

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA20097

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Indonesia	Project ID:	P154948
Project Name:	National Affordable Housing Program (P154948)		
Task Team Leader(s):	Taimur Samad		
Estimated Appraisal Date:	14-Nov-2016	Estimated Board Date:	30-Jan-2017
Managing Unit:	GSU08	Lending Instrument:	Investment Project Financing
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	1207.00	Total Bank Financing:	450.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			757.00
International Bank for Reconstruction and Development			450.00
Total			1207.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The development objective of the Program is to improve access to affordable housing for lower income households

3. Project Description

2. Overall Program Scope and Targeting. This Program aims to improve access to affordable housing through a mix of demand and supply side interventions targeting both lower-middle income and lower-income households. Component 1 targets lower middle income households that are unable to access commercial mortgage finance for home purchase without public assistance. Component 2

targets poor the bottom 40 percent of Indonesian households that require home improvement rather than home purchase solutions and for whom the market for commercial mortgage finance is unaffordable even with deep assistance enhancements. Given the complex nature of housing policy, the Program through Component 3 will support five key policy reform and capacity building activities. Further detail on each component is provided below.

Component 1: Mortgage-Linked Down Payment Assistance (USD 512.0 million of which USD 215.0 million of Bank Financing)

3. Subcomponent 1.1: Mortgage-Linked Down Payment Assistance (BP2BT). The Program will support provision of mortgage-linked down payment assistance to lower income first time home-owners through Participating Lending Institutions for the purchase or construction of a residential property. Specifically, the mortgage-linked down payment assistance scheme (Bantuan Pembiayaan Perumahan Berbasis Tabungan ► (BP2BT) targets aspiring lower income first time home-owners by providing down payment assistance support to match beneficiary savings and a market rate mortgage from a participating lending institution for the purchase of: (i) a new or existing landed house ; (ii) a new or existing multi-story house/apartment; or (iii) a new or existing low-rise vertical house/apartment, and similar housing prototypes. The Program aims to support both salaried and non-salaried households. The specific household income segments targeted by the component are between the 30 and 60 percentiles of all household income. The Program will be administered through a working unit (Satuan Kerja or Satker) established in MPWH and in partnership with participating mortgage lenders (banks and financial institutions).

4. This section briefly describes the core elements of the BP2BT Program including; (i) core design principle; (ii) target geographic markets; (iii) income definition, eligibility and assessment; (iv) property eligibility and maximum property value; (v) assistance model; (vi) assistance-linked mortgage product parameters; and (vii) control and supervision.

5. Core Design Principles. The BP2BT Program is structured around a set of core design principles including: (i) the total loan to value ratio for mortgages provided under the scheme should be between 50 and 80 percent; (ii) households must provide a minimum down payment of 5 percent of property value; (iii) households must demonstrate savings capacity for 6 months at 10 percent of monthly household income; (iv) all properties financed under the scheme must have formalized title; and (v) participating lending institutions establish the interest rate for the housing loan based on their respective risk assessments, costs of funds, and margin requirements.

6. Target Geographic Markets. The BP2BT Program will operate nationally with prospective beneficiaries from all 34 provinces eligible to apply for the down payment assistance. In order to facilitate implementation and Program administration, a provinces and/or local governments have been clustered into nine administrative zones. These zones are based on a zone classification system developed by MoF regulations for VAT exemption on the purchase of low income housing units. Adjustments to the MoF zone classification system were made in consultation with MPWH based on an assessment of housing market conditions. The zone classification system is the basis on which two key BP2BT Program variables are set: (i) maximum household income eligibility; and (ii) maximum eligible property value.

7. Income Definition, Eligibility and Assessment. Income eligibility for the BP2BT Program has been clearly defined to prevent leakage of assistance funds to non-target beneficiaries. The BP2BT Program will target low-income households with both fixed income (salaried) and non-fixed

income (non-salaried) earners. A qualifying maximum Eligible Monthly Household Income has been defined and by each of the grouped into nine distinct geographical zones.

8. **Property Types and Maximum Property Value.** The BP2BT Program has defined property eligibility parameters to ensure that beneficiaries attain basic minimum standards for a secure and safe house with access to amenities and basic services and with secure title. Additionally, the Program specifies a maximum property value for each type of eligible unit (i.e. multi-story apartment, low-rise apartment, landed house and self-construction/rehabilitation) in each of the nine geographic zones.

