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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED LOAN

IN THE AMOUNT OF US\$300 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR A  
INTEGRATED INFRASTRUCTURE DEVELOPMENT FOR NATIONAL TOURISM STRATEGIC  
AREAS  
(INDONESIA TOURISM DEVELOPMENT PROJECT)

May 8, 2018

Finance, Competitiveness and Innovation Global Practice  
East Asia And Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 1, 2018)

Currency Unit = Indonesian Rupiah (IDR)  
IDR 13,949 = US\$1

FISCAL YEAR  
January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

APBN	Anggaran Pendapatan dan Belanja Negara (State Revenue and Expenditure Budget)
APBDI and	Anggaran Pendapatan dan Belanja Daerah Tingkat I (Provincial Revenue Expenditure Budget)
APBDII Revenue	Anggaran Pendapatan dan Belanja Daerah Tingkat II (Kota/Kabupaten

	and Expenditure Budget)
ASA	analytics and advisory services
ASEAN	Association of Southeast Asian Nations
BAPPENAS	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BAPPEDA	Badan Perencanaan Pembangunan Daerah (Provincial/Kota/Kabupaten Development Planning Agency)
BKPM	Badan Koordinasi Penanaman Modal (Investment Coordinating Board)
BPIW	Badan Pengembangan Infrastruktur Wilayah (Regional Infrastructure Development Agency)
BPK	Badan Pemeriksa Keuangan (Indonesia's State Audit Institution)
BPS	Badan Pusat Statistik (Statistics Indonesia)
CBT	competency based training
CMEA	Coordinating Ministry of Economic Affairs
CPF	Country Partnership Framework
CPIU	central project implementation unit
CPMU	central project management unit
DA	designated account
DAK	Dana Alokasi Khusus (specific purpose grants)
DED	detailed engineering design
DFAT	(Australian) Department of Foreign Affairs and Trade
DG	Directorate General
DIPA	Daftar Isian Pelaksanaan Anggaran (Budget Warrant)
DPN	Daerah Pariwisata Nasional (National Tourism Area)
EHS Guidelines	World Bank Group Environmental, Health and Safety Guidelines
ERR	economic rate of return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FDI	foreign direct investment
FMA	Financial Management Assessment
FMS	financial management specialist
FY	fiscal year
FM	financial management
FS	feasibility study
GDP	gross domestic product
GHG	greenhouse gas
GIS	geographic information system
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
GoI	Government of Indonesia
GRM	grievance redress mechanism

GRS	grievance redress service
HHTL	Horwath Hotel, Tourism and Leisure
IBRD	International Bank for Reconstruction and Development
ICB	international competitive bidding
ICT	information and communications technology
IFC	International Finance Corporation
IFR	Interim Financial Report
INIS TF	Indonesia Infrastructure Support Trust Fund
INSTO	International Network of Sustainable Tourism Observatories
IP	indigenous peoples
IPF	Investment Project Financing
IPI	investment promotion intermediary
IPPF	Indigenous Peoples Planning Framework
IRI	International Roughness Index
ISED	Innovation and Investment for Inclusive Sustainable Economic Development
ITDC	Indonesia Tourism Development Corporation
ITDP	Indonesia Tourism Development Project
ITMP	integrated tourism master plan
JOGLOSEMAR	Yogyakarta-Solo-Semarang (triangle)
KOTAKU	Program Kota Tanpa Kumuh (Indonesia National Slum Upgrading Project)
KSPN	Kawasan Strategis Pariwisata Nasional (National Tourism Strategic Area)
LARPF	Land Acquisition and Resettlement Policy Framework
LKPP	Lembaga Kebijakan Pengadaan Barang/Jasa Pemerinta (National Public Procurement Agency)
LPIU	local project implementation unit
M&E	monitoring and evaluation
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
MOF	Ministry of Finance
MPFTIC	Multi-Partner Facility for Trade and Investment Climate
MPWH	Ministry of Public Works and Housing
MRA	Mutual Recognition Arrangement
MSME	micro, small and medium enterprises
NCB	national competitive bidding
NPV	net present value
NSUP	National Slum Upgrading Project
OECD	Organisation for Economic Co-operation and Development
PAMSIMAS	Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat (National Rural Water Supply and Sanitation Project)
PDO	Project Development Objective
PMS	Program Management Support
PNPM-Urban	Program Nasional Pemberdayaan Masyarakat Mandiri Perkotaan (National Program for Community Empowerment in Urban Areas)
POM	Project Operational Manual
PPA	Project/Program Preparation Advance
PPF	Project Preparation Facility
QCBS	quality and cost based selection
RAN-API	Rencana Aksi Nasional Adaptasi Perubahan Iklim (National Action Plan for Climate Change Adaptation)
RIDA	Regional Infrastructure Development Agency
RIPPARNAS	Rencana Induk Pembangunan Kepariwisata Nasional (National Tourism Development Master Plan)
RKA-KL	Rencana Kerja & Anggaran Kementerian Negara/Lembaga (Ministry Work Plan and Budget)
RKP	Rencana Kerja Pemerintah (Government Work Plan)
RPJMN	Rencana Pembangunan Jangka Menengah Nasional (Medium-Term Development Plan)
RETF	Recipient-Executed Trust Fund
SAKERNAS	Survei Angkatan Kerja Nasional (National Labor Force Survey)
SANIMAS	Sanitasi Berbasis Masyarakat (Sanitation by Communities)
SCD	Systematic Country Diagnostic
SECO	(Swiss) State Secretariat for Economic Affairs
SEZ	special economic zone
SIP	Skill Investment Plan
SME	small and medium-sized enterprise
SPSE	Sistem Pengadaan Secara Elektronik (e-procurement system)

STO Sustainable Tourism Observatory  
 SOE state-owned enterprise  
 SKPD Satuan Kerja Perangkat Daerah (Local Government Working Unit)  
 STD-MDTF Sustainable Tourism Development Multi Donor Trust Fund  
 TRIP Tourism Road Infrastructure Program  
 TVET technical and vocational education and training  
 UKL-UPL Upaya Pengelolaan Lingkungan Hidup- Upaya Pemantauan Lingkungan Hidup  
 (Environmental Management Plan-Environmental Monitoring Plan)  
 ULP Unit Layanan Pengadaan (Procurement Service Unit)  
 UNWTO United Nations World Tourism Organization  
 WEF World Economic Forum  
 WINRIP Western Indonesia Roads Improvement Project  
 WINSTO Wonderful Indonesia Sustainable Tourism Observatories  
 WTTC World Travel and Tourism Council  
 The World Bank  
 Indonesia Tourism Development Project (P157599)

BASIC INFORMATION

BASIC\_INFO\_TABLE

Country(ies)	Project Name	
Tourism Strategic Areas (Indonesia Indonesia	Integrated Infrastructure Development for National Tourism Development Project)	
Project ID Category	Financing Instrument	Environmental Assessment
P157599	Investment Project Financing	A-Full Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA) Response Component (CERC)	<input type="checkbox"/> Contingent Emergency
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI) non-fragile Country	<input type="checkbox"/> Fragile within a
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown Natural or Man-made Disaster	<input type="checkbox"/> Responding to
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date 30-May-2018	Expected Closing Date 31-Dec-2023
Bank/IFC Collaboration Yes	Joint Level Complementary or Interdependent project
requiring active coordination	

Proposed Development Objective(s)

The Development Objective is to improve the quality of, and access to, tourism-relevant basic infrastructure and services, strengthen local economy linkages to tourism, and attract private investment in selected tourism destinations in Indonesia.

