



The World Bank

Additional Financing Integrated Infrastructure Development for National Tourism Strategic Areas (Tourism Development Project) (P173251)

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

Appraisal Stage | Date Prepared/Updated: 30-Jun-2020 | Report No: PIDISDSA28461



BASIC INFORMATION

A. Basic Project Data

Country Indonesia	Project ID P173251	Project Name Additional Financing Integrated Infrastructure Development for National Tourism Strategic Areas (Tourism Development Project)	Parent Project ID (if any) P157599
Parent Project Name Integrated Infrastructure Development for National Tourism Strategic Areas (Indonesia Tourism Development Project)	Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 13-Jul-2020	Estimated Board Date 31-Oct-2020
Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Investment Project Financing	Borrower(s) Republic of Indonesia, 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, Deputy for Destination and Infrastructure Development, Ministry of Tourism and Creative Economy, Deputy for Human Resource and Institutions, Ministry of Tourism and Creative Economy, Deputy Investment Planning, Indonesia Investment Coordinating Board (BKPM)

Proposed Development Objective(s) Parent



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

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	183.00
Total Financing	183.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Counterpart Funding	180.20
Borrower/Recipient	180.20
Trust Funds	2.80
Indonesia Sustainable Tourism Development Multi-Donor Trust	2.80

Environmental Assessment Category

A-Full Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)



B. Introduction and Context

Country Context

1. **Indonesia has made significant progress in recent years with a steadily growing economy and declining poverty rates.** Supported by a sound macroeconomic framework, real GDP expanded by an average of 5.5 percent annually between 2010 and 2019, and the size of the economy¹ nearly doubled from IDR5,478 trillion in 2006 to IDR10,949 trillion (US\$1.1 trillion in current prices) in 2019 – making Indonesia the largest economy in Southeast Asia and the 15th largest economy in the world. Strong growth also helped contribute to a decline in poverty from 19.1 percent of the population in 2000 to 9.4 percent of the population by March 2019 or taking 13.6 million people out of poverty.² However, 25.1 million Indonesians still live below the national poverty line and many remain vulnerable to economic and health-related shocks as well as natural and climate-related disasters. Currently classified as a lower-middle-income country with a GNI per capita of US\$3,840 (Atlas method, current US\$) in 2018, Indonesia had been projected to reach upper-middle-income status within the next 5 years – an outcome that is now threatened by the impact of the coronavirus disease 2019 (COVID-19) global pandemic.

¹ measured in GDP at constant prices.

² Statistics Indonesia (*Badan Pusat Statistik*, BPS) data.



Sectoral and Institutional Context

2. **Tourism is a promising growth sector that can provide inclusive and sustainable growth across Indonesia.** Visitor spending can generate significant economic impacts in tourism 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; only around 20 percent of the spending goes towards imported goods and services.³ The share that stays in the economy (i.e., for local goods and services) has strong multiplier impacts as a result of indirect effects (i.e., 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. According to the World Travel and Tourism Council (WTTC), in Indonesia in 2015, 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). Out of 8.5 million hotel and restaurant workers in Indonesia in 2019, women and men represented 58 percent and 42 percent, respectively.⁴
3. **Up until the COVID-19 outbreak, tourism demand was booming globally, especially in China, creating significant opportunities to gain market share for destinations in Southeast Asia.** International tourism arrivals (overnight visitors) grew with an annual average of 5 percent over the last ten years (2009-2019), to around 1.5 billion in arrivals worldwide in 2019. Destinations in Southeast Asia received an estimated 138.6 million international visitors in 2019 (9.5 percent of total international visitors). These destinations benefited from their proximity and appeal to China, the world's top tourism outbound market, which generated 81 million outbound trips in 2019.⁵
4. **Amidst the COVID-19 pandemic, however, global tourism has come to a standstill, and there is significant uncertainty regarding the magnitude and duration of the adverse impact.** The impacts of COVID-19 are far reaching, spreading deeply into travel and tourism value chains and widely throughout the globe. As of mid-March 2020, international travel has ground to a halt with the UNWTO estimating that global travel could contract by 20-30 percent in 2020. Over 100 countries across the world have targeted travel restrictions on international visitors from affected areas and more than 50 countries have travel bans on all foreign visitors. The latest figures from WTTC show that 75 million jobs are at risk in the sector globally with a potential global loss of up to US\$2.1 trillion in 2020.⁶
5. **Indonesia saw a rapid drop in inbound tourism starting in February 2020.** While in January 2020 foreign arrivals increased 2.6 percent on a seasonally-adjusted basis (compared to January 2019), in February 2020 they declined by 33.3 percent (including a 95.1 percent drop in Chinese visitors). Flight arrivals into Jakarta and Bali's international airports were down 73 percent and 84 percent, respectively, between March 8 and April 16, 2020.⁷ The expectation is that, as the pandemic dissipates and global travel resumes, the structural underpinnings of the tourism boom prior to the pandemic continue to drive tourism growth to Southeast Asia, especially from China. There is a risk, however, of more permanent negative impacts, as it is unclear how the structure of the tourism industry might be affected by any restrictions or safety measures governments impose to guard against future pandemics, or by increased risk aversion among consumers with respect to global travel.
6. **Indonesia's recent domestic tourism trends have also been promising.** With 303 million domestic trips by Indonesians in 2018, the ratio of trips per capita—a proxy for domestic propensity for tourism—is about 1.13. This ratio has been on a steady rise since 2005, underpinned by an increase in real household incomes.⁸ This upward trend is expected to continue on the back of further household income growth and rising vehicle ownership, among other favorable trends.



7. **With COVID-19 mobility restrictions, domestic tourism has equally been impacted.** Mobility at transit stations declined 52 percent on March 29, 2020, compared to the average of January 3, 2020 to February 6, 2020, and retail, hospitality and recreation mobility decreased by 47 percent and parks mobility by 52 percent.⁹ Domestic tourism is expected to bounce back faster than international tourism.

8. **Once mobility restrictions are reduced, Indonesia has the potential to capitalize on 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. It has a rich array of natural and cultural endowments that form the underlying draw for visitors. The World Economic Forum (WEF)'s Travel and Tourism Competitiveness Report 2019 ranked Indonesia 17th (out of 140 countries) for its natural resources and 24th for its cultural resources and business travel, capturing the principal reasons to travel. However, Indonesia's tourism industry is not yet operating at a level consistent with its endowments. Environmental sustainability (135th) remains a key risk factor for the sector (Table 1). Moreover, some of these tourism assets are vulnerable to climate change. As an archipelago 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 rising sea levels, shifting rainfall patterns and increasing sea surface temperatures. 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 residents and visitors, and degradation of tourism assets, such as coral reef loss. Java and Sumatra islands, which host Project destinations, are areas with particularly high vulnerability of their population and infrastructure to climate change.¹⁰

³ Based on the tourism satellite account produced by BPS and the Ministry of Tourism.