9. **Assistance Model.** The BP2BT Program has developed an assistance model which specifies the maximum assistance levels for beneficiary households. The Program assistance model is scaled progressively to income, i.e. lower income households receive a higher absolute assistance amount and are similarly permitted to apply the assistance to a greater percentage of the full property value. Assessed monthly household income by lenders will be used as the basis for determining assistance eligibility. Assistance will be the lower of: (i) assistance amount linked to the assessed monthly household income or (ii) assistance amount derived from Assistance Index multiplied by Assessed Property Value/Cost.

10. **Assistance-Linked Mortgage Product Parameters.** The BP2BT Program has specified a series of parameters for the assistance-linked mortgage product related to the interest rate, loan term, LTV, transaction costs and prepayment charges. Key characteristics of the mortgage product include: (i) a market rate of interest set by Banks to ensure scheme sustainability (in contrast to current regime of interest rate subsidies); and (ii) maximum LTV to mitigate the possible higher risk related to informal income.

11. The Program also specifies a series of additional measures related to the mortgage product to ensure or define: (i) consumer protection against interest rate and affordability risk; (ii) disbursement arrangements; (iii) consumer eligibility verification procedures by lenders; (iv) mortgage guarantee coverage parameters for salaried and non-salaried; and (v) lender reporting requirements on mortgage performance.

12. **Control and Supervision.** The BP2BT Program incorporates a framework of procedures and oversight to ensure adequate Program control and supervision. The framework specifies the terms for Operational Cooperation Agreements (PKOs) to be entered into between MPWH and participating lenders, monitoring and evaluation procedures and, amongst others, recourse mechanisms in the case of consumer fraud.

13. **Subcomponent 1.2: Technical Assistance for Mortgage-Linked Down Payment Assistance.** The subcomponent will support the provision of technical assistance for: (i) developing and strengthening BP2BT management, administrative and information technology systems and capacities; (ii) supporting BP2BT operations; (iii) developing consumer financial literacy around BP2BT; (iv) developing a BP2BT public information campaign; and (v) developing and strengthening the lending capacity to non-fixed income segment of Participating Lending Institutions.

Component 2: Home Improvement Assistance (USD 675.0 million of which USD 215.0 million of Bank Financing)

14. Component 2 will support the scaling up and improvement of the national Home Improvement Assistance Program (Bantuan Stimulan Perumahan Swadaya ►(BSPS) with the aim to support poor and lower income Indonesian households to attain safe and affordable housing through an incremental home improvement process. The specific household income segments targeted by the component are the bottom 40 percent of all households as measured by gross household income. MPWH has been implementing BSPS since 2006, having achieved considerable success in terms of reaching primarily rural households.

15. The component will support the expansion and strengthening of the BSPS with the aim of supporting 450,000 home improvement solutions reaching over 1.8 million beneficiaries. NAHP has introduced a series of important shifts and improvements to enhance the impact of the Program: (i) a shift to greater implementation in urban areas through joint implementation planning with the MPWH National Slum Upgrading Program; (ii) expansion of home improvement eligibility to cover basic sanitation investments; (iii) improved application and tracking of targeting and eligibility criteria and compliance; (iv) the introduction of third-party verification for BSPS outputs; and, amongst other system improvements; (iv) shift to a decentralization implementation model.

16. Subcomponent 2.1: Support for Home Improvement Assistance. This subcomponent will finance the provision of home improvement or reconstruction assistance to lower income households.

17. Type and size of assistance:

- (¢ rehabilitation (quality improvement), including repair of roof, floor, wall, and sanitation; size of assistance max. IDR 15 million/household (equiv. max. USD 1,150 per household)
- (¢ reconstruction, including build the whole house from the land plot (or existing foundation); size of assistance IDR 30.0 million/household (equiv. USD 2,300/household)
- (¢ provision of beneficiary matching fund, is an assistance that may be supplemented by beneficiaries►(own funds to cover the overall need of rehabilitation or reconstruction

18. Eligibility:

- (¢ Demography: consist of household unit, elderly and people with disability are eligible and allowed to use max. 15 percent of assistance to pay labor
- (¢ Income: head of HH income no greater than the regional minimum wage, ranges from IDR 1.1 ►(3.1 million/month
- (¢ Asset ownership: never have previously owned a house, but own or occupy land physically and hold its legal proof, not in dispute and in accordance with the local spatial plan; own a house that in substandard quality
- (¢ Coverage: nationwide - 33 provinces

19. Mechanisms:

- (¢ Combination of top-down and bottom-up approach: Central Government establishes the national policy and technical guideline for BSPS; Local Government proposes the list of priority locations and the candidate household beneficiaries
- (¢ Use of community approach: establish a beneficiary group (max of 20 people) to facilitate the cooperation during construction; use self-construction method, assisted by facilitator
- (¢ Policy direction influence location prioritization: address the slum area (to support the 100-0-100 target)

20. Facilitation:

➤(€ Technical process and construction: One facilitator to facilitate 60 beneficiaries in the Local Government level

21. Subcomponent 2.2: Support to BSPS Management and Operations. This subcomponent will support the provision of support for the management and operations of BPS. Specifically, the subcomponent will support Program management consultants at the national and provincial levels as well as for facilitators who provide Program implementation and administration.