Components

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Component Name

Cost (US\$, millions)

1. Increase institutional capacity to facilitate integrated and sustainable tourism

24.70

development

2. Improve tourism-relevant road quality and basic services accessibility

680.00

3. Promote local participation in the tourism economy

66.90

4. Enhance the enabling environment for private investment and business entry in

1.30

tourism

Organizations

Borrower:

Republic of Indonesia, Ministry of Finance

Implementing Agency:

Regional Infrastructure Development Agency, Ministry

of Public Works and Housing

Directorate General Highways, Ministry of Public

Works and Housing

Directorate General Human Settlements, Ministry of

Public Works and Housing

Deputy Tourism Destination Development, Ministry of

Tourism

Deputy Institutional Development and Tourism

Industry, Ministry of Tourism

Deputy Investment Planning, Indonesia Investment

Coordinating Board (BKPM)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

-NewFin1

Total Project Cost

772.90

Total Financing

772.90

of which IBRD/IDA

300.00

Financing Gap

0.00

DETAILS -NewFinEnh1

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)

300.00

Non-World Bank Group Financing

Counterpart Funding

470.80

Borrower

470.80

Trust Funds

2.10

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Indonesia - AUSAID TF for Infrastructure Support

2.10

Expected Disbursements (in US\$, Millions)

WB Fiscal Year				2018	2019	2020	2021
2022	2023	2024					
Annual				0.00	14.76	22.96	
40.43	68.12	99.34	54.40				
Cumulative				0.00	14.76	37.71	
78.15	146.26	245.60	300.00				

INSTITUTIONAL DATA

Practice Area (Lead)

Natural Resources, Transport &  
Finance, Competitiveness and Innovation  
Social, Urban, Rural and Resilience

Contributing Practice Areas  
Education, Environment &

Digital Development,

Global Practice

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of

Yes

country gaps identified through SCD and CPF

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or

Yes  
men's empowerment

c. Include Indicators in results framework to monitor outcomes from actions identified in (b) Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category  
Rating

1. Political and Governance  
λ Moderate

2. Macroeconomic  
λ Low

3. Sector Strategies and Policies  
λ Moderate

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4. Technical Design of Project or Program  
Substantial λ

5. Institutional Capacity for Implementation and Sustainability  
Substantial λ

6. Fiduciary  
Substantial λ

7. Environment and Social  
High λ

8. Stakeholders  
Moderate λ

9. Other

10. Overall  
High λ

COMPLIANCE

Policy  
Does the project depart from the CPF in content or in other significant respects?  
 Yes  No

Does the project require any waivers of Bank policies?  
 Yes  No

Safeguard Policies Triggered by the Project  
Yes No

Environmental Assessment OP/BP 4.01

✓

Performance Standards for Private Sector Activities OP/BP 4.03

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

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#### Legal Covenants

##### Sections and Description

Loan Agreement. Schedule 2, Section I. A.1.

The Borrower shall:

(a) maintain until completion of the Project, the Steering Committee chaired by BAPPENAS - and comprising the Ministers from inter alia: Ministry of Tourism, Ministry of Public Works and Housing, Indonesia Investment Coordinating Board and Ministry of Finance, which shall be responsible for cross-sector coordination for tourism development, especially destination development across Indonesia, and planning-budgeting alignment;

(b) maintain until completion of the Project, the Technical Committee comprising echelon I officials from inter alia: BAPPENAS, Ministry of Tourism, Ministry of Public Works and Housing, Indonesia Investment Coordinating Board, and Ministry of Finance, which shall be responsible for oversight of tourism development at the national level, and support to the provincial and local task forces;

(c) cause to establish prior to the commencement of Project activities in each such Province, Kabupaten/Kota, and thereafter maintain until completion of the Project, Provincial Task Forces and Kabupaten/Kota Task Forces in each of the Provinces and Kabupaten/Kota in the Selected Tourism Destinations, which shall be responsible for cross-sector coordination for tourism development at the Province/Kabupaten/Kota level, subnational government planning-budgeting alignment; and oversight of tourism development at the Province/Kabupaten/Kota level.

(d) maintain until completion of the Project, the Central Project Management Unit (CPMU) in the Regional Infrastructure Development Agency (RIDA), which shall be responsible for the management and monitoring of the Project;



(e) maintain until completion of the Project, Central Project Implementation Units (CPIUs) in the Ministry of Public Works and Housing, Indonesia Investment Coordinating Board, and the Ministry of Tourism, each of which shall be responsible for day-to-day implementation of the Project including recruitment of consultants and service providers and production of reports on the progress of the Project, in each case, with a mandate, composition and terms of reference as set out in the Project Operational Manual;

(f) maintain until completion of the Project, a Program Management Support Team at the national level and in each of the Selected Tourism Destinations.

#### Conditions

Type	Description
Effectiveness and substance	The Borrower has adopted the Project Operational Manual in form satisfactory to the Bank.

INDONESIA  
INDONESIA TOURISM DEVELOPMENT PROJECT

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## I. STRATEGIC CONTEXT

### A. Country Context

1. Indonesia has achieved impressive gains in growth and poverty reduction during the last decade. However, these achievements are under stress amidst a slowdown in its commodity-driven economy, stagnant rates of poverty reduction and rapidly rising inequality. From 2001 to 2012, annual growth averaged 5.6 percent and poverty halved to 11 percent, using the national poverty line. As the external tailwinds of commodity prices have turned into headwinds since 2013, growth and job creation have slowed, exposing Indonesia's dependence on natural resources for export and investment and, indirectly, for job creation.

2. The end of the commodity boom provides a unique opportunity for Indonesia to diversify its economy through judicious investments to support growth in non-commodity sectors. As set out in the World Bank Group's Systematic Country Diagnostic (SCD), eliminating poverty and increasing shared prosperity in Indonesia requires addressing three key challenges: (i) sustaining economic growth that generates quality jobs, by addressing a broad range of structural weaknesses, including infrastructure bottlenecks; (ii) improving the quality of spending and access to key services; and (iii) enhancing the quality of natural resource governance and management. A return to stronger economic growth depends, apart from stable fiscal management, on closing Indonesia's large infrastructure gap and on further improvements in the business environment to reignite private investment. However, if this growth is not achieved in a sustainable way, Indonesia risks depleting critical natural resources.<sup>1</sup>

3. Recognizing these needs and opportunities, the Government of Indonesia (GoI) has been adjusting its public spending to create the fiscal space for these infrastructure needs, business environment reform, and diversification priorities. The fiscal stance remains mildly expansionary, with an overall fiscal deficit of 2.5 percent and 2.6 percent of GDP in 2016 and 2017, respectively (and a primary deficit of 1.0-1.2 percent). Given the fiscal rule to keep the deficit below a cap of 3 percent of GDP, the GoI has been improving the quality of its public expenditure to achieve its development goals: the 2017 Budget sustained a higher allocation for priority spending on infrastructure, health, and social assistance, and a further reduction in energy subsidy spending. In addition, beginning in 2017, subnational governments are required to allocate a minimum of 25 percent of general transfers (general block grants and revenue sharing) to infrastructure. Continuous improvements in budget planning and execution at central and subnational levels are needed to ensure that increases in budget allocations for key sectors translate into improved outcomes.

#### B. Sectoral and Institutional Context

4. Tourism is a promising growth sector that can provide inclusive and sustainable growth across Indonesia. Visitor spending can generate significant economic impacts in tourism destinations, if mostly spent on locally-produced goods and services. Data from Indonesia's national accounts (input-output tables) suggests that most visitor spending stays in the Indonesian economy; only around 20 percent of the spending goes towards imported goods and services.<sup>2</sup> The share that stays in the economy (i.e., for local goods and services) has strong multiplier impacts as a result of indirect effects (i.e., the resulting increase in output and employment for other sectors supplying inputs to support the rise in

<sup>1</sup> World Bank. 2015. Indonesia - Systematic country diagnostic: connecting the bottom 40 percent to the prosperity generation.

Washington, D.C.: World Bank Group.

<http://documents.worldbank.org/curated/en/576841467987848690/Indonesia-Systematic-country-diagnostic-connecting-the-bottom-40-percent-to-the-prosperity-generation>.

