

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.:PIDC0070288

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| <b>Program Name</b>                            | Indonesia Tourism Development Program  |
| <b>Region</b>                                  | East Asia and Pacific Region   |
| <b>Country</b>                                 | Indonesia  |
| <b>Sector</b>                                  | Industry and Trade: General industry and trade sector (70%); Water, sanitation and flood protection: Wastewater Treatment and Disposal (15%); Sanitation (10%); Education: Vocational training (5%). |
| <b>Lending Instrument</b>                      | Program-for-Results  |
| <b>Program ID</b>                              | P157599  |
| <i>{If Add. Fin.}</i> <b>Parent Program ID</b> | NA   |
| <b>Borrower(s)</b>                             | Ministry of Finance  |
| <b>Implementing Agency</b>                     | Ministry of Tourism / Ministry of Public Works and Housing   |
| <b>Date PID Prepared</b>                       | 06/01/2016   |
| <b>Estimated Date of Appraisal Completion</b>  | 03/03/2017   |
| <b>Estimated Date of Board Approval</b>        | 05/31/2017   |
| <b>Concept Review Decision</b>                 | Following the review of the concept, the decision was taken to proceed with the preparation of the operation.  |

## I. Introduction and Context

### A. Country Context

1. **Indonesia has achieved impressive gains in growth and poverty reduction during the last decade, but these achievements are now under stress amidst a slowdown in its commodity-driven economy, stagnant rates of poverty reduction and rapidly rising inequality.** Following the recovery from the Asian financial crisis, annual growth averaged 5.6 percent over 2001-2012 and poverty halved to 11 percent, using the national poverty line. As the external tailwinds of commodity prices and demand and global financing conditions have turned to headwinds since 2012, growth and job creation have slowed, exposing Indonesia's dependence on natural resources for export and investment and, indirectly, for job creation. Real GDP growth declined to 4.8 percent in 2015, down from its 6.4 percent peak in 2010. Further progress in poverty reduction will clearly require new growth strategies and programs.

2. **As set out in the Systematic Country Diagnostic, eliminating poverty and increasing shared prosperity in Indonesia requires addressing three key challenges.** These include: (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 further improvements in the business environment to reignite private investment. Underinvestment in infrastructure over the past decade has constrained every sector of the economy—from rural irrigation to urban housing to tourism—and has undermined private sector investment and productivity. 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.<sup>1</sup>

**3. Tourism is a promising growth sector that could unlock private investment, foster inclusive and job-rich growth, boost export earnings, and guide a targeted infrastructure investment program in tourism destinations.** Tourism is globally recognized for its strong backward and forward linkages with other sectors of the economy and its employment of a high proportion of women (49% of formal hospitality and restaurant industry employees) and youth. If planned and managed well, tourism can generate large employment and income multipliers for Indonesia, which can contribute to eliminating poverty and increasing shared prosperity. Ten million additional international tourists and an increase in receipts per tourist to Thailand's level (1.5 times Indonesia's current average) would bring US\$16 billion in additional foreign exchange earnings. According to the World Travel and Tourism Council (WTTC), in Indonesia, every US\$1 million in Travel and Tourism spending supports around 200 jobs (of which 67 are direct jobs) and US\$1.7 million in GDP.<sup>2</sup> With potential tourism destinations spread across the archipelago, the sector also has potential to reduce regional disparities within Indonesia.

