



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 05-Jun-2019 | Report No: PIDISDSA27376



BASIC INFORMATION

A. Basic Project Data

Country Indonesia	Project ID P169403	Project Name Central Sulawesi Rehabilitation and Reconstruction Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 20-May-2019	Estimated Board Date 19-Jun-2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Republic of Indonesia	Implementing Agency Ministry of Public Works and Housing	

Proposed Development Objective(s)

The PDO is to reconstruct and strengthen public facilities and safer housing in selected disaster-affected areas.

Components

- Component 1. Resilient construction of permanent housing units and settlement infrastructure
- Component 2. Resilient reconstruction and strengthening of public facilities
- Component 3. Project implementation support

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Bank for Reconstruction and Development (IBRD)	150.00
Environmental and Social Risk Classification	
High	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Indonesia has seen impressive growth and a large reduction in poverty over the past two decades.** Since 1950, average Gross Domestic Product (GDP) per capita has increased almost nine-fold in real terms.¹ The percentage of poor and vulnerable people in the population decreased from 54 percent in 2001 to 31 percent in 2017. The official poverty rate, based on the national poverty line, reduced to 9.8 percent in March 2018, or 26 million poor people in absolute terms.² Poverty reduction has been driven by strong and steady economic growth since the economic low of the Asian Financial Crisis from 1997 to 1998, along with solid job creation in cities as labor shifted from agriculture to services. Whilst growth is projected to be stable in coming years, with Indonesia continuing in its development path as a middle-income country, the pace of progress has been uneven across different regions with rising inequalities. In addition, while poverty has declined, many Indonesians remain highly vulnerable to external shocks, living just above the poverty line. While poverty is more prevalent in rural areas, the share of poverty in urban areas is increasing, reaching 38.1 percent in March 2018, linked to ongoing urbanization processes.³

2. **Indonesia is one of the most disaster-prone countries in the world and exposed to a range of natural hazards that can hinder development outcomes, affecting its people and the economy.** Located in the Pacific Ring of Fire with 127 active volcanoes across the archipelago nation, Indonesia experiences frequent earthquakes and tsunamis, as well as floods. Disaster events have caused significant human and economic losses in the country. Just between 2007 and 2018, recorded disaster events caused the loss of 7,375 lives and displaced 55 million people,⁴ with annual economic losses of approximately US\$2.2 to US\$3.0 billion.⁵ Earthquake risk is particularly high, with some 80 percent of the country located in earthquake-prone areas.⁶ It is expected that by 2055, approximately 64 percent of Indonesia’s population will be living in earthquake hazard

¹ World Bank. Forthcoming. *Urbanization Flagship Report: Time to Act – Realizing Indonesia’s Urban Potential*.

² World Bank. 2018. *Indonesia Economic Quarterly. Urbanization for All. September*.

³ World Bank. 2018. *Indonesia Economic Quarterly. Urbanization for All. September*.

⁴ Based on EM-DAT 2018 and BNPB data.

⁵ National Disaster Management Authority, Head of Data and Information, 2018; and World Bank/GFDRR 2012. *Advancing disaster risk financing and insurance in ASEAN member states: Framework and options for implementation*. Among the ASEAN countries, Indonesia faces particularly high expected annual economic losses from floods and earthquakes.

⁶ National Disaster Management Authority, Director of Disaster Risk Reduction on Safe School Program, 2016.



zones, up from 53 percent in 2016, with the largest increase in exposure across the Java island.⁷ Based on probabilistic loss models, there is a 2 percent chance each year of a significant earthquake event occurring that causes damages of approximately US\$1.3 billion.⁸ The poor and vulnerable often bear the brunt of disaster impacts as they tend to live in hazard areas, lack access to basic services, and have limited access to financial resources and assets to cope with aftermath losses.

