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PROJECT APPRAISAL DOCUMENT

FOR A

JAVA RECONSTRUCTION FUND (JRF) GRANT

IN THE AMOUNT OF US\$60 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR A

COMMUNITY-BASED

**SETTLEMENT REHABILITATION AND RECONSTRUCTION PROJECT
FOR CENTRAL AND WEST JAVA AND YOGYAKARTA SPECIAL REGION**

January 5, 2007

**Urban Development Sector Unit
East Asia and Pacific Region**

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CURRENCY EQUIVALENTS

(Exchange rate effective October 26, 2006)

Currency Unit	=	Indonesian Rupiah
IDR 1,000	=	US\$ 0.109
US\$ 1	=	IDR 9,156

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

APBN	National Development Budget
BAPPENAS	National Development Planning Board
BI	Bank Indonesia
BKM	Badan Keswadayaan Masyarakat (Community Board of Trustees)
BPK	Badan Pemeriksa Keuangan (Supreme Audit Agency)
BPKP	Badan Pengawas Keuangan Pembangunan (Development Finance Controller)
BPN	Badan Pertanahan Nasional (National Land Administration Agency)
Bupati	District Head
Camat	Head of sub-district
CB	Commercial Bank
CDA	Community-Driven Adjudication
CDD	Community Driven Development
CJP	Central Java province
CQS	Selection based on Consultants' Qualifications
CSIA	Continuous Social Impact Assessment
CSO	Civil Society Organization
CSP	Community Settlement Plan
CSRPP	Community-based Settlement Reconstruction and Rehabilitation Project
DA	Dedicated Account
Desa	Rural village
Dinas Permukiman	Settlement Agency in City/District level
DIPA	Daftar Isian Proyek Pusat (Approved Central Government Detailed Project Budget)
DIY	Yogyakarta province
DMC	District Management Consultant
EIA	Environmental Impact Assessment
FAS PPK	Facilitators of Kecamatan Development Program
FMR	Financial Monitoring Report
GoI	Government of Indonesia
HCU	Handling Complaints Unit
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultants
ICB	International Competitive Bidding
IDA	International Development Association

IFR	Interim Financial Report
IFRC	International Federation of Red Cross and Red Crescent Societies
IOM	International Organization on Migration
JRF	Java Reconstruction Fund
Kades	Head of Village
KDP	Kecamatan Development Program
Kelurahan	Urban ward
KP	Kelompok Pemukim (community groups on settlement development)
KPK	National Anti-corruption Commission
KPPN	Kantor Pelayanan Perbendaharaan Negara (Treasury Office)
KSM	Self-help community groups / <i>kelompok swadaya masyarakat</i>
LCS	Least Cost Selection
LMPDP	Land Management and Policy Development Project
Lurah	Head of Kecamatan
Menko	Coordinating Ministry for Economic Affairs
Perekonomian	
MIS	Management Information System
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MPW	Ministry of Public Works
NBF	Non Bank Financed
NCB	National Competitive Bidding
NGO	Non-Government Organization
NS	National Shopping
PCAR	Procurement Capacity Assessment Report
PIU	Project Implementation Unit
PJOK	Penanggung-Jawab Operasional Kegiatan (Project Manager at Kecamatan Level)
PMU	Project Management Unit
POM	Project Operational Manual
QBS	Quality-Based Selection
QCBS	Quality and Cost Based Selection
RFP	Request For Proposal
SA	Special Account
SCG	Shelter Cluster Group
SESAF	Social and Environment Safeguard Framework
SFB	Selection under a Fixed Budget
SOCB	State-Owned Commercial Bank
SOE	Statement of Expenditure
SP2D	Surat Permohonan Pencairan Dana (Payment Request)
SPM	Surat Perintah Membayar (Payment Order)
SPN	Surat Perbendaharaan Negara (Nation Treasury Letter)
SPPD	Support for Project and Program Development
SSS	Single-Source Selection
TA	Technical Assistance
TNI	Indonesian National Army
TOR	Terms of Reference
TPK	Tim Pelaksana Kegiatan (Village-level project implementation team)
UN	United Nations
UNDB	United Nations Development Business
UNDP	United Nations Development Programme

UPK
UPP
Yogyakarta
Yogyakarta city

Unit Pelaksana Keuangan (Sub-District Financial Management Unit)
Urban Poverty Project
Yogyakarta province
The city of Yogyakarta

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INDONESIA

Community-Based Settlement Rehabilitation and Reconstruction Project For Central and West Java and Yogyakarta Special Region

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MAP – IBRD 35138

INDONESIA

COMMUNITY-BASED SETTLEMENT
REHABILITATION AND RECONSTRUCTION PROJECT
FOR CENTRAL AND WEST JAVA AND YOGYAKARTA SPECIAL REGION

PROJECT APPRAISAL DOCUMENT

EAST ASIA AND PACIFIC REGION

EASUR

Date: January 5, 2007 Country Director: Andrew Steer Sector Director: Keshav Varma Project ID: P103457 Lending Instrument: Grant (Java Reconstruction Fund)	Team Leader: George Soraya Sectors: Urban Development Themes: Housing, Infrastructure Services, Hazard Risk Management Environmental Screening Category: B Safeguard Screening Category: Limited Impact			
Project Financing Data				
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:				
Total Project Costs: US\$ 61 million JRF Grant Amount: US\$ 60 million Government Contribution: N/A				
Financing Plan (US\$m)				
Source	Local	Foreign	Total	
Borrower	1	0	1	
JRF	51	9	60	
Total	52	9	61	
Grant Recipient: Ministry of Public Works Responsible Agency: Ministry of Public Works Address: Jl. Patimura 20 Jakarta Selatan, Indonesia Contact Person: Agoes Widjanarko				
Estimated disbursements (CY/US\$m)				
CY	2006	2007	2008	2009
Annual	0	42.0	13.0	5.0
Cumulative	0.0	42.0	55.0	60.0
Project implementation period: Start: December 2006 End: December 2008				
Expected closing date: June 30, 2009				
Does the project depart from the CAS in content or other significant respects? [] Yes [X] No				
Does the project require any exceptions from Bank policies? [] Yes [] No				
Have these been approved by Bank management? [] Yes [X] No				
Is approval for any policy exception sought from the Board? [] Yes [X] No				
Does the project include any critical risks rated "substantial" or "high"? [X] Yes [] No				
Does the project meet the Regional criteria for readiness for implementation? [X] Yes [] No:				
Project development objective: The objective of the CSRRP is to meet the needs of targeted households for (a) seismic resistant housing and (b) community infrastructure in disaster affected villages in Central and West Java and Yogyakarta.				

Project description [*one-sentence summary of each component*]

(i) *Housing reconstruction support grants.* This component will support communities in the reconstruction of approximately 18,000 homes in Central and West Java and Yogyakarta to improved seismic standards through a community-based approach using existing UPP-3 and KDP networks.

(ii) *Block grants for priority infrastructure and hazard risk reduction investments.* This component will provide block grants of minimum Rp 250 million per kelurahan or desa for the rehabilitation of small-scale priority infrastructure according to the communities' rehabilitation and reconstruction plans. Block grants allocation is based on the level of damages, and therefore some villages may receive higher grant allocation.

(iii) *Community education and quality assurance.* This component will support: (i) the hiring of 70 Housing Task Force teams to oversee project implementation, construction standards and quality; (ii) capacity building for project management at the community level; and, (iii) community education for emergency preparedness and mitigation of future disasters.

(iv) *Project implementation support, monitoring, and evaluation.* This component will finance: (i) a National Management Consultant team (NMC) for the entire project; (ii) two District Management Consultant (DMC) teams to guide the efforts of the Housing Task Force teams and to track implementation on the ground; (iii) a public communications program, a Management Information System (MIS), and a complaints handling mechanism; and, (iv) an internal and external monitoring and evaluation framework.

Which safeguard policies are triggered, if any? The project will not have any large scale or irreversible adverse environmental impacts. The project triggers the World Bank Safeguards Policies on Environmental Assessment (OP/BP 4.01), Cultural Property (OPN 11.03, being revised as OP 4.11), and Involuntary Resettlement (OP/BP 4.12). The project is classified as environment Category "B".

Significant, non-standard conditions, **if any**: None

A. BACKGROUND

1. On May 27, 2006 an earthquake measuring 6.3 on the Richter scale struck the densely populated provinces of Yogyakarta and Central Java in Indonesia. The earthquake killed over 5,700 people, injured between 40,000 to 60,000, destroyed or damaged more than 350,000 homes, and eliminated many people's livelihoods. All five districts in Yogyakarta province were affected, and six districts in Central Java province were impacted – Boyolali, Klaten, Magelang, Purworejo, Sukoharjo and Wonogiri. On July 17, another earthquake measuring 6.8 on the Richter scale struck the provinces of Western and Central Java and Yogyakarta. This earthquake created a 2 meter-high tsunami that impacted coastal areas, killing more than 400 people and displacing over 32,000 households. The most severely affected district was Ciamis in West Java, in which the sub-district of Pangandaran accounted for 60 percent of the deaths.

2. The disaster has exacerbated poverty in affected areas, where nearly 880,000 poor people live. At the provincial level, the percentage of the poor in Yogyakarta is around 19 percent, falling on the fifth decile relative to other provinces in Indonesia; the percentage of the poor in Central Java is slightly higher. An additional 66,000 people are likely to fall into poverty if basic needs are not met and households' livelihoods are not restored in the next few months. Rapid housing reconstruction and rehabilitation is essential to restoring income generation and local economic activity in affected areas.

3. The initial damage and needs assessment conducted jointly by the Government of Indonesia (GoI) and the donor community in June 2006 estimated damage and losses at Rp 29.1 trillion (US\$3.1 billion), of which the housing sector accounted for more than half. Estimates of destroyed and damaged houses are 156,662 and 202,031¹ units, respectively; in comparison, the number of houses destroyed by the 2004 tsunami and earthquake in Aceh and Nias reached between 80,000 and 110,000. Reconstruction and rehabilitation costs for housing and tertiary infrastructure to higher, hazard resilient standards in Central Java and Yogyakarta are estimated at US\$700 million.

4. Evidence indicates that houses were destroyed or seriously damaged because they were poorly designed, badly constructed, and used of inferior building materials. The poor were primarily affected by the earthquake as their homes were not built with good quality construction materials and skilled labor.

5. As compared to the large-scale damage to infrastructure caused by the 2004 tsunami that affected Aceh and Nias, most of the large-scale infrastructure remains intact in Central and West Java and Yogyakarta. The local governments remain functional and are capable of managing reconstruction efforts. Such differences reduce the need for sequencing the reconstruction process.

6. The proposed Community-Based Settlement Rehabilitation and Reconstruction Project (CSRRP) is designed to meet the needs of the victims of the 2006 Java earthquake and tsunami, in support of the Government's rehabilitation and reconstruction plans. See Annex A for the list of desa and kelurahan targeted by the project.

7. Government program. GoI has initiated large-scale reconstruction for Central Java, West Java, and Yogyakarta. Due to the fact that all transport and logistics infrastructure is in working

¹ These are the official figures at this stage. Further assessment by the Government is still on-going and updated figures are expected by end-December 2006.

order, and that functional local government structures are in place, GoI is confident that a large number of houses can be rebuilt within the next year. The GoI settlement recovery strategy will support households in affected communities in the reconstruction of about 300,000 houses to higher seismic resistant standards, using a community-based approach.

8. The program, which includes housing construction, repairs to tertiary infrastructure, program management, quality control, and community training, is estimated to cost about US\$700 million. GoI has committed US\$600 million over the next two fiscal years, with the lion's share allocated for housing reconstruction for the poorest, with a subsidy of Rp 15-20 million per household. GoI is developing a strategy to assist families to repair homes to make them resistant to future earthquakes. Central Java intends to divide available funds (Rp 0.8 trillion) among all 97,330 families eligible for assistance (the bagito approach). Yogyakarta intends to distribute, initially, Rp. 1.5 trillion to about 90,000 poorest households, 44 percent of the total victims. More details on the GoI program are available in Annex B.

9. The Urban Poverty Program and the Kecamatan Development Program. The Urban Poverty Program (UPP), a Government platform for community-based operations at the village level in urban areas, provides improved services for the urban poor and strengthens community and government institutions for responsive service delivery. Central Java and Yogyakarta are among the 14 provinces covered by the Bank supported Third Urban Poverty Program (UPP-3). About 200 villages (mostly in urban and peri-urban areas) in the affected local governments of the two provinces are included in UPP-3, with a strong network of facilitators working on the ground.

10. The Kecamatan Development Program (KDP), a Government program to support community planning and development in primarily rural areas, provides block grants to sub-districts (kecamatan). KDP is currently operating in Klaten, one of the hardest-hit areas in Central Java province. KDP will provide US\$15 million for repairs to community infrastructure in affected villages covered by the program.

11. In September 2006, the Government announced plans to scale up UPP and KDP to the national level since they have proven to be effective in engaging communities for improved service delivery and reducing poverty. Through these networks, the Government will be able to establish an efficient platform to deliver its housing reconstruction program and restore basic infrastructure in affected communities. The advantage of using these existing programs in an emergency situation is the ability to mobilize facilitators and disburse funds rapidly through a system that has a proven track record of being transparent and effective.

12. Pilot UPP-3 Housing Reconstruction Program. UPP-3 has reallocated resources from its ongoing program as a Pilot initiative to reconstruct an initial 2,000 houses in affected communities, targeting the poorest and most vulnerable households. UPP-3 will provide a total of 6,000 houses by February 2007. Construction has begun in 156 affected villages (70 in Central Java and in 86 in Yogyakarta), with 15 houses per village. All recipients were nominated through a community forum, as designated by the UPP.

13. BKMs (Badan Keswadayaan Masyarakat – Community Board of Trustees) established by UPP in these locations have completed community self-survey damage assessments. Over 200 technical facilitators have been recruited for the housing reconstruction pilot and have been provided with the necessary training, including seismic resistant construction methods. An operational manual on the overall housing reconstruction methodology, including how to build seismic resistant structures, has been prepared.

14. The speed and quality of the Pilot has been encouraging; two months after the events, communities were able to begin the process of housing reconstruction. At the time of project appraisal, 300 houses were completed, and 2,000 more will be completed by the end of November 2006. The quality of the structures has mostly been acceptable, transparency and accountability of funds have been maintained, and the recycling of rubble for reconstructed homes has been significant. More importantly, the communities have been able to prioritize beneficiaries with a high level of accuracy, with minimal social conflict.

15. The Pilot has positively influenced the Government's housing reconstruction program. The GoI operational manual for housing reconstruction uses the pilot UPP-3 project operational manual as a basis; it has similar principles of seismic resistant construction and use of a community-driven delivery mechanism with minor modifications.

16. Relationship with other donor programs. To harmonize recovery activities, the project will partner with the Ministry of Public Works (MPW) and the provincial governments. The Government has appointed a National Coordinating Team for housing reconstruction efforts in Yogyakarta and Central and West Java. A Shelter Cluster Group (SCG) has also been organized to bring over 30 donors and NGOs, such as the International Federation of Red Cross and Red Crescent Societies (IFRC), CHF International, the International Organization for Migration (IOM), together to consolidate information on needs, share issues, and coordinate efforts. CSRRP will work with these groups to ensure that housing reconstruction complements ongoing activities and avoids duplication of effort.

17. **Roof first project.** In addition to CSRRP, the JRF intends to support a "roof first" shelter project through the IOM. The project is under preparation and will provide transitional shelter to vulnerable households in villages not covered by CSRRP.

B. PROJECT DESCRIPTION

18. **Project objectives.** The main objective of CSRRP is to meet the needs of targeted households for (a) seismic resistant housing, and (b) community infrastructure in selected disaster affected villages in Central and West Java and Yogyakarta. This objective will be achieved through the provision of: (a) block grants to households for support in constructing approximately 18,000 seismic resistant core housing units of 36 sq. meters, i.e., construction of sound foundations, frames, and roof; (b) block grants to villages for tertiary infrastructure and hazard risk reduction activities; and (c) technical support and community education for incorporating improved seismic standards in reconstruction.

19. The housing grant will only cover the cost of constructing a seismic resistant structure; the community will complete the houses using their own resources. The project is flexible: households may reduce the size of their houses below 36 sq. meters and use a part of the grant for completion of homes.

20. The proposed project will be implemented from December 2006 through December 2008, with most houses completed by December 2007. The project will be implemented in two phases, in accordance with the JRF disbursement schedule. Initially the project will reconstruct about 12,500 houses, including 1,000 houses in Pangandaran. The detailed Pangandaran component will be determined after Bank appraisal of the needs assessment and the reconstruction plan to be prepared by the NMC. The second phase construction will be carried out in July 2007 once the remaining JRF funding is available. A detailed breakdown is provided in Annex K.

21. Outcome indicators for the project are:
- At least 80 percent of houses are occupied by project completion;
 - Beneficiaries' stated satisfaction with reconstructed housing; and
 - Beneficiaries' stated satisfaction with community infrastructure.
22. Output indicators for the project are:
- Target villages have restored basic community infrastructure; and
 - Completed houses meet satisfactory seismic resistant standards.
23. Intermediate indicators for the project are:
- Trained Housing Task Force teams are operational in target villages;
 - Percentage of beneficiaries who are aware of seismic resistant housing;
 - Percentage of beneficiaries who are aware of project entitlements and implementation processes; and
 - Percentage of complaints successfully resolved by the Complaints Handling Unit within three months.
24. Subject to expeditious project implementation, the project may have a demonstration effect in influencing the planned reconstruction efforts of the Government and other donors. The UPP-3 Pilot has already had a demonstration effect through the Government's adoption of the basic principles of the operational manual, such as the use of community groups, beneficiary selection methods, direct financing to housing groups, and technical assistance to communities. Further replication will depend on future political and social conditions, as well as the success of CSRPP during its initial stages.
25. **Project components.** The project comprises four main components: (a) grants for housing reconstruction; (b) block grants for priority, small-scale community infrastructure and hazard risk reduction activities; (c) community education and quality assurance; and (d) overall project support, monitoring, and evaluation. Individual components are outlined below, and greater detail is provided in Annex C.

Component A: Housing reconstruction support grants (US\$42 million)

This component will support communities in the reconstruction of approximately 18,000 homes in Central and West Java and Yogyakarta to improved seismic standards through a community-based approach using existing UPP-3 and KDP networks.

Component B: Block grants for priority infrastructure and hazard risk reduction investments (US\$11 million)

This component will provide block grants of minimum Rp 250 million per kelurahan or desa for the rehabilitation of small-scale priority infrastructure according to the communities' rehabilitation and reconstruction plans. Block grants allocation is based on the level of damages, and therefore some villages may receive higher grant allocation. Transitional shelter needs, and investments for improved community-level emergency preparedness and disaster mitigation, such as evacuation routes and local risk management strategies, may be financed through this component. A maximum of US\$3 million has been earmarked for building transitional shelters using reusable materials for permanent housing.

Component C: Community education and quality assurance (US\$3.2 million)

This component will support: (a) the hiring of 70 Housing Task Force teams to oversee project implementation, construction standards and quality; (b) capacity building for project management at the community level; and (c) community education for emergency preparedness and mitigation of future disasters.

Component D: Project implementation support, monitoring, and evaluation (US\$3.8 million)

This component will finance: (a) a National Management Consultant team (NMC) for the entire project; (b) two District Management Consultant (DMC) teams to guide the efforts of the Housing Task Force teams and to track implementation on the ground; (c) a public communications program, a Management Information System (MIS), and a complaints handling mechanism; and (d) an internal and external monitoring and evaluation framework.

26. **Project design.** CSRRP will leverage existing community-driven development mechanisms established through UPP and KDP, as well as the experience of post-tsunami housing reconstruction in Aceh. It utilizes a modular approach to settlement reconstruction and rehabilitation, with each module of 12,500 houses having a separate management and oversight structure. This approach will facilitate scaling up with additional modules and/or expanding to other districts. Technical assistance under the project can support implementation of two additional housing modules of 12,500 houses each, if funding is available from other donors for additional housing reconstruction.

27. **Project financing.** The Java Reconstruction Fund (JRF), established by six international donors for the reconstruction and recovery of Central and West Java and Yogyakarta, will provide US\$60 million as a grant. GoI will provide US\$1 million through in-kind support for salaries and staff overhead. Retroactive financing of up to US\$10² million will be provided for the initial mobilization of consultants and payment of the first tranche of about 10,000 houses, as well as transitional housing in anticipation of the rainy season. Other donor funds for housing and tertiary infrastructure reconstruction could be offered as parallel financing of individual projects or as additional financing to UPP-3.

28. **Rationale for JRF involvement.** The objective of the JRF is to provide improved housing and livelihood support for the poor who were adversely affected by the earthquake, based on a community-driven development platform. This project directly supports the JRF objective for housing reconstruction using a community-based approach, and it is consistent with the GoI program of housing reconstruction using a similar community-based approach.

29. **Employment generation.** The project will create employment opportunities for local skilled laborers and technical specialists hired to monitor construction quality. In addition, people participating in training programs for safe housing reconstruction practices will learn new skills that they can apply in the future to construct seismic resistant buildings. Employment generation for unskilled workers, especially among affected community members, is expected to reach more than one million units.

30. **Gender equality.** The project will systematically mainstream gender equality through the recruitment of local female facilitators and consultants (minimum 30 percent) and participation of women in community meetings (minimum 30 percent). In addition, socialization and focus group discussion activities will be conducted specifically for women's groups.

² Valid for expenditures after JRF became effective.

31. **Mitigation and preparedness for future natural disasters.** CSRRP supports several disaster management-related mechanisms to enhance communities' resilience and reduce the impact of future disasters. Project block grants may be used for improved building standards, community-based emergency preparedness planning and mapping, and heightened awareness of hazard prone areas. Community Settlement Plans will include mitigation measures, such as open spaces for evacuation in the event of an emergency. Facilitators specializing in hazard risk management will work with communities to help them identify risk reduction and mitigation activities that may be financed by the block grants.

32. **Technical aspects.** Technical specifications, such as reinforced column-bar connections, and basic practical guidance for seismic resistant housing construction, will be provided to communities in the form of simple, user friendly posters and brochures. Training programs will be organized to educate people on safe construction practices. Housing Task Force teams will develop specific seismic resistant designs, tailored to the needs and requirements of the homeowners.

33. **Lessons learned from past projects.** Lessons learned from post-disaster housing reconstruction projects in Indonesia have been incorporated in this project, and include:

- *Involvement of all levels of government* – from the central to the local level - in the recovery process, to maintain a clear division of responsibilities and to implement robust oversight mechanisms to ensure construction quality.
- *Mobilization of qualified consultants* to ensure that reconstruction can begin without delay, and that information on good construction practices is disseminated and put into practice by communities.
- *Training of facilitators* in good construction methods and community mobilization techniques before they are assigned to work with communities.
- *Mitigating communities' existing vulnerability to natural disasters* to prevent future damage. Seismic resistant housing designs and training programs in safe construction methods based on the national building code have been adapted to the local context.

34. **Alternatives considered and reasons for rejection.** Options for reconstructing settlements to the level of quality as envisioned under this project were considered as follows:

- *Use the project management structure of the GoI financed program.* While CSRRP closely mirrors the Government housing strategy in terms of its community-based, participatory design and seismic resistant building standards, the Government program's institutional arrangements through the provincial and local governments are already stretching their capacity for housing reconstruction. In addition, local governments are not familiar with managing externally funded programs, which could delay implementation. This option is therefore not considered optimal.
- *Use of large-scale contracting for housing and small-scale infrastructure reconstruction.* The use of large-scale contracting is not conducive to take into account people's design preferences. It weakens ownership and often results in low occupancy rates of the rebuilt structures. This approach is also not consistent with the Government strategy of utilizing a community-based program for reconstruction. This alternative is hence not considered appropriate.

C. PROJECT COST AND FINANCING PLAN

35. Table 1 below summarizes the project cost and the financing plan. As indicated earlier, Government contribution will be through in-kind support for government staff salaries and administrative processing, and will be incremental to its overall housing reconstruction assistance package over the next two years. Community contributions through labor, materials, and mutual support have not been estimated, as they are difficult to quantify.