22. Subcomponent 2.3: BPS Program Development. This subcomponent will support the provision of technical assistance, advisory services and training to strengthen BPS management, operations and monitoring, including: (i) the development of a Swadaya Management Information System (SMIS) to integrate all data related to housing provision programs at the national and local levels into a single database; (ii) the provision of support for facilitation management; (iii) the establishment and implementation of a comprehensive complaint handling system; (iv) the development of a rigorous monitoring and evaluation methodology and system; and (v) the development of a comprehensive impact assessment and policy for BPS.

Component 3: Technical Assistance for Housing Policy Reform (USD 20.0 million of Bank Financing)

23. The component will finance a technical assistance program to support policy reform, improved governance and enhanced capacity in the housing sector. The component will support two subcomponents on demand-side and supply side technical assistance, summarized in greater detail below. Activities to be supported under this component were identified and, in most cases, benefit from analysis and policy advisory work conducted under both the Roadmap for Housing Policy Reform 2015 the ongoing Land, Housing and Settlements PASA.

24. Subcomponent 3.1: Expanding Access to Housing Finance. This subcomponent will support the provision of technical assistance to support policy and regulatory reform and improve governance to strengthen the primary and secondary mortgage markets and the enabling environment for housing finance. Specifically, the subcomponent will principally support five areas of technical assistance: (i) Housing and Real Estate Information Systems (HREIS); (ii) Secondary Mortgage Market Development; (iii) Regulatory and Institutional Reform for Housing Provident Fund (TAPERA); (iv) Development of Mortgage Guarantee System; and (v) Policy Advisory on Housing Microfinance. Other just-in-time areas of technical assistance may be supported during implementation.

25. Subcomponent 3.2: Addressing Supply-Side Constraints. This subcomponent will support the provision of technical assistance to support policy reform, improve governance and enhance capacity of stakeholders in addressing supply-side constraints to the provision of affordable housing.

➤(€ Development and Reform of Public Housing Programs: This activity will support policy advisory on subsidized housing programs administered by MPWH. The goal of this activity is to develop and/or improve housing policies and programs to respond to different housing needs and preferences. The advisory under this activity will assist MPWH to diversify, reform and expand physical housing typologies and tenure options for publicly subsidized formal housing. Specifically, technical assistance will assist MPWH to evaluate and reengineer public rental housing initiatives, including potentially a revised Rumah Susun Sederhana Sewa (Simple Public Rental Apartments - Rusunawa Program).

►(ç Strengthening Perumnas as a Public Affordable Housing Developer. Technical assistance under the Program will seek to strengthen the role of the National Housing Development Corporation, Perumnas (formerly Perusahaan Umum Perumahan Nasional), as an affordable housing developer through policy advisory and capacity building. Government Regulation No 83/2015 mandates that Perum Perumnas act as a land asset manager, public housing and urban developer, and building/estate manager for the release of state assets for affordable housing.

►(ç Strengthening Local Government Housing Policy and Planning Capacity. The Program will support a multi-year technical assistance program to strengthen the capacity of medium- and large cities to develop and implement effective local affordable housing plans. The technical assistance program will support cities to: (i) monitor and assess local land and housing markets (linked to HREIS development); (ii) inventory and develop plans for the mobilization of public land assets for affordable housing development; (iii) develop and implement local regulations and policies related to spatial planning, land use, zoning, land readjustment and permitting that would increase the availability of affordable land for housing; (iv) explore public-private partnership arrangements with private developers for the development of mixed-use and affordable housing development; and (v) develop integrated local housing plans across central (i.e. BP2BT, BSPS, slum upgrading and Rusunawa) and local initiatives.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

26. The Program is a nationwide in scope and will therefore cover all districts and cities in the country, including rural, peri-urban and urban areas. Gradually the focus of the Program will shift towards urban areas as the demand for affordable housing accessible for low-income and poor families in cities has significantly increased. Environmental and social impacts will take place in already developed areas where houses financed by Component 1 and 2 are built and/or improved. Potential environmental and social impacts are expected to be insignificant, non-irreversible, small-scale, and site-specific which are manageable by the involving parties. As a nationwide Program, it is anticipated that IP communities or Masyarakat Hukum Adat (MHA) would be part of the eligible target beneficiaries and/or affected by the Program. Housing improvement and development will improve the living conditions of the occupants and the neighborhoods, which will ultimately lead to better health and social quality of life. Participating districts and cities will be identified during Program implementation, but the exact sites of housing improvement and housing development in each district and city would only be known at the later stage of the Program implementation.