3. The natural disasters that Indonesia experienced in 2018 caused the most loss of life in over a decade, particularly as a result of three major catastrophic events. First, in July and August 2018, West Nusa Tenggara (NTB) province suffered a series of major earthquakes, the most significant occurring on 5 August 2018 measuring magnitude (M)7.0, which affected the entire island's population of around 3.5 million, as well as thousands of tourists. The National Disaster Management Authority (BNPB) reported that the earthquakes caused 561 fatalities and displaced over 396,000 people,⁹ damaging almost 110,000 houses, 663 schools, 52 health facilities, 6 bridges, and many roads, causing approximately US\$854 million¹⁰ in damages and losses. Second, in September 2018, a M7.5 earthquake with an epicentre located 81 kilometres north of Palu City in Central Sulawesi caused strong ground shaking and tsunamis that damaged coastal settlements along Palu Bay. This disaster led to 4,402 fatalities¹¹, approximately 170,000 displaced people,¹² and US\$1.3 billion¹³ in economic losses estimated at 13.7 percent of regional GDP.¹⁴ Third, in December 2018, the eruption and subsequent partial collapse of Anak Krakatau Volcano led to a tsunami that affected coastal settlements in Banten and Lampung provinces along Sunda Strait, causing 437 fatalities and displacing almost 34,000 people.¹⁵ Major floods have also recently affected Indonesia including the 2019 floods in South Sulawesi, which caused an estimated 68 fatalities and displaced thousands; as well as the 2019 Jayapura flood and landslide, which caused an estimated 113 fatalities and displaced over 11,000 people.

Sectoral and Institutional Context

4. Since the Indian Ocean earthquake and tsunami in 2004, the Government of Indonesia (GoI) has made considerable progress in improving laws and regulations, enhancing institutional capacity, and strengthening fiscal capacity related to its disaster risk management (DRM) systems. Law Number 24 of 2007 concerning Disaster Management refined the roles and responsibilities of different line ministries, businesses, and international institutions related to DRM, shifting Indonesia's approach towards proactive disaster risk mitigation and preparedness. BNPB was established in 2008 through Presidential Regulation 8/2008 with a key goal to coordinate relevant line ministries and agencies responsible for activities at all stages of the DRM cycle: pre-disaster, during disaster, and post-disaster. Subnational local disaster management agencies (BPBDs) have been established in all 34 provinces and the majority of 514 cities and regencies (*kota* and *kabupaten*), in line with key principles outlined in the Sendai Framework for Disaster Risk Reduction¹⁶ to place ownership of disaster risk management at the local level. Additionally, since 2004, Indonesia has made significant investments in its

⁷ World Bank. 2018. *Review and Analysis of Indonesian Cities' Exposure to Disaster Risk*.

⁸ World Bank. 2011. *Indonesia: Advancing a National Disaster Risk Financing Strategy – Options for Consideration*.

⁹ Government of Indonesia. 2018. *NTB Rehabilitation and Reconstruction Action Plan. Executive Summary*.

¹⁰ Presentation of Coordination and Assistance Team for Post-Disaster Recovery and Redevelopment in Central Sulawesi and NTB.

¹¹ United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA). 2018. Update. December 20.

¹² Central Sulawesi Center of Disaster Data and Information. 2019.

¹³ Government of Indonesia. 2018. *Master Plan for Central Sulawesi Rehabilitation and Reconstruction*, draft version 5.0.

¹⁴ Processed from estimated Central Sulawesi RGDP 2017 by National Statistical Bureau. 2018.

¹⁵ UNOCHA. 2019. Update, January 3. Tourism infrastructure sustained major damages include 92 hotels and 60 culinary stalls.