Table 1 - Project Costs

Project Component	Total cost US\$ mn	JRF US\$ mn	GoI US\$ mn
A. Housing Grants	42	42	0
B. Block Grants for Small-scale Infrastructure	11	11	0
C. Community Education and Quality Assurance	3.2	3.2	0
D. Project Support, M&E	3.8	3.8	0
Overhead	1	0	1
Total cost	61	60	1

D. IMPLEMENTATION ARRANGEMENTS

36. **National level.** The Government has established a National Coordinating Team for the Rehabilitation and Reconstruction of earthquake affected areas in Central Java and Yogyakarta. The team comprises MPW, MENKO PEREKONOMIAN, BAPPENAS, the provincial governments of Central Java, West Java, and Yogyakarta, and the Ministry of Finance (MoF). The team will also serve as the policy-making and advisory body for the project. MPW will be the executing agency for the project.

37. MPW will establish a sub-unit for the project within the UPP-3 Project Management Unit (PMU), which will be led by a separate sub-project manager (Satker), based in Yogyakarta City. This sub-unit will report regularly to MPW and will coordinate with the provincial and district governments on project implementation matters. It will be supported by the national management consultant (NMC) and the district management consultant (DMC) teams.

38. **Provincial level.** Three Provincial Government-appointed project implementation units (PIUs) will act as secretariat to the Provincial Executing Teams of the National Coordinating Team for Reconstruction and Rehabilitation. One PIU will work in Yogyakarta, and the other two will work in Central and West Java, respectively. The PIUs for this project will work closely with the other PIUs created by GoI to manage its housing reconstruction program (see Annex E for the organigramme of this arrangement). The two DMC teams, one for Yogyakarta and the other for Central and West Java, will support project implementation in the districts targeted by the project.

39. **Local government level.** Local government officials will be responsible for reviewing implementation progress at the local level and advising the relevant sectors on resolving issues that arise in the field. They will also be responsible for issuing building permits, resolving issues at the community level, sign-off on lists of eligible beneficiaries, and for enforcing quality standards. The local governments will be responsible for the maintenance of key village-level

infrastructure by augmenting the community's maintenance capacity for the tertiary infrastructure.

40. The District Settlement Coordinating Committees in each local government will be responsible for reviewing implementation progress at the local level and for advising the relevant sectors on technical measures to resolve issues that arise in the field. Members of the committees will comprise the local government level officials of the participating sectors of MPW, the settlement agency, Local Environmental Agency (Bappedalda) and representatives of civil society organizations. Where similar consultation bodies already exist at the district level, the project will utilize them to avoid duplication and delays.

41. Seventy Housing Task Force teams will be assigned at the village level to work under the close guidance of the KDP and the UPP community facilitators. These facilitators will train community volunteers in the damage assessment methodology and in good construction practices. The organizational structure for implementation is reflected in greater detail in Annex E.

42. **Construction quality control.** Housing Task Force teams, under the oversight of the DMC civil engineers and site planning experts, will conduct intensive supervision of construction quality and design to ensure high standards are upheld. Reputable local universities will assist facilitator teams in quality control measures and spot checks. Construction quality during project implementation will be monitored by the PMU and the DMCs. Local government authorities will inspect homes to ensure that each structure is well-built and habitable. Upon inspection, each household will receive a certificate of occupancy. Provisions for construction quality assurance have been included under component C. Technical specifications for construction are outlined in Annex N.

43. **Training and capacity building.** Component C includes training for communities and artisans (masons, carpenters) in seismic resistant construction methods and construction materials.

E. PROCUREMENT ARRANGEMENTS

44. Procurement for CSRRP will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004; "Guidelines: Selection and Employment of Consultants by IDA Borrowers" dated May 2004; and, the provisions stipulated in the Java Reconstruction Fund (JRF) Grant Agreements. For each contract to be financed by JRF and the Child TF, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and timeframe are defined in the Procurement Plan. The Procurement Plan will be updated annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity.

45. **Procurement implementation arrangements.** Procurement arrangements for the proposed project will follow those of the ongoing UPP-3; details are provided in Annex H. Procurement mainly comprises technical assistance for the long term NMC and DMCs. In view of the urgency of the project, a set of bridging consultants (an NMC and two DMCs) will be engaged on a single source basis for the first six months of implementation. The long term NMC and DMCs will be selected and awarded the contracts by early January 2007 following CQS procedures due to emergency nature. However, if the award of contracts goes beyond early January 2007, except for reasons that are totally beyond their control, then normal QCBS procedures will be followed.

46. **Assessment of the agency's capacity to implement procurement.** The executing agency for the project is the DG Human Settlements of the Ministry of Public Works, which will be responsible for all consultant procurement work. The executing agency is familiar with Bank-financed projects, and has the capacity to carry out procurement following Bank Procurement/Consultant Guidelines. However, the reputation of the agency, coupled with the systemic corruption environment throughout the country, as well as the large amount of rapid procurement involved, have resulted in the procurement risk being rated **high**. The following actions will be taken to mitigate the procurement risks:

- ③ All information related to the contracts, payment status, the performance of the contractors, as well as the sanctions, will be publicized on the UPP-3 website (www.p2kp.org);
- ③ A draft Project Operational Manual (POM) has been developed prior to project negotiation. The final POM should include, but not be limited to, all applicable procurement procedures and monitoring and reporting requirements under the project;
- ③ An Evaluation Committee, comprising qualified members acceptable to the Bank, will be formed at the Executing Agency level to assess the performance of the consultants on a quarterly basis. The assessment report will be sent to and agreed with the Bank on an annual basis; and
- ③ A procurement audit (with a Terms of Reference acceptable to the Bank) will be conducted at least twice a year. This audit will be conducted by BPKP, along with and as part of the interim audit.

F. FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

47. Financial management risks may arise on implementation of block grants at the community group level (BKM/TPK/KP), particularly on how effectively community groups use and account for the funds and ensure that funds are used only for intended purposes. Recent experience with the use of commercial banks in channelling these funds has not been entirely satisfactory and adds to the fiduciary risks. A large amount of reconstruction and rehabilitation work funded by various donors and agencies is ongoing in the same area, and there is a risk of double counting of outputs. Risk may also arise from weak capacity of the local government (province, district and sub-district) to assist and supervise project implementation. Risk mitigation steps have been proposed, as follows:

- To transfer the project funds directly from the commercial banks to community group accounts, which require a minimum of three signatures to open accounts and withdraw funds. The agreements with these commercial banks will be reviewed by the Bank to ensure fiduciary accountability and the Bank's obligations in case of lapses.
- To provide technical support in financial management to PMU and PIUs management teams.
- To provide technical support to CGs by trained facilitators.
- To provide external monitoring to avoid double counting of output at the village level.
- To adopt CDD management tools and systems used under existing KDP, UPP and CSSRP projects under which community oversight and social sanctions can be maintained effectively.

48. Overall, the project financial management risk is assessed as being **substantial**. This assessment has concluded that with the implementation of the action plan, the risks will be substantially mitigated, and the proposed financial management arrangements will satisfy the Bank's minimum requirements under OP/BP10.02 and are adequate to provide, with reasonable

assurance, accurate and timely information on the status of the grant required by the Bank. More details of the financial management assessment are given below.

49. **Accounting and reporting.** All financial transactions for the project will be recorded in the Government accounting system and included in Government accountability reports. In addition, the PMU will prepare a separate set of project financial reports suitable for project monitoring purposes. The specific accounting procedures for the project financial report will be included in the Project Operational Manual. The PMU and the PIUs will maintain separate accounting records, on a cash basis. Each community group is required to have simple accounting and financial reports. Facilitators will assist community groups to prepare a simple financial report, which should be prepared separately from the UPP-3 report.

50. **Audit arrangement.** This project will have the same PMU as the Urban Poverty Program (UPP). The latest audit report of UPP-2 (for 2005) has a qualified opinion due to the exclusion of expenditures that were pre-financed by the Government and subsequently reimbursed. This error was due to a misunderstanding by project accounting staff, since these were paid in the first instance by Government funds and used a different *W/A (withdrawal application)*. The audit also reported some internal control weaknesses in the PMU and at the village level. The PMU has taken follow up actions and requested all facilitators to monitor follow up actions at the village level.

51. The audit for the financial statement of this project will be carried out by an independent auditor acceptable to the Bank. BPKP will be accepted as the project auditor. The annual audit report will be furnished to the Bank no later than six months after the end of the Government's fiscal year. BPKP will also conduct an operational audit of community based accountability, using appropriate audit methodologies to audit community based activities.

52. **Interim audit.** The auditor will also be required to conduct an interim audit and make an audit presentation to stakeholders, including community groups. The interim audit TOR should be compliant with the annual audit TOR agreed by the Bank. The interim audit will also include among others the conduct of procurement audits. The interim audit reports should be submitted to the Bank and the PMU.

53. **Disbursement arrangement.** A separate Designated Account (DA) denominated in US dollars will be opened in a commercial bank. The DA will be under the name of the DG Treasury, MoF. Weekly bank statements of the DA will be provided to the PMU, which will reconcile transactions with the financial record. DA withdrawal procedures will follow the Governments' procedures and will be acceptable to the Bank. The ceiling of the advance to DA will be variable, and the advance(s) will be made on the basis of the six month projected expenditures. Applications for reporting on the use of DA funds will be supported by the quarterly IFR and will list payments for contracts under the Bank's prior-review. Except for the first advance to the DA, applications for the advance to the DA shall be submitted together with the reporting on use of DA funds which will consist of: (a) IFRs; (b) projected expenditures for six months; and (c) the DA reconciliation statement.

54. **Supervision Plan.** Project financial management will be supervised on a risk-based approach at least twice a year. The supervision will review the project's financial management system, including but not limited to sub-grant expenditures, accounting, reporting and internal control. The financial management supervision will be conducted by a financial management specialist and Bank consultants.

G. SAFEGUARD POLICIES

55. **Category explanation.** The project is considered to be equivalent to World Bank “Category B”, recognizing that a community-based approach is being applied and that most environmental impacts are likely to be localized, short term and reversible. For impacts acknowledged to be indirect, complex, and cumulative, additional environmental analysis will be carried out during project implementation. Mitigation of such impacts will involve a coordinated approach with key parties involved in the reconstruction work in Central Java, West Java, and Yogyakarta. These requirements are consistent with the existing safeguards for UPP-3, including the approved amendments for housing reconstruction (Annex G). Table 2 indicates the Bank safeguard policies triggered by the project.

Table 2 -World Bank Safeguard Policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP/GP 4.01)</u>	[x]	[]
Natural Habitats (<u>OP/BP 4.04</u>)	[]	[x]
Pest Management (<u>OP 4.09</u>)	[]	[x]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[x]	[]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Indigenous Peoples (<u>OD 4.20</u> , being revised as OP 4.10)	[]	[x]
Forests (<u>OP/BP 4.36</u>)	[]	[x]
Safety of Dams (<u>OP/BP 4.37</u>)	[]	[x]
Projects in Disputed Areas (<u>OP/BP/GP 7.60</u>)	[]	[x]
Projects on International Waterways (<u>OP/BP/GP 7.50</u>)	[]	[x]

56. **Social aspects.** The social impact is expected to be positive, as the project will assist in meeting the priority needs of the affected population for building seismic resistant housing. The project is designed to scale up successful community-based models, particularly the UPP-3 Housing Reconstruction Pilot. The highly participatory nature of the project, including community-based spatial and reconstruction planning, will ensure that communities are able to identify whether the proposed investments will have any unavoidable negative impact on social safeguards, and if applicable, assign appropriate mitigation measures.

57. The project adheres to the principle of minimizing involuntary resettlement through the adoption of the community-based approach developed through KDP and UPP. In the very few cases where selected areas are no longer habitable due to ground fissures, people may either have to find new land plots on their own or may need assistance from the local governments or other parties. The UPP-3 Land Acquisition and Resettlement Policy Framework and its amendment (refer to Annex H) will apply to this project to ensure compliance with OP/BP 4.12.

58. **Cultural property.** The highly participatory nature of the project will ensure that communities will be able to identify if proposed sub-projects may have an impact on cultural property and ensure that these activities do not adversely affect cultural property. Sub-project proposals will require the identification of any such activities and will also require the group proposing the sub-project to specify mitigation measures acceptable to the Bank.

59. **Environmental aspects.** The overall environmental impact of the proposed project is expected to be positive, as it supports the restoration of housing and access to basic services in areas heavily damaged by the earthquake. Main issues that may emerge in the project are:

(a) sub-standard ground water/individual water well quality; (b) sub-standard ground water quality as a result of leakage from damaged septic tanks; (c) disposal of debris and stocking of the construction materials during construction; and (d) use of significant poor quality, illegal timber. Indirect and widespread negative environmental impacts relate mainly to the inappropriate sourcing of construction materials, such as sand, gravel, and timber.

60. Indonesia's environmental review procedures are generally consistent with Bank requirements and are the framework of UPP-3's approach to environmental management. As the project is using a community-based approach, the potential scale of environmental impacts can be localized, and measures to mitigate impacts are manageable. The existing UPP-3 Environmental Guidelines (Annex 10A of the UPP-3 project appraisal document) and its amendments will be used for this project. Annex G outlines the environmental screening procedures and guidelines to identify, review, "red-flag," and correct problems.

61. **Compliance monitoring.** To ensure compliance with the safeguards framework, appropriate measures have been included in project design, including MIS and external audits (technical audits and safeguard compliance). The Local Environmental Agency as a member of the District Settlement Coordination Committee will be responsible for monitoring to ensure that safeguard framework is sufficiently followed. Complaints handling and safeguard compliance officers will be assigned at the PMU and MPW. The DMC, Housing Task Force teams, and other project staff will be trained in the application of safeguards procedures and guidelines.

62. The PMU, with the assistance of the NMC, the PIUs, and the DMCs, will inform the public about the project's objectives, beneficiary support, grievance redressal options, and eligibility criteria. Beneficiaries can direct questions and complaints to the complaints handling team established within the PMU and the PIUs.

63. **Disclosure.** The project is rated as a category "B", which requires the preparation of an Environmental Assessment (EA) under OP4.01. The project safeguard procedures are available to the public through the Bank's Publish Information Center in Jakarta; they will be published in the project manuals, and will be made available to the community organizations and others preparing proposals. They will also be posted on the UPP website (www.p2kp.org).

H. MONITORING AND EVALUATION

64. A comprehensive monitoring and evaluation system will be set up for the project (Annex F); it will include both internal and external monitoring, and impact evaluation. Project monitoring will measure progress of: distribution of inputs; disbursement of funds; and achievement of targeted outputs, including community mapping and land adjudication; completion of CSPs; formation of housing groups (KP); housing construction; and infrastructure construction. Project evaluation will measure outcomes achieved against a project baseline, as well as overall project impact, including beneficiaries' satisfaction with the reconstruction.

65. The internal project monitoring and reporting system will include bimonthly and quarterly progress reports for each participating village. These reports, prepared by the housing facilitators, will be collected and reviewed on a sample basis by the DMCs, entered into the MIS, and submitted to the NMC, and a copy to the Local Environmental Agency office. The NMC will review the data and conduct spot field checks before preparing a consolidated progress report for the PMU, as well as MPW, MENKO, BAPPENAS, and the Bank. Monthly reports on complaint resolution will be available through the project website.

66. Independent external project monitoring will also be conducted by inviting local media to report on field implementation, as well as by inviting local NGOs and universities to monitor and review implementation in the field. Their reports and findings will be posted on the project website.

67. Internal project evaluation will be conducted through biannual progress reports by the DMCs and the NMC and will be presented to the PIUs, PMU, MPW, local government settlement coordinating committees, other projects, donors, and NGOs in public seminars. BPKP will conduct annual project audits, focusing on the PMU and the PIUs, as well as a 5 percent sample of village CBOs and KPs, using a community-driven development audit manual.

68. MPW will contract qualified consultants, research institutions, or NGOs to conduct project impact evaluation. A project baseline of village profiles will be collected at project start-up by the housing facilitators and stored in the MIS. Prior to the mid-term review in December 2007, and at project completion in December 2008, baseline villages will be re-surveyed to measure project outcomes and impact.

I. SUSTAINABILITY AND RISKS

69. The JRF contribution is intended to focus on emergency needs for Yogyakarta and Central and West Java. To ensure sustainability of the reconstruction program, a number of issues are being addressed by CSRPP, including capacity building and training programs, local government and community participation, and monitoring and oversight of construction quality. Table 3 below outlines critical risks to the project, as well as proposed mitigation measures to minimize these risks.

Table 3 – Critical Risks and Proposed Mitigation Measures

RISK	RATING	MITIGATION	RATING AFTER MITIGATION
Provincial governments provide beneficiaries with different approach for housing reconstruction	S	Yogyakarta and Central Java are already using the UPP-3 Pilot principles as a model for their reconstruction program. The project is also expected to have a demonstration effect in Central and West Java.	M
Inadequate capacity of the executing agency	S	MPW has established a sub-unit under the UPP-3 PMU, comprising experienced technical, administrative, procurement and financial management staff/accountants.	M
GoI's program proceeds faster than the CSRPP, creating social pressures	S	Project implementation is being started under retroactive financing. The project is ready for full scale implementation: bridging consultants have been mobilized; the project operational manual has been drafted; and, facilitators are being recruited and trained.	M

Housing is not rebuilt to adequate standards	S	To ensure housing is rebuilt to higher standards, the project includes: (a) training of local artisans, engineers, and contractors in seismic resistant construction; (b) oversight and guidance by Housing Task Force and DMC teams; and, (c) technical audits by independent engineers.	M
Lack of local government engagement in project management and oversight	M	Local governments will be engaged throughout project implementation, including the issuing of building permits, inspection of housing construction, review of implementation progress, and sign off on beneficiary lists.	M
Bottlenecks in construction occur due to inadequate supply of materials	M	GoI has asked local suppliers of cement and steel to guarantee that adequate amounts are available for reconstruction and to maintain pricing schemes. The NMC and the DMCs may also contract supply chain experts to establish supplier networks in the region. Communities will be organized to procure materials in bulk and encouraged to establish community workshops to pool materials, tools, and labor.	N
Slow mobilization of consultants causes implementation delays	M	NMC and DMC bridging consultants have been engaged through UPP-3 for the first six months until permanent teams are recruited. Streamlined procurement processes have been put in place, and sole-source selection methods will expedite the engagement of key consultant teams.	N
OVERALL RISK LEVEL	S		M

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

J. ANTI-CORRUPTION ACTION PLAN

70. The project includes mechanisms within each component to ensure full transparency and accountability. The UPP-3 Anti-Corruption Action Plan (Annex J) will serve as the anti-corruption plan for this project, since existing UPP-3 mechanisms will be used for disbursement of funds, project oversight, and implementation. MPW will significantly reduce governance risks through: mechanisms incorporated in project design; strengthening internal controls; and enhancing the release of information on all aspects of project implementation. Key measures include: (a) enhanced disclosure provisions; (b) civil society oversight; (c) mitigation of collusion, fraud, and forgery; (d) a complaints handling mechanism; and (e) sanctions and remedies. The project will be audited annually by BPKP, using guidelines for community driven projects at an increased sample size of 15 percent of project activities. Consultants working under the project will also be required to sign the Integrity Pact.

K. POLICY EXCEPTIONS AND READINESS

71. No policy exceptions are required.

72. **Readiness.** The following actions have been taken to ensure speedy project start up and implementation:

- Bridging consultants have been mobilized;
- 200 housing facilitators have been recruited and trained;
- The project operational manual has been tested under the UPP-3 Pilot;
- 2,000 houses are under construction;
- Technical designs and specifications have been developed and tested; and
- MPW has appointed the Satker and PIU staff.

73. The following actions have been completed and provided to the Bank at negotiations:

- Draft Project Operational Manual, including community oversight and accountability procedures adapted from UPP.
- Confirmation that BPKP is appointed as external auditor with an acceptable Terms of Reference and requirement that the project audit report should be submitted to the Bank no later than six months after the end of each financial year.
- Draft DG Treasury circular letter on the disbursements of funds.
- Draft Memorandum of Understanding (MOU) on the mechanism for channeling of funds with a commercial bank that includes an internal control of payment release and their obligations/sanctions when such control has lapsed.

74. The following actions are required to be completed during the project implementation:

- Adoption of the final Project Operational Manual prior to disbursements for sub-grants.
- Signing of Memorandum of Understanding (MOU) on the mechanism for channeling of funds with a commercial bank that includes an internal control of payment release and their obligations/sanctions when such control has lapsed prior to disbursements for sub-grants and individual consultants/facilitators

L. PROJECT RESULTS SUMMARY

Project Development Objective	Key Outcome Indicators	Frequency	Target Values (Base, Yr-1, Yr-2, Yr-3)	Source	Responsibility
To meet the needs of targeted households for (a) seismic resistant housing and (b) community infrastructure in selected disaster affected villages in Central and West Java and Yogyakarta.	- At least 80% of the houses are occupied by project completion.	Quarterly	0, 30%, 60%, 80%	MIS	DMC, NMC
	- Beneficiaries' (men and women) stated satisfaction with reconstructed housing.	Annually	n/a, n/a, n/a, 80%	Independent survey– representative sampling of men and women	Evaluation consultant, MPW
	- Beneficiaries' (men and women) stated satisfaction with community infrastructure.	Annually	n/a, n/a, n/a, 80%	Independent survey– representative sampling of men and women	Evaluation consultant, MPW

Output Results	Output Indicators	Frequency	Target Values (Base, Yr-1, Yr-2, Yr-3)	Source	Responsibility
Provide safe and durable housing that transitions to earthquake resistant permanent housing and restore small-scale community infrastructure.	- Remaining of households in roof structures not transitioned to permanent houses.	Monthly	Year 1 = 0	MIS	DMC, NMC
	- Percentage of roof structures occupied by beneficiaries.	Annually	0, 100%	MIS	DMC, NMC
	- Number of completed houses meets satisfactory seismic resistant standards.	Monthly	0; 10,000; 15,000; 18,000	MIS	DMC, NMC
	- Number of households living in seismic-resistant, community-built permanent housing.	Quarterly	0, 15%, 40%, 100%	MIS	DMC, NMC
	- Percentage of target villages that have restored basic community infrastructure.	Monthly	0, 30%, 70%, 100%	Independent survey	MPW

Intermediate Results	Intermediate Indicators	Frequency	Target Values (Base, Yr-1, Yr-2, Yr-3)	Instrument	Responsibility
Component A: Develop effective community based process for housing reconstruction.	- Percentage of roof structures to beneficiaries that conform to pre-agreed specifications.	Monthly	0, 100%, 100%, 100%	MIS	DMC, NMC
	- Number of trained Housing Task Force teams is operational in target villages.	Monthly	0, 20, 70, 70	MIS	DMC, NMC
	- Percentage of community surveys and group implementation plans completed.	Monthly	0, 70%, 100%, 100%	MIS	DMC, NMC
	- Number of housing groups (KPs) formed in line with requirements of the guidelines.	Quarterly	0, 70%, 100%, 100%	MIS	DMC, NMC
	- Number of grants disbursed for housing reconstruction.	Quarterly	0, 70%, 100%, 100%	MIS	MPW, PMU
	- Percentage of houses using legal timber	Monthly	0, 100%, 100%, 100%	MIS	DMC, NMC

Intermediate Results	Intermediate Indicators	Frequency	Target Values (Base, Yr-1, Yr-2, Yr-3)	Instrument	Responsibility
Component B: Develop effective community based process for small-scale priority infrastructure.	- Percentage of CSPs prepared in line with the Guidelines.	Monthly	0, 30% ,70%, 100%	MIS	DMC, NMC
	- Percentage of infrastructure proposals approved.	Monthly	0, 30%, 70%, 100%	MIS	DMC, NMC
	- Number of emergency preparedness projects implemented	Annually		Independent survey representative sampling of men and women	MPW
Component C: Capacity building of communities.	- Level of beneficiaries' (men and women) awareness of entitlements and project processes.	Annually	n/a	Survey-representative sampling of men and women	Evaluation Consultant
	- Number of trained Housing Task Force teams mobilized.	Monthly	0, 70, 70, 70	Survey	DMC, NMC
	- Number of construction training programs carried out	Monthly	0, 50, 100, 100	MIS	DMC, NMC
Component D: (US\$3.8 million)	- Percentage of complaints resolved within three months	Monthly	0, 70%, 90%, 90%	MIS	DMC, NMC
Project management and quality assurance.	- Incidence of corruption cases per district	Quarterly	n/a	MIS	DMC, NMC

ANNEX A: PROVISIONAL LIST OF DESA AND KELURAHAN TARGETED BY CSRRP

In order to utilize the available funds optimally, CSRRP will target approximately 60 kelurahan and desa. These villages were chosen because they have sustained the highest level of damage, and they are not covered under the GoI program. Within these villages, the project will target at least 80 percent coverage of the households nominated by fellow citizens through a participatory community forum. The list of villages benefiting from the project in the three provinces, given below is indicative, and may be modified during implementation.