⁴ 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. 2019. National Labor Force Survey (*Survei Angkatan Kerja Nasional, SAKERNAS*) 2019.

⁵ UNWTO. 2020. World Tourism Barometer. Volume 18 (1): January.

⁶ McKinsey & Company. 2020. COVID-19: Impact on Travel & Hospitality and Tourism. Updated March 23, 2020; WTTC. 2020. Press release March 25, 2020. Available at: <https://wtcc.org/News-Article/Latest-research-from-WTTC-shows-a-50-percentage-increase-in-jobs-at-risk-in-Travel-and-Tourism>; and UNWTO. 2020. Impact Assessment of the COVID-19 outbreak on international tourism. Updated March 24, 2020. Available at: <https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-03/24-03Coronavirus.pdf>.

⁷ FlightRadar24; BPS.

⁸ World Bank World Development Indicators (WDI).

⁹ Google COVID-19 mobility trends, available at: <https://www.google.com/covid19/mobility/>.

¹⁰ GOI. 2016. Indonesia's First Nationally Determined Contributions, November 2016; Potsdam Institute for Climate Impact Research and Climate Analytics. 2013. Turn Down the Heat: Climate Extremes, Regional Impacts, and the Case for Resilience. Washington, D.C.: World Bank; and GOI. 2013. National Action Plan for Climate Change Adaptation (*Rencana Aksi Nasional Adaptasi Perubahan Iklim, RAN-API*) - Synthesis Report.



9. **Despite the strong growth in foreign visitor numbers from 2009 to 2019, Indonesia continues to lag behind key regional competitors in reaching its full potential.** Over the last 10 years (2009-2019), 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 1). In 2019, foreign visitors to Indonesia—as recorded at the 26 main ports of entry—totaled almost 12.9 million, up from 9.3 million in 2015.¹¹ In 2019, the top four source countries were China, Singapore, Australia and Malaysia (Figure 2). In terms of regional aggregates, Europe, ASEAN and ‘Other Asia’ were the largest source markets. Despite the steady growth in foreign visitors, Indonesia’s visitor level still lags that of its ASEAN competitors, such as Thailand (39.8 million), Malaysia (26.1 million) and Vietnam (18.0 million).¹²

10. **Foreign visitors to Indonesia are increasingly concentrated in Bali, and their average spending (and consequently their economic impact) has been declining recently.** Between 1975 and 2006, foreign visitors to Bali accounted for between 20 and 30 percent of total foreign visitor arrivals to Indonesia. Starting in 2006, this share began to climb over 30 percent, peaking at 42 percent in 2016. In 2019, Bali received more than 39 percent of all foreign visitors to Indonesia (Figure 3), with Jakarta and Batam a distant second and third, and the remainder thinly spread across the rest of the archipelago. Meanwhile, Indonesia’s daily foreign visitor expenditures have been on a gradual decline since 2014, falling by 8 percent from US\$154 per day in 2014 to US\$142 per day in 2018.¹³ For Indonesia to unlock its true potential, tourism development must move beyond Bali to other subnational destinations. Furthermore, in line with global trends, the Government of Indonesia (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.

Table 1: Indonesia's Travel and Tourism Competitiveness (Rank out of 141 countries in 2015; 136 in 2017; and 140 in 2019)

Travel & Tourism Competitiveness Index	2015	2017	2019
Indonesia’s overall rank	50	42	40
Enabling environment			
Business environment	63	60	50
Safety and security	83	91	80
Health and hygiene	109	108	102
Human resources and labor market	53	64	44
ICT readiness	85	91	67
Travel and Tourism policy and enabling conditions			
Prioritization of Travel and Tourism	15	12	10
International openness	55	17	16
Price competitiveness	3	5	6
Environmental sustainability	134	131	135
Infrastructure			
Air transport infrastructure	39	36	38
Ground and port infrastructure	77	69	66
Tourist service infrastructure	101	96	98
Natural and cultural resources			
Natural resources	19	14	17
Cultural resources and business travel	25	23	24

Source: WEF. 2015/2017/2019. Travel and Tourism Competitiveness Report.

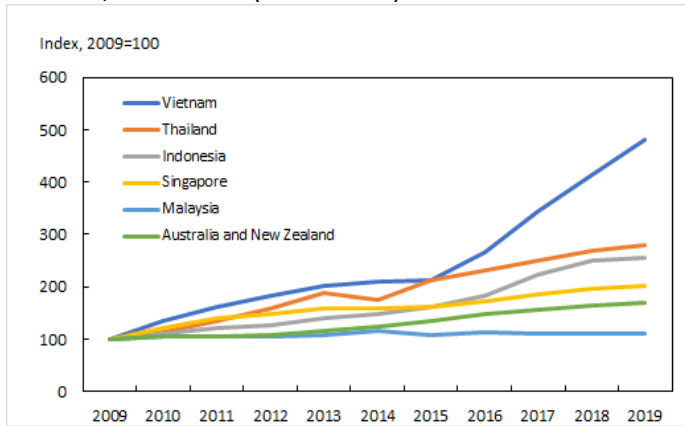
¹¹ BPS. 2020. International visitor arrivals by port of entry and nationality. Using BPS data on international visitors arriving through the 26 key gateways makes comparison across years possible. New definitions and data collection approaches for visitors through other ports of entry generate higher numbers for 2019 (16.1 million).

¹² The Tourism Authority of Thailand. 2019; Malaysia Tourism Statistics. 2019; Vietnam National Administration of Tourism 2019.

¹³ Ministry of Tourism. 2014. 2015. 2016. 2018. Passenger Exit Surveys.