¹⁶ The Sendai Framework for Disaster Risk Reduction is a 15-year non-binding international agreement that recognizes the importance of sharing the responsibility of reducing disaster risk with local government, the private sector, and other stakeholders.



hydrometeorological and geophysical observation networks and early warning systems, becoming an Indian Ocean Tsunami Warning Services regional provider and performing consistently to high standards. The Ministry of Finance (MOF) also launched the National Disaster Risk Financing and Insurance Strategy in October 2018, complementing efforts that aim to mitigate the economic and fiscal impacts of disaster and climate shocks.¹⁷

5. **The GoI intends to develop the Indonesia Disaster Resilience and Reconstruction (IDRAR) program, a national platform with dual objectives to strengthen Indonesia’s disaster preparedness and emergency management systems, and to enhance post-disaster rehabilitation and reconstruction programs.** Indonesia’s exposure to a multitude of natural hazards, large expanse, and geographic diversity necessitate accelerated investments in strategic high-risk priority areas, increased awareness and understanding of disaster risk, technological and technical innovation, and strengthened local capacity for disaster preparedness and emergency management. Recognizing these opportunities, the World Bank is working with the GoI on a comprehensive approach to strengthen Indonesia’s resilience against disaster shocks. Key elements of this dialogue include financing instruments to reduce budgetary costs of responding and recovering from disasters, comprehensive DRM policy framework, and a combination of investments to reduce disaster impacts. Learning from recent disasters, the main priorities lie in five key areas: (i) investments in disaster risk reduction, including risk-informed development and spatial planning, seismic risk mitigation and urban flood risk management; (ii) public awareness and preparedness, including community level contingency planning and disaster risk education; (iii) early warning systems capacities, including integrated monitoring networks, densification of instrumentation in high-risk areas, timely and accurate impact-based forecasting and disaster warnings, and last-mile communication; (iv) emergency management capacity, particularly for local governments to be equipped adequately for rapid and reliable responses to multiple hazards; and (v) disaster-resilient development planning. The World Bank proposes to support Indonesia’s efforts in disaster risk reduction with select investments in these areas through the two separate yet complementary projects—the CSRRP and the IDRIP—under the umbrella of the proposed IDRAR program, which will include projects supported by other development partners. Through this national program, and with support from project financing under CSRRP and IDRIP, the GoI will invest in initiatives such as disaster-resilient development planning, standardization of disaster risk management procedures, knowledge management, and institutional capacity building.

6. **Following the catastrophic events in 2018, the Government of Indonesia (GoI) requested a comprehensive package of support from the World Bank to address the urgent need for financial and technical assistance.** The package included: (i) technical assistance to support recovery activities and longer-term disaster resilience; (ii) immediate channelling of existing project financing to complement the Government’s recovery program in housing, transport, water supply, and social protection sectors; and (iii) emergency recovery operations—to be prepared under accelerated procedures—to finance the rehabilitation, upgrading and reconstruction of critical public facilities and infrastructure in disaster-affected areas, as well as to strengthen disaster risk management systems across Indonesia. The two emergency operations are: (i) the Central Sulawesi Rehabilitation and Reconstruction Project (CSRRP) which will support targeted communities with reconstructed and strengthened housing and public facilities; and (ii) the Indonesia Disaster Resilience Initiatives Project (IDRIP, P170874) which will help improve the preparedness of the central government and selected local governments

¹⁷ The World Bank is supporting the Ministry of Finance to implement the strategy including the proposed piloting of a public asset insurance scheme, developing a dedicated budgetary mechanism (pooling fund) to manage a budgetary allocation for disasters, and strengthening central-regional fiscal coordination and transfer mechanisms. Existing mechanisms that finance post-disaster activities include the On-Call Fund (*Dana Siap Pakai*), which provides rapid funding during a declared state of emergency; the Contingent Fund (*Dana Darurat*) as stipulated in the Government Regulation 44/2012; and the Special Allocation Fund (*Dana Alokasi Khusus*), which is often used in post disaster situations for the allocation of state budget to finance recovery of assets owned by subnational governments.



for future natural hazards. These two projects will complement other rehabilitation and reconstruction efforts in Central Sulawesi, such as the recovery of public facilities, water resources infrastructure, solid waste management facilities, and transport infrastructure by other development partners; permanent housing and livelihoods recovery support activities by non-government organizations (NGOs) and other partners; and support to settlement infrastructure and roads rehabilitation through ongoing World Bank-financed investment projects.¹⁸

C. Project Development Objective

Development Objective(s) (From PAD)

7. The Project Development Objective of the CSRRP is to reconstruct and strengthen public facilities and safer housing in selected disaster-affected areas.