<sup>2</sup> Based on the tourism satellite account produced by Statistics Indonesia (Badan Pusat Statistik, BPS) and the Ministry of Tourism.

tourism spending) and induced effects (i.e., the additional spending by those deriving income from growing tourism activity). If planned and managed well, tourism can thus generate large employment and income multipliers for Indonesia. According to the World Travel and Tourism Council (WTTC), in Indonesia, every US\$1 million of spending in travel and tourism supports US\$1.7 million in GDP and around 200 jobs (of which 67 are direct jobs). Moreover, out of almost 7 million hotel and restaurant workers in Indonesia in 2017, women and men represented 58 percent and 42 percent, respectively.<sup>3</sup>

5. Tourism demand is booming globally, especially in China, creating significant opportunities to gain market share for destinations in Southeast Asia. Worldwide, the tourism industry is projected to grow by 4 percent per annum over the next decade, outpacing expected global economic growth. Destinations in Southeast Asia received 120.1 million international visitors in 2017 (9.1 percent of total international visitors). Tourism demand from China has been especially strong. The number of Chinese outbound travelers to ASEAN countries grew at an average annual rate of 26.1 percent between 2010 and 2015 (reaching 16.9 million). During the same period, Indonesia's market share within ASEAN of Chinese outbound visitors decreased (from 9.6 percent in 2010 to 7.4 percent in 2015). With the Figure 1: Indonesia's domestic trips per capita and real number of Chinese outbound travelers to ASEAN household consumption per capita expected to double over the next decade (to 36 million in 2026), the potential for Indonesia is significant, if it can reverse its recent market share decline through destination development and improved tourism competitiveness.<sup>4</sup>

6. Meanwhile, Indonesia's domestic tourism trends are also promising. With 264 million domestic trips by Indonesians in 2016, the ratio of trips per capita—a proxy for domestic propensity for tourism—is about 1. This ratio has been on a steady rise since 2005, underpinned by an increase in real household incomes (Figure 1). This upward trend is expected to continue on the back of further household income growth and rising vehicle ownership, among other favorable trends.

Source: World Bank

national accounts data, and OECD National

Accounts data files;

and Ministry of Tourism

7. Indonesia has the potential to capitalize on this demand and develop a world-class tourism industry, leveraging its rich tourism endowments in a sustainable manner. The archipelago is home to one of the most biodiverse habitats in the world. It has a rich array of natural and cultural endowments that form the underlying draw for visitors. The World Economic Forum (WEF)'s Travel and Tourism Competitiveness Report 2017 ranked Indonesia 14th (out of 136 countries) for its natural resources and 23rd for its

3 WTTC. 2012. The Comparative Impact of Travel and Tourism; WTTC. 2015. Indonesia: How does Travel and Tourism compare to other sectors?; United Nations World Tourism Organization (UNWTO) and UN Women. 2011. Global Report on Women in Tourism 2010; WTTC. 2014. Gender equality and youth employment; and BPS. 2017. National Labor Force Survey (Survei Angkatan Kerja Nasional, SAKERNAS) 2017.

4 WTTC. 2017. Travel & Tourism Economic Impact 2017: World; UNWTO. 2018. World Tourism Barometer. Volume 16, Advance Release

January 2018; and Horwath Hotel, Tourism and Leisure (HHTL) and World Bank staff estimates, based on: China National Tourism Administration, cited in: [www.travelchinaguide.com/tourism](http://www.travelchinaguide.com/tourism) and Goldman Sachs. 2015. The Asian Consumer: The Chinese tourist boom.

cultural resources and business travel, capturing the principal			
Table 1: Indonesia's Tourism Competitiveness (Rank			
reasons to travel. Indonesia expanded the offer and promotion			out
of 141 countries in 2015 and 136 in 2017)			
of its natural resources by increasing the size of protected areas			
Travel & Tourism Competitiveness	2015	2017	
and attracting more online interest in natural activities.			
Index			
However, Indonesia's tourism industry is not yet operating at a			
Indonesia's overall rank	50	42	
level consistent with its endowments. Environmental			
Enabling environment			
sustainability (131st) remains a key risk factor for the sector			
Business environment	63	60	
(Table 1). Moreover, some of these tourism assets are vulnerable			
Safety and security	83	91	
Health and hygiene	109	108	
to climate change. As an archipelago with extensive low-lying			
Human resources and labor market	53	64	
and small island areas, Indonesia is vulnerable to the adverse			
readiness	85	91	ICT
impacts of climate change. Indonesia also experienced extreme			
Travel and Tourism policy and enabling conditions			
climate events, such as floods and droughts, which make up 80			
Prioritization of Travel and Tourism	15	12	
percent of disaster occurrences in the country, and is anticipating			
International openness	55	17	
long-term impacts from rising sea levels, shifting rainfall patterns			
Price competitiveness	3	5	
and increasing sea surface temperatures. These potential			
Environmental sustainability	134	131	
impacts of climate change could affect the tourism sector			
Infrastructure			
through multiple channels, including more frequent			Air
transport infrastructure	39	36	
infrastructure damage from hydro-meteorological disasters			
Ground and port infrastructure	77	69	
resulting in business and travel interruptions, changes in weather			
Tourist service infrastructure	101	96	
patterns and seasonality affecting tourism demand, increasing			
Natural and cultural resources			
water scarcity in areas affecting both residents and visitors, and			
Natural resources	19	14	
degradation of tourism assets, such as coral reef loss. Java and			
Cultural resources and business travel	25	23	
Sumatra islands, which host Project destinations, are areas with			
Source: WEF. 2015/2017. Travel and Tourism			
particularly high vulnerability of their population and			
Competitiveness Report.			
infrastructure to climate change.5			

8. Despite the strong growth in foreign visitor numbers since 2006, Indonesia continues to lag behind key regional competitors in reaching its full potential. Over the last 10 years (2006-2015), the number of foreign visitors to Indonesia has more than doubled, on par with trends observed in Vietnam and Thailand and ahead of Singapore, Malaysia, Australia and New Zealand (Figure 2). In 2016, foreign visitors to Indonesia—as recorded at the 19 main ports of entry—totalled almost 10.6 million, an increase of 11.4 percent from 2015.6 In 2016, the top four source countries

were Singapore, China, Malaysia, and Australia (Figure 3). In terms of regional aggregates, Europe was the largest source. Despite the steady growth in foreign visitors, Indonesia's visitor level still lags that of its neighbors, such as Thailand (32.6 million), Malaysia (22.9 million) and Singapore (16.4 million).<sup>7</sup>

9. Foreign visitors are increasingly concentrated in Bali, and their average spending (and consequently their economic impact) has been declining recently. Between 1975 and 2006, foreign visitors to Bali ranged between 20 and

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

6 BPS. 2017. International visitor arrivals by port of entry and nationality. Using BPS data on international visitors arriving through the

19 key gateways makes comparison across years possible. New definitions and data collection approaches for visitors through other ports of entry generate higher numbers for 2015 (10.4 million) and 2016 (11.5 million).

7 The Tourism Authority of Thailand. 2017; Malaysia Tourism Statistics. 2017; Government of Singapore. 2017.

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30 percent of total foreign visitor arrivals. In the last decade, this share was more than 30 percent. In 2016, Bali received more than 40 percent of all foreign visitors to Indonesia (Figure 4), with Jakarta and Batam a distant second and third, and the remainder thinly spread across the rest of the archipelago. At the same time, Indonesia's daily foreign visitor expenditures decreased by 8 percent from US\$154 per day in 2014 to US\$142 per day in 2015, followed by a further 7 percent decrease in 2016 to US\$132 per day.<sup>8</sup> For Indonesia to unlock its true potential, tourism development must move beyond Bali to other subnational destinations. Furthermore, in line with global trends, the GoI must shift its approach to destination development from one based on marketing and promotion to one that is more integrated and holistic, with an increased emphasis on visitor 'quality' (i.e., higher-paying segments) over quantity.

Figure 2: International visitors to South East Asia and Oceania, Top 11 visitor arrivals to Indonesia by nationality, 2006-2015 (2006 = 100)  
(Number of visitors, millions)

Figure 3:  
2016

Source: UNWTO. 2016. Compendium of Tourism Statistics  
BPS and Directorate General of Immigration. 2017.  
datasets.  
International Visitor Statistics.

Source:



Figure 4: Foreign travelers to Indonesia and Bali (left scale) and Bali's share of total (right scale), 1969-2016

Source: Bali Regional Office of Justice and Human Rights; Indonesia's Ministry of Tourism; and Deputy Assistant for Research and Development of Tourism Policy, Ministry of Tourism. 2017. Statistical Report on Visitor Arrivals to Indonesia 2016.

8 Ministry of Tourism. 2014. 2015. 2016. Passenger Exit Surveys.

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10. Four key constraints, in particular, contribute to Indonesia's current tourism growth and competitiveness challenges: (i) poor inter-ministry/agency, central-local and public-private coordination and weak implementation capabilities for tourism development in general, and for monitoring and preservation of natural and cultural assets in particular; (ii) continued poor access and quality of infrastructure and services for citizens, visitors and businesses; (iii) outside of Bali, limited tourism workforce skills and private-sector tourism services and facilities; and (iv) a weak enabling environment for private investment and business entry. Addressing these constraints in a comprehensive, integrated and incremental manner is therefore key to unlocking Indonesia's potential to develop a world-class tourism industry.

