



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
CENTRAL SULAWESI REHABILITATION AND RECONSTRUCTION PROJECT
APPROVED ON JUNE 19, 2019
TO THE
REPUBLIC OF INDONESIA
URBAN, DISASTER RISK MANAGEMENT, RESILIENCE AND LAND
EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

CERC	Contingent Emergency Response Component
CSRRP	Central Sulawesi Rehabilitation and Reconstruction Project
DGHS	Directorate-General of Human Settlements under the Ministry of Public Works and Housing
DGHP	Directorate-General of Housing Provision under the Ministry of Public Works and Housing
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESRC	Environmental and Social Risk Classification
ESS	Environmental and Social Standard
FGRM	Feedback and Grievance Redress Mechanism
IP	Implementation Progress
MPWH	Ministry of Public Works and Housing
MTR	Mid-term Review
NSUP	National Slum Upgrading Project
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementing Unit
PMC	Project Management Consultant
PMU	Project Management Unit



BASIC DATA

Product Information

Project ID P169403	Financing Instrument Investment Project Financing
Environmental and Social Risk Classification (ESRC) High	
Approval Date 19-Jun-2019	Current Closing Date 30-Jun-2024

Organizations

Borrower Republic of Indonesia	Responsible Agency Ministry of Public Works and Housing
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Project Development Objective (PDO)

Original PDO

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

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-89790	19-Jun-2019	05-Jun-2020	30-Jun-2020	30-Jun-2024	150.00	22.65	127.35

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Introduction

1. This Project Paper seeks the approval of the Country Director to make changes to the Central Sulawesi Rehabilitation and Reconstruction Project (CSRRP, P169403), IBRD Loan No. 8979-ID, and associated amendments to the project's legal documents. The restructuring will: (i) activate the community grant under Part 1.2¹ of the project; and (ii) reallocate loan proceeds. This is the project's first restructuring.

B. Background

2. The September 28, 2018 earthquake and tsunami in Central Sulawesi caused over 4,000 fatalities, displaced 170,000 people, and resulted in economic losses of approximately US\$1.3 billion. The ground shaking and liquefaction effects from the earthquake left large portions of settlements unsafe, requiring thousands of people to relocate. These disasters also damaged community-scale settlement infrastructure, such as local roads, drainage, water supply, wastewater and solid waste facilities. In response, CSRRP was prepared under Condensed Procedures² utilizing a framework approach, given that it was not possible to immediately assess the full impacts of the event and to appraise the precise post-disaster recovery needs.

3. The Bank approved a US\$150 million loan for CSRRP on June 19, 2019. The loan was declared effective on June 30, 2020 and has a closing date of June 30, 2024. The PDO of CSRRP is to reconstruct and strengthen public facilities and safer housing in selected disaster-affected areas. The project comprises three components: (i) resilient construction of permanent housing units and settlement infrastructure; (ii) resilient reconstruction and strengthening of public facilities; and (iii) project implementation support. CSRRP complements settlement infrastructure construction and infrastructure recovery activities supported by other World Bank-financed projects (including the Contingent Emergency Response Component under the National Slum Upgrading Project, CERC-NSUP – P154782, and the Western Indonesia National Roads Improvement Project – P090990) and other development partners, including the Asian Development Bank, the Japan International Cooperation Agency, and the United Nations Development Program. Some of the preparatory works for CSRRP (technical designs and environmental and social management instruments) were carried out under the precursor project CERC-NSUP.³

C. Project Status

4. **Implementation Progress.** CSRRP is financing the longer-term recovery support, including: (i) civil works for the construction of an estimated 7,000 new serviced permanent housing units that will meet the project's resilience standards in safer resettlement sites, and associated settlement infrastructure and community facilities; and (ii) civil

¹ Provision of Grants to finance community-based reconstruction of housing units in Central Sulawesi.

² Per paragraph 12 of Section III of the Investment Project Financing (IPF) Policy, special considerations may be given for Projects in Situations of Urgent Need of assistance because of a natural or man-made disaster or conflict.