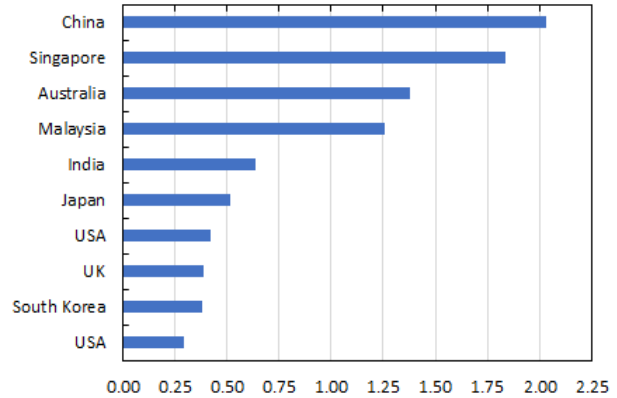


Figure 1: International visitors to South East Asia and Oceania, 2009-2019 (2009 = 100)



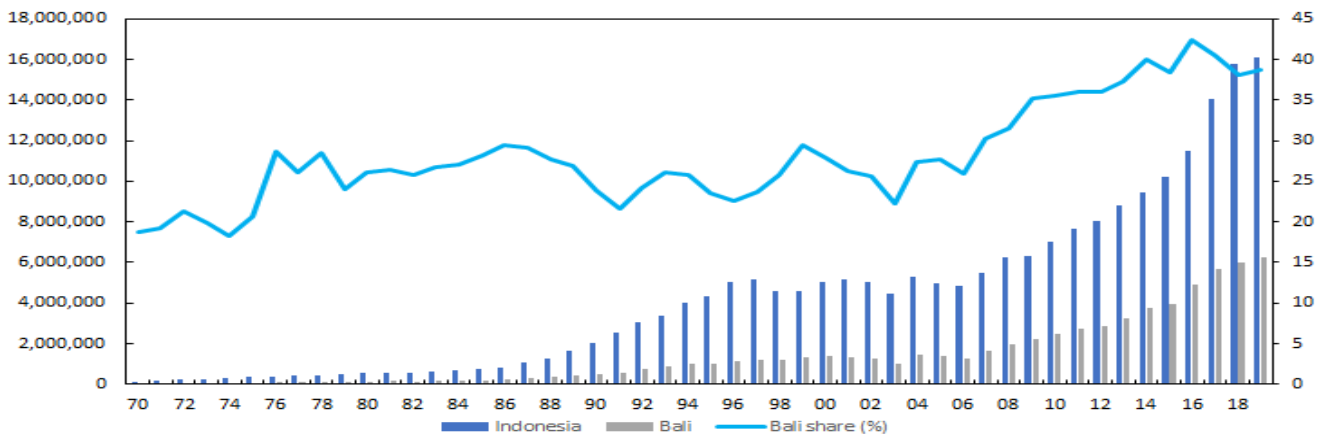
Source: UNWTO. 2020. Compendium of Tourism Statistics datasets

Figure 2: Top 10 visitor arrivals to Indonesia through 26 main ports of entry by nationality, 2019 (Number of visitors, millions)



Source: BPS and Directorate General of Immigration. 2020. International Visitor Statistics.

Figure 3: Foreign travelers to Indonesia and Bali (left scale) and Bali's share of total (right scale), 1970-2019



Source: Bali Regional Office of Justice and Human Rights; Indonesia's Ministry of Tourism; and Deputy Assistant for Research and Development of Tourism Policy, Ministry of Tourism. 2017. Statistical Report on Visitor Arrivals to Indonesia 2019

11. Four key constraints, in particular, contributed to Indonesia's tourism growth and competitiveness challenges: (i) 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; (ii) continued poor access and quality of infrastructure and services for residents, visitors and businesses; (iii) outside of Bali, limited tourism workforce skills and private-sector tourism services and facilities; and (iv) a weak enabling environment for private investment and business entry. The COVID-19 crisis is likely to aggravate the already poor supply of private-sector services and facilities. With the pandemic likely to trigger bankruptcy and closure of many of the industry's smaller operators, consolidation of the sector can be expected to occur in the wake of the crisis. In addition to a general contraction in consumer demand, it is also possible that, in some destinations and segments, price increases following



consolidation could result in a further dampening of demand over the medium-term.¹⁴ 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 in a manner that: (i) enhances the protection and management of critical natural habitats and biodiversity; and (ii) increases local participation in the tourism economy.

12. In 2018, the GOI launched the *Program Pembangunan Pariwisata Terintegrasi dan Berkelanjutan (P3TB)*, which aims to shift towards a more comprehensive and inclusive approach to tourism development. For the implementation of the program, the GOI decided to sequence the development of its ten priority destinations, starting with Lombok, Borobudur-Yogyakarta-Prambanan, and Lake Toba, and now—through this Additional Financing—moving to the next three on the priority list: Komodo National Park/Labuan Bajo, Bromo-Tengger-Semeru, and Wakatobi:

- (a) **Komodo National Park and Labuan Bajo (KNP-LBJ)** in East Nusa Tenggara Province. KNP is world-renowned for the endangered Komodo dragon and diverse marine environments. It was declared a World Heritage Site by UNESCO in 1991 for its exceptional natural beauty and the Komodo dragons. Meanwhile, Labuan Bajo, as the gateway town into KNP, has also become an important tourism hub with the increase in accommodation and ease of access to other areas of interest. At present, KNP-LBJ is predominantly a side trip destination for visitors to Bali, who stay an average of 2-3 days. To diversify beyond this visitor group, encourage longer-staying and higher-spending visitors, and preserve the destination's natural environment, KNP-LBJ will likely have to re-position itself as a luxury destination through a mix of infrastructure investments and an improved KNP management strategy that enhances protection and management of critical natural habitats and biodiversity.
- (b) **Bromo-Tengger-Semeru (BTS)** in East Java Province. BTS is a destination largely for local tourism that consists of a range of volcanic mountains in East Java, including the more famous and accessible Mount Bromo, Tengger caldera of sand sea, and Java's highest mountain Semeru. Given its one-dimensional tourism product offer (sunrise views and light trekking), relatively distant location from other major attractions in Java, and fairly small-scale and mid-to-low end accommodation offerings, BTS will find it difficult to establish itself as a standalone or multi-day destination for foreign visitors. However, with the right mix of targeted investments in BTS park infrastructure and facilities—new lookout points, hiking/biking trails, camping/glamping sites, cultural villages—tourism products and experiences at BTS could be successfully diversified and aligned with enhanced protection and management of critical natural habitats and biodiversity, increasing incentives for visitors to stay longer in the destination area and closer to the BTS park sites.
- (c) **Wakatobi** in Southeast Sulawesi Province. Wakatobi is a remote cluster of islands located at the center of the world's Coral Triangle that is well-known among divers for its pristine and rich marine biodiversity. Wakatobi's tourism industry is still in its infancy, but its popularity has risen significantly in recent years, particularly among the domestic market. Going forward, however, the growth path for tourism arrivals to Wakatobi will be shaped and constrained by the destination's structural competitive disadvantages relative to comparable diving destinations in Indonesia, namely its remote location relative to major urban hubs, one-dimensional product offer, and scarcity of star-rated accommodation. Significant infrastructure investment and improved regulations in support of marine sites and biodiversity preservation would enable Wakatobi to better leverage its exceptional marine assets, elevate its image and international recognition, and capture a greater share of the foreign diving tourism market, including potentially more premium segments.