11. The GoI, in its National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN) 2015-2019, has set several objectives to increase the role of tourism in the Indonesian economy (Table 2). In 2015, the Ministry of Tourism's budget for Table 2: Indonesia's tourism development targets

promotional activities quadrupled from IDR300 billion to IDR1.2 (2014 baseline values and 2019 targets)

trillion. In March 2016, the GoI extended its free visa facility to 169

Indicator	2014	2019
countries to attract more foreign visitors, resulting in the world's Contribution to GDP (percent)	4	8
second most open visa policy, per the WEF's Travel and Tourism FOREX from tourism (trillion IDR)	120	240

Competitiveness 2017 ranking. However, promotion and visa Employment in tourism\* (million)

policy alone, without further improvements in the business Competitiveness ranking*	70	30
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environment, investment planning and promotion and targeted Foreign tourist arrivals (million)

infrastructure investments for multiple destinations, can Domestic tourist trips (million)	250	275
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overcrowd established destinations such as Bali, erode natural and Source: BAPPENAS. 2014. RPJMN 2015-2019, Buku II, cultural resources, and spoil the Indonesian 'brand'. Recognizing pp.3-81. Note: \* = Indonesia's Ministry of Tourism

this, the GoI decided to accelerate the development of ten priority tourism destinations.

12. It is in this context that the GoI launched the Indonesia Tourism Development Priority Program ( Program Prioritas Nasional Pembangunan Parawisata Indonesia), which aims to shift towards a more comprehensive and inclusive approach to tourism development. For the implementation of the program, the GoI decided to sequence the development of priority destinations and to start the program in three selected destinations (Annex 4):

(a) Lombok in West Nusa Tenggara Province. The island of Lombok is typically part of a 'destination tour' or a 'side trip' from Bali and is increasingly popular with foreign visitors (accounting for 52 percent of its 2 million total visitors in 2015). Part of its allure is that it is an 'unspoiled paradise', in contrast with Bali. Lombok has good tourism-related facilities, such as restaurants, travel agents, and adventure activity operators. While Lombok possesses attractive natural and cultural resources that are favorable for tourism development, its tourism is concentrated in the north-western part of the island (Gili Islands and nearby Senggigi), and other equally attractive areas remain undeveloped. Investments in basic services (water, sanitation and solid waste management) will improve the environmental sustainability of the Gili Islands—a beach and diving destination. With further resort development in the south (Mandalika Resort area), and investment in related marketing, Lombok can become more viable as a standalone destination for proximate source markets, such as Australia, and as a new destination for Chinese and other East Asian visitors who currently do not visit.

(b) Borobudur-Yogyakarta-Prambanan in Central Java Province and the Special Region of Yogyakarta. Despite being inscribed on the World Heritage List in 1991, Borobudur Temple Compounds attract a small number of foreign visitors. The temple compounds lack sustainable management practices, leading to deterioration from overuse. Limited availability of star and non star-rated hotels discourages overnight stays in the vicinity of the temple. The Project will help develop Borobudur-Yogyakarta-Prambanan as a sustainably managed cultural heritage destination, while enabling the surrounding communities to better capture cultural tourism opportunities and

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adventure markets (and greater urban tourism in the case of Yogyakarta). With such improvements in heritage conservation and management, public spaces, and basic services in cultural villages, Borobudur-Yogyakarta-Prambanan could attract a greater diversity and number of foreign visitors—particularly Asian visitors, both short-haul (Singapore, Malaysia and Thailand) and long-haul (China and Japan)—while retaining its large domestic visitor base.

(c) Lake Toba in North Sumatra Province. Lake Toba is the largest volcanic lake in the world and the center of Indonesia's Batak culture. A holiday destination since the 1970s, the rich natural beauty of the lake is considered by the travel trade as a world-class attraction, with good air connections between Southeast Asia and Medan,

the main gateway. However, road connectivity is poor, the lake suffers from pollution, hotel accommodation is of low quality and lacks variety, and supporting tourism facilities are limited. By addressing the key connectivity and environmental weaknesses, the Project will unlock opportunities for increased private investment enabling the destination to capitalize on underlying demand for its natural beauty. In turn, Lake Toba can become an attractive destination for a wider variety of domestic and some foreign visitors, particularly short-haul weekenders from Singapore and Malaysia.

13. If developed effectively, these three different and unique destinations are expected to increase their combined annual foreign and domestic visitor numbers from an estimated 15.3 million in 2015 to 27.3 million in 2041 (Figure 5) and annual visitor expenditures from US\$1.2 billion in 2015 to US\$3.3 billion in 2041.9 They are expected to increase their combined annual investment realization from US\$32.4 million per year (2011-2016, excluding 2012 as outlier) to an average of US\$105.1 million per year during project implementation.

Figure 5: Visitor projections (2016-2041)

Source: HHTL. 2017. Demand Assessment.

### C. Higher Level Objectives to which the Project Contributes

14. The proposed Project will support the Country Partnership Framework (CPF) for the Republic of Indonesia for the period FY16-FY20, as part of Engagement Area 1: 'Infrastructure platforms at the national level.' These platforms pertain to sectors where: (i) the central government, mostly through the Ministry of Public Works and Housing (MPWH),

9Based on HHTL. 2017. Lombok/Borobudur-Yogyakarta-Prambanan/Lake Toba: Baseline supply and demand, market demand forecasts, and investment needs (hereafter: 'Demand Assessment'). Available at: [www.bpiw.pu.go.id](http://www.bpiw.pu.go.id). As part of Project preparation, upon the GoI's request, Demand Assessments were prepared that covered for each of the destinations: (i) baseline supply and demand of tourism services; (ii) investment analysis; future market demand analysis (future visitors and investors); and (iv) investment needs (destination infrastructure, tourism infrastructure, skills, firm capabilities, and legal and regulatory environment).

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has responsibility for policy and/or implementation; (ii) the government or the private sector have expressed a strong interest in working with the World Bank Group; and (iii) supporting or expanding 'platforms' can have a substantial development impact. Tourism is one of the four sectors where a platform—one that allows the government and development partners, and where relevant, the private sector, to work cooperatively and reach scale—can have important development impacts. More specifically, the Project will contribute to Objective 3: 'Development of

integrated tourism destinations.' The CPF proposes to support the development of integrated tourism destinations, which are based on integrated tourism master plans and implementation strategies endorsed by a broad set of stakeholders. The development of integrated destinations would occur through a continuous process of policy and planning coordination, and would bring together (i.e. 'integrate') the development of infrastructure, tourism promotion, workforce skills and small and medium-sized enterprises (SMEs).<sup>10</sup>

15. The Project's support to the development of selected tourism destinations is the beginning of a longer-term engagement with the GoI on tourism destination development. Lombok, Borobudur-Yogyakarta-Prambanan, and Lake Toba are part of lists of ten priority tourism destinations, and 88 national tourism strategic areas (Kawasan Strategis Pariwisata Nasional, KSPN), which were identified in the GoI's 2010-2025 National Tourism Development Master Plan (Rencana Induk Pembangunan Kepariwisata Nasional, RIPPARNAS)<sup>11</sup> as targets for long-term development. The delivery platform and best practices established during the course of the Project will serve as a collaborative platform for central ministries, and provincial and local governments for developing tourism destinations across Indonesia. It will also serve as the foundation for further collaboration (both advisory and financing) between the World Bank Group and the GoI in developing other tourism destinations. With a view towards this longer-term collaboration, all ten priority destinations were included in the Demand Assessment conducted during Project preparation, helping to contribute to the analytical basis for future destination and investment planning for these destinations.

16. Recognizing that the public sector cannot singlehandedly finance or implement an integrated agenda of such broad scope, the Project places strong emphasis on leveraging the private sector and optimizing the use of scarce public resources—in a way that is fiscally, environmentally, and socially sustainable. Public investment selectivity and prioritization are core tenets of the Project, with a vision to deploy public resources predominantly towards basic services infrastructure in tourism destinations, where its commercial viability is otherwise limited, but where such infrastructure is critical to reversing destination deterioration and maintaining or improving destination attractiveness, thereby enabling a greater volume and/or quality of tourism activity (compared to a business-as-usual scenario). In parallel, a series of reforms to institutional delivery platforms and the tourism investment climate will help to put in place the strategies, planning frameworks, and mechanisms to facilitate private investments in tourism and put the sector on a more sustainable growth path.