³ The NSUP-CERC was activated in November 2018 to start the recovery efforts in the field. List of investments to be financed under CERC is aligned with investments to be financed under CSRRP. To date, NSUP-CERC has completed the reconstruction of several sub-projects, including the development of permanent housing sites along with the settlement infrastructures, rehabilitation and reconstruction of education, health and public facilities. Additionally, CERC is being utilized to mobilize trained community facilitators and prepare technical designs for investments to be financed under CSRRP. The NSUP-CERC implementation will end on March 31, 2022.



works for the rehabilitation, reconstruction and structural strengthening of public facilities, primarily educational facilities (university and school buildings), hospitals and health facilities, and markets. Progress towards achieving the Project Development Objective (PDO) and Implementation Progress were rated as Moderately Satisfactory in June 2021. As of September 8, 2021, the project had disbursed US\$22.65 million (15.10 percent of the loan amount). The project is approximately 6 to 12 months behind schedule, due to: (i) the challenging logistics, coordination, and contracting environment caused by the COVID-19 pandemic; (ii) the complexities of acquiring new land to relocate the large number of disaster affected people; and (iii) delayed mobilization of CSRRP consultants tasked with upstream sub-project preparation. The key technical consultant packages are scheduled to mobilize by November 2021, while NSUP-CERC technical assistance resources are preparing CSRRP sub-projects in the interim. Sufficient land has been identified to build 3,300 housing units, i.e., almost half of the housing targets. CSRRP is positioned to complete all activities and fully achieve the PDO before the closing date.

5. **Fiduciary.** Financial Management performance is rated Satisfactory. The project audit for FY2020 was waived as the expenditure for FY2020 was only US\$3.65 million (2.43 percent of the loan amount) and will be combined with the FY2021 audit. The project's Procurement performance is rated Moderately Unsatisfactory, mostly because the procurement of key project consultants is delayed. However, the Project Management Consultant (PMC) was mobilized in October 2020 and other key technical consultants are expected to mobilize by November 2021. The civil works sub-project for the reconstruction of the Provincial Prosecutor's Office (*Kejati*) was contracted in December 2020, and procurement of the remaining 37 civil works packages will commence in phases, starting in the second half of 2021.

6. **Environmental and Social Management.** The overall Environmental and Social Management performance was rated Moderately Satisfactory in June 2021, based on the upgrades to the ratings of the Assessment and Management of Environmental and Social Risks and Impacts (ESS1) and Land Acquisition, Restrictions on Land Use and Involuntary Settlement (ESS5). The performance rating for ESS1 was upgraded to Moderately Satisfactory, as: (i) environmental and social (ES) instruments for several subprojects have been prepared and reviewed by the Bank (under NSUP-CERC), and environmental permits were subsequently issued; (ii) ES management consultants have been mobilized under the Project Management Consultant (PMC); (iii) a Feedback Grievance and Redress Mechanism has been established under the NSUP and Central Sulawesi information management systems; and (iv) the project has recruited a Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) specialist under the PMC to support implementation of SEA/SH and Violence Against Children (VAC) risk mitigation measures. The performance rating for ESS5 was upgraded to Moderately Satisfactory because of the following: (i) neither new land acquisition has been undertaken nor have physical investments commenced under CSRRP, with the exception of the in-situ reconstruction of the Kejati building; and (ii) land for permanent housing and infrastructure in some sites is being acquired based on Land Acquisition Plans (LAPs) prepared under NSUP-CERC, which would be reviewed and enhanced, if needed, under CSRRP.

7. **Risk ratings.** The overall residual risk to achieving the PDO was revised to Moderate in June 2021. The Environmental and Social Risk Classification (ESRC) of the restructured project will remain "High", with a "Substantial" environmental risk rating and "High" social risk rating. The risk ratings for Technical Design and Institutional Capacity have been revised to Moderate due to the ongoing and planned implementation of mitigation measures, including: (i) the technical prior review mechanism for sub-project designs; (ii) establishment of clear institutional arrangements for the project, including coordination with subnational government agencies; and (iii) the recruitment of technical assistance, including specialist individual consultants, to support project implementation.

8. **Restructuring Request.** On April 12, 2021, the Government requested the Bank, *inter alia*, to: (i) reallocate the proceeds of the loan among the categories of eligible expenditures; (ii) revise the Project description; and (iii) revise the Project's results framework. However, since the detailed investment plan for CSRRP resources is not yet finalized, it was agreed between GoI and the Bank to defer revising the Project's results framework until an anticipated restructuring



timed around the mid-term review (MTR) in December 2022. Between May and August 2021, the Ministry of Public Works and Housing (MPWH) reviewed alternative options for the delivery of permanent housing and the restructuring was put on hold. On September 7, 2021, the Government requested the Bank to proceed with the proposed project restructuring per their original request on April 12, 2021.