CSRRP will be implemented from December 2006 through December 2008, with most houses completed by December 2007. The project will be implemented in two phases, in accordance with the JRF disbursement schedule. Initially the project will reconstruct about 12,500 houses, including 1,000 houses in the sub-district of Pangandaran. The phase 2 construction will be carried out in July 2007 once the remaining JRF funding is available. A detailed breakdown is provided in Annex K.

Tentative List

Yogyakarta

District (Kabupaten)	Sub District	No. of Villages
Bantul	Bambanglipuro	3
	Pundong	1
	Bantul	4
	Sewon	4
	Imogiri	3
	Jetis	3
	Pandak	3
	Banguntapan	4
	Piyungan	1
	Total	26

Central Java

District (Kabupaten)	Sub District	No. of Villages
Klaten	Kalikotes	3
	Kebonarum	1
	Gantiwarno	8
	Jogonalan	11
	Pedan	5
	Wedi	2
	Prambanan	2
	Total	32

West Java

District (Kabupaten)	Sub District	No. of Villages
Ciamis	Pangandaran	to be decided during implementation of the project

ANNEX B: OVERVIEW OF THE GOVERNMENT'S POST-EARTHQUAKE RECONSTRUCTION PROGRAM

The Government of Indonesia (GoI) is committed to rapid reconstruction of settlements in disaster affected areas and has initiated large-scale physical reconstruction in Yogyakarta and West and Central Java. The Government's Action Plan for reconstruction defines and prioritizes needs in the following three main areas:

1. **Housing** – reconstruction will be based on the platform presented at the CGI, with minor modifications.
2. **Infrastructure and Public Facilities** – repair of basic infrastructure, such as irrigation, roads, etc.; rehabilitation of schools, with the classroom as unit; hospitals; temples, and other cultural artifacts; and, repair/reconstruction of government offices.
3. **Economic Rehabilitation** – includes policy (regulation/deregulation); the repair or rebuilding of basic market facilities; provision of credit to small and medium enterprises; and fiscal policies on taxes and expenditure.

The principles of the GoI program include:

- Use of a community-based approach to promote ownership and transparency;
- Transfer of funds directly to community groups;
- Quality of design and construction, resistant to seismic and other natural hazards;
- Use of existing programs for speed of delivery;
- Use of local institutions, empowered by technical support (i.e., from universities); and
- Reuse materials and maximizing local resources.

Presidential Decree Number 9, of July 3, 2006 states that the responsibility for planning and implementation of disaster response rests with the provincial governments and establishes a Coordination Team for Post-Earthquake Rehabilitation and Reconstruction in Yogyakarta and Central Java to set the policy and strategy for planning, implementation, and evaluation of the Action Plan. The team is headed by the Coordinating Minister for Economic Affairs, with the Minister for Social Welfare as the Vice Chair, and several ministers as members. The Implementation Team for Housing is headed by the Governors of Yogyakarta and Central Java, and the Technical Team consists of faculty from the Gadjah Mada University in Yogyakarta and experts from the Ministry of Public Works and the National Planning Agency (BAPPENAS).

The strategy will support communities in reconstructing approximately 300,000 houses to higher seismic resistant standards, and better-off households will rebuild themselves with support from the community. GoI has committed about US\$600 million (Rp 5.4 trillion) in 2006 and 2007 to fund the reconstruction and rehabilitation of the disaster affected areas. Funds allocated for 2006 have been given to the provincial authorities to manage and disburse, most of which are allocated to housing rehabilitation and reconstruction.

Provincial Level Implementation. While both provinces use the community based approach, the provincial governments in Central Java and Yogyakarta have taken different approaches, in terms of tranching the funds for rebuilding houses in their jurisdiction. In the first phase of the recovery program, Central Java has taken the *bagito* approach, with the available funds (Rp. 0.8 trillion) divided evenly among the 97,330 families eligible for assistance. Yogyakarta has decided to distribute its budget allocation of Rp. 1.5 trillion to the 90,000 poorest households out of a total 206,000 affected households. Yogyakarta is using the UPP-3 Pilot as a model, with slight modifications. In Yogyakarta, affected communities have been organized into groups, which decide who will received the first payment.

Link with CSRRP. The project builds on the principles of the GoI Action Plan and may influence the reconstruction efforts of the government and other donors. The Government has adopted the basic principles of the operational manual, of the UPP-3 Pilot, e.g., the use of community groups, beneficiary selection methods, direct financing to housing groups, and technical assistance to communities.

ANNEX C: DETAILED PROJECT DESCRIPTION

This annex describes the four project components: (a) housing reconstruction grants; (b) block grants for community infrastructure and hazard risk management; (c) community education and quality assurance; and (d) project management, and monitoring and evaluation.

Housing reconstruction grants (US\$42 million)

The component will facilitate the reconstruction of about 18,000 houses in approximately 60 affected desa and kelurahan by providing housing reconstruction grants of Rp. 20 million targeted to vulnerable households most in need of support, based on a rigorous community selection process. The number of villages covered could be expanded, if during implementation, a small number gap-filling is required in villages outside the main 60 villages. However, the implementation strategy will remain to target larger numbers of houses in smaller number of villages.

This grant will cover reconstruction costs for a core housing structure (frame, foundation and roof) of about 36 sq. meters, based on estimates prepared by GoI and reviewed by the Bank. Beneficiaries may use the grant to completely build smaller houses.

Housing task force teams, along with KDP/UPP facilitators, will assist the communities to conduct a technical damage assessment of individual homes to determine whether the structure is partially or fully damaged. Vulnerable households who are selected by the community and meet the eligibility criteria summarized below will receive a housing reconstruction grant.

A household qualifies for assistance under the project if it:

- Lives within the geographic area covered by the project and has not already received assistance from other donors for constructing or repairing houses;
- Joins other households to form a KP (housing group) that opens a group bank account;
- Confirms through the technical damage assessment survey that its home was destroyed by the disaster; and
- Proves, through community-based mechanisms or documentation, that it has access to land³.

The list of eligible beneficiaries will be compiled by the facilitators with the help of the BKM (Community Trustee Committee for Reconstruction and Rehabilitation) under UPP or the TPK (Village-level project implementation team) under KDP. The initial list will be posted in strategic public places for 10 days. During this time, a village meeting will be held to discuss the list so people may air complaints or disputes, ask that another home be assessed, or request to be added to the list if it had been inadvertently left off. If any issues arise within the 10-day timeframe, an additional 5 days will be granted so that matters may be resolved among community members under the guidance of the facilitator team. After the 15-day period has passed, and the list has been jointly verified by the Housing Task Force team and the community, eligible beneficiaries will form sub-village KPs, open bank accounts, and formulate their implementation plans. These plans lay out the settlement reconstruction plans individual group and will be used as a means to verify construction phases for grant disbursement.

³ Those households with clear indication of land ownership through community consensus will receive grants first, while households who are renters, squatters, those who want to move, or households required to move due to their proximity to a hazard-prone area, will wait until community land consolidation proposals are validated. However, these households are still entitled to receive funds, subject to the availability of land.

Grants will be disbursed to the KP group bank accounts in three tranches: 30%, 40%, and 30%. KPs will then give funds to eligible household group members. Tranches will be replenished according to the KPs' progress in the implementation of agreed implementation plans; subsequent tranches will be released only after validation and sign-off of disbursement request forms by the housing facilitator. This request form will be co-signed by the KPs, with KDP/UPP facilitators also co-signing as the witness. Upon receipt of the signed forms by the Field Operational Manager - PJOK (sub-district staff member appointed by the district chief authorized to sign off on disbursement requests), the disbursement requests will be submitted to the assigned bank for disbursement.

Component B: Block grants for priority infrastructure and hazard risk reduction investments (US\$11 million)

This component will finance block grants of minimum Rp. 250 million per kelurahan or desa for on-site priority tertiary infrastructure, including investments necessary for reducing vulnerability to future natural disasters. It will complement the infrastructure grant support provided through existing KDP/UPP systems for community-level infrastructure rehabilitation. In some villages where the need of tertiary infrastructure is high, the grant allocation per village will be increased.

Transitional shelter, which is urgently required in view of the approaching rainy season, is covered under this component, with a maximum earmarked amount of US\$3 million. This component has been designed to be flexible to meet the needs of communities in project areas for transitional shelter. Materials procured through CSRRP will be reusable for permanent shelter construction. The shelter needs in other villages that are not covered by CSRRP will be met by other donors, such as the IOM roof-first shelter project financed by JRF.

The block grants cannot be used for: (a) expenditures intended for military or paramilitary purpose; (b) civil works for government administration or religious purposes; (c) activities related to the manufacturing or use of environmentally harmful products; (d) activities using, producing, storing or transporting hazardous materials and wastes; (e) activities related to logging; (f) activities in protected areas; and (g) activities related to fisheries that are not in accordance with standards set by the Recipient's Fishery Service Agency.

Communities, together with the facilitators, will design a community settlement plan (CSP) based on self-survey and mapping of the affected population, assessment of damaged/destroyed housing and infrastructure, and other priority community needs. The CSP will include spatial planning and incorporate hazard risk management strategies, such as emergency preparedness planning, local hazard mapping, and awareness-raising. Each CSP will be approved by facilitators and DMCs, on behalf of local government authorities (housing coordination committees (PEMDA)) and MPW. The CSP will identify community infrastructure investments, such as improvements to drainage, roads, water supply and communal sanitation facilities. In areas where collective planning and implementation of several villages are required, the project will provide special additional grant allocation and technical support.

A hazard risk management expert and facilitators will be mobilized by the DMCs to assist communities in developing and implementing a hazard risk reduction investment program as part of the CSP, such investments could include widening of local roads as evacuation routes for emergency services, the retrofitting of small bridges for seismic resistance, etc.

The community will weigh options presented in the CSP at the village level (that includes individual proposals from KPs) and will decide how funds should be distributed. Because of the

very small nature of tertiary infrastructure, maintenance of the rebuilt assets and infrastructure will be led by community. The local governments, however, will remain to be responsible for O&M of key village infrastructure, and to augment communities' capacity to maintain the rebuilt tertiary infrastructure. If the grant is utilized for construction of larger infrastructure, local government's prior official commitment on the required maintenance will be required.

The initial block grant amount is Rp.250 million per kelurahan or desa, but given the diverse size of the communities, requests for additional funding will be considered in the framework of the agreed CSP. Applications for supplemental infrastructure funds will follow the same process as the original application.

Community education and quality assurance (US\$3.2 million)

This component will finance a series of immediate and medium-term technical assistance (TA) activities to support the project in (a) overall project implementation at the kelurahan and desa levels; and (b) capacity building of communities at the village level to manage project activities.

This component will finance the hiring of 70 Housing Task Force teams, who will be responsible for organizing hands-on training programs for families on technical aspects of housing design and construction, with an emphasis on incorporating hazard-resistant design standards. Each Housing Task Force will comprise one coordinator, two housing facilitators, one financial facilitator, and five building controllers.

During implementation, these Housing Task Force teams, under the oversight of the DMC-based civil engineers and site planning experts, will provide intensive supervision of construction quality and design. The teams will adhere to the seismic resistant housing designs and construction methods prepared by MPW. These teams will provide oversight of the project at the village level, monitor housing construction phases, and ensure that funds are dispersed to beneficiaries; they will also help beneficiaries design and budget for costs of construction to fit within the allocated grant amount. Each team will be responsible for assisting with the reconstruction of between 250-350 houses per year, covering an average of two villages.

Prior to the recruitment and training of Housing Task Force teams, as an interim measure, a series of training activities on housing damage assessment, community mapping, and fundamentals of hazard-resistant housing construction and design will be organized for the existing KDP/UPP facilitators. About 200 additional facilitators have already been recruited and trained under UPP-3 for its housing reconstruction Pilot.

People who choose to rebuild and repair homes themselves will be provided with training on carpentry and masonry skills, and sound seismic resistant construction practices. Information and oversight on sound housing and infrastructure design and construction will be provided at the village level by the District Management Consultant team (DMC). Communities will also receive training on bookkeeping, procurement, and other skills needed to manage the block grants and housing reconstruction grants.

Project Support, Monitoring and Evaluation (US\$3.8 million)

This component will provide assistance to the Ministry of Public Works (MPW) in overall project implementation, monitoring and evaluation to ensure that operations on the ground are efficient and effectively targeted. It includes the of hiring a National Management Consultant team (NMC) to oversee the entire project and two District Management Consultants (DMC) to guide

the efforts of the Housing Task Force teams and to track implementation on the ground. This component will establish a public communications campaign, a Management Information System (MIS) to monitor progress, and a complaints handling mechanism for the project. In addition, the NMC will also provide support to the National Technical Team, which has been set up to oversee the overall reconstruction program.

This component also comprises the establishment and execution of an internal and external monitoring and evaluation framework to maximize effectiveness, accountability and transparency during implementation. Internal monitoring activities for the project will include regular supervision by the MPW advisory team, the NMC, JRF teams, and community participatory monitoring meetings attended by community members. External monitoring will comprise a continuous social impact assessment carried out during implementation by a team of external consultants. Architects and civil engineering specialists will be contracted by the PMU to audit the quality of houses constructed, as well as the infrastructure financed by the block grants. The project will also be audited by BPKP.

ANNEX D: COLLABORATION WITH KDP AND UPP

The project builds on the experience of two ongoing IBRD/IDA community driven development (CDD) operations, KDP and UPP, which form the core of the CDD platform of the Bank program in Indonesia. This annex will:

- Clarify the relationship between KDP, UPP, and CSRRP;
- Explain the roles of these parallel projects in providing the target population with access to decent housing, basic services, and a certain degree of secure tenure; and
- Clarify new or additional measures introduced in KDP and UPP to support CSRRP.

The diagram at the end of this annex enumerates the sequence of actions to be taken by each project to rehabilitate the target settlements.

Linkage with KDP and UPP in community organization and socialization processes. CSRRP will rely heavily on the community organizing/community group formation processes facilitated by the KDP and UPP teams. It will recruit and train Housing Task Force teams that will work in areas where UPP and KDP teams are operating. The housing facilitators will work closely with these teams to inform communities about the project, entitlements, and procedures for conducting the damage assessment. The housing facilitators and community housing groups will co-sign tranche disbursement requests; the KDP and UPP facilitators will witness the events. CSRRP will train KDP and UPP facilitators working in affected areas on CSRRP procedures, entitlements, damage assessment methodology and community mapping, so they can jumpstart CSRRP implementation prior to the mobilization of the housing task force teams.

Linkage with UPP and KDP on infrastructure block grants. Infrastructure block grants of the CSRRP, together with the block grants under UPP (Rp.250 million per kelurahan) and KDP (ranging from Rp. 1-4 billion per kecamatan), will fund the infrastructure priorities identified in the Community Settlement Plan.

Measures to be introduced to KDP and UPP. In order to facilitate effective implementation of CSRRP, the following measures will be introduced in KDP and UPP:

Group Accounts: The Activity Management Team at the village level (TPK) and the Community Self-help Groups (KSM) of KDP and UPP will be accountable for grant management at the micro level.

- **For desa organized through KDP:** In each target desa, the TPK selected by the community will be responsible for settlement reconstruction activities. Members of TPK will form sub-TPKs (settlement groups), each of which will open a group bank account. Under KDP, a percentage of the grant allocation is utilized for administration costs to pay the TPKs, whereas under CSRRP, TPK members will receive an honorarium towards CSRRP administration costs. The TPK and the housing facilitators (witnessed by the KDP facilitator) will sign off on tranche disbursement requests by the KPs for the funds to be directly transferred to the local branch of a Commercial bank. Infrastructure block grants, however, will be disbursed to the main bank account held by the TPK.
- **For kelurahan organized through UPP:** In each target kelurahan, group bank accounts managed by the KSMs will be established for the housing reconstruction grants. BKM (Committee for Community Reconstruction and Rehabilitation), the UPP facilitators, and the

housing facilitators will verify and sign off on tranche disbursement requests. Infrastructure block grants will be disbursed to the group bank account under the BKM.

GRANT FUNDING IN TRANCHES. WHILE BOTH KDP AND UPP DISBURSE BLOCK GRANTS, THE LEVEL OF FINANCIAL AUTHORIZATION TO REQUEST RELEASE OF FUNDS (KDP AT KECAMATAN LEVEL, UPP AT THE KELURAHAN LEVEL) AND THRESHOLD DIFFER. FOR BOTH PROJECTS, THE AMOUNT OF FUNDS FLOWING INTO THE GROUP ACCOUNTS SURPASSES THE AMOUNT NORMALLY HANDLED DURING REGULAR OPERATIONS. HOUSING RECONSTRUCTION FUNDS WILL BE RELEASED IN THREE TRANCHES OF 40%, 40% AND 20%, BASED ON PROGRESS OF RECONSTRUCTION, AS SPECIFIED BY THE COMMUNITY.

Role of Housing Task Force teams. The Housing Task Force teams of CSRRP will verify technical aspects of housing reconstruction grant activities, endorse disbursement requests as technical experts, and provide guidance and training on hazard-resistant construction standards. As these housing issues are related to other aspects of community development, housing task force teams will liaise closely with the KDP and UPP facilitator teams.

Operational Manual and harmonization of procedures. The Community Settlement Plan (CSP) acts as the document required for applying for housing reconstruction and community infrastructure grants. The KDP mechanism uses “Village Development Plans”, a “Funds Utilization Plan” and an “Expense Report” as documentation for addressing all reconstruction priorities of the community, including housing. The UPP mechanism uses a “Community Rehabilitation and Reconstruction Plan (CRRP).” These processes will be followed by community mapping (documenting damage and land use), a community spatial plan that includes priority risk mitigation and emergency preparedness investments, and a housing reconstruction plan. These documents will be attached as part of the CSP.

In order to expedite the processing of grant applications and tranche disbursement requests, common formats for the required documentation needed for grant applications will be included in the Project Operational Manual (POM). This manual has already been prepared under the UPP-3 Pilot and has been issued by MPW. Adjustments will be also made to the operational manual of each project to accommodate the specific requirements of CSRRP.

FIGURE 1 - CHRONOLOGICAL DIAGRAM: COLLABORATION OF THE PROJECTS TO DELIVER HOUSING AND INFRASTRUCTURE

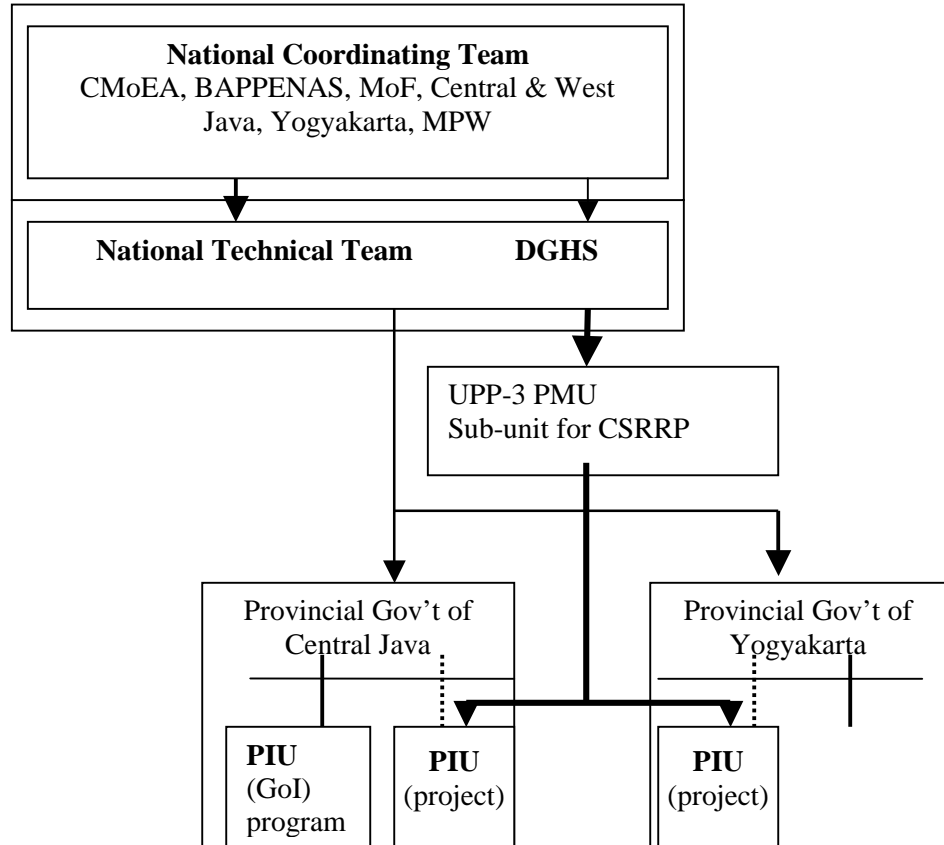
Step	Role of UPP (urban)	Role of KDP (rural)	Basic Steps	Role of CSRRP
Step 1	<ul style="list-style-type: none"> • Recruitment, training and mobilization of Facilitators • Registration and training of community volunteers • Establish list of areas to be covered under the project • FGD/Socialization 	<ul style="list-style-type: none"> • Recruitment, training and mobilization of consultants • Coordination meeting among provincial consultants, district consultants, and kecamatan facilitators • Establish list of areas to be covered under the project 	<ul style="list-style-type: none"> • Community organizing • Election of community representatives and formation of community working groups • Project teams coordinate locations where each project is working 	<ul style="list-style-type: none"> • Recruitment of Project consultants at PIU and MPW • Recruitment and training of Housing Facilitators • Establish list of areas to be covered under the project



Step	Role of UPP (urban)	Role of KDP (rural)	Basic Steps	Role of CSRRP
Step 2	<ul style="list-style-type: none"> • Community self-survey/Community Mapping • Technical damage assessment • Establishment of beneficiary list • Community Settlement Plan (CSP) preparation • Community to reach consensus on the CSP 	<ul style="list-style-type: none"> • Community mapping • Technical damage assessment • Establishment of beneficiary list • Community Settlement Plan (CSP) /Village Development Plan preparation • Community to form consensus on the CSP 	<ul style="list-style-type: none"> • Technical Damage Assessment • Establishment of beneficiary list • Community mapping (documenting the tenure status before the earthquake) • Community Settlement Plan or its equivalent • Community consensus on implementation plan (phasing, prioritization, etc.) • Project teams work with local government and MPW to resolve any squatter, renter or other resettlement issues, if necessary. 	<ul style="list-style-type: none"> • Mobilization of Housing Task Force Teams • Leading technical damage assessment with support from UPP/KDP facilitators and community volunteers • Liaising with land facilitators in community mapping • Collaborating with UPP and KDP facilitators in CSP preparation and technical review of CSP.