¹⁴ World Bank. 2020. Markets: COVID-19 Guidance Note. Impact and policy responses in the tourism sector. April 3, 2020. Unpublished note.



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 1.1 million in 2018 to 2.7 million in 2045** and annual visitor expenditures from US\$122.2 million in 2018 to US\$660.3 million in 2045. The trajectory of these projections are subject to significant uncertainty due to COVID-19. To test sensitivities across different durations and magnitudes of the COVID-19 shock, various scenarios were simulated under three different values of the peak-to-trough decline in foreign visitors (60%, 75%, and 90%) and in domestic visitors (25%, 50%, and 75%). Although these result in significant reductions to the estimated net present value (NPV) and economic rate of return (ERR) of the Project (Parent Project and Additional Financing combined), the Project ultimately remains economically viable under each scenario.¹⁵

C. Proposed Development Objective(s)

Original PDO

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.

Current PDO

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

Progress toward the PDO will be measured by four results indicators:

- (a) Increased performance on the 'sustainable tourism' indicators
- (b) Number of beneficiaries of improvements to tourism-relevant basic infrastructure and services
- (c) Increased community satisfaction with efforts to promote local participation in the tourism economy
- (d) Value of private investment in the tourism sector

D. Project Description

14. **The Additional Financing increases the Selected Tourism Destinations from three to six, while keeping project design intact.** The selected tourism destinations in Indonesia that are supported by the Parent Project included three selected tourism destinations, i.e., Lombok, Borobudur-Yogyakarta-Prambanan (BYP), and Lake Toba. The Additional Financing expands the coverage to three more selected tourism destinations, i.e., Komodo National Park-Labuan Bajo (KNP-LBJ), Bromo-Tengger-Semeru (BTS), and Wakatobi.

15. **The Project consists of four integrated components, each of which targets a key constraint to unlocking tourism potential in Indonesia.** As a whole, the Project provides an organizing framework to help address coordination failures between central (APBN), provincial (APBDI) and *kabupaten/kota* governments (APBDII), and mobilize their resources towards a common objective in each of the selected tourism destinations.¹⁶ This common objective is anchored in integrated tourism master plans (ITMPs) that will be prepared for each of the destinations,

¹⁵ World Bank estimates.

¹⁶ 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 (City)/Kabupaten* (District) Revenue and Expenditure Budget).



as well as in the institutional arrangements that were specifically established to enhance collaboration amongst various institutions. The preparation of these plans, together with strong program management support, will help align existing government programs for roads, basic services, skills and firm development and the business environment for better results in tourism destinations. The plans provide the basis for development of tourism facilities and supporting infrastructure that: (a) is consistent with the environmental, social and cultural opportunities and constraints of the destinations; and (b) avoids degradation of the natural and cultural assets that attract visitors and enhanced protection and management of critical natural habitats and biodiversity.¹⁷

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

16. **This component consists of a technical assistance program designed to increase institutional capacity to facilitate integrated and sustainable tourism development**, and includes such activities as:

- (a) Preparation of ITMPs, preparation of related downstream sectoral master plans and studies, and institutional development and capacity building for integrated tourism destination planning and for the protection and management of critical natural habitats and biodiversity, including in provincial and national parks, World Heritage Sites, Global Geoparks and Biosphere Reserves and improvement/upgrading of park management plans;
- (b) Supporting the overall capacity of the Project implementing entities at the national and subnational levels to coordinate, manage and supervise the implementation of the Project, *inter alia*: (i) carrying out of financial management, procurement, environmental and social safeguards management; (ii) monitoring, evaluation and reporting of the Project; (iii) supporting intern-ministry/agency coordination; and (iv) carrying out Project communication and dissemination activities;
- (c) Supporting activities related to natural, cultural and social asset monitoring and preservation, protection and management, including through the establishment and/or strengthening of institutions;¹⁸
- (d) Supporting activities related to destination management organizations (DMOs); and
- (e) Preparatory studies, such as market analysis and demand assessments, for future priority destinations and demand updates and surveys for current selected tourism destinations.

17. **The surveys, studies and planning documents under this component allow for evidence-based adjustment to the COVID-19 impacts during implementation.** The preparation of the ITMPs for the new (Additional Financing) destinations, new studies for the Parent Project destinations and regular surveys, will allow the GOI to take stock of COVID-19 impacts, reassess the overall demand outlook for the selected tourism destinations, and make further adjustments to Project activities, results indicator targets and the closing date.

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

18. **This component consists of sub-projects designed 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**

¹⁷ For determination of critical habitat, the ITMP Consultants are expected to consult IFC's *Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources* (June 2019), available at: www.ifc.org/ps6

¹⁸ Such as Sustainable Tourism Observatories (STOs) as part of UNWTO International Network of Sustainable Tourism Observatories (INSTO) and/or Wonderful Indonesia Sustainable Tourism Observatories (WINSTO). These institutions will monitor selected indicators of 'sustainable tourism' in the destinations. This includes, where possible, making data accessible to the broader conservation community via online databases (e.g., ibat-alliance.org, gbif.org, fishbase.org) as well as efforts needed to ensure that the data collected is compatible with such databases.



basic services and infrastructure essential for a satisfactory tourist experience and for the preservation of natural and cultural assets, including such activities as:

- (a) Construction, widening, improvement, reconstruction, rehabilitation, betterment and maintenance of tourism-relevant roads including bridges, in the selected tourism destinations in accordance with national standards and targets for stable maintenance condition (i.e. International Roughness Index (IRI) < 6);
- (b) Construction and improvement of pedestrian and non-motorized traffic facilities, development and improvement of integrated tourism areas, parks and greenery and the construction and 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) Construction, upgrade, rehabilitation, and expansion of infrastructure for water supply, sanitation, wastewater management, solid waste management, flood management, including provision of supporting facilities, consultant services and equipment such as garbage collection trucks to support these, in the key tourism areas;
- (d) Carrying out feasibility studies and detailed engineering designs and provision of management and supervision consultants' services required for investments under the component.

