are provided with culturally appropriate benefits.

The potential social risks from the physical investment and activities supported by Component 2 as well as from the ITMPs and downstream physical investment plans for the affected IPs or local communities could be "being left behind" and forming "anti-social behavior". They may also lead to other adverse impacts and risks such as loss of land, diminishing resources used for their livelihoods, access restrictions, social conflicts, and additional impacts and risks concerning IPs and/or local communities, particularly more remote and vulnerable groups.

The TORs for the Consultants who will prepare the FS, DEDs, ITMPs and Sectoral Plans, include the obligation to adopt and comply with the ESMF (which includes IPPF developed in compliance with OP 4.10) in developing detailed guidance for the parties/agencies/consultants who will implement the recommended physical investments of the FS, DEDs and ITMPs that potentially affect IPs and/or local communities. The TOR requires the Consultant to prepare detailed guidelines to prepare IPP including Social Assessment for the parties/agencies/consultants as part of the FS, DEDs, and ITMPs' outputs, in the case the proposed or recommended physical investments affect IPs and/or local communities.



At this stage, the location, size and intensity of the potential involuntary resettlement (due to the land taking or access restriction to designated parks and protected areas) caused by the physical investment supported by Component 2 and activities recommended by the ITMPs or Sectoral Master Plans cannot be identified. They can only be assessed and envisaged during Project implementation or after these plans are finalized. The Project has prepared an ESMF, including a Land Acquisition and Resettlement Policy Framework (LARPF) and a Process Framework (PF), which shall be used by the agencies or entities implementing physical investment under Component 2, and by agencies or entities implementing activities recommended by the ITMPs and Sectoral Master Plans (if they are implemented) should they involve the involuntary taking of land resulting in (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or, (d) involve the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.

The agency/entity implementing the physical investment under Component 2 and those who will implement the physical investment or other activities recommended by the ITMPs and Sectoral Master Plans involving the involuntary taking of land resulting in (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not the affected persons must move to another location, shall prepare a Land Acquisition and Resettlement Action Plan (LARAP) in compliance with the requirements specified in the Land Acquisition and Resettlement Policy Framework (LARPF) of the ESMF.

The ITMPs may identify a sensitive and ecologically important area, that is being degraded by local

Involuntary Resettlement OP/BP 4.12

Yes



people, or by tourists, and recommend that it be designated as a protected area with rules that limit access and prohibit a community who has customarily use or benefit from the natural resources in that sensitive area resulting in adverse impacts on their livelihoods. The ITMPs might also recommend conservation-related physical investment (such as fencing) to prevent a legally designated parks and protected areas from further degradation or maintain their functions, which could restrict access of the community who has been customarily using or benefitting from the natural resources within the protected areas, which in turn, could potentially resulting in adverse impacts on their livelihoods. The ITMPs Consultant should provide a detail guidance for the agency/entity implementing the ITMPs' recommendations for any activities under the Project involving access restrictions in relation to protected areas and conservation activities to prepare a Plan of Action in compliance with the requirements specified in the PF that has been prepared for the Project as part of the LARPF in the ESMF. The TORs for Consultants preparing the ITMPs and Sectoral Master Plans specify that they shall adopt and comply with the LARPF (including PF) in the ESMF.

Safety of Dams OP/BP 4.37	No	The Project will not finance construction and/or rehabilitation of dams. If it finances feasibility studies for water supply weirs, terms of references will incorporate the requirements of the policy.
Projects on International Waterways OP/BP 7.50	No	The activities supported by the Project will not be located in the watersheds of any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The activities supported by the Project will not be located in any disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

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

Positive Impacts of Integrated Tourism Master Plans (ITMPs): The ITMPs are prepared in order to avoid the potential



negative impact of unintegrated tourism development, which is that increased tourism can degrade the environmental and cultural resources on which tourism depends if necessary preventative measures and management arrangements are not put in place. ITMPs will provide guidance for pre-screening and identifying potential activities and associated risks that should be addressed in the planning process including potentially adverse indirect, induced or cumulative impacts resulting from tourism development activities. ITMPs will help to inform all stakeholders and provide a vehicle for consultation to obtain stakeholder concerns and aspirations. They will minimize uncertainty and lack of transparency. The ITMP will also identify the priority projects needed to strengthen tourism activities at the local level and provide detailed recommendations for the preparation and revision of local and provincial spatial plans and sectoral master plans (if necessary). The in-depth analysis and stakeholder engagement in the ITMP will incorporate a bottom-up approach that was lacking in previous spatial analysis conducted in the priority tourism destinations. The ITMP is thus conceived as a coordination platform for the development of the tourism destinations and as the instrument that will pave the way for effective and sustainable tourism development.