Step	Role of UPP (urban)	Role of KDP (rural)	Basic Steps	Role of CSRRP
Step 3	<ul style="list-style-type: none"> • UPP facilitator to witness joint sign-off by the housing facilitators and BKM to submit for approval by Settlement Coordination Committee • Opening of KP accounts • Sending the master list of beneficiaries and account information to Commercial Bank 	<ul style="list-style-type: none"> • KDP facilitators to witness joint sign off by housing facilitators, TPK and Village and submission for approval by Settlement Coordination Committee • Opening of KP accounts • Sending the master list of beneficiaries and account information to Commercial Bank 	<ul style="list-style-type: none"> • Sign-off of CSP and Housing Grant Application • Opening of group bank accounts 	<ul style="list-style-type: none"> • Technical review and sign-off of CSP before submission to Settlement Coordination Committee • Assist the communities in opening bank accounts • Assist the communities in planning materials purchase
Step 4	<ul style="list-style-type: none"> • Facilitators sign off tranche release request to Commercial Bank • Construction activities managed by KSMs/KPs • Regular accountability meetings • Referring complaints 	<ul style="list-style-type: none"> • Facilitators sign off tranche release request • Construction activities managed by TPK/UPKs • Regular accountability meetings. • Refer complaints 	<ul style="list-style-type: none"> • Construction Activities. • Tranche disbursement 	<ul style="list-style-type: none"> • Verifying and signing off (with KDP and UPP facilitators) each tranche request from communities • Input to the MIS • Referring complaints

ANNEX E: ORGANIGRAMMES OF IMPLEMENTATION STRUCTURE

IMPLEMENTATION STRUCTURE FOR THE GOVERNMENT’S SETTLEMENT RECONSTRUCTION STRATEGY

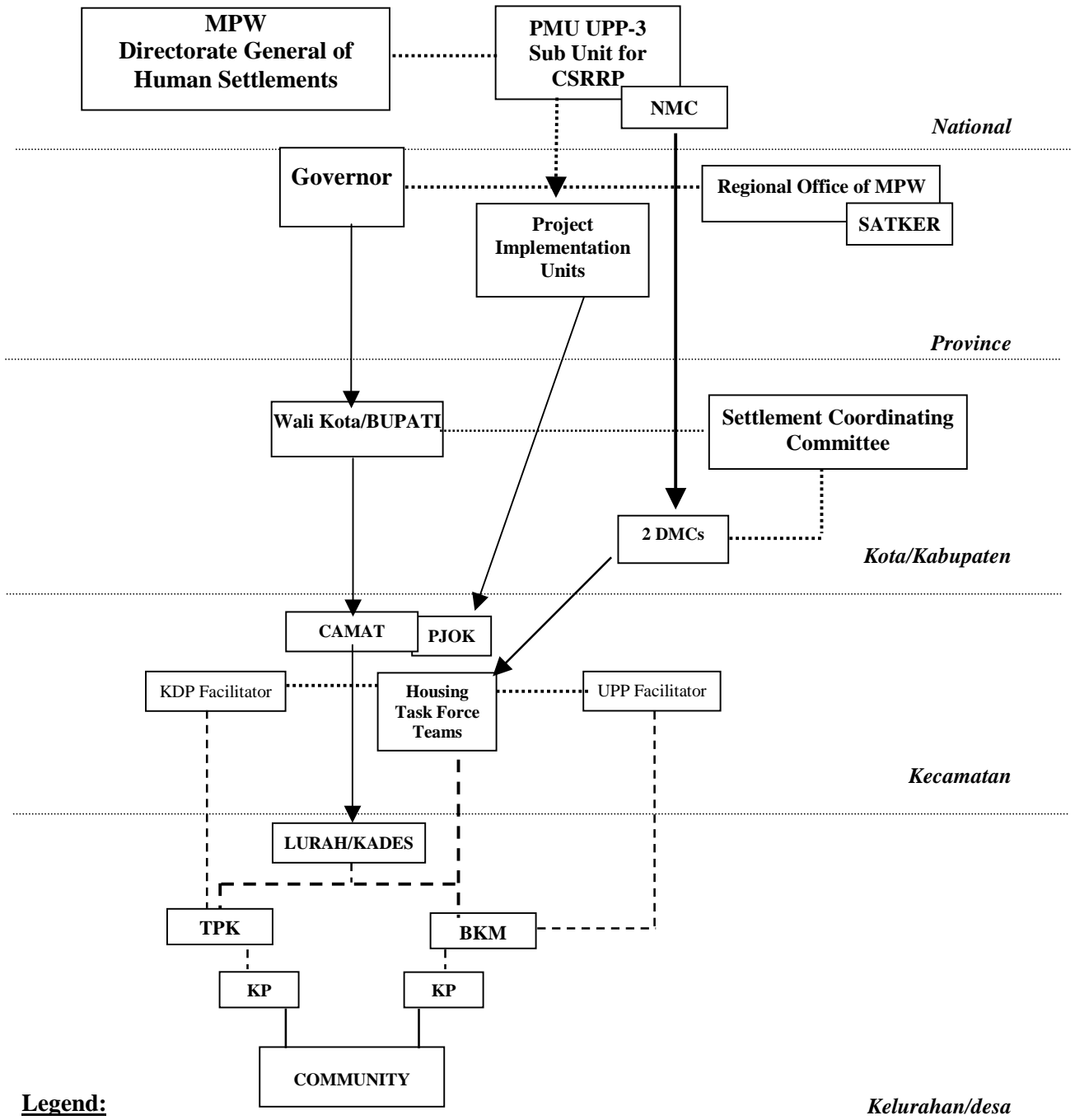


 Line of Command
 Line of Coordination

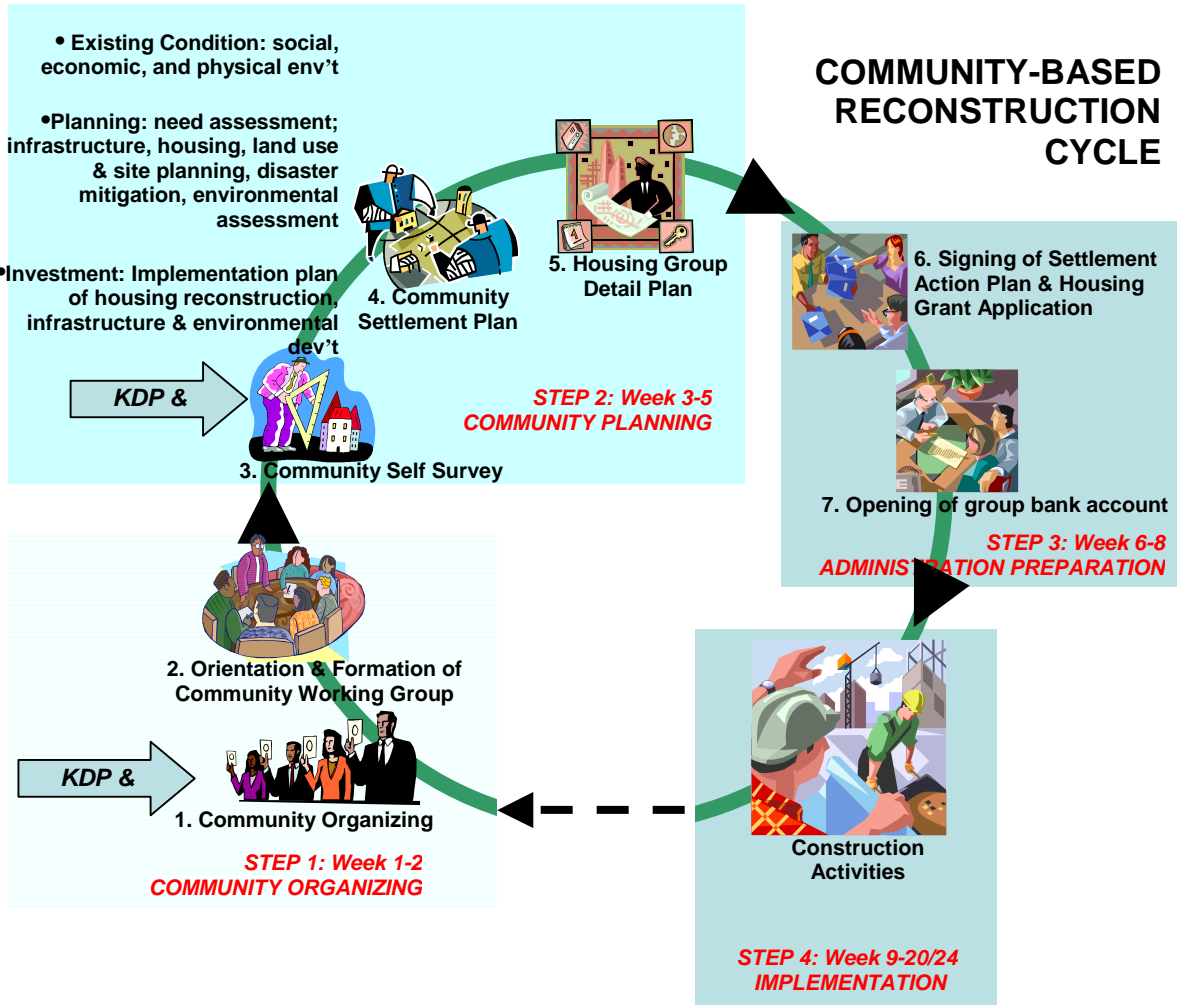
Acronyms

CMoEA – Ministry of Economic Affairs
 DGHS – Directorate General of Human Settlements
 MoF – Ministry of Finance
 PIU – Project Implementation Unit
 PMU- Project Management Unit

PROJECT IMPLEMENTATION STRUCTURE



RECONSTRUCTION CYCLE OF CSRRP – YOGYAKARTA, CENTRAL, & WEST JAVA



ANNEX F: OVERVIEW OF MONITORING AND EVALUATION SYSTEMS

Monitoring and evaluation is a key feature of CSRRP. The Directorate General of Human Settlements of MPW will be responsible for overall program monitoring and oversight for the Settlement Rehabilitation and Reconstruction Program at the national level. A CSRRP MIS will be developed and implemented for the project to monitor financing, reconstruction, public services, and public welfare in Central and West Java and Yogyakarta through the collection of data and indicators on finances, infrastructure, utilities, public services, housing, livelihoods, social welfare, and population. The CSRRP MIS will be presented on the project website.

Project Monitoring. The NMC will be responsible for project monitoring and will report monthly on implementation progress, as measured by inputs delivered, funds disbursed, and outputs achieved. Specific monitoring topics will include progress of community mapping, completion of damage assessments, formulation of CSPs, formation of shelter groups (KPs), infrastructure construction planning, physical and financial progress of housing and infrastructure reconstruction, and handling of complaints by the Complaints Handling Units of the PMU and MPW.

The NMC will train DMC staff in the reporting formats from housing facilitators and staff of the executing agency and national steering committee. The project monitoring system will be computerized, with standard report formats developed in menu format for ease of data entry, compilation, and summarization, as reports flow from housing facilitators, to district/city DMCs and PIUs and copied to the District Settlement Coordinating Committee, to NMC and PMU, and finally to the executing agency, the national steering committee, and the Bank.

The system will be set up to generate reports for communities and for local governments at each level. Monthly project reporting and monitoring data will also be made available on the project website, to all levels of the project, government, and the public at large.

The Bank will conduct periodic project supervision missions with the Executing Agency. MPW, the PMU, the PIUs, the NMC, and the DMCs will assist and participate in these joint supervision missions.

Oversight by Civil Society Groups. The project will establish independent project monitoring. Local media will be asked to write articles on project operations and progress on a regular basis. The project will provide all stakeholders, including civil society organizations (CSOs), access to monitoring, financial and evaluation data.

Project Evaluation. Internal project evaluation will be conducted through bi-annual progress reports by each DMC and the NMC, and will be presented to the PIUs, the PMU, MPW, local government settlement coordinating committees, other projects, donors, and NGOs in public seminars.

GoI will conduct hierarchical routine and ad-hoc monitoring and evaluation of the project. At the provincial level, the housing coordination committees will conduct similar monitoring and evaluation meetings and field trips with their members, together with the Directorate General of Human Settlements of MPW. District housing coordination committees will arrange for members to participate in periodic meetings and field trips to monitor project activity.

Financial Audits. BPKP will conduct annual project audits of the PMU and the PIUs, as well as audits of 20% of sample village CBOs and KPs, using the community-driven development (CDD) audit manual developed by BPKP for UPP.

Impact Evaluation. Independent project impact evaluation will be conducted to measure project impact and achievement of project objectives. At project start-up, housing facilitators will collect baseline data at the village level, including the pre- and post-earthquake population, households, gender, age ranges, housing situation, previous employment, current employment, children in school, transportation, and basic village infrastructure pre and post-earthquake. Prior to the mid-term project review (July 2007) and at project completion (December 2008), data will be re-collected from the sample villages and compared with the baseline data. Independent inspectors and construction surveyors contracted by MPW will evaluate compliance with technical specifications and construction quality.

The project includes US\$0.7 million for impact evaluation and US\$0.4 million for the development and implementation of the MIS under component C.

CSRRP Monitoring and Evaluation System

No.	Activity	Responsibility	Frequency	Reports to	Use of information
1. Internal monitoring					
a.	Village shelter reconstruction progress, village infrastructure construction progress	Housing facilitator	Monthly	DMC, PIU, camat, village chief	Supervision of implementation progress
b.	District shelter reconstruction progress, district infrastructure construction progress	DMC	Monthly	NMC, PMU, MPW, settlement committee, Bappeda II, web-site	Supervision by NMC, and PMU on project implementation progress
c.	Provincial shelter reconstruction progress, provincial infrastructure construction progress	NMC	Monthly	PMU, MPW, settlement committee I, Bappeda I, BAPPENAS, WB, web-site	Supervision of implementation progress
d.	Complaints handling status report	MPW, PMU	Monthly	PMU, MPW, settlement committee I, Bappeda I, BAPPENAS, WB, web-site	Indicator of implementation problems and their resolution
e.	Supervision missions	PMU, MPW, BAPPENAS, WB	Quarterly	National steering committee, executing agency, BAPPENAS, WB	Review of project status and resolution of major issues

2. External monitoring					
	Periodic project monitoring at village levels	Local NGOs, universities, media	Bi-annual	PMU, MPW, settlement committee I, Bappeda I, MPU, BAPPENAS, WB	External control check on project implementers
3. Internal evaluation					
a.	Village housing reconstruction completion report; village infrastructure completion report	Housing Task Force	Annual	Village CBO, kepala desa, camat, DMC, PIU, settlement committee II	Review achievement of project outcomes
b.	District housing reconstruction / rehabilitation completion report; district infrastructure completion report	DMC	Annual	NMC, PMU, MPW, settlement committee II	Review achievement of project outcomes
c.	Project housing reconstruction / rehabilitation completion report; project infrastructure completion report	NMC	Annual	PMU, MPW, settlement committee I, BAPPENAS, WB	Review achievement of project outcomes
4. External evaluation					
a.	Baseline impact	Research consultant contracted by MPW	Mid-term review, project completion	PMU, MPW, settlement committee I, BAPPENAS, WB	Assess progress achieved by the project
b.	Financial audits	BPKP	Annual	PMU, MoF, MPW, BAPPENAS, WB	Identify governance issues, if any
c.	Technical audits	Architectural engineering firm, contracted by MPW	Annual	PMU, MPW, BAPPENAS, WB	Assess compliance with technical standards

ANNEX G: ENVIRONMENTAL AND SOCIAL SAFEGUARDS FRAMEWORK

An environmental and social safeguards framework was prepared for the Third Urban Poverty Program (UPP-3) and has been approved by World Bank management. The proposed project is expected to support rehabilitation and reconstruction of settlements (rural and urban) affected by the May 27, 2006 earthquake through a block grant program for in-situ housing and infrastructure. It builds on the community-driven development (CDD) mechanism evolved through the ongoing Bank-financed Kecamatan Development Program (KDP) and Urban Poverty Program (UPP) operating in devastated kelurahan and desa areas. It will scale up the ongoing UPPs, particularly UPP-3 that has a housing reconstruction component. It will provide grants to reconstruct 18,000 homes and small-scale infrastructure in about 60 desas and kelurahans.

UPP-3 is an expansion of UPP-1 and UPP-2 to new provinces in the country. UPP-1 and UPP-2 were Category B projects with regard to environmental issues. They also triggered the Bank policy on Involuntary Resettlement. Therefore, Environmental Guidelines and a Land Acquisition and Resettlement Policy Framework were agreed with the government for both projects, and procedures were put in place for their application should the need arise. In UPP-2, with the expansion of the project to Kalimantan, a Framework for the Treatment of Indigenous People was also agreed upon with the government.

Objectives of the Framework

The environmental and social safeguards framework provides general policies and guidelines to serve the following objectives:

- Protect human health;
- Prevent or compensate any loss of livelihood;
- Prevent environmental degradation as a result of either individual investments or their cumulative effects;
- Enhance positive environmental outcomes;
- Avoid or minimize involuntary resettlement;
- Avoid conflict among community members and strengthen the community's social cohesiveness;
- Prevent or compensate any loss of livelihood from the loss of land or access to natural resources including land because of the project; and
- Restore the living conditions of the affected communities.

The UPP-3 Environmental Guidelines, the Land Acquisition and Resettlement Policy Framework, and the Framework for the Treatment of Indigenous or Isolated Vulnerable People and their amendments that are applied to this project are attached as Annexes H-1 and H-2.

Environmental Issues

Based on the experience of the December 2004 earthquake and tsunami in Aceh, and taking into account existing conditions in Yogyakarta and Central and West Java, the likely key environmental risks associated with reconstruction activities for this project include: health effects associated with changes in well water quality, depletion of natural resources from increase demand for construction materials, localized flooding, and related health effects associated with removal of debris.

Well Water Quality. The Damage Assessment Report of July 2006 states that prior to the earthquake, about 85-95% of villages in the two most damaged districts (Bantul of Yogyakarta province and Klaten of Central Java province) used wells as the main source of clean water. Only 35% of the households in Yogyakarta city and parts of Kabupaten Bantul and Kabupaten Sleman were served by the PDAM (Municipal Water Company). It is very common in the area that each household has its own wells/piped water supply and toilet. Individual septic tanks are common in most urban villages, but in rural villages people use rivers as toilets. It was reported that none of the PDAM piped water system is severely damaged; however, a large number of individual wells were damaged or need to be cleared of debris. Damaged individual septic tanks may affect ground water quality linked to earthquake related disturbance and shifts in the shallow aquifer. Field testing of a sample of household and community wells is therefore necessary, followed by a program of reconstruction and debris clearance. In some case new wells may need to be provided.

Building Materials. Cumulative environmental impacts of procurement of construction materials (including timber, bricks, cement and sand) associated with the overall reconstruction effort will be significant. However, impact assessment will be very complex and well beyond the competencies of the UPP3 project to resource. In addition, the net effect of UPP-3 reallocation will be a very small percentage of this overall impact, especially when taking into account that the July 2006 Damage Assessment Report states that 40-50% of existing housing materials can be reused. For example, based on the Aceh Settlement Rehabilitation and Reconstruction Project, each 36 sq meter house needs 3-4 m³ of timber, of which 50% can be salvaged. On this basis, the proposed 5,000 houses to be reconstructed under UPP-3 will require approximately 7-10,000 m³ of new timber. This represents 1-2% of the likely overall reconstruction timber needs. At the same time, the project will need to ensure that it minimizes the use of timber and procures only from legal sources. Unlike Aceh, the earthquake affected villages have good access to markets for construction materials, including legally sourced timber.

Management of Debris. The clean-up of debris might not a significant issue at the household level but could be an issue at the large scale, particularly in terms of final disposal. The experience of Aceh shows how the initial urgency to clear debris in order to recover bodies lead to fairly indiscriminate dumping causing blockages to water courses and localized flooding. Much of this debris was later cleaned up via an MDF supported waste management program. As with the Aceh experience therefore, the management (including reuse and disposal) of debris is an important contextual issue for this project and will need to be addressed through parallel and complementary approaches.

Land Acquisition and Involuntary Resettlement

- ③ No involuntary resettlement has occurred under the UPP, inclusive of UPP-3, that supports housing reconstruction in Yogyakarta and Central and West Java provinces thus far.
- ③ For infrastructure projects (which constitute less than 10% of total disbursements under Phase 1), there has been a high level of voluntary contributions from communities in the form cash (towards investment costs), in the form of labor, and in the form of land. In these cases, contributions have been recorded in the project proposals, which have been reviewed by the DMCs and ratified by the BKM. Since the average cost of sub-projects is so low (US\$1,800), voluntary contributions have also been minor, mainly for alignment of roads. To date, there have been no land related complaints or grievances.
- ③ With the Poverty Alleviation Partnership Grant (PAPG) introducing slightly larger sub-projects (though sub-project ceilings are fairly low at US\$23,550), monitoring of voluntary contributions of land will need to be enhanced.

- ③ Looking at the situation in the field in the affected areas in Yogyakarta and Central and West Java provinces, the sites and ownership of land plots on which houses will be reconstructed can easily be identified in the field and reconfirmed by the families and/or neighbors. Therefore, housing rehabilitation and reconstruction is unlikely to involve resettlement. In very few cases, there could be scattered areas that are no longer habitable due to ground fissures. In such cases, people have to find new land plots on their own or may receive assistance from the local governments or other parties to get new land plots. In the current situation, the project expects that such families may choose either to accept the assistance of the local governments or other parties and voluntarily resettle to the new place or to move to other sites that they find on their own. Given this possibility and the large scale of housing rehabilitation and reconstruction, the project should anticipate that some involuntary resettlement may take place and ensure that relevant Bank operational procedures are applied.

Cultural Property

The highly participatory nature of the project will ensure that communities would be able to identify if any proposed sub-project will have an impact on *cultural property* and to ensure that these activities do not adversely affect cultural property. Sub-project proposals will require the identification of any such activities and require the group proposing the sub-project to specify adequate mitigation measures.

Annex G-1: UPP-3 Environmental Guidelines (Being used in CSRRP)

Introduction

As a highly decentralized project, UPP-3 will support a large number of small sub-project investments in urban areas. It is expected to provide micro-loans for income generating activities, and finance small scale infrastructure and other services (the ceiling for individual sub-projects or micro-loans per group is Rp.30 million or US\$3,550), through the kelurahan grants. Through the Poverty Alleviation Partnership Grant, the project is expected to finance small scale infrastructure and services (the ceiling for individual activities is Rp. 200 million or US\$23,550). The low ceiling for individual activities, combined with the types of activities expected to be financed (road/bridge improvements, tertiary drainage, water supply to individual households, garbage collection through handcarts) indicate that none of these investments is expected to have any large scale, significant or irreversible impacts. Environmental impacts would come mostly from poor site management during the project construction activity.

The project has been classified as a Bank environmental category B. This annex outlines the environmental screening procedures and guidelines to ensure to identify, review, and “red-flag” procedures to ensure that problems are corrected. Indonesia’s environmental review procedures are generally consistent with the Bank’s and will form the framework of UPP3’s approach to environmental management.

Basic Principles

The basic environmental principles are:

1. Proposals should avoid or minimize negative environmental impacts, and they should have explored viable alternative designs to minimize any negative environmental impact.
2. Proposals should fit into the General Spatial Plan (RUTR) and avoid protected areas so designated by the Ministry of the Environment (see below).
3. Any proposal entailing a negative environmental impact shall be complemented by an environmental plan to mitigate the impact.

Environmental Screening Criteria

Sub-projects will be checked against Government of Indonesia (GOI) screening criteria to ensure that no project would necessitate a full environmental assessment. In an initial screening, the project type, scale, location, sensitivity, and the nature and magnitude of potential impacts, will be identified to classify the proposal in one of 4 categories:

1. Those that require ANDAL (full Environmental Assessments) for which the Ministry of Environment has set criteria (see below). *These will be eliminated from consideration for UPP-3 financing.*
2. Those that require environmental management and monitoring plans (UKL and UPL) based on limited but site specific studies. The Ministry of Public Works has set criteria to determine the need for UKL/UPL (see below). *It is expected that none of the proposals submitted under either the PAPG or kelurahan grants would fall under this criteria.*
3. Those for which standard operating procedures (SOP) suffice, where generic good practice would protect the environment adequately. The DG Human Settlements and Urban and Rural Development have SOP guidelines for some types of projects (including measures to control

dust, noise and traffic at construction sites; specifications for backfilling and revegetating disturbed areas to prevent erosion; and procedures to control negative impacts at solid waste transfer stations; etc.). *It is expected that some sub-projects may fall under this category.*

4. Those that require no environmental study, where no construction, disturbance of land or water or discharge of pollutants are involved. *It is expected some sub-projects may fall under this category.*

Government Environmental Screening Criteria

(By Decree of the Minister of State for the Environment of the Republic of Indonesia)

Sectors and Projects	Units	ANDAL	UKL/UPL
Water Supply			
Raw water intake	L/s	250	– 250 – 50
Transmission (large towns)	km	10	10- 2
Distribution (large towns)	ha	500	– 500 – 100
Urban roads			
New construction:			
a. Large towns	km; or ha	5	5 - 1; or 5 – 2
b. Medium towns	Km; or ha	10	10 – 3; or 10 – 5
c. Small towns (villages)	km	30	30 – 5
Widening (large towns)	km;	5	more than or equal to 10 (if land acquisition)
Bridges in large towns	m	-	more than or equal to 20
Bridges in small towns	m	-	more than or equal to 60
Wastewater & sanitation			
IPLT	ha	2	less than 2 ha
Sewerage system	ha	500	less than 500
IPAL	ha	3	less than 3
Solid Waste Management			
Sanitary landfill (TPA)	ha; or ton	10000	less than 10; or less than 10.000
TPA (in tidal area)	ha; or ton	5000	less than 5; or less than 5000
Transfer station		1000	less than 1000
Drainage & flood control			
a. In large towns	km	5	less than 5; 5-1
b. In medium towns	km	10	less than 10; 2 – 10
c. In small towns (villages)	km	25	more than 5
Kampung Improvement			
Large Towns	ha	200	more than or equal to 1
Medium Towns	ha		more than or equal to 2
Upgrading	ha	5	more than or equal to 1

Sources: *KEP-17/MENLH/2001 for ANDAL (Concerning Types of Businesses Activities Required to Complete an Environmental Impact Assessment); and KEPMEN PU- 17/KPTS/M/2003 for UKL/UPL (Concerning Decisions on Types of Activities in the Field of Public Works that are Required to Prepare UPL and UKL).*

Special screening will be applied to the following cases:

- *Fisheries*: Standards from the Fishery Service Agency (Dinas Perikanan) will be applied to all fishery subproject proposals.
- *Pesticide, ozone-depleting substances, tobacco or tobacco products*: No sub-projects using or producing these materials will be financed.
- *Asbestos*. No asbestos-containing materials will be financed. Special mitigation measures to address any issues with existing asbestos in any proposed sub-project (e.g., renovation of school buildings that may have used asbestos) will be applied.