**4. The Government of Indonesia (GoI), in the National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional, RPJMN*) 2015-2019, has set a number of objectives to increase the role of tourism in the Indonesian economy.** Between 2014 and 2019, it seeks to increase: (i) international arrivals from 9 million to 20 million; (ii) domestic visits from 250 million to 275 million; (iii) the tourism contribution to GDP from 4 percent to 8 percent; (iv) tourism foreign exchange revenues from IDR120 trillion to IDR240 trillion; (v) Indonesia's Travel and Tourism Competitiveness Index ranking from 70<sup>th</sup> to 30<sup>th</sup> place; and (vi) tourism sector employment from 11 million to 13 million workers.<sup>3</sup> In 2015, the Ministry of Tourism's budget for promotional activities was quadrupled. However, recognizing that promotion alone, without targeted infrastructure investments for multiple destinations, can overcrowd existing destinations such as Bali, erode natural and cultural resources, and spoil the Indonesia brand, President Joko Widodo in late 2015 urged his Cabinet to accelerate the development of ten priority tourism destinations. The ten destinations include established destinations such as Borobudur, emerging locations such as Labuan Bajo (Flores) and Lake Toba, and more remote undeveloped locations such as Morotai and Wakatobi. They also include special economic zones (SEZs) located in already established destinations such as Mandalika SEZ on Lombok island and Tanjung Lesung SEZ in Banten Province (see Annex 4 for further

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<sup>1</sup> World Bank. 2015. *Indonesia - Systematic country diagnostic: connecting the bottom 40 percent to the prosperity generation*. Washington, D.C.: World Bank Group; World Bank. 2015. *Indonesia - Country partnership framework for the period FY16-20*; and World Bank. 2016. *Indonesia Economic Quarterly, private investment is essential, March 2016*.

<sup>2</sup> World Tourism Organization and UN Women. 2011. *Global Report on Women in Tourism 2010*; Staritz, Cornelia; Reis, José Guilherme. 2013. *Global Value Chains, Economic Upgrading, and Gender: Case Studies of the Horticulture, Tourism, and Call Center Industries*. Washington, DC. World Bank; WTTC. 2014. "Gender equality and youth employment," report; and WTTC. 2015. "Indonesia: How does Travel and Tourism compare to other sectors?," report.

<sup>3</sup> The latter two targets were added by the Ministry of Tourism in March 2016.

detail on the 10 destinations).

## ***B. Sectoral and Institutional Context of the Program***

5. **Indonesia has the potential to develop a world-class tourism industry, benefitting from its rich tourism endowments and a positive tourism demand outlook.** Indonesia has a rich array of tourism endowments which form the underlying draw for tourists. The Travel and Tourism Competitiveness Report 2015 ranks Indonesia 17<sup>th</sup> (out of 141 countries) on the national and cultural resources sub index, which captures the principal reasons to travel (Table 1). Indonesia improved its overall tourism competitiveness from 70<sup>th</sup> to 50<sup>th</sup> between 2013 and 2015. However, Indonesia's tourism industry is not operating at a level consistent with the quality and diversity of its natural and cultural endowments. Thailand, for instance, receives three times more tourists and four times more revenue from tourism. Moreover, global, regional and domestic tourism demand are growing. Worldwide, the tourism industry is projected to grow 3.9 percent per annum (compound annual growth) over the next decade, outpacing global economic growth. China continues to lead global outbound travel, benefitting Asian destinations. Spending by Chinese travelers increased 25 percent in 2015 to reach US\$292 billion, as total Chinese outbound travelers rose 10 percent to 128 million. Domestic trips in 2013 increased to 250 million and expenditure per visit to IDR711,260, amounting to a total of IDR177.84 trillion in domestic expenditures.<sup>4</sup>

6. **Indonesia, however, is not fulfilling its tourism potential due to four main challenges:**

(a) **Connectivity, basic services, and tourist service infrastructure.** Indonesia ranks in the bottom half of countries on several competitiveness indicators—ground and port infrastructure, tourist service infrastructure, health and hygiene (e.g. access to sanitation), ICT readiness, and environmental sustainability (e.g. wastewater treatment)—that require infrastructure investments to address them (Table 1). Between 2013 and 2015, Indonesia's performance has deteriorated on two indicators: natural resources (from 6<sup>th</sup> to 19<sup>th</sup>) and environmental sustainability (from 125<sup>th</sup> to 134<sup>rd</sup>).<sup>5</sup> Poor access to basic services, such as water supply, sanitation, sewer connections and solid waste collection, has already eroded natural assets in some tourist destinations. On top of that, rapid unmanaged growth of the tourism industry could further decline the competitiveness of the assets on which future growth in tourism depends. While the Bali Tourism Development Corporation (BTDC) successfully developed Nusa Dua in the 1970s, no other destination has been developed to a similar level. Those who go off the beaten path, find a limited number of properly developed sites that are hard to reach.