Key Results

8. The CSRRP will support the Government's recovery program in Central Sulawesi and help rehabilitate, reconstruct, and reduce potential human and economic losses during future earthquake and other disaster events, such as flooding, by improving the building quality and sustainability of critical public facilities and housing settlements against the impacts of future natural hazards. It will achieve this through three key components that will complement settlement infrastructure construction and other infrastructure recovery activities supported by other Bank-financed projects (including KOTAKU and PAMSIMAS) as well as other development partners (including ADB, JICA and UNDP).

D. Project Description

9. **The CSRRP and IDRIP complement each other by reducing the vulnerability of people and assets to hydrometeorological and geophysical events through an integrated package of structural and non-structural investments.** CSRRP will meet urgent needs to strengthen and reconstruct critical assets and infrastructure in disaster-affected areas of Central Sulawesi, whilst developing the foundations of a national platform for disaster-resilient infrastructure strengthening and future post-disaster recovery programs. Through IDRIP, accelerated investments in strategic high-risk priority areas will increase public awareness and understanding of disaster risk, better preparing local governments and communities against future disasters. These complementary investments will help to implement Indonesia's comprehensive approach to strengthening disaster resilience, aligning with the strategic priorities of both the Government and the Bank.

Component 1: Resilient construction of permanent housing units and settlement infrastructure

10. This component will finance civil works for construction of approximately 7,000 permanent core housing units to the project's resilience standards in safe resettlement sites and related settlement infrastructure and community facilities to relocate disaster-displaced households. Affected communities will be engaged from the beginning of the

¹⁸ In December 2018, the GoI requested the World Bank to trigger the contingency for disaster risk response component under the Western Indonesia National Road Improvement Project (WINRIP), allowing the rapid reallocation of project financing to support the rehabilitation and reconstruction of selected damaged road sections in Palu and the regencies of Donggala and Sigi; as well as the contingency emergency response component under the National Slum Upgrading Project (NSUP/KOTAKU), allowing the rapid reallocation of project financing to support the construction of housing settlement infrastructure in new settlement areas and selected public facilities.



relocation process with special emphasis on participation of women and vulnerable community members. This component will also support communities in the reconstruction of homes that meet seismic risk mitigation standards in safer locations.

Component 2. Resilient reconstruction and strengthening of public facilities

11. This component will finance civil works for rehabilitation, reconstruction and structural strengthening of public facilities to improve seismic performance and safety, reduce disaster vulnerability, increase climate resilience, and improve functionality and service standards. Public facilities such as schools, health facilities, markets, and government offices are eligible for financing under this component. The project will support the following principal types of investments: (a) the in-situ repair and reconstruction of damaged assets; (b) construction of new assets in new locations when the damaged assets cannot be rebuilt in situ; and (c) construction and/or expansion of assets in new locations to serve people who, as a result of the earthquake, must relocate from hazard-prone areas.

Component 3: Project implementation support

12. This component will finance the costs of expert consultants and community facilitators throughout the project cycle to strengthen the Government’s capacity—at both the central and subnational level—on post-disaster recovery. It could also include the development of Standard Operating Procedures (SOPs), technical guidelines, and operational manuals. This component will strengthen PUPR’s implementation arrangements to oversee implementation of the project at the national and subnational levels. It could finance support for: project management, procurement, financial management activities, technical audits, building permit issuance and compliance, oversight of compliance with agreed social and environmental standards, oversight of compliance with social inclusion targets (e.g., gender and disability action plans), monitoring and evaluation activities, community satisfaction surveys, grievance redress mechanisms, and preparation and maintenance of a project database and transparent web-based management information system (MIS).