- *Sub-projects that produce liquid or gaseous effluents or emissions.* No manufacturing or processing operations will be financed that would produce pollutant-bearing effluents or emissions unless: (a) the operations are small-scale; and (b) the cognizant Bapedalda reviews the design and certifies that it meets applicable water and air pollution control standards.
- *Hazardous materials and wastes.* No sub-project will be financed that uses, produces, stores or transports hazardous materials (toxic, corrosive or explosive) or generates "B3" (hazardous) wastes.
- *Logging.* Sub-projects involving logging operations or procurement of logging equipment will not be financed.
- *Development on protected areas.* The Decree or the Minister of the State for the Environment of the Republic of Indonesia Number KEP-17/MENLH/2001, entitled *Concerning the Types of Businesses Activities Required to Complete an Environmental Impact Assessment*, prescribes that any business or activity that is located in a protected area or that may change the purpose and/or designation of a protected area shall be required to prepare an ANDAL (see above). This includes: forest protection area; river edges; marine/freshwater conservation areas; nature tourism park; peat areas; areas surrounding lakes and reservoirs; coastal mangrove areas; water catchments areas; national parks; coastal edges; forest parks; cultural reserves; areas surrounding springs; scientific research areas; nature conservation areas; and areas susceptible to natural hazards. *No new settlement or expansion of settlements will be supported in protected areas under the project.* Where settlements already exist, and if it is the policy of the local government to allow the settlement to remain, proposals for funding under UPP 3 may be used by the existing residents using standard UPP2 procedures and in compliance with any local regulations on land management which are defined by the protected area management plan. *No road construction or rehabilitation of any kind will be allowed inside delimited or proposed protected areas.*

Design specifications including environment management consideration for water supply, public toilets, urban roads, TPS, markets and bridges will be applied to UPP3 in the form of Standard Operating Procedures. Since these types of activities are most likely to be financed under the PAPG, the SOP used by the participating local government will be applied.

Environmental Screening Process

1. Kelurahan Grants

Community groups (KSMs) will prepare a subproject proposal on a standard format provided by the kelurahan facilitator, signed by the group members. The standard format will include all items identified above that are not eligible for financing as part of the negative list. The proposals will include a description of the activities proposed and compliance with any applicable guidelines on environmental impacts (as well as land/asset acquisition and impact on indigenous people). All proposals will be reviewed by project staff for their feasibility, technical soundness, and compliance with guidelines, before they are considered by the kelurahan organization (BKM). Project staff will specifically screen proposals for any environmental impacts based on the guidelines above which will be included in the project manuals. These will include special screening for all sub-projects involving land and water use changes (i.e., reclamation, irrigation); economic projects with environmental impacts to be sure those alignments, effluent, etc., meet best practice standards. BKM with the assistance of facilitators will ensure that adequate mitigation measures are taken. The selection of proposals by the BKM for the kelurahan grant shall be made in a meeting publicized in advance and open to the public.

2. Poverty Alleviation Partnership Grant (PAPG)

Proposals for the Poverty Alleviation Partnership Grant will be evaluated by a PAPG Selection Committee established by the local government (with the assistance of project staff) consisting of a panel of representatives from the local government, the BKM Forum, and NGOs/universities/private individuals concerned about poverty issues. Sub-project proposals will be prepared on a standard format which will include the negative list. The Selection Committee can seek the help of technical experts from the DMC, from other government offices or hire outside experts to carry out technical reviews of proposals if necessary. All proposals will be screened for any environmental impacts based on the guidelines above which will be included in the project manuals, and the DMC will be in charge of ensuring that adequate mitigation measures are taken. The process of selection of proposals by the PAPG Selection Committee will be transparent, with clear criteria for selection.

Environmental Mitigation

The project is small in scale, uses community-based approaches and is highly participatory. Likely environmental impacts are well known, based on the Aceh experience, and are mainly localized. Local environmental management capacity within the GoI is also relatively high compared to the Aceh experience. Both Yogyakarta and West Java benefiting from relatively well resourced provincial environmental authorities. Likely environmental impacts are therefore considered manageable and the existing UPP-3 Environmental Guidelines considered broadly adequate, with the following caveats:

- Environmental screening of community proposals for housing construction will follow the procedures laid out in the existing safeguards framework, taking into account environmental screening criteria set out in KepMen 17/2001 for AMDAL and KepMen 17/2003 for UKL/UPL relating to the reconstruction and renovation of housing and settlement.
- The project will (i) undertake to make an initial assessment of damage to household septic tanks and (ii) question local communities on any noticeable changes in well water quality. The environmental specialist to located in the NMC (see below) will compile studies being done on this issue by other agencies and will determine whether more systematic water quality sampling is necessary, potentially to be carried out under the proposed follow up JRF housing reconstruction project. Sampling will need to be carried out via a competent technical agency, such as a local university, with support from province environmental authorities. In the case ground water quality is found to be unacceptable, and in the event that no other agency funding has been allocated to address water quality, the project will advise BKMs to use community grants to undertake follow up measures including rehabilitation/reconstruction of household septic tanks, repairs to well linings, and construction of new household and community wells. The environmental specialist of the NMC will coordinate the activities to ensure that communities will have access to clean water, with assistance from the DMCs and HTF.
- The project will minimize the use of timber in housing reconstruction. Where procurement of timber is absolutely necessary the project will: (a) carry out an awareness raising program for the communities on the requirement to use good quality and legal timber, including the requirement of SKSHH; (b) assist the communities to get information on the places where to get good quality, legal timber; (c) monitor the purchase of timber with SKSHH; (d) enforce the use of legal timber and tie it to the KSM disbursement mechanism; (e) establish MIS based tracking of timber procurement and report back on performance on a quarterly basis.
- Training and awareness in applying safeguards procedures will be provided to all project staff within three (3) months of commencement of works including: facilitators, housing task

teams and PIU/DMCs, PMU/National Management Consultant team (3 x 1 day training events). The training and awareness raising will feature the timber legality issue so that housing facilitators are competent in assisting communities with procuring good quality, legal timber.

- Community awareness, in particular to the issue of ensuring that legal timber is sourced for all housing reconstruction needs, will be a feature of early discussions between project facilitators and BKMs and KSMS, together with provision of printed media in all key centers.

The project will assign an Environmental Specialist in the NMC, positioned to assist the PMU staff in Yogyakarta as well as one person each in the DMC. These specialists will ensure that the existing UPP-3 Environmental Guidelines is followed as well as the five (5) key additional task areas listed in the preceding bullets. These experts will cover safeguards requirements both for the ongoing UPP-3 which finances housing reconstruction in Yogyakarta and Central Java provinces and this JRF-supported housing reconstruction project.

Reporting

Facilitators and DMC staff will aggregate and review environmental reports and flag them in their quarterly reports. The project manual will include a matrix of likely environmental impacts and steps with which to address them. An experienced environmental consultant will be hired to summarize progress, monitor and measure the impact of the project on the environment as part of the performance evaluation of the project.

Annex G-2. UPP-3 Land Acquisition and Resettlement Policy Framework (Being used in CSRRP)

I. Project Characteristics

1. As a highly decentralized project, UPP-3 will support a large number of small sub-project investments, mainly in urban areas. Through the Kelurahan Grants component, the project is expected to provide micro loans for income generating activities, and to finance small scale infrastructure and other services (the ceiling for individual sub-projects is US\$3,550 or Rp.30 million). Through the Poverty Alleviation Partnership Grant (PAPG) component, the project is expected to finance small scale infrastructure and services (the ceiling for individual activities is US\$23,550 or Rp.200 million). None of the sub-projects is expected have a significant impact due to land acquisition and/or resettlement.
2. UPP-3 is also a community-based demand-driven project. Sub-projects will not be identified in advance. The identification of the number of people affected by a sub-project can thus only be defined once sub-project proposals are evaluated by the community organization (BKM) for the Kelurahan Grants or by the PAPG Selection Committee for the Poverty Alleviation Partnership Grant.
3. Since participatory planning and decision making form the basis for the project, the entire project approach should guarantee that people affected by the project will be involved in the decision making process.
4. Should any sub-project involve any land acquisition or resettlement, this Policy Framework provides procedures and guidelines for agreeing on compensation for those persons who are affected by the sub-project in order to ensure that they are not unfairly treated by being given low compensation, or benefit unfairly by being given compensation that is significantly higher per square meter than other owners who sell similar nearby land on the free market.

II. Definitions

5. The definitions used in this Policy Framework are:
 - (a) "Census" means the head count of those persons under a proposed Sub-project that qualify as Displaced Persons. The date of the Census is the latest cut-off point to record the persons in the Sub-project area that will receive compensation, resettlement and/or removal and rehabilitation assistance.
 - (b) "Compensation" means the compensation at replacement cost as determined in Section V of this Framework given in exchange for the taking of land and building, in whole or in part, and all fixed assets on the land and buildings and crops and trees.
 - (c) "Land acquisition" means an activity that requires obtaining land, buildings or other assets from Displaced Persons for purposes of the sub-project against provision of compensation and assistance.
 - (d) "Displaced Persons" means persons who, on account of the involuntary taking of land and other assets as part of the execution of the sub-project resulting in a direct economic and social adverse impact, whether or not said Displaced Persons must physically relocate, had or would have their: (i) standard of living adversely affected; (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other physical asset acquired or possessed, temporarily or permanently, adversely affected; (iii) access to productive assets adversely affected, temporarily or permanently;

- or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Displaced Person” means any of the Displaced Persons.
- (e) “Physically Displaced Persons” means persons who are forced to move from their previous location because (i) all or a significant portion (50% or more) of their land or buildings are affected by the sub-project; or (ii) less than 50% of their land or buildings are affected by the sub-project if the remaining portion is not economically viable or habitable.
 - (f) “Rehabilitation Assistance” means the provision of cash or assets or other forms of support to enable Displaced Persons without legal rights to the assets taken by the Project to at least equal or improve their standard of living, income levels and production capacity to the level prior to the project.
 - (g) “Resettlement” means an effort /activity to relocate the Displaced Persons into a good new settlement as mentioned in section B so that they can develop a better life.
 - (h) “Involuntary Displacement” means any of the following actions, when they occur without the Displaced Person’s informed consent or power of choice; (i) the taking of land resulting in: (a) relocation or loss of shelter; (b) lost assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not the Displaced Person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced.
 - (i) “Sub-project” means a specific infrastructure investment project carried out with funds from Kelurahan Grant or PAPG components of the project.

III. Basic Principles

6. Involuntary resettlement may cause severe long-term hardship, impoverishment, and environmental damage unless appropriate measures are carefully planned and carried out. For these reasons, the overall principles for this Framework are the following:

- (a) Sub-project proposals should minimize land and asset acquisition and involuntary displacement. Groups proposing sub-projects should have explored viable alternative designs to minimize displacement.
- (b) The group proposing the sub-project will use a transparent and participatory process to ensure that all Displaced Persons agree on any proposed sub-project that involves land acquisition or resettlement.
- (c) The group proposing the sub-project will have to agree to incorporate the costs for land acquisition and/or any involuntary resettlement in their sub-project proposals as part of sub-project costs. The compensation costs will be covered through the communities’ own funds or government funds (World Bank Loan proceeds shall not be used to finance compensation).
- (d) In accordance with traditional practice, community members may elect to voluntarily contribute land or assets and/or relocate temporarily or permanently from their land without compensation. Voluntary in this context will mean the donation or granting of land and other assets with the full knowledge of the purposes for which the asset is being made available and the economic, social and legal consequences that such an act would have on the person providing the asset and which act is exercised freely and voluntarily, without any type of coercion.
- (e) Displaced Persons should be assisted in their efforts to improve their livelihoods and standards of the living or at least to restore them, in real terms, to pre-displacement levels or to the levels prevailing prior to the beginning of the project implementation, whichever is higher.

IV. Framework

7. In the event that a sub-project proposal requires any land acquisition, buildings, crops, trees, and/or resettlement, the sub-project proposals have to indicate the need for land acquisition, the number and names of persons affected, and the estimated budget required for compensation.

8. Proposals that would affect 200 persons or more would normally entail long lead times, and are expected to be beyond the scope of the project. In the highly unlikely event that more than 200 persons will be affected and require compensation, the Oversight Consultant will ensure that the proposal is complemented with a full Land Acquisition and Resettlement Action Plan (LARAP). The LARAP will include: (a) a survey to identify the socio-economic characteristics of the Displaced Persons including a census; (b) a comprehensive plan for the acquisition of land and/or resettlement; and (c) a compensation package in accordance with the compensation guidelines set out in Section V and acceptable to the Displaced Persons and the groups proposing the sub-project (under the PAPG component, this would be the BKMs and a district level local government agency). The sub-project proposal will also indicate the budget source for the required compensation (Bank funds cannot be used for compensation). The DMC/NMC shall seek the Bank's approval of the LARAP and budget, and seek modifications in case the Bank finds they are needed. Further details on the LARAP are provided in the attachment to this annex.

9. For any sub-project that requires resettlement of less than 200 persons, the BKM, supported by the DMC staff assisting with proposal preparation, will ensure that the following steps are followed:

- (a) The group proposing the sub-project carries out a Census of the persons that would be affected by the proposed sub-project and that would qualify as Displaced Persons.
- (b) The Displaced Persons agree on the sub-project proposal, and have negotiated agreement on either voluntary or compensated contribution with the group proposing the sub-project.
- (c) The agreement is made through a participatory and transparent process .
- (d) Displaced Persons are made aware that they have the right to compensation and/or other assistance according to the compensation guidelines provided in Section V.
- (e) In cases where voluntary contributions of land or assets are indicated, these are clearly agreed with all Displaced Persons; the name(s) of the contributor(s) and details of the contribution(s) are included in the agreement; and these are verified by the Oversight Consultants.
- (f) A simple format on the agreement is incorporated in the sub-project proposal. This agreement should clearly indicate individual land plots needed for land acquisition and/or resettlement, the number and names of the affected persons, scheme of compensation and/or resettlement, and estimated cost for land acquisition and/or resettlement compensation. In the case of voluntary contribution, the agreement should state the rationale for it and the fact that the person had the choice of not providing the asset, and in the case of involuntary contribution, the manner followed for valuation of the assets which must be in compliance with Section V below.
- (g) The agreement should indicate that any compensation will come from the community's or government's contribution to the sub-project. It would be possible to use World Bank Loan proceeds to construct small works and initiate employment opportunities for the group members who are to be resettled. This has to be agreed by the group proposing the sub-project and put in the agreement (see assistance guidelines in Section V). However

- World Bank Loan proceeds can not be used to finance payment of cash compensation or land acquisition.
- (h) The details of the agreement will be verified by the DMC/facilitator in charge of the affected communities prior to consideration by the BKM or the PAPG Selection Committee for financing. In the event that no consensus has been reached on the form and amount of compensation, the sub-project will not be considered for financing.
 - (i) No Displaced Persons shall have their land or other assets taken before they have received the compensation and the resettlement site, if that is the case, as agreed upon and detailed in the sub-project proposal.
 - (j) Payment of compensation, displacement of people, or preparation of a resettlement site as agreed upon should be completed before the construction of the respective sub-project is started.
 - (k) A monitoring and evaluation system for compensation will be introduced to ensure that Displaced Persons have received their compensation as agreed upon. The monitoring will be undertaken by the Oversight Consultant and will be a full survey or sample survey depending on the number of households affected. A report on the results and recommendations will be published by the OC and disseminated to the community and the NMC.
 - (l) In the case for the housing rehabilitation and reconstruction component, the following additional requirements will apply:
 - o Prior to the approval of eligible beneficiaries, the resettlement expert will ensure that the sites, boundaries and ownerships of the land plots are clearly identified, reconfirmed by their neighbors and verified by the housing facilitators;
 - o Dispute on the boundaries and ownerships of land plots will be solved prior to the approval of the eligible beneficiaries, and the dispute resolution will be facilitated by the BKM and housing facilitators; and
 - o In the case there is land acquisition and resettlement, agreement on the compensation scheme and its payment or realization will be settled prior to the commencement of the housing rehabilitation and reconstruction. The resettlement expert of the NMC and in the DMC will monitor this process and prepare the land acquisition and resettlement. The Land Acquisition and Resettlement Action Plan and its implementation report have to be submitted to the PMU for the World Bank's approval.

The project will hire a Resettlement Specialist in the NMC and one in each DMC responsible for ensuring that the existing UPP-3 Land Acquisition and Resettlement Policy Framework and its amendments are applied in relation to land acquisition and resettlement. These specialists will cover both the ongoing UPP-3 housing reconstruction and this MDF-supported housing rehabilitation and reconstruction project.

V. Guidelines for Compensation, Resettlement and Other Assistance

10. Based on agreements reached during negotiations, Displaced Persons can choose to receive cash compensation, resettlement, or other options. Other options include serviced sites, land [swap] of equal size or equal productive capacity, low cost housing, apartments, real-estate housing with credit facilities, or other schemes. Among those options, Displaced Persons will be provided the opportunity of having a resettlement site where they do not have to pay more than their present routine expenditure. In all cases, the amount of compensation, resettlement, or other options must be sufficient to achieve the objectives of improving or at least maintaining the pre-project level of standard of living, income generation, and production capacity of the Displaced Person.

Compensation

11. Displaced Persons have the right to receive real replacement cost compensation. Real replacement cost means:

- (a) for land in urban areas, the pre-displacement market value of land of equal size and use, with similar or improved public infrastructure facilities and services and located in the vicinity of the affected land, plus the cost of any registration and transfer taxes;
- (b) for agricultural land, the pre-sub-project or pre-displacement, whichever is higher, market value of land of equal productive potential or use located in the vicinity of the affected land, plus the cost of land preparation to levels similar to those of affected land, plus the cost of any registration and transfer taxes; and
- (c) for houses and other structures, the market cost of the materials to build a replacement structure, or to repair a partially affected structure, plus the cost of transporting building materials to the construction site, plus the cost of any labor and contractors' fees, plus the cost of any registration and transfer taxes. In determining the replacement cost, depreciation of the asset and the value of salvage materials are not taken into account, nor is the value of benefits to be derived from the sub-project deducted from the valuation of an affected asset. Compensation for trees, crops and other assets will be based on the replacement value using existing market prices per tree prepared by relevant agencies.

12. The extent of the compensation will depend on the tenure situation of the Displaced Person as set out in Section VI.

13. Displaced Persons whose: (a) remaining land and building cannot be used for housing or workplace; or (b) whose remaining land is less than 60 sq meters; or (c) whose remaining agricultural land is less than 50% of its initial size or is not economically viable; or (d) whose remaining building is less than 21 sq meters; have the option of being included as Physically Displaced Persons and compensated for the taking of the affected asset. Displaced Persons whose remaining land is less than 60 sq meters and remaining building is less than 21 sq meters, will have an option to move to a new lot of 60 sq meters and building of 21 sq meters. They will be provided with compensation for the difference in area between what they lost and what is being provided to them.

Resettlement Sites

14. The resettlement site provided for the Displaced Persons will include infrastructure and public facilities so that it is good for living and enables the development of a good social and economic life, including: (a) road or footpath as necessary; (b) drainage system; (c) water supply (if a piped water distribution network is not available, there should be shallow wells that comply with health standards); (d) electricity; (e) health facility, education facility, work places, religious services, and sport facilities, in accordance with the size of the new community; and (f) public transport facility to perform a good life.

15. The Displaced Persons will move to the new site after the infrastructure and facilities at the resettlement site are completed and feasible to live in as confirmed by the DMC and the BKM. The Displaced Persons will be informed of the completion of the resettlement site at least

one month before displacement, and they will be invited to survey the new site. The resettlement site would be available prior to the start-up of works under the relevant sub-project.

16. The location reserved for resettlement will be widely publicized so that the general public will be informed.

Other Assistance

17. Displaced Persons who lose their income sources or means of livelihood as a result of the sub-project will receive assistance to restore it. The types of assistance will be defined by the BKM and local government (in case of the PAPG) and confirmed by the DMC. Training and assistance that can be provided include: motivation development; skill and vocational training; assistance to start and develop small businesses; small scale credit; marketing development; assistance during transition period; and strengthening of community based organization and services. In implementing the assistance, care should be taken to harmonize the newly resettled people and the host community in the resettlement area through assistance and integration efforts. The assistance can be linked to existing programs and resources.

VI. Eligibility Criteria of Displaced Persons

18. Displaced Persons can be grouped into the following categories: (a) those who have legal land certificate, girik, or adat title; (b) those who, under domestic law, have a right to occupy land in a residential, commercial, or industrial zone in the Project area, or occupy land on infrastructure or public facility sites such as rivers, roads, parks or other public facilities in the Project area, but do not hold a certificate or legal title; (c) those who have no right to occupy land in a residential, commercial or industrial zone in the project area or publicly owned land and publicly owned facility sites but who were occupying such land at the time of the Census undertaken or at the time of the pre-feasibility study of the sub-project; (d) those who are renters; (e) those whose jobs are lost because of the taking of land; and (f) those who have no right to occupy land in a residential, commercial or industrial zone in the project area, or publicly owned land and publicly owned facility sites and whose occupancy of such land begins after the Census. Compensation will differ according to these groupings.

(i) Persons with Land Certificate, Girik or Adat Title

§ Displaced Persons who have land certificate, girik, or adat title will receive compensation for the land, building, and fixed assets.

§ Displaced Persons who are displaced by the Project can choose to receive cash compensation or the other options as described in paragraph 10.

§ The lots at the resettlement site will have land title of the same level or higher than they previously had, and the certificate will be issued within one (1) year after displacement of the Displaced Persons.

§ Displaced Persons will receive transport allowance to move their belongings.

§ Displaced Persons will also receive assistance and training as provided in paragraph 17.

(ii) Persons who under domestic law have recognized rights to occupy land in a residential, commercial or industrial zone in the Project area but who do not hold a Land Certificate or legal documents, as well as those who occupy publicly owned land and publicly owned facility sites under customary rights at the time of the Census:

§ Displaced Persons will receive compensation for their land, building and fixed assets, as well as for crops and trees at market value.

- § Displaced Persons can choose to receive cash compensation or the other options as described in paragraph 10.
 - § The lots at the new site will have Hak Pakai or a higher land title, and the certificate will be issued within 1 year after the displacement.
 - § Displaced Persons will receive transport allowance to move their belongings.
 - § Displaced Persons will also receive assistance and training as provided in paragraph 17.
- (iii) Persons who have no right to occupy land in a residential, commercial or industrial zone in the project area or publicly owned land and publicly owned facility sites in the project area, but who were occupying such land at the time of the Census undertaken or at the time of the pre-feasibility study of the sub-project:
- § Displaced Persons will receive rehabilitation assistance in any of the forms provided for in paragraph 10, instead of compensation for the land occupied in an amount sufficient to achieve the objectives of this Framework, and compensation at real replacement cost for the building, and fixed assets as well as for crops and trees at market value.
 - § Displaced Persons can choose to receive cash compensation or the other options as described in paragraph 10.
 - § The lots at the new site will have Hak Pakai or a higher land title, and the certificate will be issued within 1 year after the displacement.
 - § Displaced Persons will receive transport allowance to move their belongings.
 - § Displaced Persons will also receive assistance and training as provided in paragraph 17.
- (iv) Persons who are renters
- § Displaced Persons who are renters will be assisted with an allowance of six months rent calculated on the basis of average rent levels for similar houses or agricultural land within the same area.
 - § Displaced Persons who are renters will also receive assistance and training and transport allowance to move their belongings.
- (v) Persons whose jobs are lost because of the taking of land where they work and gained their income will be assisted with the forms of assistance described in paragraph 17.
- (vi) Persons who have no right to occupy land in a residential, commercial or industrial zone in the project area or publicly owned land and publicly owned facility sites and whose occupancy of such land begins after the Census will receive no compensation or rehabilitation assistance for the land or for the structures built and crops planted therein.