27. The increased access to mortgage financing through down-payment assistance under Component 1 would lead to increased affordability for low- to medium-income households to purchase or self-construct a home with formal land title and undertake incremental expansion or upgrading of an existing home. Houses will be built or improved individually or by developers in small clusters on private owned land, land owned by beneficiary households (in cases of self-construction or home improvement) or local government land within already build-up urban or peri-urban areas of a district or city.

28. Home improvement or new construction financed by Component 2 will be located in the existing individual land plots owned or occupied by the beneficiaries, typically spread out in a district or city with one or two houses in each cluster.

29. Location for houses potentially financed by Component 1 and 2 will be in discrete sites,

geographically spread out within districts or cities, and consist of individual to small clusters of houses. As has been the case with similar programs, such as FLPP (Fasilitas Likuiditas Pembiayaan Perumahan/Housing Finance Liquidity Facility), it is expected that under BP2BT (Component 1), land will be acquired through willing buyer-willing seller scheme either by individuals or by developers. In the case of BSPS (Component 2), field observations to several districts/cities showed that home improvements and new houses are built on land that have been legally owned, physically occupied or have proven tenure. A certificate or a Statement Letter of the Head of the Village/ Kelurahan on the land tenure is acceptable by the Program. Hence, there will be no cumulative environmental and social impacts expected within the area of influence. The likely environmental and social impacts would occur during construction, including minor disturbance to the communities in the area such as noise, dusts, materials stocking, and minor alteration access to the sites.

5. Environmental and Social Safeguards Specialists

Indira Dharmapatni (GSUID)

Virza S. Sasmitawidjaja (GEN2A)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The Program will support the GOI's national program to increase access for the low to medium income households to affordable housing. Component 1 (BP2BT) of the Program is housing finance scheme for the low and middle non-salaried income groups to enable each of the beneficiaries buy a new house, a second-hand house, or a unit apartment, and improve existing house or build a house. As a financing scheme, this Component will indirectly (down the road through lenders) involve small investment per beneficiary (household). Under this Component, the value of housing investment varies across regions and across income levels, ranges between USD 7,700 to USD 18,080, hence, it will typically involve small-scale physical works with an average house size 36 m² (max. up to 60 m²). Component 2 will involve home improvement for poor and lower income households, for example, roof, floor and wall repair and construction of new small house (average 36 m²), that takes place in individual land plots or small land areas with small group of houses in each cluster. The amount of the grant ranges from USD 1,150 to 2,300 per household.</p> <p>Each housing site is distinct and discrete from others, geographically spread in wide areas in the urban or peri-urban area of a district or city, and located in the already developed residential areas. The potential environmental impacts of the Program are expected to be insignificant, non-irreversible, localized, and manageable by the involved parties by implementing good construction housekeeping. The main source of the impacts will be from the physical construction activities on the</p>

improvement/rehabilitation of existing homes and construction of new houses that will be done on individual basis, in relatively short term period (3-4 months), not through large-scale development. Given the nature of the Program as explained above, it is expected that it will have minor, non-irreversible, small-scale, and site-specific environmental and social impacts. The Program will not involve successive, incremental and/or combined impacts of multiple development. Cumulative impacts are unlikely. Overall environmental impacts will be positive whereby low income and poor families will enjoy better housing quality that will lead to improved neighborhood health quality and social life. No natural habitat, no forest, no sensitive or protected areas will be affected or involved in the Program.

Given the nature of TA under Component 3.1 (housing and real estate information system, secondary mortgage development, regulatory and institutional reform for housing provident fund, development of mortgage guarantee system, policy advisory on housing microfinance), all activities will not (i) directly or indirectly support engineering design or technical studies leading to the preparation of physical investments; (ii) directly or indirectly support the drafting of any policies, strategies, laws or regulations with environmental and social impacts; (iii) establish or support the formulation of land use plans; or (iv) directly or indirectly support capacity building to support institutions to carry out downstream activities that have potential environmental and social impacts. As such, all activities under component 3.1 be categorized as EA Category C activities and correspondingly do not require any instrument or treatment prior to Appraisal or during implementation to address environmental or social impacts.