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

Summary of Assessment of Environmental and Social Risks and Impacts

Under Component 1 on resilient construction of permanent housing units and settlement infrastructure, potential environmental and social risks are expected to be associated with relocation of displaced households, preventative resettlements, livelihoods restoration, site preparation and construction of housing units and settlement infrastructure, and their ancillary facilities. It is understood that the Government’s priority is to resettle people displaced by the recent disaster and to plan for preventative resettlement (i.e., relocation of people still occupying ‘red zones’). Both forms of relocation are being considered for financing under the project. The World Bank Environmental and Social Standard 5 (ESS5) on Land Acquisition, Restrictions on Land Use and Involuntary Settlement



applies in this context as it may be hard to distinguish people who were displaced by the disasters and those who fall under project-induced displacement such as people affected by re-zoning or preventative resettlement programs. The establishment of red-zones and preventative resettlement is likely to affect both groups, with many disaster-affected people still holding land ownership or rights to land in affected areas and beginning to reclaim their affected land parcels by erecting boundary pegs or temporary structures.

Under Component 2 on resilient reconstruction of public facilities, project activities are expected to have moderate environmental and social risks. No resettlement impacts are anticipated as works will be completed for existing buildings located on existing sites although further assessments will be required in case there is a decision otherwise. Key potential risks are related to: community health and safety (e.g., impact of construction works on teachers and students at schools, and staff and patients at health facilities, who continue to occupy building rehabilitation sites); unsafe working conditions; poor occupational health and safety practices; and exposure of workers and building occupants to hazard materials (e.g., asbestos containing materials, medical waste) before and during demolition and rehabilitation activities. Building reconstruction activities are expected to have moderate to high risks as they may include re-siting of facilities and the potential for resettlement impacts, and hence may potentially increase environmental and social risks associated with land acquisition and construction as well as other risks considered above. Such risks may escalate due to the increased scale and expected speed of the works, which will potentially stretch the existing institutional capacities for adequate management of environmental and social risks. For example, the local environmental agency for Palu City currently has limited staffing (including 2 permanent staff and 6 contracted staff) to manage environmental permitting processes.

Relocation of Displaced People vs Preventative Resettlement: Four main resettlement sites are currently being considered. For the three proposed sites in Duyu, Pombewe-Olobuju and Tondo-Talise as the Government is seeking to acquire expired or soon to be expired unused concessional land (HGB and HGU) for the development of resettlement areas. ATR/BPN is adopting a low risk approach, seeking to negotiate a settlement with concession holders and identify land within the concessions currently not being used. However, there is potential for informal users of these areas to experience loss of or loss of access to this land or assets, which need to be duly compensated. In the newly proposed relocation site in Ngatabaru, the likelihood and extent of involuntary land acquisition remains to be further assessed since the site is privately owned.

Proposed relocation approach: The agreed approach for relocation of displaced people and preventative resettlement for people within the red-zones is being finalized. In principle, relocation should be participatory and community-driven, allowing a community decision-making processes, consultation of preferences, as well as facilitation. The GoI is considering several relocation schemes, including relocation to the three designated sites, small-scale “satellite” relocation (between 50 – 70 households) to sites selected by the target communities, as well as individual cash assistance support for relocation, provided that the proposed relocation sites are deemed safe. These schemes are expected to enable communities to make informed decisions based on their preferences, maintaining the consultative and community-driven principle of the project. An assessment of community preferences is currently being undertaken by the district and municipal governments.

Project Phases: Phase 1 of the project will prioritize displaced people who are occupying temporary shelters (Huntara) and tents. Phase 2 will gradually target people who are occupying the red-zones following finalization of the revised Provincial and District/Municipal spatial plans. A consultative and community-driven approach will be adopted for both population groups.