(b) **Workforce skills and firm quality standards.** Outside of Bali, Indonesia's workforce has limited skills to provide a full range of tourism experiences (e.g. tour guides, cuisine, cultural experiences) in a profitable and sustainable manner. Furthermore, most firms in the less developed and emerging destinations do not meet the goods and services quality standards needed to serve as suppliers for the international-class hotels and tourism operators these destinations aim to attract. In the absence of improvements in local

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<sup>4</sup> WTTC. 2015. *Benchmarking Travel & Tourism. Global*; UNWTO. 2016. *World Tourism Barometer*. Volume 14 (May); and Ministry of Tourism. 2014. *Statistik Profil Wisatawan Nusantara, Tahun 2014*.

<sup>5</sup> Especially due to poor wastewater treatment (117<sup>th</sup>).

capacities, firms and individuals will struggle to participate in and benefit from the economic opportunities created by the development of selected destinations outside Bali.

**Table 1: Travel and Tourism Competitiveness Index: Indonesia**

|  |           |
|--|-----------|
| <b>Overall 2015 rank (out of 141 countries)</b>      | <b>50</b> |
| <b><i>Enabling environment</i></b>                   | <b>80</b> |
| Business environment                                 | 63        |
| Safety and security                                  | 83        |
| Health and hygiene                                   | 109       |
| Human resources and labor market                     | 53        |
| ICT readiness  | 85        |
| <b><i>T&amp;T policy and enabling conditions</i></b> | <b>9</b>  |
| Prioritization of Travel and Tourism                 | 15        |
| International openness                               | 55        |
| Price competitiveness                                | 3         |
| Environmental sustainability                         | 134       |
| <b><i>Infrastructure</i></b>                         | <b>75</b> |
| Air transport infrastructure                         | 39        |
| Ground and port infrastructure                       | 77        |
| Tourist service infrastructure                       | 101       |
| <b><i>Natural and cultural resources</i></b>         | <b>17</b> |
| Natural resources                                    | 19        |
| Cultural resources and business travel               | 25        |

Source: World Economic Forum, “Travel and Tourism Competitiveness Report, 2015”

- (c) **Investment and business climate.** Regulatory uncertainty and complexity continue to hurt investors and businesses in Indonesia (foreign, domestic, large and small). Moreover, Indonesia ranks particularly poorly in the Travel and Tourism Competitiveness Index on some of the indicators related to its Doing Business ranking, such as starting a business or dealing with construction permits. Furthermore, while preliminary destination development plans prepared by the Ministry of Tourism suggest that approximately two-thirds of the required investment is expected to come from the private sector, this figure is not based on any systematic assessment of investor interest. Finally, some of the destinations have been designated as SEZs,<sup>6</sup> with mixed results in attracting investment.
- (d) **Coordination and implementation capabilities.** Tourism destination development requires a combination of closely aligned public and private interventions and inter-Ministry/Agency coordination at the national and subnational level. At the national level, the Government recently (May 25, 2016) revived the tourism coordination team, chaired by the Vice-President. However, given that Indonesia is highly decentralized, provincial- and destination-level coordination mechanisms are also critical. Furthermore, private sector representation at all levels—important for gauging and testing investor interest—would need to be ensured through coordination team membership, regular invitations to meetings, and/or observer status.

<sup>6</sup> Mandalika SEZ located on Lombok island, Tanjung Lesung SEZ in Banten, and Morotai SEZ on Morotai island in North Maluku.