Similarly, activities under subcomponent 3.2 (i.e., development and reform of public housing programs, strengthening Perumnas as a Public Affordable Housing developer, and strengthening local government housing policy and planning capacity) will not: (i) directly or indirectly support engineering design or technical studies leading to the preparation of physical investments; or (ii) directly establish or support the formulation of land use plans. However, activities under subcomponent 3.2 may: (i) directly or indirectly support the drafting of any policies, strategies or regulations with environmental and social impacts; or (ii) directly or indirectly support

		<p>capacity building to support institutions to carry out downstream activities that may have potential environmental and social impacts. All activities under component 3.2 are categorized as Category B.</p> <p>During Program implementation, the preparation of policies, strategies and regulations prepared under Component 3.2 will include assessment of the environmental and social impacts that would entail, and identification of relevant approaches to address such impacts during the implementation of such policies, strategies and regulations later on. Procedures and requirements for carrying out such assessment and identification to address potential environmental and social impacts are specified in the ESMF. The Terms of Reference (TOR) for the preparation of policies, strategies and regulations should include such procedures and requirements.</p> <p>For capacity building activities, during Program implementation PIUs will ensure that the Terms of Reference (TOR) for capacity building activities for institutions who would carry out downstream activities involving investments will include requirements for developing and delivering training/workshop materials on environmental and social safeguards management. Procedures and requirements for environmental and social management are specified in the ESMF.</p> <p>TORs for activities supported by Component 3.2 will be reviewed and approved by the Bank.</p> <p>Given the nature of all components in the Program and potential environmental and social impacts that would entail, overall, the Program is a Category B for environmental assessment.</p> <p>The Program has prepared an Environmental and Social Management Framework (ESMF) in compliance with the triggered World Bank safeguards policies, relevant Government of Indonesia laws and regulations and Bank's Interim Guidelines on the Application of Safeguard Policies to Technical Assistance Activities in Bank-Financed Projects and Trust Funds Administered by the Bank (January 2014).</p>
Natural Habitats OP/BP 4.04	No	The Program activities will take place on already-developed land/areas. The Program will not finance activities that involve significant conversion or

		degradation of critical natural habitats or natural habitats.
Forests OP/BP 4.36	No	The Program will not finance activities that involve conversion or degradation of critical forest areas or natural forests as defined under the policy. The program is not intended for commercial plantation and there is no project component to improve the forest function.
Pest Management OP 4.09	No	The Program will not procure or use any pesticide or support activities that may lead to the use and/or a significant increase in the use of pesticide.
Physical Cultural Resources OP/BP 4.11	No	The Program will be located in already developed locations that are known as residential areas, and will not change the landscape with large construction development.
Indigenous Peoples OP/ BP 4.10	Yes	<p>The Program triggers OP 4.10 on Indigenous Peoples (IPs) as it geographically covers nation-wide rural and urban areas and therefore IPs or MHA (Masyarakat Hukum Adat) can be beneficiaries of BP2BT and BSPS. The Program expects that IPs or MHA communities, individually or collectively will have the same access to BP2BT and BSPS as their counterpart common poor households. The Program will promote outreach and social inclusion to IPs or MHA communities by providing information and requirements of the Program and will adopt the principles of free, prior, informed consultation that lead to broad support from the IP communities. Requirements and procedures for such inclusion to be implemented by PIUs and by local governments (for BSPS) are specified in the ESMF.</p> <p>As explained in the OP 4.01 described above, TA Component 3.2 (i.e., development and reform of public housing programs, strengthening Perumnas as a Public Affordable Housing developer, and strengthening local government housing policy and planning capacity) may: (i) directly or indirectly support the drafting of any policies, strategies or regulations with environmental and social impacts; or (ii) directly or indirectly support capacity building to support institutions to carry out downstream activities that may have potential environmental and social impacts.</p> <p>During Program implementation, PIUs will identify potential IPs presence and assess potential impacts (positive and adverse) of policies, strategies and regulations prepared under Component 3.2 that might entail on IPs, and identify the relevant approach to address such impacts during the implementation of such</p>