VII. Consultation and Complaint Resolution

19. This general framework will be included in the Project manuals and guidelines, and DMC staff and facilitators trained in its implementation. The overall project approach in enabling transparency and consultation should allow solutions to local problems locally, quickly, and effectively. If any Displaced Persons or other community members have a complaint regarding the framework or its application in practice, the project has an established system of complaint handling at the kelurahan and kota/kabupaten as well as provincial and national levels, with dedicated staff in charge of handling and following up on complaints. Complaints which cannot be solved locally through the BKM complaint system will be referred to the DMC, and, if necessary to the NMC and the PMU. However, in the event that the deliberations have been

repeatedly conducted over 120 days to reach a consensus but no consensus has been reached on the form and amount of compensation, dispute resolution will follow Presidential Regulation No. 36/2005 and No. 65/2006.

20. The progress of implementation of any required land acquisition, resettlement, and assistance will be reported to the World Bank regularly by the OC/NMC. If required, an independent reviewer may be retained to carry out external monitoring and evaluation of the implementation of specific LARAPs. Such an agency or agencies will have qualified and experienced staff and terms of reference acceptable to the World Bank.

ANNEX G-2: Attachment 1

Requirements for a Land Acquisition and Resettlement Action Plan (LARAP) for sub-projects under the Poverty Alleviation Partnership Grant affecting more than 200 persons

1. If a sub-project proposal indicates that more than 200 persons will be affected by the sub-project, the groups proposing the sub-project (BKMs and district level local government agency), assisted by the Oversight Consultant, will be required to conduct a Census and socio-economic survey to: (a) determine the number of persons involved; (b) to collect data about the social and economic condition of the people, and the physical condition of the project area; and (c) to determine the potential impact of the sub-project.
2. The date of this Survey/Census will be the latest cut-off point to record the persons in the sub-project area that will receive compensation, resettlement and/or removal and rehabilitation assistance.
3. The detailed census and socio-economic survey (hereafter referred to as the socio-economic survey) will cover among others:
 - (a) the size, condition, legal status of land and buildings (listed in impact groups of 0-25%, 25-50%, 50-75%, 75-100% affected);
 - (b) the number of Displaced Persons and households;
 - (c) relevant social characteristics of the Displaced Persons (age, gender, education, etc);
 - (d) relevant economic characteristics of the Displaced Persons such as livelihoods (including, as relevant, production levels and income derived from both formal and informal economic activities); standards of living (including health status);
 - (e) the magnitude of the expected loss – total or partial – of assets, and the extent of displacement, physical or economic; and
 - (f) information on vulnerable groups or persons for whom special provisions may have to be made.
4. Based on the results of this socio-economic survey, the Oversight Consultant will assist the groups proposing the sub-project to prepare a comprehensive plan on the taking of assets for purposes of the sub-project, and the provision of compensation, resettlement, and rehabilitation assistance for the Displaced Persons in accordance with the principles of this Policy Framework. This will be described in a Land Acquisition and Resettlement Action Plan (LARAP) to be furnished to the Bank for approval.
5. The scope and level of detail of the LARAP will vary with the magnitude and complexity of the resettlement. The plan will be based on up-to-date and reliable information about: (a) the proposed resettlement and its impacts on the Displaced Persons and other adversely affected groups; and (b) the legal issues involved in resettlement. The following list defines the matters that should normally be included LARAP and it should be regarded as general guidance in the preparation of a LARAP. When any matter listed is not relevant to Project circumstances, it should be noted in the resettlement plan:
 - (i) Description of Sub-Project Impact and Analyses
 - § Description of the sub-project and identification of the sub-project area.
 - § Identification of: (a) the sub-project component or activities that give rise to resettlement; (b) the zone of impact of such component or activities; (c) the

alternatives considered to avoid or minimize resettlement; and (d) the mechanisms established to minimize resettlement, to the extent possible, during implementation.

- § The main objectives of the resettlement program.
- § The findings of the socioeconomic studies
- § The findings of an analysis of the legal framework.
- § The findings of an analysis of the institutional framework.
- § The definition of Displaced Persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

(ii) Methodologies and Procedures

- § The methodology to be used in valuing losses to determine their replacement cost; a description of the proposed types and levels of compensation under local law and such supplementary measures as are necessary to achieve the real replacement cost for lost assets.
- § A description of the strategy for consultation and participation of resettlers and hosts in the design and implementation of the resettlement activities including:
 - ③ a summary of the views expressed and how these views were taken into account in preparing the resettlement plan;
 - ③ a review of the resettlement alternatives presented and the choices made by Displaced Persons regarding options available to them, including choices related to forms of compensation and resettlement assistance, to relocating as individuals families or as parts of preexisting communities or kinship groups, to sustaining existing patterns of group organization, and to retaining access to cultural property;
 - ③ institutionalized arrangements by which displaced people can communicate their concerns to Project authorities throughout planning and implementation; and
 - ③ measures to ensure that groups such as isolated vulnerable people, the landless, and women are adequately represented.

(iii) Compensation Package

- § Description of the packages of compensation and other resettlement measures that will assist each category of eligible Displaced Persons to achieve the objectives of the Policy Framework. Compensation will be calculated based on Section V of the Policy Framework.

(iv) Alternative Relocation

- § Institutional and technical arrangements for identifying and preparing relocation sites, whether rural or urban, for which a combination of productive potential, locational advantages, and other factors is at least comparable to the advantages of the old sites.
- § Estimated time needed to acquire and transfer land and ancillary resources.
- § Any measures necessary to prevent land speculation or influx of ineligible persons at the selected sites.
- § Procedures for physical relocation under the sub-project, including timetables for site preparation and transfer.
- § Legal arrangements for regularizing tenure and transferring titles to resettlers.
- § Plans to provide, or to finance resettlers' provision of housing, infrastructure and social services (which ensure comparable services to host populations); and any necessary site development, engineering, and architectural designs for these facilities.
- § A description of the boundaries of the relocation area; and assessment of the environmental impacts of the proposed resettlement and measures to mitigate and

manage these impacts (coordinated as appropriate with the environmental assessment of the main investment requiring the resettlement).

§ Measures to mitigate the impact of resettlement on any host communities.

(v) Implementation of resettlement

§ The organizational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services.

§ An implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts and terminating the various forms of assistance.

(vi) Costs

§ Detailed cost of the full compensation package, resettlement costs and all associated implementation costs.

§ Identification of sources of financing (Bank funds cannot be used to finance cash compensation or land acquisition).

(vii) Monitoring and grievance procedures

§ Arrangements for monitoring of resettlement activities by the implementing agency, supplemented by independent monitors as considered appropriate by the Bank.

§ Description of grievance procedures.

6. There will be regular consultations with all Displaced Persons, and all other stakeholders including non-governmental organizations throughout the design and implementation of the LARAP.

7. The LARAP described above will be prepared jointly by the BKM(s) and local government agenc(ies) proposing the sub-project, with the assistance of the Oversight Consultants and will thereafter be provided to the Bank through the DMC/NMC for approval. Once Bank approval is obtained, it will be issued as a Decree of the head of the district level local government (the Bupati or Walikota). Once the Decree has been issued, it will be disseminated by the DMC and relevant government offices to the Project Affect Persons.

8. Issuance of approval for contract signing for a sub-project that requires a LARAP will be considered by the Bank after receipt of a progress report from the DMC/NMC that indicates substantial implementation of the LARAP, including acquisition of all land in critical locations.

9. The LARAP, including all its maps and annexes, will be publicly displayed at the NMC and relevant DMC office, the office of the relevant kelurahan(s), and the office of the relevant BKM(s).

ANNEX H: PROCUREMENT

Procurement Implementation Arrangements. The selection of all consultant services for the project is the responsibility of the Directorate General (DG) of Human Settlements at the Ministry of Public Works. The procurement of works for settlement construction is the responsibility of the Community Groups (KP) or a group of several KPs. For procurement involving the community, the main challenge is to develop a “contract” with the community for the delivery of certain outputs/products based on the agreed lump sum amount and the technical specifications, with a control mechanism. The control mechanism from within the community for procurement processes (as currently applied under UPP-3) will be included in the Project Operational Manual (POM).

Procurement Arrangements. Procurement for CSRRP will be carried out in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004; “Guidelines: Selection and Employment of Consultants by IDA Borrowers” dated May 2004; and, the provisions stipulated in the Java Reconstruction Fund (JRF) and the Child TF Agreements. The various items under different expenditure categories are described in general below. For each contract to be financed by JRF and the Child TF, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and timeframe are defined in the Procurement Plan. The Procurement Plan will be updated annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity.

Community Participation. Works procured under this project include rehabilitation and reconstruction works of approximately 18,000 houses and tertiary infrastructure. Community groups will receive community grants for an amount of Rp 20 million per house (US\$2,200 equivalent) to be rebuilt. There will be subproject agreements between the community groups and GoI through the PJOK. The standard form of subproject agreement will be found in the POM and will include information on: (a) the total amount of community grants; and (b) the implementation schedule and the number of houses to be delivered by the particular KP by the end of contract period. Procurement will be carried out by the community groups following simplified method involving community, and the procedures are detailed in the POM acceptable to the Bank.

Works may be conducted through contributions from communities, which may be in the form of labor and materials. For contribution of labor, communities may choose to include full or partial labor cost in the proposals and/or pay salaries for work done on the project. Construction using a labor-intensive arrangement with community members is subject to the following provisions:

- The architectural plans and engineering designs shall be acceptable to Government regulations and standards.
- The implementation/subproject agreement covering these works shall include the following: (i) specified lump-sum, fixed price amount based on a written estimate of work to be rendered by identified laborers from the community; and (ii) description in reasonable detail, including basic specifications, estimated completion date, and relevant drawings where applicable.

In areas where the community does not have the capacity to construct works themselves, or where the community groups so decide, the community may (with GoI prior agreement as established in the subproject implementation agreement) choose to hire contractors. In this case, simplified shopping procedures (as defined in the POM) will be followed. These contracts will be

contracted under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified contractors in response to a written invitation. The invitation includes basic specifications, required start and completion dates, an agreement format acceptable to the Bank, and relevant drawings. The award will be made to the contractor who offers the lowest price quotation for the works. No restriction on participation in the bidding is allowed. To enhance transparency, the list of vendors and their corresponding committed/paid amount will be disclosed in the public domain, at least on the information board and in the public accountability meetings.

The District Management Consultants (DMCs), on behalf of the Ministry of Public Works/GoI), and through the community facilitators, will be consulted to ensure smooth construction processes in the field. This includes, but is not limited to: (a) simple hazard resistant housing engineering design and lay out; (b) determination of hiring or not hiring contractors; (c) determination of the housing contract packages to be built by particular contractors; and (d) the hazard resistant construction methods to be implemented in the field. The POM will provide additional detailed procedures regarding this matter.

Selection of Consultants. The project will require consultant services for the following:

- A team of local consultants, “bridging consultants”, to assist GoI in the overall preparation of the project, including preparing the design of the construction works. This will be funded through the reallocation of funds from UPP-3 at the request of GoI. Subject to satisfactory performance, GoI may extend their involvement during the implementation of the project;
- A long term National Management Consultant team to manage and coordinate the District Management Consultants;
- Two long term District Management Consultant teams (DMC). Each DMC will cover the construction of up to 12,500 houses;
- Evaluation consultants hired intermittently throughout project duration; and,
- Bridging Consultants for pilot projects (1 NMC) and 2 DMCs.

Long Term National Management Consultant Team (NMC) and District Management Consultants (DMC)⁴. NMC and DMC consultants will be the key to the successful implementation of CSRRP. Without their mobilization and continued support in the field, the community grants will not be implemented. Therefore, considering the emergency nature of this project, rapid deployment of these consultants is necessary. To support this, at GoI’s request, the NMC and DMC consultants will be competitively selected following rapid simple selection procedures following CQS. To maintain the justification of using emergency procedures, GOI will ensure that consultants submit proposals prior to end of this calendar year and that contracts are awarded by early January of 2007. If GOI is not able to maintain this schedule (except for reasons that are totally beyond their control), then the Bank will not be in a position to clear the awards of these contracts and they have to revert to using QCBS procedures and starting the process again.

Learning lessons from the Aceh experience and based on the assessment of the agency’s internal bureaucracy in carrying out procurement, the selection under CQS is expected to be completed no sooner than 4 months. For this purpose, and due to further consideration of rapid response to the emergency nature of the post earthquake works, a set of bridging consultants (consisting of one (1) NMC and two (2) DMCs) will be hired to assist the PMU for the first six months of

⁴ The bridging consultants (NMC and DMC) is defined as sets of management consultant firms, which are assisting the GOI during the start up implementation of 6 months. The long term NMC and DMC is defined as sets of consultant firms which are assisting GOI for implementation beyond the 6 month start up period.

implementation, before the above-mentioned long term NMC and DMCs are on board. This will allow adequate overlap of two (2) months with the incoming long term NMC and DMCs.

The bridging consultants (one (1) NMC and two (2) DMCs, estimated at US\$500,000 each) will be single sourced to the existing NMC and Oversight Consultants (OC) of UPP-3, which have the available resources already mobilized within the project areas. These consultants have experience dealing with rapid community-based construction in Aceh, and/or they have local knowledge and are uniquely qualified for this assignment.

Evaluation Consultant (EC) – total US\$700,000. Although the current plan is to evaluate the project every 6 months, the EC will be hired intermittently throughout project duration, as needed. Each contract amount will be less than US\$200,000, and therefore the selection process will follow CQS procedures.

Short lists of consultants for services estimated to cost less than US\$400,000 equivalent per contract may be composed entirely of qualified national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The Bank's standard Request for Proposals (RFP) for the selection of consultants will be used.

Individual Consultants. There will be specialized advisory services that will be provided by individual consultants selected by comparison of qualifications of three candidates and hired in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant guidelines.

Prior Review. All consultant contracts (firms) above US\$100,000 and contracts following Single Source Selection (SSS), are subject to the Bank's prior review. At GoI's request, retroactive financing of US\$2 million is included for consulting services to accelerate the launching of the project.

Assessment of the Agency's Capacity to Implement Procurement. The executing agency for the project is the DG Human Settlements of the Ministry of Public Works, which will be responsible for all consultant procurement work.

The last Procurement Capacity Assessment Report (PCAR) for Indonesia was carried out in February 2000, with the final report issued in February 2001, after which a new Keppres 80/2003 was issued to replace Keppres 18/2000. The detailed comparison and update between the two Keppres was provided separately in the PCAR, which was conducted for this project. However, it was observed that the new Keppres provides a greater basis for an open and competitive procurement process, with clear sanctions mechanisms and disclosure requirements. Prior review thresholds, as found in the Procurement Plan, are based on this capacity assessment

The executing agency is familiar with Bank-financed projects, and therefore, it has the capacity to carry out procurement following Bank Procurement/Consultant Guidelines. However, the reputation of the agency, coupled with the systemic corruption environment throughout the country, as well as the large amount of rapid procurement involved, put the procurement risk at **high**. The following actions will be conducted to mitigate the procurement risks:

- ③ All information related to the contracts (at least the names of contractors, the nature of the contract, and the contract amount), the performance of the contractors, as well as the sanctions, will be publicized on the UPP-3 website (www.p2kp.org).

- ③ A Project Operational Manual (POM) will be developed prior to project negotiation. The POM should include, but not be limited to, all applicable procurement procedures and monitoring and reporting requirements under the project.
- ③ An Evaluation Committee, comprising qualified members acceptable to the Bank, will be formed at the Executing Agency level, to assess quarterly the performance of the consultants. The assessment report will be sent to and agreed with the Bank on an annual basis. This report will provide the basis for continuation of the consultants' services.
- ③ A procurement audit (with a Terms of Reference acceptable to the Bank) will be conducted at least twice a year. This audit will be conducted by BPKP along with and as part of the interim audit.

Procurement Plan. GoI has developed a draft Procurement Plan for project implementation, which provides the basis for the procurement methods. This Plan was agreed upon between the Borrower and the Project Team on September 10, 2006. It will be available on the UPP website (www.p2kp.org) and on the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Frequency of Procurement Supervision. In addition to the prior review supervision to be carried out by the Bank, the capacity assessment of the Implementing Agency has recommended monthly supervision missions to carry out post review of procurement actions.

Details of the Procurement Arrangements Involving International Competition

A. Goods, Works, and Non Consulting Services

- There is no ICB/NCB contracts anticipated for this project, all works will be performed by communities following community participation in procurement acceptable to the Bank.

B. Consulting Services

- List of consulting assignments with short-list of international firms or individual with international experience.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Est Cost (in US\$ millions)	Selection Method	Review by the Bank	Expected Proposals Submission Date	Comments
1.	National Management Consultant team (long term)	2.0	CQS	Prior	December 15, 2006	
2.	District Management Consultants (2 packages, long term)	3.1	CQS	Prior	December 15, 2006	
3.	Evaluation Consultants (multiple packages)	0.7	CQS	Prior	December 15, 2006	
4.	Bridging Consultants			Prior	Awarded	
	• Bridging NMC	.3	SSS			
	• Bridging DMC1	.6	SSS			
	• Bridging DMC2	.9	SSS			

- Consultancy services estimated to cost above US\$100,000 (firms per contract and all single source selection of consultants (firms) will be subject to prior review by the Bank).

ANNEX I: FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

Summary and Conclusion

The project will be financed by the Java Reconstruction Fund (JRF) for a three year period. It will be managed through Project Management Unit (PMU) in the Ministry of Public Works that manages the ongoing Third Urban Poverty Program (UPP-3). At the local level, the project will use the same Project Implementing Unit (PIU) of UPP-3.

The purpose of the project financial management assessment is to determine whether the financial management system of the implementing agency in MPW has capacity to produce timely, relevant and reliable financial information on the project activities, and if the accounting systems for the project expenditures and underlying internal controls are adequate to meet fiduciary objectives. This assessment has taken into account the previous assessment of UPP-3.

Financial management risks may arise on block grant implementation at the community group level (BKM/TPK/KP), particularly on how effectively community groups use and account for the funds and ensure they are used only for intended purposes. Recent experience with the use of commercial banks in channelling these funds has also not been entirely satisfactory and will add to fiduciary risks. A significant amount of reconstruction and rehabilitation work funded by various donors and agencies is ongoing in the same area, and there is a risk of double counting of outputs. Risk may also arise from weak capacity of local governments (province, district and sub-district) to assist and supervise project implementation.

Risk mitigation steps have been proposed, as follows:

- To transfer the project funds directly from a commercial bank to community group accounts, which require at least three signatures to open and withdraw funds. The agreements with these commercial banks will be reviewed by the Bank to ensure fiduciary accountability and the Bank's obligations in case of lapses;
- To provide technical support in financial management to the PMU and PIU management teams;
- To provide technical support to community groups by trained facilitators;
- To provide external monitoring to avoid double counting of outputs at the village level; and
- To adopt CDD management tools and systems used by KDP, UPP and CSSRP, under which community oversight and social sanctions can be maintained effectively.

Overall, the project financial management risk is assessed as being **substantial**. This assessment has concluded that with the implementation of the action plan, the risks will be substantially mitigated, and the proposed financial management arrangements will satisfy the Bank's minimum requirements under OP/BP10.02 and are adequate to provide, with reasonable assurance, accurate and timely information on the status of the grant as required by the Bank. More details of the financial management assessment are given below.

Strengths and Weaknesses

The project has strengths and weakness in several areas. The project design has strengths by using CDD mechanism as follows:

- Community groups will receive the funds directly in their bank accounts maintained in commercial banks, thus reducing risks of extortion.
- Communities have stronger ownership, which may create effective community control over construction costs.
- An external monitoring unit will be hired by the PMU.
- Adoption of proven CDD management tools and systems used by KDP, UPP and CSSRP, such as flow of fund mechanism, reporting and project monitoring.

Some weaknesses noted during the assessment are:

- Capacity of community groups to manage and implement the grants may be weak. These block grants are the largest expenditure component in this project.
- Capacity of local government PIUs to supervise and assist community groups may be weak.
- There is a risk of overlap of the funded reconstruction activities with other similar ongoing activities, either of UPP-3 or of independent projects.

The project's weaknesses may create some risks in the project implementation. The project includes several mechanisms to mitigate the risks. Among them are:

- ⌚ To provide technical assistance to the PMU and the PIUs on project administration and implementation.
- ⌚ To provide technical assistance to community groups on sub-grant implementation.
- ⌚ To issue a Project Operational Manual, including the establishment of community groups, preparation of sub-projects, accounting, reporting and auditing. The draft operational manual should be ready prior to project negotiation.

Summary of Project Description

The total proposed project cost amounts to US\$61 million. JRF will finance US\$60 million as a credit and the Government will provide US\$1 million through in-kind support for implementation and overhead costs, including government staff salaries and administration processing. In addition, communities will contribute through labor, materials, and mutual assistance. The project covers Central Java, West Java, and Yogyakarta provinces. The project will consist of the following components:

Component A: Housing reconstruction support grants (US\$42 million)

This project will support communities in the reconstruction of 18,000 homes across 60 villages in Central Java, West Java and Yogyakarta to improved seismic standards. The amount of the shelter grants per destroyed house equals Rp 20 million (US\$2,200). The reconstruction process is managed through a community-based approach using existing UPP-3 and KDP networks, through which beneficiaries are required to form groups to make decisions for the community regarding the reconstruction process.

Component B: Block grants for priority infrastructure and hazard risk reduction investments (US\$11 million)

This component finances block grants of minimum Rp 250 million for kelurahan or desa for the rehabilitation of small-scale priority infrastructure according to the communities' rehabilitation and reconstruction plans. This also includes funding for investments that may be identified necessary for disaster mitigation or emergency preparedness. In addition, this component also

allows the use of the funds for transitional shelters, using materials that can be reused for permanent houses.

Component C: Community education and quality assurance (US\$3.2 million)

This component will support the GoI’s strategy for settlement reconstruction by financing: (a) the hiring of 200 Housing Task Force teams to oversee project implementation and verify that beneficiary households are maintaining high construction standards and quality; and (b) capacity building exercises to teach communities how to maintain and manage project activities (settlement and infrastructure construction, bookkeeping). Each Housing Task Force team will be responsible for the reconstruction of 250 houses per year.

Component D: Project implementation support, monitoring, and evaluation (US\$3.8 million)

This component covers the cost of hiring one National Management Consultant team to oversee the project and two District Management Consultant Teams to guide the efforts of the Housing Task Force teams and track implementation on the ground for the reconstruction of 18,000 houses. The component also covers the cost of the establishment and execution of public communications, a Management Information System (MIS) to monitor progress, and a complaints handling mechanism for the program. It also establishes an internal and external monitoring and evaluation framework.

Risk Assessment Summary

A detailed analysis of financial management risks arising from the country situation, the proposed project entities, and specific project features and related internal controls was completed during the assessment, and is summarized below. These risks have been rated on a scale from *High, Substantial, Moderate and Low*.

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Condition of Negotiations, of Board, of Effectiveness (Y/N?)
A. Inherent Risk			
<u>Country level</u> Weak control environment	H	The Bank will support and assist GoI through GFM RAP project and the DPL program.	N
<u>Entity Level</u> Poor oversight of geographically dispersed implementation	S	NMC to be appointed, with external monitoring responsibilities.	N
<u>Project Level</u> Poor sub-grant implementation due to weak capacity of the PMU, PIU, PJOK staff and community group members to supervise	S	Provision of technical assistance, including an FM consultant at the central and local level, including TA (facilitator) to community groups Training on the Project Operational Manual	Y, Draft operation manual is ready prior to negotiation.
Compliance with the Project Operational Manual	S	Provision of technical assistance at the community group level and external monitoring.	Training of facilitators after the project becomes effective
Large number of villages involved in sub-project implementation, and	S	Use of a commercial bank with a wide branch network.	