7. **To address these challenges in a targeted manner, the GoI has identified ten tourism destinations for priority development, with an emphasis on closing their infrastructure gap.** Out of 222 national tourism development areas (*Kawasan Pengembangan Pariwisata Nasional*, KPPN), 88 national tourism strategic areas (*Kawasan Strategis Pariwisata Nasional*, KSPN) were identified in the 2010-2025 National Tourism Masterplan.<sup>7</sup> To close the infrastructure gap for national programs and targets that require infrastructure investment, as is the case for tourism development, RPJMN 2015-2019 identified 35 strategic areas for priority infrastructure development, including six National Priorities for Strategic Tourism Areas. In 2015, ten destinations were selected for priority development. Criteria used in selecting the ten destinations included accessibility, attractiveness and the range of amenities, as well as political considerations and geographic spread across the archipelago. As part of the prioritization, the Government is currently preparing a dedicated tourism development program that brings together and augments its ongoing programs, with a stronger focus on the ten destinations and more emphasis on the targeted infrastructure investments needed to support increased tourism activity. For the implementation of the program, the Government plans to sequence the development of priority destinations, especially with regard to closing their infrastructure gap.

8. **Since September 2015, the Government has also released twelve economic policy packages predominantly aimed at attracting foreign investment, improving the investment climate, and facilitating trade and logistics.** The packages include reforms in the tourism sector, such as extending visa free access to tourists from an additional 30 countries. The 2016 revision of the Negative Investment List (*Daftar Negatif Investasi*, DNI)<sup>8</sup> has further opened the tourism sector to foreign investment, although limitations remain. Several business fields are reserved for MSMEs, such as homestays and tour guides, and in other business fields maximum foreign capital requirements have been relaxed, but not removed altogether (e.g. 51% for ecotourism facilities and spas, 67% for travel agencies, non-star, one and two star hotels, motels, and organizers of MICE). The Government made great strides towards improving the ease of doing business. However, for tourism and tourism-related firms in the ten destinations to benefit from these efforts, local implementation (beyond Jakarta and Surabaya) will be critical.

9. **The GoI has recently revived a cross-Agency/Ministry coordination team for the planning and budgeting of its tourism program.** The tourism coordination team is chaired by the Vice-President; the Vice Chairman is the Coordinating Minister for Economic Affairs; and the Chief Executive is the Minister of Tourism, with as Secretary the Secretary General of the Ministry of Tourism. Members include the Ministers of Foreign Affairs, Interior, Justice and Human Rights, Finance, Education and Culture, Health, Public Works and Housing, Communications, Forestry, Maritime Affairs and Fisheries, and Communication and Information Technology, and the Heads of the Indonesia Investment Coordinating Board (BKPM) and State Police Indonesia.

### ***C. Relationship to CAS/CPF***

10. **The proposed Program will support the Country Partnership Framework (CPF) for the Republic of Indonesia for the period FY16-FY20, as part of Engagement Area 1:**

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<sup>7</sup> *Rencana Induk Pembangunan Kepariwisata Nasional*, RIPPARNAS, Government Regulation number 50 in 2011.

<sup>8</sup> Presidential Regulation No. 44 of the year 2016 on the Negative Investment List.

*“Infrastructure platforms at the national level.”* These infrastructure platforms involve those sectors where: (i) the central government, mostly through the Ministry of Public Works and Housing (MPWH), has responsibility for policy and/or implementation; (ii) the government or the private sector have expressed a strong interest in working with the World Bank Group (WBG); and (iii) supporting or expanding “platforms” can have a substantial impact. Tourism is one of the four sectors where a platform—one that allows the Government and development partners, and where relevant, the private sector, to work cooperatively and reach scale—can have important developmental impact in Indonesia.