	<p>policies, strategies and regulations later on. Procedures and requirements for carrying out such assessment and to address potential impacts on IPs are specified in the IPPF as part of ESMF. The Terms of Reference (TOR) for the preparation of policies, strategies and regulations should include such procedures and requirements.</p> <p>The PIUs will ensure capacity building activities for Perumnas and local governments who would carry out downstream activities involving investments will include training/workshop materials or subjects on IPs. The Terms of Reference (TOR) for capacity building activities will require the need to develop and deliver training materials on the approach for identifying IPs, social assessment, and approach to address impacts on IPs as specified in the IPPF as part of the ESMF.</p> <p>The above mentioned TORs for activities supported by Component 3.2 will be reviewed and approved by the Bank.</p> <p>The Program has prepared an Indigenous Peoples Planning Framework (IPPF) as part of the Environmental and Social Management Framework (ESMF) in compliance with the triggered World Bank safeguards policies, relevant Government of Indonesia laws and regulations and Bank's Interim Guidelines on the Application of Safeguard Policies to Technical Assistance Activities in Bank-Financed Projects and Trust Funds Administered by the Bank (January 2014).</p>
Involuntary Resettlement OP/BP 4.12	Yes
	<p>As explained in the OP 4.01 described above, TA Component 3.2 (i.e., development and reform of public housing programs, strengthening Perumnas as a Public Affordable Housing developer, and strengthening local government housing policy and planning capacity) may: (i) directly or indirectly support the drafting of any policies, strategies or regulations with environmental and social impacts; or (ii) directly or indirectly support capacity building to support institutions to carry out downstream activities that may have potential environmental and social impacts.</p> <p>During Program implementation, PIUs will develop the Terms of Reference (TOR) for the preparation of policies, strategies or regulations to be financed by Component 3.2 which include guidance to identify and assess land acquisition / resettlement issues as well as approach to address the impacts that might entail in the policies,</p>

		<p>strategies or regulations implemented later on.</p> <p>For capacity building activities for Perumnas and local government to be financed by Component 3.2, during Program implementation the PIUs will develop Terms of Reference (TOR) for the training/capacity building activities which include the need to develop and deliver training/workshop materials on land acquisition/resettlement for the implementation of downstream investments that they might have in the future. Procedures and requirements on land acquisition/resettlement are included in the Resettlement Policy Framework (RPF) as part of the ESMF.</p> <p>The above mentioned TORs for activities supported by Component 3.2 will be reviewed and approved by the Bank.</p> <p>As mentioned in the OP 4.01 above, the Program has prepared an ESMF in which RPF is part of, in compliance with the triggered World Bank safeguards policies, relevant Government of Indonesia laws and regulations and Bank's Interim Guidelines on the Application of Safeguard Policies to Technical Assistance Activities in Bank-Financed Projects and Trust Funds Administered by the Bank (January 2014).</p>
Safety of Dams OP/BP 4.37	No	The Program will not finance construction and/or rehabilitation of dams.
Projects on International Waterways OP/BP 7.50	No	The Program will not be located in the watersheds of any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The Program is not located in any known disputed areas as defined under the policy.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>The overall results of the Program will improve housing conditions of the beneficiaries, hence the quality of life and the neighborhood. With the nature of the Program described in Section I.3, potential environmental and social safeguards impacts will be insignificant, non-irreversible, and discrete, site-specific. Potential environmental and social impacts for the individual housing development under Component 1 and individual housing improvement/rehabilitation under Component 2 are likely taking place during construction, such as disturbance on the drainage channel due to piling of construction materials, debris from the rebuilt houses, and dusts. As housing development will take place in a particular small land plot (up to max 100 m2) and geographically discrete and scattered within a district or an urban/rural village depending on the preference of the beneficiaries and conformity with the spatial plan (Component 1) and on the</p>

existing land plots of the home improvement beneficiaries (Component 2), as such, potential environmental and social impacts will be small, site specific and in relatively short period. These impacts can be managed by the beneficiaries with capacity strengthening through socialization of booklet of best practice (for Component 1 and 2) and additional guidance from facilitators (for Component 2). For Component 1, land for the individual housing plots are to be obtained by the implementation of willing-seller willing-buyer principle between the land owners and the beneficiaries of the BP2BT or developers, and each land plot is expected to be small in size (average 70 m² with maximum up to 100 m²), with average house size ranges from 36 m² to 60 m². Also refer to section I.6.

Although the Program will likely to target beneficiaries in an urbanizing districts and cities, it will not exclude members of IPs as individual beneficiaries should they meet the eligibility criteria. Potential impacts could be lack of information received by the members of IPs on the procedures and requirements to access BP2BT and BSPS due to language barriers, lack of education and the remoteness of their living place. This will be addressed by the lenders (Component 1) and the Provincial Satkers (Component 2) through outreach and a more extensive socialization on the Program to the IP communities.