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Condition of Negotiations, of Board, of Effectiveness (Y/N?)
complexities in flow of funds to large, geographically dispersed community groups.			
B. Control Risk			
<u>Budgeting</u> Delays in budget documents approval	M	Budget documents should be prepared and discussed earlier with the MoF by the PMU, MPW. Prior experience with UPP-3 will help.	N
<u>Accounting</u> Weak accounting staff capacity at decentralized locations	S	Provision of technical assistance at the central and local levels, including to community groups Use of government accounting system (SAK) by the PMU to ensure accountability within the Government structures. The PMU will have a separate budget document (DIPA) and a separate Dedicated Bank Account (DA) for this project. The PMU should do regular bank reconciliation for each Dedicated Account	N
<u>Internal Control</u> Payment verification and cash/bank management	S	There is segregation of duties between the payment request and payment order unit. Community Facilitators will be involved in payment request clearance.	N
Risk of double counting the outputs with similar activities funded by other donors.	S	Community groups (BKM) and facilitators will supervise the recipient (KP) and monitor the outputs. There will be supervision by an external monitoring unit. Audit of community level records will be conducted as operational audit by BPKP, with a sampling threshold of at least 15% of locations. Other internal control system and procedures will be the same as those applied to UPP-3, and will be included in the Project Operational Manual, including social sanction mechanisms.	
<u>Flow of Fund</u> Community does not received the funds in a timely manner	M	The funds will transfer directly to the community groups' accounts based on approval by the facilitator and PJOK.	N
Embezzlement of funds by commercial bank staff	S	The Memorandum of Understanding (MOU) with the commercial bank should include internal control of payment release and their obligations/sanctions when such control has lapsed. This MOU will be subject to approval by the Bank.	Y, Disbursement condition

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Condition of Negotiations, of Board, of Effectiveness (Y/N?)
<u>Financial Reporting</u> Reliability of financial reports and delays in producing the reports	S	Use of SAK for basic accounting, and use of external spreadsheets to generate interim financial report (IFRs); same IFR formats as are applied in UPP-3. Provision of TA to assist the PMU, PIU and community groups to prepare the financial reports, through existing consultants under UPP-3. Community groups will prepare a simple financial report.	N
<u>Auditing</u> Capacity of the auditor	S	Appointment of an external auditor to be confirmed no later than 6 months after signing of the Grant Agreement. Audit reports and audited financial statements will be made available to the public. Audit TOR to be agreed upon at negotiations.	Y, Six months after project implementation TOR to be agreed upon at negotiations.

Implementing Entity

The PMU at the central level as well as the PIUs at the provincial and district levels will be under MPW. At the sub district level, PJOK will administer the sub-grant agreements. The implementation of the reconstruction program will be executed by a community group (BKM/TPK/KP) which will apply community-driven development (CDD) mechanisms established through UPP, KDP and CSSRP. These programs are all financed by the World Bank and/or JRF. To maximize efficiency, the housing program will work mainly in the urban and rural areas covered by KDP and UPP programs, as both have existing community-based networks at the decentralized *kecamatan* and *kelurahan* levels, enabling them to assist in the management and monitoring of grant disbursements.

Project Financial Management Staff

The central project management will use existing UPP-3 PMU staff. At the local level, the same PIU that manages UPP-3 will be used. Some PIUs may have adequate financial management (FM) staff, while other PIUs do not have adequate FM staff. Generally community groups do not have adequately skilled FM people to manage the sub-grants.

The mitigation actions to reduce the above risk include providing technical assistance and independent monitoring during project implementation. The project consultants being utilized for UPP-3 will provide technical assistance in financial management and procurement, including budget document preparation, disbursement mechanism, accounting and reporting. The project also provides facilitators to assist community groups with sub-project preparation, implementation, accounting, and reporting.

Accounting and Reporting

All financial transactions for the project will be recorded in the Government accounting system and included in Government accountability reports. In addition, the PMU will prepare a separate

set of project financial reports suitable for project monitoring purposes. The specific accounting procedures for the project financial report will be included in the Project Operational Manual. The PMU and PIUs will maintain separate accounting records, on a cash basis. Each community group is required to have simple accounting and financial reports. Facilitators will assist community groups to prepare a simple financial report, which should be prepared separately from the UPP-3 report.

The PMU will be responsible to prepare aggregate Interim Financial Reports (IFR) and submit them to the Bank on a quarterly basis, in formats to be agreed with the Bank. The output will include retroactive financing expenditures, which will be adequately disclosed. Eligibility criteria and accountability mechanisms for retroactive financing should be included in the Project Operational Manual. Special purpose financial statements for this project will be prepared annually for audit purposes. The IFR format was agreed upon during appraisal.

Audit Arrangement

This project will have the same PMU as the Urban Poverty Program (UPP). The latest audit report of UPP-2 (for year 2005) has a qualified opinion due to the exclusion of expenditures that were pre-financed by the Government and subsequently reimbursed. This error was due to a misunderstanding by project accounting staff, since these expenditures were paid in the first instance by Government funds and use a different withdrawal application. The audit also reported some internal control weaknesses in the PMU and at the village level. The PMU has taken follow up actions and requested all facilitators to monitor follow up actions at the village level.

The audit for this project financial statement will be carried out by an independent auditor acceptable to the Bank. BPKP will be accepted as the project auditor. The annual audit report will be furnished to the Bank no later than six months after the end of the Government's fiscal year. BPKP will also conduct an operational audit of community based accountability, in which it applies audit methodologies developed by them to audit community based activities.

The audit assignment will be in accordance with the Terms of Reference (TOR) to be agreed with the Bank. The TOR will include an assertion on the reliability of the project financial statements and will also include a verification of accounting information at the community level on a sample basis. The auditors will at least include 20% of participating villages and covering at least 15% of expenditures for sub-grants as their samples. The audit will include an audit on retroactive financing from the period between the date of grant's approval and signing. The annual audited financial statement will include a review and reconciliation of Special Account transactions and quarterly IFRs. Audit reports will be made accessible to the public.

Interim Audit

The auditor will also be required to conduct an interim audit and present the findings to stakeholders, including community groups. The interim audit TOR should be compliant with the annual audit TOR agreed with the Bank. The interim audit will also include among others the conduct of procurement audits. The interim audit reports should be submitted to the Bank as well as the PMU.

Disbursement Arrangement

A separate Designated Account (DA) denominated in US dollars will be opened in a commercial bank. The DA will be under the name of the DG Treasury, MoF. Weekly bank statements of the DA will be provided to the PMU, which will reconcile transactions with the financial record. DA withdrawal procedures will follow the Governments' procedures, as acceptable to the Bank. The ceiling of the advance to DA will be variable, and the advance(s) will be made on the basis of the six month projected expenditures. Applications for reporting of use of the DA funds would be supported by quarterly IFRs, and list payments for contracts under the Bank's prior-review. Except for the first advance to the DA, applications for the advance to the DA shall be submitted together with the reporting on use of DA funds which will consist of: (a) IFRs; (b) projected expenditures for six months; and (c) the DA reconciliation statement.

Flow of Funds to Community Groups

Funds for infrastructure block grants and housing grants will be channeled to community group accounts through a commercial bank (CB), which has a real-time online banking system and extensive branches in the affected areas. MPW will sign a contract agreement with this CB to provide banking services on channeling grant funds. A dedicated master account will be maintained at the CB's branch office in Yogyakarta that authorizes the withdrawal of funds by eligible beneficiaries. The PMU manager will be responsible to administer and prepare reports on project activities.

In accordance with Government procedures, the PMU manager will submit payment requests (SPM) to the Treasury Office (KPPN), which will issue payment orders (SP2D) to the DA depository bank and remit funds from the special account to the master account in the CB in Yogyakarta. The CB will provide monthly statements to the PMU for monitoring purposes. Eligible beneficiaries are identified in the field, which are community groups, i.e., BKM/TPK or KP for infrastructure or housing grants respectively. A standard form (SPPB) will be completed by eligible beneficiaries with assistances from housing facilitators, certified by the DMC, and approved by the sub-district project manager (PJOK).

PJOK will submit the beneficiaries' completed forms and payment requests to the CB branch office at the relevant district which will verify if the claims match the master list provided by the PMU through the CB-Yogyakarta and arrange for a real-time direct debit to the dedicated master account and credit the beneficiaries' bank accounts. The second and third payments will depend on progress reports from the field (see Figure 1).

Task forces' Payroll System

The project will establish 70 Housing Task Force teams, comprising nine (9) members per team that will be hired individually. In order to facilitate payment of salaries, the PMU will make a service agreement with a CB to provide banking services for the payroll. The PMU will maintain an account at the CB's branch office in Yogyakarta with sufficient deposits from which salaries would be remitted to each personnel/facilitator account each month.

Disbursement for other components will follow the standard government flow of fund mechanism used under UPP-3, which is acceptable to the Bank.

Allocation of Grant Proceeds

Category	Amount (in US\$ Million)	% of Expenditures To be Financed
1. Shelter Support Grants	42	100
2. Infrastructure Block Grants	11	100
3. Community Education and Quality Assurance	3.20	100
4. Project Support, Monitoring and Evaluation	3.80	100
Total Grant	60.00	

SUPERVISION PLAN

Supervision of project financial management will be performed on a risk-based approach at least twice a year. The supervision will review the project's financial management system, including but not limited to sub-grant expenditures, accounting, reporting and internal controls. The financial management supervision will be conducted by financial management specialists and Bank consultants.

Action Plan and Conditionalities. Standard Bank conditions and covenants apply.

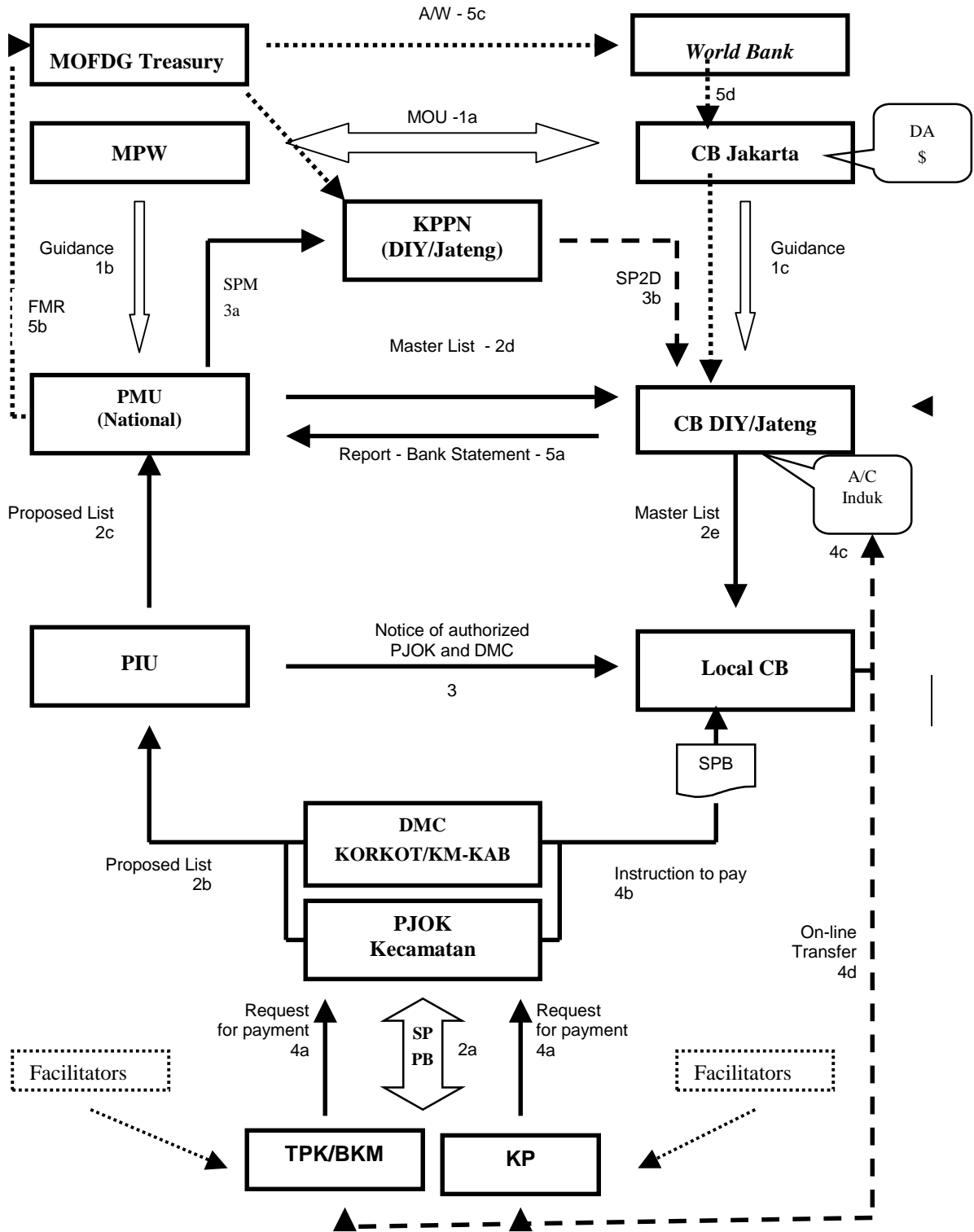
The following actions have been completed and provided to the Bank at negotiations:

- Draft Project Operational Manual, including community oversight and accountability procedures adapted from UPP.
- Confirmation that BPKP is appointed as external auditor with an acceptable Terms of Reference and requirement that the project audit report should be submitted to the Bank no later than six months after the end of each financial year.
- Draft DG Treasury circular letter on the disbursements of funds.
- Draft Memorandum of Understanding (MOU) on the mechanism for channeling of funds with a commercial bank that includes an internal control of payment release and their obligations/sanctions when such control has lapsed.

The following actions are required to be completed during the project implementation:

- Adoption of the final Project Operational Manual prior to disbursements for sub-grants.
- Signing of Memorandum of Understanding (MOU) on the mechanism for channeling of funds with a commercial bank that includes an internal control of payment release and their obligations/sanctions when such control has lapsed prior to disbursements for sub-grants and individual consultants/facilitators.

Figure 1: Flow of Funds for Housing and Infrastructure Grants



Notes for Figure 1:

- 1a Memorandum of understanding on fund channeling mechanism
- 1b Guidance Letter from MPW to the PMU
- 1c Guidance Letter from Commercial Bank headquarter to the selected provincial branches (Coordinating Bank)

- 2a After community preparations are completed, SPPB (grant agreement) between TPK/BKM and KP are signed with PJOK
- 2b PJOK to submit the proposed list (grantee, address, amount) through the DMCs to the PIU
- 2c PIU to submit the proposed list (grantee, address, amount) to the PMU
- 2d PMU to submit the “approved” master list (i.d., No, grantee, address, amount) to Coordinating Bank DIY/Jateng
- 2e Coordinating Bank DIY/Jateng to distribute the master list to the relevant Local Branches (paying bank)

- 3 PIU submit the names and specimen signatures of PJOK and DMC to Local Branch (paying bank)
- 3a Based on the MOU, PMU issue request for payment (SPM) to KPPN DIY/Jateng
- 3b KPPN DIY/Jateng issue payment order to CB DIY/Jateng to overbook from Designated Account (DA) to A/C Induk

- 4a When payment is due, TPK/BKM and KP submit a request for payment (SPB) to PJOK
- 4b PJOK and DMC approve and forward the SPB to Local Branch (paying bank)
- 4c/d After verifications, CB Branch transfers funds crediting TPK/BKM or KP account and debits the A/C Induk at the Coordinating bank DIY/Jateng

- 5a Commercial bank Jakarta to provide the PMU with reports and bank statements regularly
- 5b The PMU, based on CB Jakarta’s report and bank statements, prepares the FMR and submits it through the DG Treasury
- 5c DG Treasury forwards the IFR and A/W to WBOJ
- 5d WB replenishes funds to the Designated Account at Commercial bank Jakarta

ANNEX J: ANTI-CORRUPTION ACTION PLAN

Executive Summary

This Anti-Corruption Action Plan aims to identify corruption risks and mitigation measures beyond the standard control systems employed by the World Bank. Further program-specific control systems are outlined in the Financial Management & Disbursement Arrangements and in the Procurement Arrangements annexes. This Action Plan maps potential risks of corruption and presents program activities to address these risks in the form of an Action Plan.

The project follows a learning approach, and lessons will be continually incorporated into the implementation processes to make them stronger. The project will learn not only from lessons gained within its own work area, but also from sister activities in other Community Driven Development (CDD) projects, and in particular from lessons currently being learned in the reconstruction efforts related to the post-tsunami and post-earthquake areas of Aceh and northern Sumatra, where there are both multiple problems and needs, yet at the same time weakened local government and complex lines of coordination between government and non-government agencies. In many ways the current project faces less dangers of corruption and other challenges than the sister project in Aceh-Nias since Yogyakarta and Klaten are significantly less geographically isolated and they have still have stronger local government infrastructure.

Corruption Mapping. The matrix included in this action plan identifies some potential risks of corruption and specifies some appropriate mitigation measures that have been agreed to by the Implementing Agency and the Executing Agency. The mapping exercise is expected to be repeated annually during the lifetime of the project to incorporate innovations and lessons learned.

The Action Plan. The anti-corruption strategy has been developed around the premise that the project will build upon the highly successful GoI Urban Poverty Program (UPP). In the context of the anti-corruption plan, project activities can be seen to fall into two distinct sets: the procurement, mobilization and management of supporting consultant services at the provincial and national levels, and the community level activities themselves.

Community level participation and empowerment are crucial to the success of the project as a whole. These draw heavily on experience from UPP, using established village and sub-district mechanisms wherever possible. Together, these factors will inspire greater accountability and better governance. This project empowers groups at the village level to officially manage the distribution of standard housing grants among group members, and together mobilize other available local resources. These groups, assisted by trained facilitators and engineers, will be responsible for the technical quality of their own housing. It is in the long term self interest of the group members to make the best possible use of the available resources. The design of the project incorporates careful socialization and transparent management techniques that help to ensure the necessary participation and empowerment.

In relation to corruption, there are three main risk areas involved in this project: the first group of risks is to be found in the transfer of funds from national level to end-user; the second group relates to the multiple risks of coercion at the local level; and the third group of risks relates to procurement, particularly of consultant services.

The streamlined and participative processes adapted from UPP are expected to greatly reduce risks related to getting funds to the groups that need them. Nevertheless, the post-disaster area

does present a set of special challenges that must not be underestimated, particularly in relation to providing private goods (housing) through a mechanism originally designed for public goods (CDD). The project recognizes this and will not only adopt the mitigation measures already developed under UPP, but also ensure more frequent monitoring and supervision activities to further reduce associated risks. Taken together, these measures are deemed to greatly reduce the overall level of risk. Further, because grant amounts are known at the group level, the likelihood is high that individuals will use the project's complaint mechanisms if their entitlements are delayed or subjected to any deductions.

The risks related to coercion at the local level range from mild to very serious. At the lower end of the spectrum, it is possible that well-meaning engineers might try to coerce villagers to use contractors to undertake works that the villagers would prefer to do themselves. These types of risks are greatly reduced through open dialog at the village level and clear mechanisms for getting 'second opinions' from higher levels of project management. The more serious risks include the threat of physical violence from armed factions who may seek to influence decisions, or even steal the grants. To offset these latter risks, the grant disbursement mechanisms will allow for multiple withdrawals at bank branches nearest to the material suppliers chosen by the villagers. In other words, there will not be a need for large sums of cash to be carried from place to place. Again, the collective decision-making and management processes are perceived to offer the best protection against abuse. In general, these kinds of risks are deemed much lower than in the more isolated, ongoing activities in Aceh-Nias where to date there have been no serious cases reported.

Close supervision and rigid enforcement of the rules governing procurement and financial management at the national, province and district levels of the project will help to ensure that contracts at those levels will not be fraught with problems. Civil society oversight of project processes should provide additional security in procurement and implementation activities. The Yogyakarta and Klaten areas are fortunate to have strong civil society forums that can be easily tapped into as informal external monitoring partners to complement the relatively robust local government apparatus.

Some of the most important aspects of the anti-corruption action plan can be summarized into the **six** key elements that follow. Underpinning each of these elements is the careful consultative process that ensures participation and empowerment.

- 1. Enhanced Disclosure Provisions and Transparency.** The project will simplify disclosed materials and make them readily available to the public. Specific disclosure measures related to information at the national, province and district levels will include, but not be limited to:
 - Public disclosure of annual procurement plans and schedules (and their updates), bidding documents and requests for proposals.
 - Disclosure to all bidders of the summary of the evaluation and comparison of bids, proposals, offers, and quotations, after the successful bidder is notified.
 - All bidding documents will be made publicly available in accordance with World Bank procurement guidelines.
 - All short lists of consultants will be made publicly available in accordance with World Bank consultant guidelines.
 - The summary of the evaluation of all bids will be available to all bidders and parties submitting proposals for specific contracts, promptly after the notification of award to the successful bidder.
 - All bid openings will be public.
 - Representatives of the end-users of the goods or works being procured at the district or provincial level will be able to attend the public bid openings.

- All information regarding contracts awarded will be publicly disclosed.
- Disclosure of audit reports and mid-term review.
- Public information centers established in relation to the Aceh reconstruction effort will be fully utilized to ensure that the simplified information is available to beneficiaries.

In relation to transactions undertaken at the individual and group levels, salient information will be made readily available to communities by a range of means, including routine public accountability meetings and notice boards. Project facilitators will check on a regular basis that such information is being shared in appropriate ways. Failure to disseminate information may result in suspension of funding to a given group (KP) or village.

2. **Civil Society Oversight.** The program recognizes that greater oversight by civil society is likely to reduce the risk of corruption and misuse of power. The program involves a high degree of formal participation by community groups within the areas of beneficiaries, the private sector, and traditional/*adat* and religious leaders, through the monitoring of the projects/end results, memberships of the tender committee, and the evaluation of the quality of delivery of the procured services/products.

Existing NGOs and other civil society organizations will be involved in a variety of ways, *inter alia*: (a) through participation in workshops; (b) as key resource persons for the development and strengthening of groups where possible; (c) as evaluators on an ad-hoc basis, possibly with some hired under contract for routine monitoring and/or specific studies; and (d) as training providers in particular skill areas.

Opportunities will be given for civil society organizations (CSOs) to become involved in supervision missions.

3. **Mitigating Collusion.** Opportunity for collusion and fraud exist in any project. However, due to the participatory, transparent nature of the project, many of the possible risks are significantly reduced. Transparent, well-advertised procurement under the program with appropriate oversight is the starting point for reducing the likelihood of collusion. Additional auditing and procurement procedures are proposed, such as oversight by technical assistance and capacity building. Performance of the project consultants/contractors/suppliers will be monitored and evaluated by government as well as by civil society. Government assessments of performance will be circulated to the relevant technical parties.
4. **Mitigating Fraud & Forgery.** There is a risk of forgery of: (a) documents certifying completion of work; and (b) contractor invoices and reimbursable expenditure by consultants. Mitigation will be through requirements for stronger documentary trails, use for formal vendor invoices for reimbursement claims, requiring extensive pre-audits by BPKP on eligibility and completion of construction, and certification of completion by community groups before payments are released.
5. **Complaints Handling Mechanism.** Complaint handling procedures as defined in Keppres 80/2003, will be strictly followed by assigning authorized officials to be responsible for maintaining a database of complaints and the follow up actions. While the program is designed to encourage local complaints resolution, in some cases local elites might still try to misuse power and program activities; so, it is important to be able to access a more central complaints handling system. This project will utilize the UPP complaints unit and mechanisms. This unit may investigate and facilitate the resolution of complaints and problems deemed within its mandate, but in most cases the problems will be referred back to

the relevant agency. The database of complaints, follow-up actions being taken, and sanctions applied will be publicized to increase participants' involvement and to increase the likelihood of their lodging protests, thereby raising the social costs of misuse of funds. The government will endeavor to ensure that complaints will be resolved in a professional and timely fashion, and without risk of reprisal to 'whistleblowers' in public. All of the village level sign/information boards will provide details of the project and complaint handling unit mailing addresses.