11. **More specifically, the Program will contribute to Objective 3: “Development of integrated tourism destinations.”** The CPF proposes to support the development of integrated tourism destinations, which are based on integrated masterplans and implementation strategies that are endorsed by a broad set of stakeholders. The development of integrated destinations would occur through a continuous process of policy and planning coordination, and would bring together (i.e. “integrate”) the development of infrastructure, tourism promotion at the national and local levels, and workforce skills and SME development.<sup>9</sup>

## **II. Program Development Objective(s)**

### ***A. Program Development Objective(s)***

12. **The Program Development Objective is to promote private investments and jobs in the tourism sector in selected tourism destinations in Indonesia.**

### ***B. Key Program Results***

13. Progress towards achieving the PDO will be measured through three key results indicators for the selected tourism destinations:

- (i) Daily average expenditure per tourist;
- (ii) Net direct tourism-linked jobs created;
- (iii) Private investment in tourism generated.

## **III. Program Description**

### ***A. PforR Program Boundary***

14. **The PforR is anchored in the GoI’s overall (emerging) program for developing tourism and increasing its contribution to GDP, foreign exchange revenues, and job creation across Indonesia.** The objectives of the GoI’s tourism program are anchored in the aforementioned RPJMN 2015-2019. The key program areas, as currently being discussed by GoI, are: (i) connectivity, basic services and tourist service infrastructure; (ii) tourism workforce skills development and SME support; (iii) tourism services, international marketing, and investment promotion; (iv) integrated destination master planning; and (v) institutions and mechanisms for program implementation. As part of the RPJMN’s Mid-Term review, the GoI is in the process of refining and augmenting the government’s program. First, the Ministry of Tourism has been tasked to restructure its large promotional budget to also support tourism

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<sup>9</sup> World Bank. 2015. *Indonesia - Country partnership framework for the period FY16-20*.

product improvements and skills development, and, second, the development of destinations (beyond Bali) now has a stronger focus on ten selected destinations. To sequence the development of the ten priority destinations, the Vice-President has assigned Bappenas and the Ministry of Tourism, together with the World Bank, to assess in which 3-4 destinations limited public investments will bring the largest benefits in terms of growth in tourism activity. The tourism coordination team, chaired by the Vice-President, will decide on the sequencing of destination development and on which destinations will be developed in the initial year(s) of the program. The infrastructure investment program is therefore likely to focus on these 3-4 destinations.

15. **The PforR supports selected elements within the government’s program areas.** The key difference between the GoI’s program and the PforR relate to infrastructure development. Based on preliminary documents, the size of the GoI program is estimated at approximately US\$3.8 billion. The government’s program includes large new infrastructure investments (airports, toll roads, ports), for which the economic rationale goes beyond tourism development and includes regional connectivity, trade and industrial development. The PforR will only support enhancements to connectivity infrastructure directly justifiable for the development of the ten priority destinations. It will not directly finance high risk and high value activities, such as the construction of *new* airports, *new* toll roads, and *new* ports, although it will support the *systems* leading to integrated planning of these investments to help avoid mass tourism growth that exceeds the capacity of local infrastructure and natural and cultural resource management institutions. Based on this narrower set of investments, the size of the PforR is estimated at approximately US\$1.1 billion.<sup>10</sup>

16. **The PforR will target four key results areas:**

- (i) **Results Area 1: Improve connectivity and tourism carrying capacity of selected destinations.** The chain of activities under this results area aim to enhance the physical accessibility of the priority destinations and their tourism attractions, as well as the availability of services essential for a quality tourist experience and for preserving natural and cultural assets. To this end, the Program will support public investments in: (i) air, water and road connectivity and related reforms to enhance connectivity (more specifically, airport upgrading and air transport policy reforms; road upgradation and rehabilitation and construction of small feeder roads; and port upgrading); (ii) basic services and infrastructure (water supply, sanitation, sewer connections, solid waste collection, electricity supply, medical services, security, cleanliness and maintenance, traffic management and parking, public amenities, broadband internet services), and (iii) tourism-specific infrastructure and services (such as museums, visitor centers, signage and landscaping). The investments will be based on (i) an assessment of existing facilities and services; (ii) a projection of the increased capacity (both size and quality) required to accommodate the number and profile of expected future tourists; and (iii) an investment plan to provide that extra capacity on a schedule that can both keep pace with tourism growth and allow for adjustments if actual tourist arrivals exceed or fall short of projections. As part of the sequencing of destination development, the infrastructure investment program is likely to focus on an initial 3-4 destinations. Furthermore, destination level demand/market assessments will feed into the economic assessment and