17. The proposed Project is aligned with the Maximizing Finance for Development (MFD) approach and is an MFD-enabling project. The Project's integrated infrastructure investments, skills development and investment planning initiatives will address the binding constraints that have stalled key tourism-enabling private investments. Demand Assessments revealed trade and consumer interest in the selected destinations, but that it is not being realized due to the lack of a suitable tourism offering at a scale and quality that meets underlying demand. To meet this demand, a total of US\$525.7 million in new tourism sector commitments (mostly for hotel rooms, but also for broader tourism sector

10 World Bank Group. 2015. Indonesia - Country partnership framework for the period FY16-20. Washington, D.C.: World Bank Group.  
<http://documents.worldbank.org/curated/en/195141467986374707/Indonesia-Country-partnership-framework-for-the-period-FY16-20>  
20  
11 Government Regulation No. 50 of 2011.

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investment) are needed during the next 5 years in the three destinations.<sup>12</sup> At the same time, investor sentiment surveys, carried out as part of the Demand Assessments, confirmed that regulatory constraints, weak workforce skills, and infrastructure deficiencies limit private investors' interest in moving forward with investments in these destinations as they involve higher costs, more uncertainty and greater risk. The proposed Project therefore aims to promote private investment and tracks progress through an indicator on the value of private investment in the tourism sector. The Project's economic analysis is in line with the MFD approach, and planning frameworks for tourism development in the selected destinations include financing plans that explore opportunities for private financing. Additional support for regulatory reforms and the mobilization of private investment will be delivered through a parallel IFC advisory project that supports the Coordinating Ministry of Economic Affairs (CMEA) to improve the business environment and Indonesia's Investment Coordinating Board (Badan Koordinasi Penanaman Modal, BKPM) to develop targeted investor outreach, promotion, facilitation, tracking and aftercare programs. This will be paired with direct support to private investments provided by IFC, where appropriate.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

18. The Project Development Objective is to improve the quality of, and access to, tourism-relevant basic infrastructure and services, strengthen local economy linkages to tourism, and attract private investment in selected tourism destinations in Indonesia.

### B. Project Beneficiaries

19. The Project beneficiaries are relevant ministries and agencies, the residents, local job-seekers and workers in the tourism industry, and local tourism firms in the selected destinations.

(a) The beneficiaries under component 1 are manifold, and include: relevant ministries/agencies for integrated tourism master planning, for monitoring and preservation of natural, cultural and social assets, and for Project coordination.

(b) The investments under component 2 that aim to improve road quality and basic services accessibility will primarily benefit the residents in the 'key tourism areas,'<sup>13</sup> who currently suffer from significant lack of

access. The related benefits for tourism include enhanced environmental sustainability, health and hygiene and cleanliness, which together affect the destinations' attractiveness. In the key tourism areas, average household access to sustainable piped water supply, sanitation, and solid waste collection service is estimated at 53 percent, 66 percent and 46 percent, respectively. Except for the Gili Islands, in all key tourism areas, more than 90 percent of basic services will directly benefit the local population, the remainder benefitting visitors and businesses. The key tourism areas include 21 kecamatans, with a population of 0.9 million people, across 11 kabupaten/kota, 14 with a total population of 8.2 million people. In 2017, the poverty rates in Lombok, Borobudur-Yogyakarta-Prambanan, and Lake Toba were 17.9 percent, 11.2 percent and 11.0

12 World Bank staff estimates based on: HHTL. 2017. Demand Assessments.

13 Defined in Annex 1, Table 9.

14 In Indonesia, subnational governance includes four levels: (1) province/Provinsi, (2) city/Kota and regency/Kabupaten, (3) sub-

district/Kecamatan or district/Distrik, and (4) urban community/Kelurahan or village/Desa.

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percent, respectively, compared to the national poverty rate of 10.6 percent.<sup>15</sup> In addition to the 21

kecamatan of the key tourism areas, another 27 kecamatan in the Lake Toba destination area will be

targeted for sanitation and solid waste sub-projects to address the lake's water quality and cleanliness

challenges. Transport improvements planned under the Project will help enhance road safety for residents

and visitors, reduce transport times for trade and business activity, and improve opportunities for

environmentally-friendly, non-motorized forms of urban transport (e.g., through the provision of new bicycle

paths and sidewalks). An estimated 40 percent of the tourism-relevant roads are maintained in accordance

with the improved national standards and targets for stable road condition (International Roughness Index

(IRI) < 6). Component 2 represents an acceleration of the government's existing public goods commitments

to increase basic service accessibility in specific geographic areas—the key tourism areas, which affect the destinations' attractiveness.

(c) The skill development activities under component 3 will help improve opportunities for local workers and

job-seekers to get trained or upskilled and capture the jobs created by growing tourism demand in the key

tourism areas. This is expected to benefit both women and men, who represent about 58 percent and 42

percent, respectively, of tourism sector employment. Its benefits for tourism development include better and

more equitable alignment of skills to the industry's needs and better customer orientation, which will—in

turn—improve the destinations' attractiveness.

(d) By promoting partnerships with online tourism platforms and introducing evidence-based capacity

building, component 3 will also benefit tourism firms in the key tourism areas. It will support firms with

limited online presence (primarily SMEs) to better integrate into the digital economy as a means of boosting

their competitiveness and improving their market access. It will also support online firms to improve their

product and service quality standards and further broaden their market reach.

(e) The technical assistance under component 4 will benefit potential investors in the tourism industry, both

foreign and domestic. It will help BKPM and the Ministry of Tourism to more strategically attract investments

in the tourism destinations, ensuring better alignment of the destinations' visions with high-potential

investors.

(f) The increased tourism spending in the selected destinations will translate into significant additional

revenue for subnational governments (both provincial and district-level). In Indonesia, turnover at hotels

and restaurants is taxed at 11 percent, revenue which accrues directly to subnational governments. In

addition, local authorities also receive a portion of the income tax paid by firms and individuals that benefit

from increased tourism sector activity.

(g) Several activities under this Project also support the GoI's national climate change policy objectives. For

climate change adaptation, component 2 will contribute to reducing the climate vulnerability of residents and

visitors in key tourism areas by investing in betterment and rehabilitation of roads (slope protection and

drainage), thus ensuring all-weather physical access to the destinations and continuity of basic services in

15BPS. National Socio-Economic Survey in 2017. This survey is not designed for kecamatan level analysis. The poverty rate for each

destination is thus calculated based on kabupaten/kota level data. It covers Central Lombok, West Lombok, East Lombok and North

Lombok for Lombok destination; Klaten, Magelang, Yogyakarta, and Sleman for Borobudur-Yogyakarta-Prambanan destination; and

Simalungun, Samosir, and Tobasa for Lake Toba destination. Poor people are those with average spending per month below the

poverty line, which in 2017 was: IDR375,684 (West Lombok); IDR357,337 (Central Lombok); IDR382,861 (East Lombok); IDR387,265

(North Lombok); IDR271,800 (Magelang); IDR 364,240 (Klaten); IDR401,193 (Kota Yogyakarta); IDR334,406 (Sleman); IDR326,501 (Toba

Samosir); IDR271,619 (Samosir); IDR315,947 (Simalungun).

both high and low tourism seasons. Such investment is consistent with the National Action Plan for Climate

Change Adaptation (RAN-API), which aims to reduce risks from climate change on transport infrastructure

and other infrastructure that impacts public health.<sup>16</sup> The investments in sustainable water supply, and waste/

waste water management will address vulnerability to climate change exacerbated water scarcity, and

increase resilience towards water-borne and vector-borne diseases. For climate change mitigation, the Project will promote improved facilities for public transport and non-motorized transport, including bicycles and pedestrian mobility, supporting the policy goal of overall reduction in greenhouse gas (GHG) emissions from transport and energy use.<sup>17</sup> Component 1 will also support climate change adaptation by integrating climate resilience considerations into the ITMPs and the monitoring and preservation of natural, cultural and social assets, where appropriate.