D. Rationale for restructuring

9. **Activation of Community Grants and reallocation of loan proceeds.** The current housing reconstruction primarily follows a contractor-led approach to build new serviced housing settlements at scale. Of the total target of roughly 7,000 housing units, this model is anticipated to finance 4,000 units through the project. However, there is a limited supply of vacant tracts of public land to satisfy the housing demand, and it can be less disruptive for beneficiaries to utilize existing plots in their community. For the latter scenario, community-based approaches can be highly effective. They have achieved remarkable success in post-disaster reconstruction in Aceh and Java, and are a core technical area of expertise of GoI.⁴ Current estimates indicate a demand for 3,000 units to be constructed under community-based approaches, utilizing a grant mechanism. This was anticipated at appraisal and is reflected in the Project Appraisal Document (PAD) and the Loan Agreement through Sub-component 1.2: Provision of Grants to finance community-based reconstruction of housing units in Central Sulawesi. However, US\$0 was allocated to the related disbursement category for Grants, because the expected expenditure was not known at appraisal. The proposed restructuring will activate the disbursement category and allocate US\$19.25 million of loan proceeds for the disbursement of community grants to beneficiaries for community-based reconstruction of housing units and settlement infrastructure. A robust network of facilitators and technical support will be mobilized (as was the case in the past in Aceh and Java) to support technical, fiduciary, and environmental and social management oversight of the community-based approach.

II. DESCRIPTION OF PROPOSED CHANGES

10. **Activation of community grants.** The proposed restructuring will activate community grants under Sub-Component 1.2 by allocating US\$19.25 million for community-based reconstruction of an estimated 3,000 housing units⁵ (of the total target of approximately 7,000 units) and settlement infrastructure (*reference Table 1.*) Community based reconstruction of housing units will be in new settlement areas, while the community-based reconstruction of settlement infrastructure will be carried out in new settlement areas and in existing settlements (outside the designated high-risk zones). This will include the reconstruction of local roads, drainage, water supply, sanitation, and solid waste facilities.

11. The remaining estimated 4,000 housing units will be implemented under Sub-Component 1.1, with the allocation reduced from US\$30.80 million to US\$25.79 million. In addition, the allocation for construction of new

⁴ The National Slum Upgrading Program (NSUP) is a community-driven development program that uses a participatory approach to upgrade basic services infrastructure in slum areas across Indonesia. The program is building on the long-running community driven development program under the National Program for Community Empowerment in Urban Areas, which started in 2008. In addition, following the Indian Ocean tsunami in 2004 and the Yogyakarta earthquake in 2006, a community based post-disaster reconstruction was initiated through REKOMPAK project. The project helped communities rebuild or rehabilitate 15,000 housing units, and basic services in 176 villages.

⁵ The allocated resources for community-based reconstruction are sufficient to deliver an estimated 3,000 housing units. The final number of houses constructed via community grants or the developer approach is not yet known, and will largely be determined by on-going surveys of land availability and community consultations. The MPWH has set an initial 'Phase I' delivery target of 500 units, which will be updated pending on-going surveys. The final targets (and mix between developer and community built approaches) will be updated at the MTR and reflected in a revised results framework.



settlement infrastructure under Sub-Component 1.1 will be reduced from US\$60.50 million to US\$33.11 million, as some of the settlement infrastructure is being financed by other sources of financing. Overall, the allocation of Component 1 will be reduced from the original amount of US\$91.30 million to US\$78.15 million. Per Section I.B.2 in Schedule 2 of the Loan Agreement, a Grant Manual will be prepared by MPWH for the implementation of community-based reconstruction of housing units and settlement infrastructure. The Manual will set out the detailed arrangements and procedures for, *inter alia*, financial management and disbursements, as well as environmental and social management.

12. This restructuring will also propose changes to Components 2 and 3. Component 2 will focus on the resilient reconstruction and strengthening of public facilities, such as schools and health facilities, and other public facilities such as markets and government administration buildings. The term “Schools” will be changed to “Education Facilities”, as based on current needs the project will also finance the recovery of university buildings, in addition to supporting the recovery of schools as originally intended. The allocation for Health Facilities will be increased from US\$11.00 million to US\$18.04 million to cover the proposed inclusion of additional hospitals. This proposed restructuring will also cover the recovery of Other Public Facilities, including public markets, community facilities (such as meeting halls), and government administration buildings and facilities. Although the definition of *public facilities* in the Loan Agreement includes *markets* and *government service facilities*, this broader definition was not reflected in the appraised list of project sub-activities and cost estimates. An amount of US\$11.08 million is proposed to be allocated for other public facilities under Component 2. The overall allocation of Component 2 is proposed to be increased from US\$31.80 million to US\$49.92 million. The allocation of Component 3: Project Implementation Support is proposed to be reduced from US\$26.90 million to US\$21.93 million, as some of the technical preparatory works (such as planning and engineering design, capacity development activities, and other site preparation activities⁶) were undertaken with NSUP-CERC financing.