19. **Some activities under component 2 can begin while the ITMPs are being prepared.** The types of eligible sub-projects are limited to investments that would be advisable no matter what the final outputs of the ITMPs would be—i.e., the 'no regret' investments (as defined in the Project Operational Manual).¹⁹

20. **During the immediate COVID-19 response and recovery period, activities under this component can serve as public works programs.** The Ministry of Public Works and Housing (MPWH) has introduced public works programs for several infrastructure activities. Not all sub-projects are suitable for this, and the MPWH would need to evaluate the local employment benefits against sub-project requirements.

Component 3: Promote local participation in the tourism economy

21. **Component 3 consists of a program designed to increase participation of local firms, individuals and communities in the tourism sector**, including such activities as:

- (a) Provision of relevant and high-quality competency-based training (CBT) and the strengthening of the certification system of the tourism sector in the selected tourism destinations through, *inter alia*: (i) developing competency-based standards, qualification frameworks and related curriculum packages; (ii) training of trainers, teachers and assessors for improved delivery of CBT and developing related guidance materials; (iii) provision of technical assistance for technical and vocational education and training (TVET) institutions to align with private sector demand including the provision of required TVET equipment; (iv) provision of training (including life-long training) and certification; and (v) holding bi-annual tourism skills development forums.
- (b) Assisting local tourism firms to improve online presence and quality of service standards through, *inter alia*: monitoring, evaluating, and providing training to improve online presence and service and quality standards of local tourism firms, including acquisition of travel website data and conducting surveys to design related policies and programs;

¹⁹ In the case of 'no regrets' sub-projects, all screening and safeguards policies as defined in the ESMF equally apply.



- (c) Re-designing, implementation, and monitoring of the Ministry of Tourism and Creative Economy (MOTCE)'s community awareness and engagement program through, *inter alia*, (i) support to increase the number of community participants in the selected tourism destinations; (ii) redesign, using international best practice, the *Sadar Wisata* program to be more focused on, and effective in, empowering communities in selected tourism destinations to participate in tourism; and (iii) carrying out community satisfaction surveys.

22. **In promoting local participation in the tourism economy, gender equity gaps can be addressed.** This component includes two gender equity indicators, one for certification and one for participation in tourism community engagement programs (e.g., entrepreneurship training, economic empowerment), aimed at gender equality in women's and men's certification and economic empowerment, respectively. In promoting local participation in the tourism economy, gender equity gaps can be addressed. While more than half of tourism businesses in Indonesia are run by women and more women (58 percent) than men (42 percent) are employed in the tourism sector in Indonesia (68%-32% in East Nusa Tenggara province; 67%-33% in Southeast Sulawesi; and 61%-39% in East Java in 2018), initial assessments indicate two gender equity gaps in the Project's selected destinations:

- (a) 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. For employers, certification is expected to decrease asymmetries of information, reducing the transaction costs of selecting workers. For the job seekers or workers, certification can help them in communicating the quality, depth and breadth of their skills to potential employers better and quickly. Additionally, in the context of training, certification is also an indication of the alignment of training institutions with pre-established curricula and standards. Certification rates of training graduates sends a signal on the efficiency of the training institutions delivering expected results. Certification is thus important for labor mobility, allowing workers to seek jobs of greater quality and opportunities for advancement. By increasing certification for women, this will enable women to seek jobs of greater quality and enable them to advance from lower level positions in the tourism industry. To ensure females and males are certified at the same level, the MOTCE will introduce gender equity targets in the memorandum of understandings it signs with the certifying agencies. This target will encourage the certifying agencies to identify the root causes of inequality and adjust their outreach and certification services offer accordingly.
- (b) Female participants of the MOTCE's tourism awareness and engagement program, *Sadar Wisata*, in 2017 accounted for only 27 percent of total participants, compared to 73 percent males. Tourism awareness and engagement programs aim to increase the economic empowerment and benefits that local communities gain from tourism sector growth in their community, and include activities such as entrepreneur mentoring and economic empowerment. Relatively low female participation will be addressed by offering specific economic empowerment activities for women, including the related awareness raising activities to inform women about the benefits of training and to encourage more women participants to attend.

The Project will support activities to reduce these two gaps and includes two gender equity indicators, one for certification and one for participation in community engagement programs, aimed at gender equality in women's and men's certification and participation in community engagement programs (i.e., economic empowerment activities), respectively. In addition, the travel website company data on tourism firms, the community satisfaction surveys (by including gender disaggregated data), and the sustainable tourism indicators offer opportunities for new data, to be reported to the central project management unit, to inform policy, planning and investment



decisions and actions. In addition, in destinations with provincial and national parks, World Heritage Sites, Global Geoparks and/or Biosphere Reserves, special attention will be given to communities living in and around the parks to ensure their participation and benefits.

23. **COVID-19 impacts on the industry are expected to be significant; this Component can support the immediate response and the short- and medium-term recovery.** Several of the government's fiscal and banking system measures, such as tax relief, interest moratorium and softer loan terms, can be complemented by this Component by, for instance: (i) offering online training during continued social distancing (possibly linked to wage subsidies provided outside the Project scope); (ii) specialized training, including health, hygiene and emergency response training for all staff (immediate response), as well expanded training and certification programs for managers to be qualified in tourism crisis management and response (medium-term recovery); (iii) accelerate the digitalization of the industry and mobilize digital platforms. The ITMP preparation for the Additional Financing's selected tourism destinations, updated demand studies for the Parent Project's destinations and regular surveys and data all provide guidance to the prioritization of Component 3 activities.

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

24. **Component 4 consists of a technical assistance program to design and implement tourism destination-specific investment planning,** to include such activities as: (a) the preparation and updating of investment project ready to offer; (b) market sounding activities; and (c) monitoring of investment projects. In destinations with national parks, special attention will be given to opportunities to promote private investment in the park in ways that increase opportunities for local community participation and are aligned with environmental protection.