#### C. PDO-Level Results Indicators

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

- (a) Increased performance on the 'sustainable tourism'<sup>18</sup> indicators
- (b) Number of beneficiaries of improvements to tourism-relevant basic infrastructure and services
- (c) Increased community satisfaction with efforts to promote local participation in the tourism economy
- (d) Value of private investment in the tourism sector

### III. PROJECT DESCRIPTION

#### A. Project Components

21. The Project consists of four integrated components, each of which targets a key constraint to unlocking tourism potential in Indonesia, and which collectively are expected to contribute to higher-level impacts on the number of foreign and domestic visitors, related increases in tourism foreign exchange earnings, employment, contribution to GDP and overall competitiveness. As a whole, the Project provides an organizing framework to help address coordination failures between central (APBN), provincial (APBDI) and kabupaten/kota governments (APBDII), and mobilize their resources towards a common objective in each of the selected tourism destinations.<sup>19</sup> This common objective is anchored in integrated tourism master plans (ITMPs) that will be prepared for each of the destinations, as well as in the institutional arrangements that are specifically established to enhance collaboration amongst various institutions. The preparation of these plans, together with strong program management support (initiated with Preparation Advance and Grant financing), will help align existing government programs for roads, basic services, skills development and the business environment for better results in tourism destinations.

<sup>16</sup> GoI. 2013. RAN-API - Synthesis Report.

<sup>17</sup> GoI. 2016. Indonesia's First Nationally Determined Contributions, November 2016.

<sup>18</sup> For the definition, see section VII. Results Framework and Monitoring. For indicative indicators, see Annex 1, Table 6.

<sup>19</sup> APBN is Anggaran Pendapatan dan Belanja Negara (State Revenue and Expenditure Budget); APBDI is Anggaran Pendapatan dan

Belanja Daerah Tingkat I (Provincial Revenue and Expenditure Budget); and APBDII is Anggaran Pendapatan dan Belanja Daerah Tingkat II (Kota/Kabupaten Revenue and Expenditure Budget).



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Component 1: Increase institutional capacity to facilitate integrated and sustainable tourism development (Total cost of: US\$24.7M, of which US\$0.6M Counterpart Funding, US\$2.1M Trust Funds, and US\$22.0M IBRD)

22. This component consists of a technical assistance program to increase institutional capacity at the national and subnational level to facilitate integrated and sustainable tourism development, and will include such activities as:

(a) The preparation of ITMPs, downstream sectoral master plans and studies, and institutional development and capacity building for integrated tourism destination planning, including the protection and management of World Heritage Sites—and, if applicable, Global Geoparks and Biosphere Reserves—, managed by the Regional Infrastructure Development Agency (RIDA) of the MPWH. Each ITMP consists of an overall development plan for the entire tourism destination area (with a planning horizon of 25 years) and detailed development plans (with a planning horizon of 5 years) for existing and future key tourism areas within the tourism destination. The plans will be based on the Demand Assessment and economic analysis for each destination and will be prepared in close consultation with all stakeholders, including local communities and the private sector.

(b) Program Management Support (PMS): The PMS Consultant will provide PMS to RIDA (the Executing Agency for the Project) including for Project planning, budgeting, quality control, supervision, monitoring, reporting, and coordination to ensure that implementation is consistent with Project objectives and in compliance with the Loan Agreement. In addition to the PMS Consultant, the central government project management unit (CPMU) that will be established under RIDA, will also require additional consultants and operating costs to play this important role for the Project.

(c) Supporting natural, cultural and social asset monitoring and preservation, including through the establishment and/or strengthening of institutions, such as Sustainable Tourism Observatories (STOs) as part of UNWTO International Network of Sustainable Tourism Observatories (INSTO) and/or Wonderful Indonesia Sustainable Tourism Observatories (WINSTO). These institutions, supported by the Ministry of Tourism, will monitor selected indicators of 'sustainable tourism' in the destinations.

Component 2: Improve tourism-relevant road quality and basic services accessibility (Total cost of: US\$680.0M, of which US\$440.4M Counterpart Funding and US\$239.6M IBRD)

23. This component consists of sub-projects designed to enhance the quality and condition of tourism-relevant roads, provide facilities for public transport and non-motorized transport, as well as improve access to basic services and infrastructure essential for a satisfactory tourist experience and for the preservation of natural and cultural assets of selected tourism destinations. This component is implemented by Directorate General (DG) Highways and DG Human Settlements of the MPWH. It includes:

(a) Road transport expenditures for improving the quality and condition (through construction, widening,

betterment, improvement/reconstruction, rehabilitation, and maintenance) of the tourism-relevant roads, including bridges, in the selected destinations in accordance with national standards and targets for stable maintenance condition (i.e. International Roughness Index (IRI) < 6).

(b) Tourism services and infrastructure, such as pedestrian and non-motorized traffic facilities, parks and greenery development or improvement, and the construction or improvement of subnational facilities for public transport, such as bus stops and terminals, jetties, boat landing sites, ferry terminals, and taxi and truck stands.

(c) Basic services infrastructure to improve access to sustainable water supply, solid waste management, waste

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water management and sanitation in the key tourism areas (21 kecamatans), and the 27 additional kecamatans in the Lake Toba destination that are targeted for the sanitation and solid waste programs.

(d) Feasibility studies (FSSs), detailed engineering designs (DEDs) and management and supervision consultants' services for the abovementioned physical investments. This includes three consultants' packages to ensure the quality of physical works, as well as the incorporation of environmental and social safeguards measures in compliance with the Environmental and Social Management Framework (ESMF).

24. Finalizing the ITMPs is not a pre-requisite for starting activities under component 2. While the ITMPs are being prepared, the type of eligible sub-projects for component 2 is limited to investments that would be advisable no matter what the final outputs of the ITMPs would be—i.e., the 'no regret' investments (Annex 1, Table 10).

Component 3: Promote local participation in the tourism economy (Total cost of: US\$66.9M, of which US\$29.8M Counterpart Funding and US\$37.1M IBRD)

25. Component 3 aims to increase participation of local firms and individuals in the tourism sector. This component is implemented by Deputy Institutional Development and Tourism Industry of the Ministry of Tourism, and its key outcomes relate to: (i) guaranteeing a continuous supply of relevant workforce skills for jobs in the tourism economy; (ii) supporting local firms to capture opportunities in the increasingly-digitalized tourism economy; (iii) improving the quality of service standards among local tourism firms; and (iv) improving local community awareness (Sadar Wisata) and engagement in tourism development.

26. The development of relevant workforce skills will include the provision of relevant and high-quality competency based training (CBT) and the strengthening of the certification system of the tourism sector in selected destinations. While the Project focuses on strengthening technical and vocational education and training (TVET) institutions relevant to the selected destinations, it will also help improve the system for tourism-related workforce skill development, from which other destinations will also benefit. During Project implementation, technical assistance will

increase alignment of CBT with the demands of the private sector over time. To enable this, component 3 includes:

- (a) Developing competency-based standards, qualification frameworks and related curriculum packages, including holding related industry-government consultations.
- (b) Training of trainers, teachers and assessors for improved delivery of CBT and developing related guidance materials.
- (c) Provision of technical assistance for TVET institutions to align with private sector demands including provision of required TVET equipment.
- (d) Certification of trainees and tourism professionals, including consulting services for the development and implementation of life-long learning (upskilling) programs for a targeted number of existing tourism professionals.
- (e) Holding bi-annual tourism skill development forums in each of the Project's selected destinations.

27. With regards to local firms, the Project's support will focus on equipping the Ministry of Tourism with the means to better prioritize and more effectively deliver capacity building to these firms. Through a partnership with a travel website company, Deputy Institutional Development and Tourism Industry will identify those tourism firms that are currently offline and develop a series of workshops that will improve these firms' online presence and engagement—critical for any tourism firm to remain competitive and to maximize its access to markets. Furthermore, through this

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partnership, the Ministry will monitor and evaluate service and quality standards of tourism firms, identify areas needing improvement in each destination, and tailor practical CBT to enable tourism firms to meet higher overall standards. In practice, the component includes:

- (a) Acquisition of data from a travel website company to assist in the design of policies and programs aimed at increasing local firms' linkages to global online platforms and improving their quality standards.
- (b) Consulting services to deliver training for local tourism firms to help boost their online market access. The training delivery also requires non-consulting services and operating costs.
- (c) Consulting services for the content and delivery of targeted programs that focus on improving firm quality and service standards that the travel website data identifies as weak.