Table 1 Changes to Project Components and Costs

Component	Revised Activity Description	Original Amount (US\$ million)	Revised Amount (US\$ million)
Component 1. Resilient construction of permanent housing units and settlement infrastructure	<i>No change proposed</i>	91.30	78.15
Construction of settlement infrastructure in new locations	<i>No change proposed</i>	60.50	33.11
Civil works - construction of approximately 7,000 housing units	Civil works - construction of housing units	30.80	25.79
Community grants for community self-help construction housing	Community-based reconstruction of housing units and community-scale settlement infrastructure in Central Sulawesi	0	19.25
Component 2. Resilient reconstruction and strengthening of public facilities	<i>No change proposed</i>	31.80	49.92
Schools	Education Facilities	20.80	20.80
Health facilities	<i>No change proposed</i>	11.00	18.04
-	Other Public Facilities	-	11.08

⁶ For example, preparatory activities financed by NSUP-CERC is supporting the design of public facilities, preparation of Land Acquisition Plan and Relocation Action Plans for permanent housing sites in Palu, Sigi and Donggala, land clearing and development for Tondo 2 and Talise, and environmental management instruments for Tondo 2 and Talise, as well as Tadulako University.



Component	Revised Activity Description	Original Amount (US\$ million)	Revised Amount (US\$ million)
Component 3. Project implementation support	<i>No change proposed</i>	26.90	21.93
Project management, planning and engineering design, supervision, evaluation, capacity development, technical assistance	<i>No change proposed</i>	26.90	21.93
TOTAL		150.00	150.00

13. **Reallocation of loan proceeds.** The proposed allocation of US\$19.25 million to activate community-based reconstruction of housing units and settlement infrastructure will require the reallocation of this amount from expenditure Category 1 for works, consulting services, training and workshops, non-consulting services and goods to expenditure Category 2 for grants, as shown in Section IV.

14. **Disbursement estimates** for the project are proposed to be updated, as shown in Section IV, based on disbursements to date and estimates for the remainder of the project.

15. **Environmental and social management.** The CSRRP Environmental and Social Management Framework (ESMF) specifies the management and mitigation measures for project activities including community-based reconstruction; requirements for public consultation; requirements for capacity building and training of project and community workers on environmental, social, and occupational health, and safety risks; and the impacts of project activities. Implementation of the ESMF is the responsibility of the Project Management Units (PMUs) and Project Implementing Units (PIUs). The current ESMF is therefore deemed sufficient to manage the risks and impacts of community-based reconstruction of housing units and settlement infrastructure. The Grant Manual will provide a reference to the ESMF on environmental and social management requirements of implementing community-based reconstruction.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Loan Closing Date(s)		✓



Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1. Resilient construction of permanent housing units and settlement infrastructure	91.30	Revised	Component 1. Resilient construction of permanent housing units and settlement infrastructure	78.15
Component 2. Resilient reconstruction and strengthening of public facilities	31.80	Revised	Component 2. Resilient reconstruction and strengthening of public facilities	49.92
Component 3. Project implementation support	26.90	Revised	Component 3. Project implementation support	21.93
TOTAL	150.00			150.00

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES



	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-89790-001 Currency: USD					
iLap Category Sequence No: 1		Current Expenditure Category: Wrk,CS,TRG&WKSP,NCS,GD-Parts1.1,2,3			
	150,000,000.00	2,694,347.71	130,750,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: Grants under Part 1.2			
	0.00	0.00	19,250,000.00	100.00	100.00
Total	150,000,000.00	2,694,347.71	150,000,000.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Year	Current	Proposed
2019	0.00	0.00
2020	15,000,000.00	0.00
2021	43,000,000.00	15,000,000.00
2022	40,000,000.00	20,000,000.00
2023	40,000,000.00	50,000,000.00
2024	12,000,000.00	65,000,000.00