E. Implementation

Institutional and Implementation Arrangements

25. **The institutional and implementation arrangements for the Additional Financing are identical to the Parent Project's,** and include:

- (a) Steering Committee chaired by BAPPENAS – and comprising the Ministers from inter alia: MOTCE, Ministry of Public Works and Housing (MPWH), Indonesia Investment Coordinating Board (BKPM) and Ministry of Finance, which shall be responsible for cross-sector coordination for tourism development, especially destination development across Indonesia, and planning-budgeting alignment;
- (b) Technical Committee comprising echelon I officials from inter alia: BAPPENAS, MOTCE, MPWH, BKPM, and Ministry of Finance, which shall be responsible for oversight of tourism development at the national level, and support to the provincial and local task forces;
- (c) Provincial Task Forces and Kabupaten/Kota Task Forces in each of the Provinces and Kabupaten/Kota in the Selected Tourism Destinations, which shall be responsible for cross-sector coordination for tourism development at the Province/Kabupaten/Kota level, subnational government planning-budgeting alignment; and oversight of tourism development at the Province/Kabupaten/Kota level;
- (d) Central Project Management Unit (CPMU) in the Regional Infrastructure Development Agency (RIDA), which shall be responsible for the management and monitoring of the Project;
- (e) Central Project Implementation Units (CPIUs) in the MPWH, BKPM and MOTCE, responsible for day-to-day implementation of the Project including recruitment of consultants and service providers and



production of reports on the progress of the Project, in each case, with a mandate, composition and terms of reference as set out in the Project Operational Manual;

- (f) Program Management Support (PMS) Team at the national level and in each of the Selected Tourism Destinations.

26. **The GOI has established these institutional and implementation arrangements at the national level, and in the relevant Provinces and Kabupaten/Kota for the Parent Project.** The Bappenas-led Integrated and Sustainable Tourism Development Coordination Team is fully operational and meeting regularly.²⁰ The National Coordination Team consists of a Steering Committee (Ministerial level), Executive Team (echelon 1) and a Technical Team (echelon 2) and includes four Working Groups. In addition, the MPWH has established a CPMU in the RIDA as well as CPIUs in the MPWH, BKPM and MOTCE respectively.²¹ RIDA has also contracted a PMS Team that operates at the national level and in each of the selected tourism destinations of the Parent Project (ready to mobilize teams in the Additional Financing's destinations too). This well established and functioning institutional structure has the capacity to provide oversight and coordination for all six selected tourism destinations. In anticipation of the expansion of the Project to the new destinations (KNP-LBJ, BTS, and Wakatobi), a dedicated Bappenas team is currently working on establishing Task Forces at the new destinations. A tourism Task Force has already been established in East Nusa Tenggara Province (NTT) covering KNP-LBJ, while at the Kabupaten level, Task Forces have been established in Kabupaten West Manggarai and Kabupaten Wakatobi, with all Task Forces expected to be established in the coming months in the destinations added through the Additional Financing.

27. **These institutional and implementation arrangements include key agencies / ministries for natural (including critical natural habitats and biodiversity) and cultural protection and management.** The Integrated and Sustainable Tourism Development Coordination Team includes all the key agencies responsible for the management of natural and cultural protected areas (terrestrial and marine). The Minister of Environment and Forestry (MOEF) is a member of the Steering Committee, while the Executive Team includes the Director General for Environmental Protection (MOEF), Director General for Natural Resources and Ecosystem Conservation (MOEF), the Director General for Marine Management, Ministry of Maritime Affairs and Fisheries (MMAF), and the Director General of Culture, Ministry of Education and Culture (MOEC). The Technical Team includes the Director for Cultural Heritage (MOEC) as well as the Director of Forestry and Conservation of Water Resources, Bappenas. The Task Forces for Kabupaten West Manggarai and Kabupaten Wakatobi include representatives from the environmental and cultural protection agencies, the National Park Authorities, and the local communities. The KNP-LBJ Task Force includes a dedicated sub-group focused on environmental protection and is expected to play an important role in managing biodiversity related issues. The Project design includes capacity building for these Task Forces (at the national and local levels) on the Project's Environmental and Social Management Framework (ESMF), and—through Bank implementation support—additional support/training will be organized as required. An assessment of the policy environment for tourism in protected areas is included in the Project's ESMF.

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

The Parent Project supports the GOI's tourism development program in three Selected Tourism Destinations: Lombok in West Nusa Tenggara Province; Borobudur-Yogyakarta-Prambanan (BYP) in Central Java Province and the Special Region of Yogyakarta; and Lake Toba in North Sumatra Province. During

²⁰ Established on June 8, 2018, by a Bappenas Ministerial Decree (Surat Keputusan/SK)).

²¹ Ministerial Decree Number 563/KPTS/M/2019.



Project implementation, the GOI requested a scale-up Additional Financing to expand the coverage to include another three destinations, i.e., Komodo National Park (KNP)-Labuan Bajo (LBJ) in East Nusa Tenggara Province, Bromo-Tengger-Semeru (BTS) in East Java Province, and Wakatobi in Southeast Sulawesi Province. Most of the physical investments to be supported under Component 2 will be located in Selected Key Tourism Areas (KTAs). The KTAs are clusters with tourist objects or attractions. In the BYP destination, KTAs constitute of urbanized areas that will continue to urbanize, with good regional and national accessibility. At the Lombok destination, some KTAs are urbanizing such as those located in the southern and east coastal areas as well as in the western coastal islands. The KTAs in the Lake Toba destination are urbanized areas with good regional access. In the KNP-LBJ destination, the center of the KTA (Labuan Bajo city) is urbanizing with good regional and national accessibility, covering a number of islands with marine-based tourism attractions including the World Heritage Site of Komodo National Park. The BTS destination houses the BTS National Park which is part of the UNESCO's Man and the Biosphere Programme (MAB) and is located in the Eastern part of East Java Province. The KTAs in this destination are urbanizing with good regional accessibility. The Wakatobi destination is a National Park covering four main islands with high marine resource potential as tourist attractions. The destination has good national and regional air and sea access through the City of Kendari, the capital of Southeast Sulawesi Province. Non-physical investments to be supported by Component 1, 3 and 4 as well as the studies supporting activities under these components will take place for all areas within all destinations. The planning area for the integrated tourism master plan (ITMP) for Lombok, BYP, Lake Toba, KNP-LBJ, BTS and Wakatobi will cover the whole area within each of the Selected Tourism Destinations.