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<sup>10</sup> Task team calculations based on Ministry of Tourism preliminary plans (January 2016).

will help the government prioritize investments and write off overly costly investment plans.

- (ii) **Results Area 2: Promote local participation in tourism economy.** This results area aims to facilitate the participation of local firms and individuals in the economic opportunities arising from the growth of tourism. Program activities towards this result would include the introduction of accredited tourism-related courses in national and local school curriculums, the establishment of vocational training programs for hotel and tourism professionals, and the provision of technical assistance to tourism-related firms, with a focus on helping them improve quality standards and serve as suppliers to higher-end (4 and 5-star) hotels.
- (iii) **Results Area 3: Enhance enabling environment for private investment in tourism.** To achieve this result, the Program will support the implementation of announced tourism-relevant reforms, simplification of business entry and licensing requirements for the tourism sector, strengthen systems to monitor and facilitate private investments, and review/strengthen policies and incentives to attract tourism investments (through the reform of sector-specific incentives or SEZs to make them more effective and economical).
- (iv) **Results Area 4: Increase institutional capacity to facilitate integrated and sustainable tourism development.** To achieve this result, the Program would support the operationalization of a national-level inter-Ministry/Agency coordination team under the VP's office, as well as the establishment and operationalization of provincial and destination-specific coordination and delivery mechanisms. It would also help develop a systematic process for destination-level demand analysis, integrated master planning, and promotion, improve institutional capacity for monitoring environmental and cultural assets in tourism areas (including the capacity to conduct AMDALs and UKLs/UPLs and prepare Site Management Plans), and support forums for community involvement and awareness of tourism development.

17. **To strengthen tourism destination planning and implementation—based on the Preliminary Technical Assessment (not having benefitted from the fiduciary systems and environmental and social systems assessments)—the Program Action Plan might include activities in the following areas:** (i) reinforcement of program secretariat/management to conduct demand assessments and improve the quality of integrated master plans; (ii) updates to tourism-specific SEZ policies and other investment policies based on a policy review; (iii) reinforcement of economic evaluation capabilities (including of tourism growth, benefits and distributional impacts at the destination level); and (iv) staffing of institutions for the monitoring of natural and cultural assets in tourism areas.

18. **Ten preliminary DLIs have been identified across the four results areas (Table 2).** The DLIs have been selected to ensure even representation of each results area, and to achieve a balance of process, output, and outcome indicators that reflect different phases of program implementation and will enable a smooth profile of disbursements throughout the life of the PforR. The DLIs will be updated and refined during pre-appraisal on the basis of subsequent discussions with the GoI and ongoing assessments of measurement capacity and verification protocols.



**Table 2: Program DLIs**

|    |     |   |
|----|-----|---|
| 1  | RA1 | People provided with access to “improved sanitation facilities” in the selected destinations                            |
| 2  | RA1 | New allocated flight seat capacity through air service agreements   |
| 3  | RA1 | People provided with access to regular solid waste collection in the selected destinations                              |
| 4  | RA2 | Number of new businesses registered in tourism-linked industries  |
| 5  | RA2 | Trainees completing accredited tourism industry TVET programs and receiving certification                               |
| 6  | RA3 | Reduction in average time to obtain all licenses for establishing a new tourism-related business                        |
| 7  | RA3 | New investment approvals/permits/licenses issued  |
| 8  | RA4 | Number of destination-specific integrated tourism master plans adopted  |
| 9  | RA4 | National, provincial, and destination level coordination and delivery platforms established through Presidential Decree |
| 10 | RA4 | Number of institutional mechanisms for destination-level environmental and cultural asset preservation established      |

#### **IV. Initial Environmental and Social Screening**

19. **Cultural and natural resources are the main attraction for tourists in Indonesia, but unless well planned and executed, tourism development can degrade those same resources and ultimately be self-defeating and unsustainable.** This argues for a planning and decision-making process in which wise utilization and management of environmental and socio-cultural resources is integrated with economic and physical planning at every stage.