As explained in Section I.3, Component 3 consists of a TA for expanding access to housing finance (Component 3.1) and a TA for addressing the supply-side constraints (Component 3.2). These TA activities involve preparation and establishment of policy and regulatory reform, improve governance to strengthen the primary and secondary mortgage markets and enabling environment for housing finance both for demand side as well as supply-side for affordable housing.

As explained in Section I.6, given the nature of TA under Component 3.1 (housing and real estate information system, secondary mortgage development, regulatory and institutional reform for housing provident fund, development of mortgage guarantee system, policy advisory on housing microfinance), all activities will not (i) directly or indirectly support engineering design or technical studies leading to the preparation of physical investments; (ii) directly or indirectly support the drafting of any policies, strategies, laws or regulations with environmental and social impacts; (iii) establish or support the formulation of land use plans; or (iv) directly or indirectly support capacity building to support institutions to carry out downstream activities that have potential environmental and social impacts.

Similarly, activities under subcomponent 3.2 (i.e., development and reform of public housing programs, strengthening Perumnas as a Public Affordable Housing developer, and strengthening local government housing policy and planning capacity) will not: (i) directly or indirectly support engineering design or technical studies leading to the preparation of physical investments; or (ii) directly establish or support the formulation of land use plans. However, activities under subcomponent 3.2 may: (i) directly or indirectly support the drafting of any policies, strategies or regulations with environmental and social impacts; or (ii) directly or indirectly support capacity building to support institutions to carry out downstream activities that may have potential environmental and social impacts

During Program implementation, the preparation of policies, strategies and regulations prepared under Component 3.2 will include assessment of the environmental and social impacts that would entail, and identification of relevant approaches to address such impacts during the implementation of such policies, strategies and regulations later on. Procedures and requirements for carrying out

such assessment and identification to address potential environmental and social impacts are specified in the ESMF. The Terms of Reference (TOR) for the preparation of policies, strategies and regulations should include such procedures and requirements.

For capacity building activities, PIUs will ensure that the Terms of Reference (TOR) for capacity building activities for institutions who would carry out downstream activities involving investments will include requirements development and delivery of training materials on environmental and social safeguards management. Procedures and requirements for environmental and social management are specified in the ESMF.

TORs for activities supported by Component 3.2 will be reviewed and approved by the Bank.

Refer to Section I.6 for Indigenous Peoples and land acquisition/resettlement.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

In the long term, the Program will provide positive impacts to the quality of life of the beneficiaries who have better access to housing finance and whose homes are improved to the standard living condition, and hence their neighborhood (where there will be no longer sub-standard houses).

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Not applicable.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The borrower prepared the ESMF as the main guideline to prevent and manage the potential environmental and social issues during the implementation of the Program.

Both PIUs (DG of Housing Finance and DG of Housing Provision) do not have a special unit in their organizational structure for environmental and social safeguards management. At appraisal, the sub-directorate of facilitation under the Directorate of Self-Help Housing will be in charge of the BSPS safeguards management. Capacity of technical staff under these two PIUs on safeguards management is limited. Further, the awareness and knowledge of Provincial Satkers as well as local governments, consultants and facilitators who are involved in the BSPS on environmental and social safeguards need to be improved through training. On the other hand, lenders such as BTN, have a certain level of awareness and implement requirements of environmental and social safeguards through screening, IMB implementation, and audit of the developers who built houses for FLPP beneficiaries.

Both PIUs have developed a capacity building program for stakeholders involved in BP2BT and BSPS. This will be part of the Component 1, 2 and 3 activities. The capacity building program is part of the ESMF. The Directorate General of Housing Finance and Directorate General of Housing Provision will ensure that the ESMF is consistently implemented in the three Program components. During Program implementation, the sub-directorates of Monitoring and Evaluation under each of these directorates will monitor and evaluate the compliance of the Program implementation with the ESMF. Capacity building including awareness training and assistance for the PMC, PIUs, lenders, local governments, consultants and facilitators on environmental and social aspects (including safeguards) will be one of the most critical factors to mitigate risks. In

addition, the establishment of the tasks of the Directorates for Monitoring and Evaluation each under the DG of Housing Finance and DG of Housing Provision of the MPWH to ensure that ESMF is implemented consistently is a must.