G. Environmental and Social Safeguards Specialists on the Team

- Thomas E. Walton, Environmental Specialist
- Indira Dharmapatni, Social Specialist
- Shankar Narayanan, Social Specialist
- Virza Syafaat Sasmitawidjaja, Environmental Specialist
- Sofwan Hakim, Social 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 (Parent Project and Additional Financing) will support physical investments and Feasibility Studies (FS) and Detailed Engineering Designs (DEDs) under



Component 2 and the preparation of Integrated Tourism Master Plans (ITMPs, including detailed development plans) and sectoral plans (as needed) under Component 1 in each destination. The Project will support multiple sectors' (e.g., roads, transportation, water and sanitation) infrastructure and prepare plans that will guide the provision of infrastructure in selected tourism destinations to support sustainable tourism development. Because of the sensitivity of natural, social, and cultural resources in the selected destinations and the potential for downstream high risk, significant direct, indirect, induced or cumulative impacts, the Project is rated Category A. The Environmental and Social Management Framework (ESMF) prepared for the Parent Project, because the specific investments and their locations within the destinations would not be known prior to appraisal, has been revised to incorporate the three additional destinations (of the Additional Financing). The revised ESMF has been disclosed and consulted to the relevant stakeholders in Jakarta and the three new destinations. It guides the environmental and social management aspects of the preparation of activities supported under Component 2 and the preparation of terms of reference (TOR) for the ITMPs, including detailed development plans, and other activities that will be procured under the Project, and subjects each TOR for the ITMPs to review and clearance by the Bank as for any Category A sub-project. Component 1 of the Project also finances program management support that will, among other things, assist the executing agency and implementing agencies in implementing the revised ESMF and in building environmental and social management capacity.

Performance Standards for Private Sector Activities OP/BP 4.03	No	This policy is not triggered as the Project is not being implemented by private-sector entities.
Natural Habitats OP/BP 4.04	Yes	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. Several of the destinations encompass critical natural habitat, including national parks and UNESCO World Heritage Sites. The Project will not support activities that



		involve significant conversion or degradation of critical natural habitats or natural habitats. It may support improved management of protected areas, for example, assisting park management authorities in upgrading park management plans. 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.
Forests OP/BP 4.36	Yes	The Project will not include activities that involve conversion or degradation of critical forest areas or natural forests, or establishment of plantations. It may support improved forest management through, for example, the reforestation program that is recommended as a water quality management measure in the ITMP for the Lake Toba destination.
Pest Management OP 4.09	No	The Project will not procure or use any pesticide or support activities that may lead to the use and/or a significant increase in the use of pesticides.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is triggered because the activities under Component 2 and the ITMPs (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 chance finds procedures during construction. 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 ITMPs.
Indigenous Peoples OP/BP 4.10	Yes	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, Lake Toba, Komodo National Park-Labuan Bajo (KNP-LBJ), Bromo-Tengger-Semeru (BTS) and Wakatobi



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 the draft ESMF for the Parent Project, indicates that IPs and local communities are present in Lombok destination and in some of the Kabupatens in Lake Toba destination, but not in Borobudur-Yogyakarta-Prambanan destination. Similarly, the public consultations of the draft revised ESMF (for the Parent Project and the AF) indicate that IPs and local communities are present in KNP-LBJ, BTS, and Wakatobi destinations. Verification and reconfirmation on the presence of potentially affected IPs and local communities in the six selected 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. For instance, in the currently proposed sub-project in the annual work plan (AWP) 2020 in Pangururan in Lake Toba destination further information on the potential presence of IPs needs to be collected from the field as the surrounding area of the proposed sub-project (waterfront development) is likely to have IPs / Masyarakat Adat of Batak presence. Confirmation of IPs presence in and/or affected by the sub-project will be done once its detailed engineering design is completed.

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 Indigenous Peoples Plan (IPP) through a process of free, prior and informed consultation leading to broad IPs and local community's support for the proposed physical investment.

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 revised 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 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 revised 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.

Involuntary Resettlement OP/BP 4.12

Yes

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. With the Additional



Financing, the ESMF of the Parent Project has been revised to include three additional destinations (i.e. KNP-LBJ, BTS and Wakatobi) while requirements as specified in the original ESMF remain the same, including a Land Acquisition and Resettlement Policy Framework (LARPF) and a Process Framework (PF). These Frameworks 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 revised ESMF.

The ITMPs may identify a sensitive and ecologically important area, that is being degraded by local 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 used or benefited 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 result in adverse impacts on their livelihoods. The ITMP Consultants should provide detailed 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 and/or to address social issues arisen from the competing claims to resources between protection and livelihoods of communities located in protected areas and their surroundings 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 revised ESMF. The TORs for Consultants preparing the ITMPs and Sectoral Master Plans specify that they shall adopt and comply with the LARPF (including the PF) in the revised 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: The Program Management Support’s 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 technical support for improved assessment of each activity and preparation of effective mitigation measures before the start of physical investment implementation. It will eventually increase the quality and quantity of the deliverables for sustainable tourism development through central and local government coordination and public-private partnerships.

Positive environmental and social impacts of Project component 2: Improved tourism-relevant road quality and basic services accessibility in the six (6) 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 as well as promoting better environmental quality. 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 instruments 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), and best management practices and good housekeeping. 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; this will also apply to any civil work implemented in the national parks. The content and quality of all of these safeguard 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, soil erosion, workplace and community safety hazards, disturbance of existing traffic flows and access for local communities and visitors, and loss of livelihoods. Physical activities supported by component 2 may or may not need land acquisition and/or resettlement and may or may not involve IPs 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 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.

The process of preparing ITMPs includes (a) formulation of alternative tourism development scenarios that are assessed for environmental and social impacts, and (b) selection of the preferred scenario in consultation with the full range of stakeholders.

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 Parent Project's ESMF has been revised for the Additional Financing to include three additional tourism destinations, i.e. Komodo National Park-Labuan Bajo, Bromo-Tengger-Semeru and Wakatobi. The revised ESMF specifies the procedures, process, requirements and organizational arrangements for 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) which remain the same as the Parent Project's ESMF.

The Borrower is committed to transforming tourism development by means of integrated tourism master planning. In fact, this Project was prepared at the Borrower's request to improve the prospects of high-quality plans. The Borrower is committed to establishing effective natural and cultural resource monitoring and protection capacity in the destinations as demonstrated by the establishment of Sustainable Tourism Observatories (STO) in the destinations under a UN World Tourism Organization (UNWTO) program, by augmenting the technical staff in the central project management unit (CPMU), and by inclusion in the Project of Program Management Support (PMS) consultants' services to enhance environmental and social management through capacity-building and provision of expertise to fill capacity gaps.

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. Capacity of RIDA/CPMU as the Executing Agency in managing the implementation of the Parent Project's ESMF has gradually improved and it will be continuously strengthened with the assistance of the PMS Consultant.