20. **In terms of environmental and social risk management, the proposed program will be compliant with *Bank Policy: Program-for-Results Financing* issued on July 10, 2015.** Activities that are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people are not eligible for the financing and will be excluded from the Program by utilizing the Indonesian system for project screening. As a first level of screening, activities for which Indonesian regulations require AMDAL, i.e., full ESIA will be excluded.<sup>11</sup> Examples include:

- a. Shoreline land reclamation of  $\geq 25$  ha
- b. Cut and fill involving  $\geq 500,000$  m<sup>3</sup>
- c. Surface water withdrawal  $\geq 250$  l/sec
- d. Groundwater withdrawal  $\geq 50$  l/sec
- e. At-grade railway construction  $\geq 25$  km
- f. Port construction involving piers or breakwaters  $\geq 200$  m in length
- g. Airports with runway  $\geq 1200$  m or terminal buildings  $\geq 10,000$  m<sup>2</sup>
- h. Dams  $\geq 15$  m high
- i. Construction or widening of roads  $\geq 5$  km that involve land acquisition of 30 ha or more in cities, or 40 or more in rural areas
- j. Toll roads  $\geq 5$  km
- k. Sanitary landfills  $\geq 10$  ha
- l. Wastewater treatment plants with area  $\geq 3$  ha or organic load  $\geq 2.4$  tons/day
- m. Any activity in any of 20 listed types of protected areas.

<sup>11</sup> Ministry of Environment Regulation No. 5 of 2012 Concerning Types of Activities Required to have AMDAL.

Recognizing that the Indonesian screening process is primarily based on quantitative thresholds whereas the Bank's is more risk-based, the screening process will be further refined during program preparation by adding a second level that will (i) screen out particular activities that do not require AMDAL but are high risk because of their environmental or social context, and (ii) allow support to activities that meet one of the AMDAL thresholds but do not pose risks that the Bank would consider significant.

21. **Overall, the Program is likely to yield important benefits to the environment from promoting better natural resource management and cultural resources, and to communities**, both through its non-structural (capacity building) and structural activities. Potential negative environmental and social impacts associated with the program are considered low to moderate, and manageable by means of good planning and design and application of good practices in construction and operation.

22. **An Environmental and Social System Assessment (ESSA) will be prepared to assess the range of environmental and social impacts that may be associated with the program as well as the Borrower's capacity for E&S management.** The ESSA will contain an action plan for the project client containing measures to avoid, minimize or mitigate the impacts and risks. The ESSA will be based on a review of the legal, regulatory and institutional framework related to environmental and social matters, including an assessment of the client's capacity to handle social and environmental risks, and experiences with implementation of safeguard instruments from past Bank projects. The results of the ESSA will inform program design. In addition to measures to improve E&S risk management in the Program Action Plan and/or in the results matrix, there will be an environmental and social DLI on the establishment of destination-specific capacity to monitor and protect the natural and cultural resources that are the main attractions of Indonesian tourism. The ESSA will be disclosed in draft, national consultations will be organized, and the final version of the ESSA results will be made public before appraisal.

#### V. Tentative financing

|                    |        |
|--------------------|--------|
| Source:            | (\$m.) |
| Borrower/Recipient | 933    |
| IBRD               | 200    |
| IDA                |        |
| Others (specify)   |        |
| Total              | 1,133  |

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