For BP2BT, lenders will also play a key role in ensuring that the ESMF is followed by BP2BT beneficiaries. The Directorate of Housing Finance Scheme will monitor lenders in ensuring that the ESMF is consistently followed by the BP2BT beneficiaries. For BSPS, the roles of provincial Satker, local governments and facilitators hired by the Satker are key to ensure and monitor that implementation of the Program meets the requirements specified in the ESMF. For Component 3, the Directorates of Planning of the two DGs will ensure that the Terms of References (TORs) for advisory services, technical assistance and policy development will include environmental and social safeguards management specified in the ESMF, as relevant.

Grievance Redress Mechanisms (GRM). Both PIUs will establish a GRM including a Unit or Staff assigned to manage the grievances and prepare an SOP for BP2BT and BSPS. This GRM is dedicated to all issues related to the Program and not exclusively for safeguards. The address/contact info for complaints will be disseminated widely through the website and through Program socialization and training.

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

The key stakeholders are the Project Management Committee (PMC), PIUs, namely DG Housing Finance and DG Housing Provision under MPWH that will be the executing agency for the Program. A PMC will be institutionalized to oversee and coordinate the implementation of the project. The PMC will be headed by the Echelon I of the Ministry of Public Works and Housing which will oversee the two Project Implementation Units (PIUs). The PMC will regularly coordinate and report to the Steering Committee in the semi-annually coordination meeting. A Ministerial Decree establishing the PMC and the PIUs will be issued prior to the Program implementation and will be part of the NAHP condition of effectiveness. The implementation of the safeguards will be the responsibility of the PIUs.

A stakeholders' consultation for the draft ESMF was carried out on October 13, 2016. Participants were representatives of participating District and City Governments, lenders, NGOs, universities, as well as practitioners, housing experts, Perumnas, and PIU staff. Should during Program implementation IPs are present in a particular area of Program influence, outreach and socialization will be carried out by the PIUs and local governments with a free, prior, informed consultation to provide them with good information on the requirements and procedures to access the housing finance and grant facilities provided under Component 1 and 2, respectively, so that their participation in the Program would increase. Consultation requirements and approaches are specified in the IPPF as part of the ESMF.

Participants of the consultation supported the Program for adopting the ESMF, however, were concerned and requested the Program to ensure that ESMF will be implemented consistently through adoption of operations manual or safeguards technical guidelines that outline clear roles of each party involved in the Program and to provide adequate training for related stakeholders. Further, the participants were concerned on the capacity of the local governments to verify and monitor the enforcement of the building permits and the issuance of the certificates of the building function acceptance and the need to increase awareness of the individual beneficiaries and/or developers in utilizing environmentally friendly housing materials. In particular, for Component 2

- BSPS, issues that may arise from the Program implementation are conformity of the location of the improved houses with the spatial plan, landscape for the settlement, and environmental impacts during construction. Verification of the beneficiaries of BSPS is another concern of the participants of the stakeholders' consultation. For the TA under Component 3, the participants suggested that the Perumnas would only use government land and/or its own land and occupiers are provided housing. The draft ESMF (Bahasa Indonesia version) was disclosed in the Program's website www.bspsupr.org on October 4, 2016.

The ESMF will be elaborated and included into the Program Operational Manual, which will be reviewed and approved by the Bank then socialized and distributed to Program management staff, lenders, district and city governments, consultants, and facilitators. The final draft ESMF had been disclosed in the www.bspsupr.org on October 4, 2016 and was consulted with relevant stakeholders on October 13, 2016.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	26-Sep-2016
Date of submission to InfoShop	27-Sep-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Indonesia	04-Oct-2016
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	26-Sep-2016
Date of submission to InfoShop	27-Sep-2016
"In country" Disclosure	
Indonesia	04-Oct-2016
<i>Comments:</i>	
Indigenous Peoples Development Plan/Framework	
Date of receipt by the Bank	26-Sep-2016
Date of submission to InfoShop	27-Sep-2016
"In country" Disclosure	
Indonesia	04-Oct-2016
<i>Comments:</i>	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
OP/BP 4.10 - Indigenous Peoples			
Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input checked="" type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement			
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Is physical displacement/relocation expected? Provided estimated number of people to be affected	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]	TBD [<input type="checkbox"/>]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]	TBD [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
All Safeguard Policies			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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III. APPROVALS

Task Team Leader(s):	Name: Taimur Samad	
<i>Approved By</i>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 01-Dec-2016
Practice Manager/ Manager:	Name: Abhas Kumar Jha (PMGR)	Date: 01-Dec-2016