The PMS Consultant has a senior environmental specialist and social safeguards specialist at the national level and social/environmental specialist at each of the PMS' regional offices in the selected destinations. The PMS expertise is used for screening of investments proposed for inclusion in the Project, assistance in reviewing safeguards instruments/documents prepared and in preparing implementing guidelines under the country system, and assistance in monitoring safeguards implementation and reporting. The PMS Consultant ensures that environmental and social aspects are embedded in the ITMP, as well as advises on the preparation and readiness of all supported sub-projects and accelerates implementation with the completion of the required safeguard instruments of satisfactory quality, namely the ESMPs and LARAPs. The ESMPs are prepared for each sub-project that is supported by the Project as well as those linked to the Project that are funded by the national and local budgets. They are of acceptable quality, reviewed by the PMS Consultant for inclusion in the bidding and contract documents, and ready prior to the commencement of the civil works.

Learning from experience with the Parent Project's first three destinations, intensive discussions with the CPMU, the CPIUs, and the PMS Consultant are useful to get common understanding on the implementation of the ESMF,



particularly for screening of proposed sub-projects and identifying the appropriate instruments to be prepared by the sub-project proponents. Moreover, field visits have been useful for the Bank's team to better understand the proposed sub-projects, to guide the implementing agencies in looking at the potential environmental and social impacts in reference to the ESMF, and to emphasize the importance of the detailed engineering designs in avoiding or minimizing such impacts. For the ITMPs, an important lesson learned is that it is important that the environmental and social specialists are well-qualified in their fields, experienced in working in a planning context, and on board at the launch of the consultants' services. It is also important to ensure these specialists have a good understanding of what is intended by the concept of environmental, social, socio-economic and cultural heritage opportunities and constraints for tourism development. Under the Parent Project, work on the ITMPs for the three selected tourism destinations (Lombok, Borobudur-Yogyakarta-Prambanan and Lake Toba) began in August 2018 and is expected to be finalized by June-July 2020 (and will be reviewed by the Bank as for all Category A sub-projects). The ITMP Consultant for the additional selected destinations as part of the Additional Financing will have a social safeguards specialist who has experience in engaging with IPs.

For the additional selected destination (as part of the Additional Financing), the CPMU/RIDA is planning to work in close coordination with the Ministry of Environment and Forestry (MOEF), particularly focusing on preventing and mitigating impacts in the respective National Parks at the BTS, KNP and Wakatobi destinations, and also during the preparation and implementation of the ITMPs. As needed, the Bank will provide hands on assistance and training for RIDA and other stakeholders during Project implementation. These arrangements have been assessed as adequate to manage environmental and social outcomes of the Project.

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

Consultations during the Parent Project preparation consisted of consultations on the Terms of reference (TOR) for the ESMF (including the draft TOR for preparing the ITMPs for the first three (3) destinations) and the Draft ESMF, which took place in Jakarta and the three destinations. For the Additional Financing, the draft revised ESMF, including the TOR for preparing the ITMPs for the three additional selected destinations, was consulted in Jakarta on November 27, 2019, in Labuan Bajo (for KNP/LB) on December 13, 2019, in Surabaya (for BTS) on December 16, 2019, and in Kendari (for Wakatobi) on December 19, 2019. A total of 250 people from central and local government agencies, representatives of universities, NGOs, AMAN, and associations participated in four (4) consultations. The draft revised ESMF (in Bahasa Indonesia, including the TORs for the three additional destinations) was disclosed on the project website (www.p3tb.pu.go.id) prior to the consultations, i.e. November 19, 2019 (first revision); November 26, 2019 (first revision, at project website) and December 9, 2019 (second revision). Feedback from the consultations has been incorporated in the draft final ESMF. The final ESMF (in English and Bahasa) for the Project (Parent Project and Additional Financing) was made publicly available through the Project and World Bank's websites in June 2020. The key stakeholders of the Project are national, provincial, and district agencies including public works, tourism, environment and forestry, 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 six (6) destinations. The primary mechanism for consultation and disclosure during implementation will be through the highly-participatory integrated tourism master planning process at each destination.

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.

With the outbreak and spread of COVID-19, people have been advised by the national or regional governments, to exercise social distancing, and specifically to avoid public gatherings to prevent and reduce the risk of the virus transmission. The Project will follow World Bank guidance on alternative ways of managing consultation and stakeholder engagement, which are in accordance with the local applicable laws and policies, especially those related to media and communication (Public Consultations and Stakeholder Engagement in World Bank-supported operations when there are constraints on conducting public meetings, March 20, 2020).

RIDA has established a Grievance Redress Mechanism (GRM) system. The public can submit their grievances through the project website (p3tb.pu.go.id), email (pengaduan.itdp@pu.go.id), letters, telephone or short messages (via SMS or WhatsApp to number: +62852-1073-5993) and through social media (Facebook: facebook.com/itdp.pariwisata.31 and Twitter: @ltdpPariwisata). Every grievance received will be recorded on the integrated management information system (MIS) / Website and the status of the follow-up can be seen at any time by the community. RIDA/CPMU is responsible for following up on every grievance. It has assigned staff for managing the GRM, developing standard operating procedures for the complaint handling and document and report the complaint status. The GRM will also be carried out at each level, starting from the district/city, provincial and central levels, as explained in the ESMF. The stakeholders responsible for each grievance can provide responses and follow-up through the same system.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

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
17-Mar-2020	25-Jun-2020	26-Jan-2018
"In country" Disclosure		
Indonesia		
14-Jun-2020		
Comments		
ESMF (English) was disclosed on June 14, 2020		
ESMF (Bahasa) was disclosed on June 30, 2020		
Resettlement Action Plan/Framework/Policy Process		
Date of receipt by the Bank	Date of submission for disclosure	
17-Mar-2020	25-Jun-2020	



"In country" Disclosure

Indonesia

14-Jun-2020

Comments

LARPF in the ESMF (English) was disclosed on June 14, 2020

LARPF in the ESMF (Bahasa) was disclosed on June 30, 2020

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

Date of submission for disclosure

17-Mar-2020

25-Jun-2020

"In country" Disclosure

Indonesia

14-Jun-2020

Comments

IPPF in the ESMF (English) was disclosed on June 14, 2020

IPPF in the ESMF (Bahasa) was disclosed on June 30, 2020

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

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?

Yes

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

Is physical displacement/relocation expected?

TBD

Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)

TBD

OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

NA

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?



No

The World Bank Policy on Disclosure of Information

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

No

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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Implementing Agencies



The World Bank

Additional Financing Integrated Infrastructure Development for National Tourism Strategic Areas (Tourism Development Project) (P173251)

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Approved By

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Country Director:	Rolande Simone Pryce	30-Jul-2020