- 6. Sanctions & Remedies.** Clear sanctions and remedies are important final steps in the effort to fight corruption. This project will endeavor to apply a zero tolerance policy to corruption, as does UPP. Cases of suspected abuse of power from within the government will be reported directly to the authorized agency mandated under the Indonesian law: the Attorney General Office and/or the Corruption Eradication Commission depending on the case. In the case of corruption within the community, the cases will first be reported, discussed, and decided at community level meetings (Rembug Warga) prior to their submission to the relevant authorities. Experience in other CDD projects indicates that many risks can be mitigated by the threat and use of community-based sanctions such as those used under UPP. Communities are encouraged to impose reasonable, effective sanctions on citizens who abuse the power that has been entrusted to them. There is an increasing wealth of anecdotal evidence suggesting that such sanctions can be more easily applied and are more effective than protracted legal proceedings, especially in cases of minor abuse. The project does not endorse vigilantism or extreme community sanctions. Other formal sanctions may also be applied. For example, any official (government or non-government), community member, or private sector entity participating in the project can be prosecuted if the case warrants and sufficient evidence is available. In all procurement contracts, evidence of corruption, collusion or nepotism will result in termination of the relevant contract, possibly with additional penalties imposed (such as fines, blacklisting, etc.) in accordance with Bank and GoI regulations. Transfers of funds into specific village or group level accounts will be suspended in cases where significant misuse of funds is suspected. Larger rural or urban areas may be subject to suspension or cancellation of assistance if misuse of funds is suspected to occur widely in the respective area and no appropriate action is taken to rectify the situation. Information regarding successful cases, where lessons are learned and funds are retrieved, will be widely disseminated.

Corruption Mapping Matrix

Limiting the occurrence of corruption in this project starts with identifying potential risk areas – this is called corruption mapping. This exercise will be repeated at least once every year as the project progresses and lessons are learned.

Corruption Mapping Area	Level of Risk	Opportunity for Corruption	Mitigation Action
PROCUREMENT			
Capacity of the Satker and Tender/Evaluation Committee	MEDIUM (Central)	Non-independent judgment of the consultant evaluation process. The decisions tend to bias towards consultants as “instructed” by the higher-level officials or other parties.	<ul style="list-style-type: none"> - Independent professionals included as part of the consultants’ proposal evaluation team - Capacity building for all actors involved in procurement, including certification of staff in accordance with Keppres 80/2003 - Development of Project Management Manual to streamline all procedures and sanction/complaint handling mechanism
Proposal evaluation	MEDIUM	Delay in evaluation process that would benefit exclusive consultants <ul style="list-style-type: none"> - Proposals are rejected due to reasons unrelated to the capacity of consultants in carrying out of the contracts/services - Significantly high technical scores allocated to the “preferred” consultants such that no other consultants can effectively beat their proposals regardless of the prices, which could result to significantly high prices - False information provided by the consultants 	<ul style="list-style-type: none"> - The Procurement Plan, with detailed timeline, will be binding in the Legal Agreement, and will set as the basis for any procurement actions. - The Bank would declare misprocurement for any unjustified extension of validity of proposals - QCBS procedures with budget ceiling will be followed - The estimated budget for each contract package will be based on actual experience
Award of Contract	MEDIUM	<ul style="list-style-type: none"> - The committee may call the prospective winner and negotiate the contract amount - Collusion and nepotism in awarding the contract 	<ul style="list-style-type: none"> - The TOR will be designed to be quite rigid - Mandatory disclosure of contract awards
Quality of delivered services	MEDIUM	<ul style="list-style-type: none"> - The delivered services are of lower 	<ul style="list-style-type: none"> -Involvement of civil society oversight and supervisory

		<p>quality than the ones specified in the TOR, and the officials may take kickbacks for the difference</p> <ul style="list-style-type: none"> - Significant changes of key staff of consultants at the early stage of the assignment - Intentionally low quality of supervision of contracts, and kickback from the consultants 	<p>consultants in the inspection of the delivered services</p> <ul style="list-style-type: none"> - Enhanced complaint handling mechanism - Involvement of community groups in monitoring the quality of the consultants' deliverables - Enforce reward punishment system as defined in Keppres 80/2003
Procurement Planning, including sub-projects	MEDIUM	Risk of kickback, and budget markup	Mandatory review by the Bank of Procurement Planning, and disclosure of Procurement Plan in public domain, including disclosing the contract amount
Overall procurement	MEDIUM	Risk of kickback, collusive practices to "award" the contract to "preferred" consultants, and lower quality of services	<ul style="list-style-type: none"> - Enhanced disclosure, complaint handling, and sanctions as defined in Keppres 80/2003 - Enhanced capacity for the officials involved in procurement decisions, including hiring of consultants - Enhanced control system (internal and external), including involvement of professional members of civil society in procurement decision) - Development of Project Manuals - Tighten Bank supervision
PROJECT MANAGEMENT			
The final list of PMU and PIU staff with their (a) experiences in handling donor financing project and (b) history of project management and or treasury training taken	MEDIUM	- Risk of weak capacity (e.g. lack of familiarity with Bank procedures, lack of managing a project of a similar scale) of PMU and PIU staff.	<ul style="list-style-type: none"> - The criteria and performance indicators of Project Manager, Treasurer, planning staff, procurement staff, financial staff and monitoring & evaluation. Staff of CPMU, PMU and PIU agreed by the Bank have been incorporated in the PMM and will be used as the basis of the annual performance review of the relevant staff - Requirement of POM as a guideline for project implementation. - Requirement of Government Project Management, Treasury and POM training for CPMU, PMU and PIU staff. - Annual Training agreed by the Bank for CPMU, PMU and PIU staff.

Publication of all Audit Reports and release into the public domain	MEDIUM	Risk of unavailability of information on the progress and results of project implementation	The implementing agency will (and the World Bank can) make publicly available promptly after receipt of final audit reports prepared in accordance with the loan/credit agreement, and all formal responses of the government
Local Accountability Mechanisms	MEDIUM	Lack of local experience may result in communities overlooking cases of abuse.	<p>Project design includes oversight and supervision to minimize risks.</p> <p>Meetings will be held regularly at the village and sub-village levels to make collective decisions on strategic issues, and to review the use of funds.</p> <p>Local accountants will audit finances each year.</p> <p>Audit results will be reported to the community at the relevant accountability meeting. Ideally, each sub district should be visited at least twice by the NMC, and in each of these a sample group of villages should be singled out for quality control purposes.</p> <p>In order to enhance the quality of consultants' supervision under the project, facilitators are required to regularly check the community level books. They will also need to sign and file a "representation statement" regularly, confirming that they have checked the books and found them satisfactory. Consultants at higher level would randomly check the facilitators' statements and will also be required to sign and file similar representation statements. A mechanism for checking and applying sanctions will be developed for those filing false statements (sanctions may include job separation).</p>
COMMUNITY PARTICIPATION			
Limited dissemination of information related to the Program	LOW	Information is kept limited to certain circulation or group of people only such that non qualified proposals could be	Socialization will be carried out through meetings, workshops and focus group discussions at the various project levels (province, district, village). It will also include a campaign through

		expected	newspaper spots and radio programs. The socialization strategy is geared towards making communities aware of the project's goals, and its rules and regulations. These are aimed to ensure that stakeholders know what their respective roles and responsibilities are, and how to hold each other accountable for their actions.
Selection of KERAP/UPK members	LOW	Non transparent process of selecting KERAP/TPK members could result in low integrity	The selection process of members of the community groups that oversee the project (KERAP for UPP and TPK for KDP) will be conducted through a transparent and fair election process, with significant participation from members of the community.
Channeling of funds	MEDIUM	Kick backs for the government officials	Funds are transferred directly to accounts controlled by beneficiaries. Once the beneficiaries fulfill the draw down conditions, following a request from the PJOK (after verification by the DMC), the funds are remitted and available within a few days. The procedures, size and criteria for defining grants, eligibility criteria for beneficiaries, and conditions for draw down are all simplified and defined upfront to ensure that stakeholders can easily understand them.
Implementation of the sub project investments	MEDIUM	Misuse of funds at the community level	All financial information is made public and displayed in at the community level. Minutes of all meetings, monthly financial status, and names and amounts of funded proposals are posted on signboards at the community level. Discretion of actors is limited by setting rules that all financial transactions require at least three signatures, two from project-related representatives elected by the community and one from the project's consultant/facilitation team. Additional procurement requirements are enforced for substantial purchases (as detailed in the procurement annex). Local accountants will audit finances. Audit results will be reported to the community at accountability meetings.

ANNEX K: IMPLEMENTATION SCHEDULE

TIME SCHEDULE OF CSRRP DIY & CENTRAL JAVA

No.	Activity	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Mar 07	May 07	07-Jul	07-Aug	07-Oct	Dec 07	Mar 08	Jun 08	Grand
		1	2	3	4	5	6	7	8	10	12	12	12	11	12	13	14	Total
PHASE I : CONSULTANT (PMC, DMC I, DMC II)																		
A	Activity at National Level: Procurement of Consultants																	
1	Recruitment of consultants			08/11														
2	Contract of consultants			08/30														
3	Mobilization of consultants						11/30											
B	Activity at Provincial Level: Recruitment of Facilitator (Housing Facilitator: 500/DMC & Kelurahan Facilitators: 200/DMC)																	
1	Recruitment of facilitator						11/15											
2	Training of facilitator						11/22											
3	Mobilization of facilitators						11/30											
C	Activity at Kelurahan Level: 21,500 houses																	
							Phase 1					Phase 2						
1	Establishment of housing groups (KP = Kelompok Pemukim)						800	800		600								
2	Disbursement tranche I (house)						8,000		4,500			7,000	2,000					21,500
3	Disbursement tranche II (house)							8,000		4,500			7,000	2,000				21,500
4	Disbursement tranche III (house)								8,000		4,500			7,000	2,000			21,500
5	Houses finished									8,000		4,500		9,000				21,500
6	In frastructure Village (completed)											30.00	-	10.00		10.00	10	60
	Total disbursement Rp billion					0	12.48	57.2	87.32	79.6	40.6	46.6	46.6	77.6	68	21.6	14	551.6
	Total disbursement \$ million					0.0	1.4	6.2	9.5	8.7	4.4	5.1	5.1	8.4	7.4	2.3	1.5	60.0
	Total disbursement commulative\$					0.0	1.4	7.6	17.1	25.7	30.1	35.2	40.3	48.7	56.1	58.4	60.0	60.0

ANNEX L: TERMS OF REFERENCE FOR HOUSING FACILITATORS

I. Overview

To achieve the goals of this housing reconstruction project, a good team of housing facilitators is essential; communities require technical guidance in order to prepare and execute a comprehensive, inclusive community-based settlement reconstruction and rehabilitation program.

Housing facilitators will work as part of the 70 Housing Task Forces assigned at the village level, which will be responsible for the reconstruction of 250-350 houses per community. The main duties of the housing facilitators will be to assist the communities in the following activities: (a) execution of damage assessment and eligibility verification; (b) provide technical advisory support for and training on settlement planning and design, hazard-resistant construction methods, and supervision and quality control; (c) monitoring of fund disbursement to beneficiaries; and, (d) give technical endorsement of housing reconstruction and repair phases.

II. Scope of Work

During project implementation, housing facilitators (HF) will be hired to work across all targeted desa and kelurahan to assist the communities and provide necessary facilitations to the KPs (Kelompok Pemukim-sub-village/sub-kelurahan community groups on settlements) on the issues related to housing and infrastructure block grant programs.

Given that housing is one of the community's main concerns and is closely inter-linked with other community issues, KDP/UPP facilitators will guide the housing facilitators to integrate with existing facilitator teams and work jointly to organize community meetings, conduct technical damage assessments, and provide necessary technical support in community settlement plan preparation during settlement reconstruction.

HFs will be responsible for verifying and signing off (co-signing with each KP bank account-holder for housing grants and BKM/TPK for infrastructure block grants) the necessary documentation for applying for shelter support, infrastructure block grant programs, and tranche disbursement requests. KDP and UPP facilitators will also sign as a witness. The HF will report to the district-level management consultant team (DMC) located within the project implementation unit (PIU) responsible for program management in his or her districts and sub-districts.

Main duties of the housing facilitators are outlined below.

III. Duties of Facilitators

Project Management

- Know and understand project goals and objectives, principles and procedures as described in the project's Operational Manuals (Pedoman Umum, Petunjuk Operasional, Petunjuk Teknis)
- Work jointly with KDP/UPP facilitators on the ground to synergize community-based post-disaster reconstruction activities addressed by both programs
- Disseminate information to all community residents, kelurahan/desa formal and informal leaders, community organizations, and particularly poor families and individuals about project goals, objectives, principles and procedures – including but not limited to beneficiary eligibility criteria, construction design, methods, timing, and support options
- Collect and organize data on settlement damage and/or reconstruction progress by village for reporting to the DMC on a monthly basis
- Enter data collected at the village level into MIS

- Coordinate with other donors working on settlement reconstruction and rehabilitation issues as needed

Damage Assessment and Eligibility Verification

- Assist the community in preparing its community settlement plan (CSP) highlighting damaged/destroyed homes
 - Help communities conduct self-survey and mapping activities along with KDP/UPP facilitators
 - Verify that the mapped information is correct and that infrastructure is properly identified
 - Conduct damage assessments of all homes in the villages affected by the earthquake
 - Work with TPK and BKM community groups to consolidate a list of eligible beneficiaries, including damage data, to send to the PJOK for verification and to initiate grant disbursement
 - Encourage community members to form KPs in a timely manner
 - Work with the KDP and UPP facilitators to assist the communities in preparing CSPs or their equivalent based on the guidelines provided by the project Operational Manual
 - Verify and sign-off on infrastructure block-grant application with representatives of TPK at the village level/BKM at kelurahan level
- Train volunteers at the village level in the housing damage assessment methodology
- Assist BKM and TPK/UPK in the review of the communities' settlement reconstruction proposals for identifying and addressing hazard-prone areas, environmental, land acquisition, resettlement, or indigenous population issues

Technical advisory support and training

- Participate in and successfully complete all project-based training courses as required by the NMC and DMC
- Coordinate with other donors hands-on construction skills training programs, such as carpentry and masonry
- Assist in the planning of community infrastructure maintenance activities
- Ensure the building materials used by communities are of high quality and appropriate for construction standards applied by the Government, NMC and DMC
- Advise communities under the guidance of the DMC team in hazard risk management measures (such as emergency preparedness planning, hazard mapping) to reduce their vulnerability to future disasters
- Train community volunteers in good construction processes as designated by the building codes established by MPW, including hazard-resistant design techniques (earthquake, wind, flood), so that those who choose in-situ construction have a basis for rebuilding their homes to higher standards
- Help the community develop housing designs that are feasible and fall within the proposed grant support

Fund Disbursement and Monitoring

- Provide necessary information to and assist the KPs in opening group bank accounts
- Ensure that project funds disbursed to community bank accounts are received and disbursed to eligible beneficiaries
- Ensure that the grants given to beneficiaries are used for housing reconstruction and rehabilitation purposes
- Assist BKM and TPK in the preparation of progress reports, financial reports, and independent audit reports as described in the project Operational Manual

Technical endorsement of housing reconstruction and repair

- Verify and sign-off on KP housing grant applications jointly with the KPs and KDP/UPP facilitators as a witness

- Certify the tranche request of each KP based on its progress in the implementation of the group's proposed implementation plan

Complaints and Conflicts

- Ensure all community members understand where and how to lodge a complaint concerning any aspect of the project
- Assist KDP and UPP facilitators in ensuring that all complaints are followed-up at the appropriate level, and assist in their resolution
- Assist KDP and UPP facilitators in supporting the parties lodging complaints, along with parties seeking resolutions at the community level

IV. Period of Service

Facilitators will be employed, trained, and assigned to two target kelurahan or desa for a period of 12 months, with the possibility of extension based on need, as well as good performance as evaluated by the DMC.

V. Recruitment

Recruitment of facilitators will be undertaken by the DMCs in an open manner by advertising in local mass print media. Selection of candidates will be based on verification of minimum qualifications required, followed by testing, interview, and upon acceptance of the position, training. Women are encouraged to apply.

Training will be conducted by the DMCs, base on training modules prepared by the PMC, (additional training materials may be used only with the permission of the PMC) covering orientation to the project Operational Manual, technical guidelines for damage assessment, as well as skills necessary to communicate effectively with community members.

VI. Qualifications

- Minimum bachelor (S-1) degree, or technical (D-3) diploma with five (5) years of experience
- Experience of at least five (5) years for senior facilitators, and two (2) years for junior facilitators, preferably in the field of architecture or civil engineering (this would be an asset but is not mandatory)
- Basic understanding of, and experience with, computers for reporting purposes and MIS data entry
- Be willing to reside in an appropriate location with ready access to assigned target kelurahan or desa
- Demonstrate the ability to work congenially and productively with other facilitators in a team context, as well as local government officials, consultants, and village leaders
- Knowledge of local construction practices is desirable.

ANNEX M: PROJECT PREPARATION AND SUPERVISION

	Planned	Actual
Appraisal	September 5-15, 2006	October 2006
RVP approval	November 15, 2006	January 5, 2007
Planned date of effectiveness	January 30, 2007	
Planned closing date	June 30, 2009	

Key institutions responsible for preparation of the project:

1. Ministry of Public Works
2. The World Bank

Bank staff and consultants who worked on the project included:

Name	Title	Unit
George Soraya	Lead Municipal Engineer (Task Team Leader)	EASUR
Raja Iyer	Lead Management Specialist	EASUR
Zoe Elena Trohanis	Hazard Risk Management Specialist	TUDUR
Parwoto Sugianto	Community-based Development Specialist	EASUR
Indira Dharmapatni	Senior Operations Officer (resettlement/social)	EASUR
Yogana Prasta	Senior Disbursement Officer	EACIF
Rizal Rivai	Senior Procurement Specialist	EAPCO
Unggul Suprayitno	Financial Management Specialist	EAPCO
Steven Burgess	Senior Social Development Specialist	EASSD
Raj Soopramanien	Senior Counsel	LEGEA
Evi Hermirasari	Urban Planner	EASUR
Jana H. Uno	Poverty Specialist	EASUR
Kumala Sari	Training Specialist	EASUR
Isabel Mutambe	Program Assistant	EASUR

ANNEX N: TECHNICAL SPECIFICATIONS FOR RECONSTRUCTION

Damage assessments

Most of the damaged or collapsed building during the May 27, 2006 Yogyakarta earthquake were of non-engineered masonry buildings consisting of one (1) or two (2) stories. The damaged or collapsed buildings are scattered, with some areas having more damage than others. The scattered areas of damage may have been caused by either geologic conditions or the poor quality of the buildings.⁵

Masonry building failure due to seismic shaking may be characterized as (a) out-of-plane toppling of walls, for un-reinforced masonry, and (b) out-of-plane bending failure of walls, and/or in-plane shear failure of reinforced masonry walls. Both failure modes could result in total structural collapse or could result in typical damages, such as walls tearing apart, collapsing, failing in corners and corner openings, walls shearing off diagonally, and additional shearing due to twisting or warping of asymmetrical buildings. Factors contributing to such failure are weak connections between walls, the wall and roof, and the wall and foundation. If not properly connected, seismic force is not transferred into supporting walls and frames, which can cause structural collapse.⁶

Principles of seismic resistant housing design

This project will support communities to rebuild their homes to higher seismic resistant standards. The grants provided to the community will allow people to rebuild their houses into 36 sq. meter dwelling units that consist of a proper foundation, frame, and roof that are seismic resistant. However, the community will be allowed to reduce the size of their houses and use the grant for full completion of houses smaller than 36 sq. meters.

Basic specifications for each house are as follows:

Foundation: River stone with 20x15 reinforced concrete beam with 12 mm steel for the main bars
Columns: 15x15 cm reinforced concrete column with 12 mm steel for the main bars
Tie beam: 15x15 cm reinforced concrete beam with 12 mm steel for the main bars
Walls: brick walls (masonry) connected to the column with anchors
Trusses : Wooden trusses 8/12 cm

Specifications, reinforced column-bar connections, and basic, practical guidance for seismic resistant construction for housing will be provided through simple, user friendly posters and brochures. In addition to the standard designs, the housing facilitators are equipped to make specific seismic resistant designs, tailored to the needs and requirements of the owners.

The Java Reconstruction Fund community-based settlement rehabilitation and reconstruction project

Architectural plans and engineering designs shall be acceptable to Government regulations and standards, and in order to allow full participation of the community, the project adopts a community-based development approach, where the community manages reconstruction of their houses; however the major risk of using this approach is that the community will not be able to meet all of the requirements necessary to reconstruct their houses according to the prescribed seismic resistant standards.

To ensure that the housing designs and construction quality will meet the technical requirements for seismic resistant buildings, the project has prepared the following steps:

⁵) Teddy Boen report; Yogya earthquake 27 May 2006, structural damage report, 2006.

⁶) Teddy Boen report; Yogya earthquake 27 May 2006, structural damage report, 2006.

a. Recruitment of housing facilitators and consultants

- ③ All housing facilitators hired will be engineers or architects. Before being mobilized to work in the field for the UPP-3 Pilot, the newly-hired facilitators all received one week of training on various construction technologies, including principles of seismic resistant technology. A structural engineer specializing in seismic resistant construction and the Universities of Gajah Mada and Diponegoro, conducted those trainings.
- ③ The two DMCs will each have one housing expert, civil engineer, and earthquake engineering expert to oversee the work of the housing facilitators and the community.
- ③ To back up these two DMCs, two local universities have been invited to work together with them - the DMC Yogyakarta will work with University of Gajah Mada and the DMC for Klaten will partner with the University of Diponegoro under UPP-3. The main tasks of the universities are to support the DMCs in reviewing the designs and supervising the housing reconstruction by the community in order to meet the required standards.

b. Community education

- ③ To prepare the community to become the prime actors in the reconstruction of their houses, several orientation workshops have been conducted through UPP-3 at the community level to equip them with the knowledge of basic principles of seismic resistant housing. To enrich their knowledge, brochures, leaflets and pamphlets have been produced and circulated. During the construction process, the community groups are empowered through the project to supervise the construction of their own houses.

c. Planning procedures

- ③ The community will be divided into several groups, with each group consisting of about 10 households. About 25 community groups will be assisted by a Housing Task Force team (HTF) consisting of nine members, including eight engineers and architects. The community groups will be assisted in tasks ranging from designing the housing and laying out the reconstruction process, up to the reconstruction of the houses. Five out of nine members will oversee the quality control of the construction, and one member will assist the community groups on overseeing financial affairs.
- ③ In addition, the sub-project proposals (housing reconstruction grants) from the community groups have to be approved by the DMC before being submitted to PJOK for funding. About 70 Housing Task Force teams will be managed by the DMCs to assist in this process.

d. Construction and fund disbursement

- Before the construction begins, the Housing Task Force team will organize pre-construction meetings with the community groups as well as with the construction workers and artisans. In these meetings, appropriate construction practices, as well as unacceptable construction methods, will be clearly described. Working arrangements between the community groups as project owners and the construction workers will be discussed and agreed upon. In addition, the two universities, in collaboration with the DMCs, will organize training for construction workers and artisans on sound principles of seismic resistant construction technology.
- The NMC will be equipped with a team responsible for carrying out regular technical audits on the quality of houses and recommending corrective measures for improvements.
- The funds will be disbursed to community groups in tranches of 30%, 40%, and 30%, which will allow the project to stop disbursement if construction methods are not seismic resistant or if funds are not spent on housing reconstruction.

e. Supervision by Bank staff

- ③ To ensure the quality of housing construction, Bank staff will periodically conduct supervision missions. In addition, the Bank will have a project office located in Yogyakarta, which will carry out a series of field checks on construction quality.

ANNEX O: DOCUMENTS IN THE PROJECT FILE

1. Preliminary Damage and Loss Assessment, Yogyakarta and Central Java Natural Disaster, A joint report of BAPPENAS, the Provincial and Local Governments of D.I. Yogyakarta, the Provincial and Local Governments of Central Java, and international partners, June 2006.
2. Project Operational Manual, Third Urban Poverty Program (UPP-3) Housing Reconstruction Pilot, World Bank, 2006.
3. Project Appraisal Document of the Third Urban Poverty Project, World Bank, 2005.
4. Technical Specifications Posters for Seismic Resistant Construction, Dr. Teddy Boen, 2006.
5. Yogyakarta Earthquake May 27 2006, Structural Damage Report, Dr. Teddy Boen, 2006

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