28. To support the improved design, implementation, and monitoring of community awareness and engagement programs, this component also includes:

- (a) Training and operating costs for the existing Ministry of Tourism's Sadar Wisata awareness program.
- (b) Consulting services to redesign, using international best practice, this existing program to be more focused on, and effective in, empowering communities in the selected destinations to participate in tourism, for example in decision-making processes or in capturing economic and social benefits.
- (c) Community satisfaction surveys to better assess the perceived benefits from tourism (individual and community

benefits; economic and social benefits; conservation of traditions; etc.), changes in the level of engagement including changes in socio-economic conditions (e.g., prices, access to resources, traditional values), changes in environmental conditions (improvement or degradation), and interaction with visitors, etc. The surveys will also serve as a feedback loop to the budgeting and planning processes.

29. In promoting local participation in the tourism economy, gender equity gaps can be addressed. This component includes two gender equity indicators, one for certification and one for participation in tourism community engagement programs (e.g., entrepreneurship training, economic empowerment), aimed at gender equality in women's and men's certification and economic empowerment, respectively (for details: Annex 1).

Component 4: Enhance the enabling environment for private investment and business entry in tourism (Total cost of: US\$1.3M, of which US\$1.3M IBRD)

30. Component 4 consists of a technical assistance program to design and implement tourism destination-specific investment planning, to include such activities as: (a) the preparation and updating of investment project ready to offer (I-PRO); (b) market sounding activities; and (c) monitoring of investment projects.

#### B. Project Cost and Financing

31. The total cost of the project is estimated at US\$772.9 million, to be financed through the US\$300 million IBRD loan, US\$470.8 million counterpart funding, and US\$2.1 million donor grants (Table 3). In December 2016, the government requested a Project Preparation Advance (PPA) and Grant to finance the three ITMPs (Lombok, Borobudur-Yogyakarta-Prambanan, and Lake Toba) and for program management support. In November 2017, the World Bank signed an Advance Agreement for US\$4 million and a Preparation Grant Agreement for US\$2.1 million. The Preparation Advance (P4820) will be refinanced under the Loan, while the Grant is financed by the Australian Department of Foreign Affairs and Trade (DFAT).

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Table 3: Project Cost and Financing Sources (indicative, in million US\$)

Financing sources				Project	
of which:				cost	IBRD
Project Components					Financing
Trust	Counterpart	Central	Local		
Funds	Funding	govt.	govt.		
	1: Increase institutional capacity to facilitate			24.7	22.0
2.1	0.6	0.6	0.0		
	integrated and sustainable tourism development				
	Integrated planning and coordination			22.1	20.0*
2.1	0.0	0.0	0.0		
	Monitoring of sustainable tourism			2.6	2.0
0.6	0.6	0.0			
	2: Improve tourism-relevant road quality and				

				680.0	239.6
440.4	337.5	102.9			
	basic services accessibility				
	Roads: Routine and periodic maintenance			96.6	0.0
96.6	58.6	38.0			
	Roads: Betterment and rehabilitation			244.3	90.0
154.3	154.3	0.0			
	Non-motorized traffic facilities			11.3	7.0
4.3	4.3	0.0			
	Tourism specific infrastructure			50.0	18.0
32.0	32.0	0.0			
	Piped water supply			105.6	35.0
70.6	41.2	29.4			
	Solid waste management			20.5	13.0
7.5	0.1	7.4			
	Waste water management and sanitation			119.3	65.0
54.3	30.5	23.8			
	DEDs and FSS (including safeguards instruments)			32.4	11.6
20.8	16.5	4.3			
	3: Promote local participation in the tourism			66.9	37.1
29.8	29.8	0.0			
	economy				
	Skill development			55.4	28.3
27.1	27.1	0.0			
	Firm capabilities			6.3	4.2
2.0	2.0	0.0			
	Community engagement			5.2	4.6
0.7	0.7	0.0			
	4: Enhance the enabling environment for private			1.3	1.3
0.0	0.0	0.0			
	investment and business entry in tourism				
	Investment planning			1.3	1.3
0.0	0.0	0.0			
	Total Project Costs			772.9	300.0
2.1	470.8	367.9	102.9		
	* of which: refinancing of project preparation advance (PPA): US\$4.0 million				

### C. Lessons Learned and Reflected in the Project Design

32. Lessons learned from international experience in tourism development and from previous World Bank Group-financed tourism projects have been incorporated into the design of each Project component.

33. In relation to the institutional dimensions of tourism development, which are the focus of component 1, the Project draws lessons from several experiences, both in Indonesia and globally:

(a) Indonesia's experience with a previous attempt to develop a World Bank-supported tourism development project in Lombok, which was to be implemented by Ministry of Tourism but did not materialize, demonstrated the limited capacity of a tourism ministry to coordinate a tourism project that includes significant infrastructure investments and tourism-related but not necessarily tourism-specific reforms. In fact, worldwide, governments' experience with tourism development and its multi-dimensional nature has revealed the critical need for collaboration among multiple public-sector ministries and agencies, as well as close consultation with private

sector stakeholders.

(b) The World Bank Group's experiences in Nusa Dua, Bali, in the 1970s have highlighted the importance of taking a wider scope and more integrated approach to tourism master planning. The tourism master planning approach in Nusa Dua was too focused on the site's development needs and did not sufficiently consider the unintended development of, and environmental impacts for, the surrounding areas in Bali. This Project will, for instance, develop an ITMP for Lombok island rather than just the three key tourism areas of the southern coast, Senggigi and the Gili Islands. The Project's ITMPs will also include: (a) an assessment of the environmental and social opportunities and constraints to identify areas for preservation, no development or restrained development; and (b) formulation of alternative development scenarios that will be evaluated for social and environmental effects, taking into account World Bank safeguards requirements as specified in the ESMF and feedback from extensive stakeholder consultation.

(c) Egypt's development of the Red Sea coast in the 1980s to attract a different market based on its marine ecology led to Egypt's emergence as a leader in world tourism. Needing to reduce reliance on culture and history, while maintaining growth and spreading tourism benefits to other parts of the country, Egypt relied on careful master planning to guide and manage the process, acknowledging that this was critical to attract investors. It was also recognized that development needed to be set within a wider Red Sea Regional Framework plan, prepared with assistance from the World Bank Group, to protect biodiversity and prevent pollution.

(d) Morocco's success in developing sustainable coastal tourism resorts through a public-private partnership after the global downturn following 9/11 is in part thanks to the government's leadership in the preparation of master plans, which became the basis for investment projects in three targeted destinations. Morocco relied on comprehensive market studies to inform the master planning and strategy development process as well as detailed prefeasibility studies to guide site selection, establish protection mechanisms and ensure projects were in tune with market needs and investor expectations.

34. With regard to component 2, previous World Bank tourism infrastructure projects have shown, first and foremost, that improvements in the liveability of a destination (i.e., basic service infrastructure and tourism service delivery) help to attract private investment. In the Philippines, a Tourism Road Infrastructure Program (TRIP), supported by a US\$300 million Development Policy Loan to Foster More Inclusive Growth, was enabled by an innovative convergence of mandates of the Department of Tourism and the Department of Public Works and Highways. TRIP focused on upgrading 'last mile' local access roads (that last stretch of local road that ultimately leads to the tourism destination) to national road standards to reduce 'bad trip' experiences by visitors. A joint USAID -World Bank assessment highlighted TRIP's significant strengths and accomplishments. It, however, also identified lack of local tourism, road baseline and road completion data as the project's main weaknesses, reducing its ability to conduct cost-benefit analysis and monitoring and evaluation (M&E).<sup>20</sup> This Project has benefitted from the destination-level tourism

20Christie, Iain; Fernandes, Eneida; Messerli, Hannah; Twining-Ward, Louise. 2014. Tourism in Africa: Harnessing Tourism for Growth and Improved Livelihoods. Africa Development Forum. Washington, D.C.: World Bank and Agence Française de Développement. World Bank, pp. 222-229. <https://openknowledge.worldbank.org/handle/10986/18688> License: CC BY 3.0 IGO; USAID and World Bank. 2015. Making Public Infrastructure Work for Philippine Tourism-led Inclusive Growth. An Assessment of the Tourism Road Infrastructure Program (TRIP); World Bank. 2014. Philippine Economic Update: Pursuing Inclusive Growth through Sustainable Reconstruction and Job Creation. Washington, D.C.: World Bank. <https://openknowledge.worldbank.org/handle/10986/20066> License: CC BY 3.0 IGO; World Bank. 2014. Philippines - Third Philippines Development Policy Loan to Foster More Inclusive Growth. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/786401468332663548/Philippines-Third-Philippines-Development-Policy-Loan-to-Foster-More-Inclusive-Growth>; and Kjorstad, John. 2015. Tourist trap? Investing in tourism infrastructure. The World Bank Group Infrastructure and Public-Private Partnership Blog.