Potential negative Impacts of ITMPs: One type of impact may result if the ITMPs are not implemented at the desired standard, which would limit their effectiveness as guides for sustainable tourism development. Large-scale infrastructure not recommended in the ITMPs may be constructed with adverse direct, indirect, or cumulative impacts on the destination, or facilities that the ITMPs recommend but that are not implemented under the Project may be constructed with less attention to national safeguards requirements. A second type of impact could result if facilities constructed upon the recommendation of the ITMPs have indirect or induced adverse or cumulative impacts which were either not foreseen despite emphasis in the ITMP process on identifying them, not effectively managed, or both. Unplanned development induced by the provision of tourism facilities is a common example; it can create traffic congestion, generate effluents or solid waste that are not properly managed, and affect visual amenity. Local communities can be “left behind” (or marginalized) when it comes to the benefits of tourism and their ability to participate effectively in its development, and tourism development may affect their traditions and cultures. Loss of land or access to customary resources or sources of livelihoods are other potential impacts. Some visitors will engage in anti-social behavior, such as drug and alcohol abuse and sex tourism. Other examples of potential adverse impacts include: depletion of sensitive natural resources upon which tourism often depends; poor maintenance of the facilities after completion of construction; and lack of operating budget and capable human resources to manage the facilities, and their environmental and social impacts.

Impacts of Downstream Sectoral Plans: By minimizing the risk of poor planning and low quality of downstream sectoral plans, the Project helps to integrate international standards for sustainability in tourism development and provides an opportunity for efficiency in resource use, targeting the poor and applying a green approach for the sector’s development. It provides the necessary assessment of the potential environmental and social constraints and benefits. It also helps advise the government on the latest techniques and methods for sustainable development, such as improved resource efficiency, environmentally-sound resource management, green building materials or ways to incorporate climate resilience in infrastructure, especially in sensitive and vulnerable tourism destinations.

Impacts of Program Management Support Services: The Program Management Support Services potential impacts are positive. It will provide better solutions and incorporate better efficiency in delivering the necessary key deliverables for the Program. It also provides environmental and social mitigation measures for the assessment of each activity before the start of physical investment implementation or at its completion. It will eventually increase the quality and quantity of the deliverables for sustainable tourism development through central-local government coordination and public-private coordination.



Positive environmental and social impacts of Project component 2: Improved tourism-relevant road quality and basic services accessibility in the three selected destinations especially in key priority tourism areas will close the access and quality gaps for basic services. The enhancement of quality and maintenance of the existing road networks, provision of facilities for public transport and non-motorized transport in the three priority destinations and their tourism attractions, as well as improvement in access to basic services and infrastructure will make for a satisfactory tourist experience and for the preservation of natural and cultural assets. Better road quality and public transport facilities will reduce potential accidents while improving safety and convenience of communities and visitors' movements. Improved access to basic services and infrastructure (water, sanitation) will improve peoples' health and reduce medical costs. The preparation of Feasibility Studies (FS) and Detailed Engineering Designs (DEDs) supported under component 2 will incorporate the needs of the target beneficiaries of the road networks, facilities for public transport, and non-motorized transport as well as the basic services and facilities.

Potential adverse environmental and social impacts of Project component 2: Potential adverse environmental and social impacts from the improvement of the tourism-relevant road quality and basic services will be addressed through avoidance and minimization principles with mitigation measures developed by the environmental instrument such as Upaya Pengelolaan Lingkungan Hidup- Upaya Pemantauan Lingkungan Hidup (UKL-UPL, or Environmental Management Plan-Environmental Monitoring Plan) or Environmental Code of Practices (ECOPs) or standard operating procedures (SOPs). For a larger physical investment which could be financed by this Project (although it is unlikely) or by other financing sources, as recommended by the ITMPs or sectoral plans, that would have significant impacts, an Analisis Mengenai Dampak Lingkungan (AMDAL, or Environmental Impact Assessment) will be prepared by the proponent. The content and quality of all of these safeguards instruments will be enhanced, as specified in the ESMF, so that they meet both Bank and Indonesian requirements. Likely potential environmental and social impacts are those taking place during construction, such as dust, noise, disturbance on existing traffic flows, livelihoods and access for local communities and visitors. Physical activities supported by component 2 may or may not need land acquisition and/or resettlement and may or may not involve IP communities, depending on the siting and area of influence. In case they need to acquire land and/or resettlement, and/or affect IP communities, the agencies or entities proposing the physical investment need to prepare a Land Acquisition and Resettlement Action Plan (LARAP) and/or an Indigenous Peoples Plan (IPP) in compliance with the requirements specified in the ESMF. The FSs and DEDs will help the physical investment to avoid and/or minimize the environmental and social impacts that would take place during construction through appropriate site selection and technical designs. Mitigation measures recommended by the environmental and social management plans or SOPs will be incorporated in DEDs and made part of the bidding documents and contract for the construction.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: The potential indirect impacts are those associated with development of tourism infrastructure. Indirect impacts associated with the increasing number of new business entities associated with the streamlined permit system supported by Component 4 would take place in further time during or after Project implementation. Unplanned development induced by the provision of tourism facilities is a common example; it can create traffic congestion, generate effluents or solid waste that are not properly managed, and affect visual amenity. Local communities can be "left behind" (or marginalized) when it comes to the benefits of tourism and their ability to participate effectively in its development, and tourism development may affect their traditions and cultures. Some visitors will engage in anti-social behavior, such as drug and alcohol abuse and sex tourism. Examples of potential long-term adverse impacts include: loss of land or access to customary resources and sources of livelihoods; depletion of sensitive natural



resources upon which tourism often depends; poor maintenance of the facilities after completion of construction; and lack of operating budget and capable human resources to manage the facilities, and their environmental and social impacts.