Livelihood Restoration and resettlement: The provision of housing, public facilities and services, as well as livelihood



restoration support is integral to the success of any resettlement program – whether it be for disaster displaced people or people affected by preventative resettlement. Livelihood restoration planning and implementation activities need to be based on the specific needs of relocated people, including potentially vulnerable groups including people with disabilities, the elderly, women, young adults, and trauma affected populations. While transitional support is being provided for displaced people in temporary housing facilities, the extent of livelihood restoration planning for resettlement is not yet confirmed. The scope of the request for housing is limited to investments in settlement infrastructure and housing units and does not include livelihoods restoration measures and temporary livelihoods support. It is understood that the Ministry of Social Affairs, as well as other development partners (including UNDP and national NGOs) will implement livelihoods recovery programs. Furthermore, measures to address livelihoods impacts on displaced people following rezoning and access restrictions to land in red-zones will also need to be considered as part of the overall project design.

Instruments: The Project will be subject to the World Bank’s Environment and Social Framework (ESF), and an Environmental and Social Commitment Plan (ESCP) will need to be agreed with the Government. The ESCP will set out measures and actions required for the Project to achieve compliance with relevant Environment and Social Standards (ESSs) over a specified timeframe. The World Bank ESSs relevant to the project are: ESS 1 Assessment and Management of Environmental and Social Risks and Impacts, ESS 2 Labor and Working Conditions, ESS 3 Resource Efficiency, ESS 4 Community Health and Safety, ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement and ESS 8 Cultural Heritage. A Stakeholder Engagement Plan (SEP) will need to be prepared by the Government as part of the project preparation. The draft ESCP and SEP shall be cleared by the World Bank’s management and disclosed by the GoI and the World Bank prior to the project’s appraisal. Due to the emergency context under which the project is being prepared, the environmental and social assessments and plans required under the ESSs will be developed during the project implementation phase. These assessments and plans will be established in the ESCP with specific time bound action plans agreed by the Government.

Note: To view the Environmental and Social Risks and Impacts, please refer to the Appraisal Stage ESRS Document.

E. Implementation

Institutional and Implementation Arrangements

13. **Project coordination.** The Governor of Central Sulawesi Province is responsible for the coordination of activities of all partners in the reconstruction effort, including but not limited to the ADB, JICA, KEXIM, UNDP, NGOs, private investors, and local communities. GoI intends to establish an inter-agency Steering Committee for the IDRAR Program with two designated windows: Rehabilitation and Reconstruction, and Disaster Preparedness and Emergency Management. Steering Committee members will include PIUs under both projects, as well as other relevant government agencies and subnational governments. The Steering Committee would be responsible for coordination between the line agencies for effective project implementation, monitoring, and evaluation; as well as for providing strategic guidance and oversight of the IDRAR program. Its membership and scope of responsibilities would evolve when the IDRAR program develops to include other projects and activities.

14. **Project implementation.** The Directorate-General (DG) of Human Settlements (DG Cipta Karya) within PUPR will act as the Executing Agency (EA) for this Project, with day-to-day project management and project



coordination under a Project Management Unit (PMU). Project Implementation Units (PIUs) will be at the DG of Housing Provision and DG of Human Settlements in PUPR. At the Provincial level the institutional arrangements are similar with daily project implementation management through a Provincial Management Unit and local level working units (Satkers).

15. Reconstruction of housing settlement infrastructure (Component 1) and public facilities (Component 2) will be implemented by DG Human Settlements, which would plan, design, procure, and supervise the reconstruction/construction works in close collaboration with local government agencies. Once designs are approved by the local governments and occupancy certificates are issued, the completed buildings will be handed over to the relevant subnational government to operate. Formal ownership of each asset will also be transferred to the relevant subnational government, through the Government's standard *Berita Acara Serah Terima* (BAST) process. Construction of new housing units (Component 1) will be implemented by DG Housing Provision, which would plan, design, procure, and supervise the construction works. Facilitators will accompany affected communities and beneficiaries throughout the process of implementation. Once completed, formal ownership of each asset will be transferred to individual households through the Government's standard land administration procedures.

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APPROVAL

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