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

N/A

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.

The Borrower has prepared an Environmental and Social Management Framework (ESMF) in compliance with the triggered World Bank safeguards policies and the relevant Indonesian laws and regulations. The ESMF specifies the procedures, process, requirements and organizational arrangements in screening, identifying potential impacts, defining and preparing the safeguards instruments as detailed in the included Environmental and Social Management Framework, Land Acquisition and Resettlement Policy Framework (LARPF), Process Framework (PF), and Indigenous Peoples Planning Framework (IPPF). The Borrower is fully committed to transforming tourism development by means of integrated tourism master planning. In fact, this Project is being prepared at the borrower's request to improve the prospects of high-quality plans. The borrower is also committed to establishing effective resource monitoring and protection capacity in the destinations as demonstrated by the establishment of Sustainable Tourism Observatories in the destinations under a UN World Tourism Organization program, by augmenting the technical staff in the implementing unit of MPWH, and by inclusion in the Project of Program Management Support services to support environmental and social management through capacity-building and provision of expertise to fill capacity gaps. The expertise will extend to screening of investments proposed for inclusion in the Project, assistance in reviewing safeguards documents prepared and in preparing implementing guidelines under the country system, and assistance in monitoring safeguards implementation.

The MPWH has been the Bank's counterpart for more than three decades in urban development and sectoral projects and programs. In general, the MPWH staff (under the Directorates General (DG) of Highways and Human Settlements) has good awareness and experience in implementing projects following the requirements of the World Bank safeguards policies. However, the capacity of RIDA in implementing World Bank supported projects/programs is more limited, and therefore they will work closely with staff from relevant DGs of MPWH (depending on the type of the physical investment) and will be assisted by the environmental and social safeguards specialist of the Program Management Support Consultant. As needed, the Bank will provide hand-holding assistance and training during Project implementation.

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

The key stakeholders of the Project are national, provincial, and district agencies including public works, tourism, environment, social affairs, etc.; representatives from universities; Aliansi Masyarakat Adat Nusantara (AMAN, Indigenous Peoples Alliance of the Archipelago) and other NGOs; and local business operators, associations, and local community members in the destinations. The primary mechanism for consultation and disclosure during implementation will be through the highly-participatory integrated tourism master planning process at each destination. Consultations during Project preparation consisted of consultations of the TOR for the ESMF (including TOR of consultant for preparing the ITMPs) and consultations of the Draft ESMF, which all took place in the three



destinations and in Jakarta in April 2017 and July 2017, respectively. A total of 269 people from central and local government agencies, representatives of universities, NGOs, AMAN, and associations participated in eight consultations. The TOR for the ESMF and draft ESMF had been disclosed in the www.bpiw.pu.go.id and the draft ESMF was disclosed in the World Bank Infoshop prior to consultations. The disclosed documents are publicly made available through these websites in English and Bahasa Indonesia. Feedback from the consultations has been incorporated in the draft final ESMF.

During Project implementation, public consultations will be carried out at various levels. For component 2, public consultations will be carried out by the proponents of the physical investment during the preparations of FS, DEDs, AMDAL, UKL-UPL, LARAP and/or IPP as well as prior to the start of construction by the contractors and proponents of the physical investment in the sites. For component 1, extensive public consultations in each destination site will be carried out at several stages during the preparation of the ITMPs, and the same will be carried out in the key tourism priority areas during the preparation of the Detail Development Plans (DDPs) by the RIDA and concerned local governments with the assistance of the consultant teams preparing these planning documents.

RIDA will establish a GRM system with the assistance of the Project Management Support Consultant. It plans to use its website (www.bpiw.pu.go.id) as a venue for the taking and follow-up complaints. RIDA will assign staff in charge of designing and managing the GRM, develop standard operating procedures for the complaint handling and document and report the complaint status.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
28-Apr-2017	21-Jun-2017	26-Jan-2018

"In country" Disclosure

Indonesia
22-Jun-2018

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
28-Apr-2017	21-Jun-2017

"In country" Disclosure



Indonesia
22-Jun-2017

Comments

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

28-Apr-2017

Date of submission for disclosure

21-Jun-2018

"In country" Disclosure

Indonesia
22-Jun-2017

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

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

Yes

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

Yes

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

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

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

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?



Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

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

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

Yes

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

NA

OP/BP 4.12 - Involuntary Resettlement

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

Yes

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

Yes

The World Bank Policy on Disclosure of Information

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

Yes

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



All Safeguard Policies

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

Yes

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

Yes

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

Yes

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

Yes

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APPROVAL

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