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data gathered as part of the Demand Assessments, and, as part of the ITMP process, will complement this with road baseline data, while the Project Management Information System will track road completion data.

35. For component 3, several global best practices for governments to address tourism skills constraints have been considered. In particular, the Project follows the lessons learned from Singapore and Scotland. Singapore is regarded as exemplar for its talent policies and holistic approach to improving its tourism manpower capabilities. In 2007, the Singapore Workforce Development Agency, Ministry of Manpower, and Singapore Tourism Board collaborated to develop a Tourism Talent Plan. The plan aimed to prepare the workforce to meet a projected spike in manpower demand, driven by new tourism investments, including two integrated resorts, and new events. The three-pronged approach comprised of continuing education and training for adult workers, pre-employment training for students, and strong partnerships with industry stakeholders to attract more workers to join the sector. Scotland's experience with tourism skills development also highlights the importance of strong partnerships with the private sector. In 2013, Scotland developed its first Skill Investment Plan (SIP) to support tourism and address key sector constraints. Two of the SIP's four objectives relevant to Indonesia were: (i) developing skills to deliver a high-quality visitor experience; and (ii) ensuring that high-quality training was available. After two years, almost 90 percent of the SIP had been implemented. Whilst many countries have similar plans in place, very few get implemented, and at such a pace. A critical success factor for the rapid implementation of Scotland's SIP was the formation of a Tourism Skills Group, which was responsible for the development and implementation of the plan and consisted of employers, employees, education providers and public-sector agencies.<sup>21</sup> Learning from these experiences, this Project will adopt a holistic

approach for improving the supply of tourism TVET and the underlying quality control mechanisms (i.e., certification and accreditation). Furthermore, the Project will incentivize stronger links between skills demand and supply, engaging regularly with industry and other stakeholders to ensure job-relevant skills are being targeted. Tracking mechanisms and improved industry collaboration via Tourism Skill Development Forums will provide information to tourism TVET institutions on the availability and evolution of skills demand in the sector.

36. Finally, in improving investment planning for the tourism sector, the Project, as part of component 4, draws on previous experiences. Using best practices derived from a World Bank Group assessment of investment promotion intermediaries (IPIs) from 189 countries,<sup>22</sup> the Project will follow an internationally proven five-step approach to tourism planning and promotion. From 2005-2012, Nicaragua followed this approach, and with an annual budget of US\$900,000 attracted over US\$80 million in new tourism investment, resulting in 1,700 new jobs in the sector. Although IPIs cannot influence external factors or global trends, they can impact investment decisions through effective investment facilitation. By gathering and packaging detailed market data, providing in-depth information on investment opportunities, targeting specific investor communities, and offering support and key contacts throughout the investment process, they can help reduce the transaction costs for investors, thereby making the investment proposition more attractive.

21 Skill Development Scotland. 2015. Skills Investment Plan for Scotland's Tourism Sector; Oxford Economics and WTTC. 2015. Global Talent and Trends and Issues for the Travel and Tourism Sector; Diageo. 2015. Women in Tourism and Hospitality: Unlocking the Potential in the Talent Pool; European Commission. 2012. Rethinking Education: Investing in Skills for Better Socioeconomic Outcomes; and The Singapore Tourism Board. 2008. All Revved Up: Singapore Tourism Board Annual Report 2007/08.

22 World Bank Group. 2012. Global Investment Promotion Best Practices 2012. Washington, D.C.: World Bank.

<https://openknowledge.worldbank.org/handle/10986/20423> License: CC BY 3.0 IGO; World Bank Group. 2013. Global Investment Promotion Best Practices: Winning Tourism Investment. Washington, D.C.: World Bank.

<https://openknowledge.worldbank.org/handle/10986/20766> License: CC BY 3.0 IGO; and Harding, T. and Javorcik, B. S. 2011. Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows. The Economic Journal, 121: 1445-1476. doi:10.1111/j.1468-0297.2011.02454.x.

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#### IV. IMPLEMENTATION

##### A. Institutional and Implementation Arrangements

37. The MPWH will be the executing agency for the Project and responsible for financial management of the IBRD



loan proceeds, implementation of environmental and social safeguards in accordance with the World Bank's requirements as specified in the ESMF, and the procurement and management of most contracts (including all contracts under component 2). A central government project management unit (CPMU) will be established under the RIDA of the MPWH. Central project implementation units (CPIUs) will be established in all implementing DGs/Deputies: DG Highways, DG Human Settlements and RIDA in the MPWH; Deputy Tourism Destination Development and Deputy Institutional Development and Tourism Industry in the Ministry of Tourism; and Deputy Investment Planning in BKPM. The RIDA will be supported by the PMS Consultant. The CPMU and CPIUs are expected to be established in the months leading up to the Project's expected date of effectiveness. These implementation arrangements are being designed based on similar arrangements that have been established—and are currently in place—in the same ministry and the same departments for other programs, thus learning from successful multi-ministry Platforms in Indonesia, where the MPWH is also the executing agency.<sup>23</sup>

38. For overall strategic guidance, a ministerial Tourism Coordination Team, chaired by Indonesia's Vice-President, will provide cross-sectoral strategic coordination. In addition, the National Development Planning Agency (Badan Perencanaan Pembangunan Nasional, BAPPENAS) will establish central level institutional arrangements for alignment between investment planning and budgeting, including: (i) a proposed Steering Committee to be composed of the Ministers from each involved ministry or agency; and (ii) a proposed Technical Committee consisting of Echelon I officials from each involved ministry or agency. These two committees will also include government agencies/ministries that have no direct implementing responsibility for the Project, but are critical stakeholders.

39. For provincial and local government (i.e. APBDI/II) alignment, for each province and kabupaten/kota in the destinations, Provinces and Kabupaten/Kotas will establish task forces in each of the 4 provinces and 11 kabupaten/kota where the Project operates. Local governments are predominantly involved in the implementation of component 2. For road sub-projects and subnational transport, local project implementation units (LPIUs) include provincial and local public works agencies. For basic services, local public works and settlements agencies are LPIUs. The PMS Consultant will also have in-destinations teams which will support local agencies in aligning their sub-projects with the ITMPs and ensuring compliance with the Project's ESMF and fiduciary requirements.

40. Finally, tourism development coordination at the destination level will be facilitated by several existing local management authorities and bodies. These include the Management Authority for Lake Toba Tourism Area and the Management Authority Board for Borobudur Tourism Area, which are composed of two bodies: (i) an Advisory Board (or Steering Committee), chaired by the Coordinating Minister for Maritime Affairs, which will establish the general policy, provide overall direction and supervision of interventions in each Tourism Area; and an Executive Board (or Implementing Agency)—a working unit under the Ministry of Tourism, which will coordinate, synchronize, and facilitate the planning, development, and construction of both Tourism Areas.

23 These include the National Slum Upgrading Project (NSUP, or Program Kota Tanpa Kumuh, KOTAKU), which operates across 153 cities and the Special Capital District of Jakarta, and the National Rural Water Supply and Sanitation Project (Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat, PAMSIMAS), which operates in 350 districts. These two platforms also involve several other ministries.

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41. Additional details on these implementation arrangements are provided in Annex 2, and further specifics on implementation arrangements will be presented in the Project Operational Manual (POM).

#### B. Results Monitoring and Evaluation

42. The Project will be monitored and evaluated through multiple agencies, mechanisms, and data providers. Results M&E will be coordinated by designated technical staff across the CPIUs—the MPWH, the Ministry of Tourism, and BKPM, and compiled by the CPMU. Data collection and analysis will require complementary efforts from various other ministries/agencies (e.g., Manpower and Transmigration), including at the subnational level (e.g., provincial/local Public Works Agencies, Environmental Boards, TVET institutes, and local one-stop services). The RIDA will be supported by the PMS Consultant to establish a transparent Project Management Information System for M&E and reporting (for details: Annex 2).

#### C. Sustainability

43. The tourism development agenda is a high priority for the GoI, championed at the highest levels of government and supported by strong inter-ministerial and central-local collaboration. The selected tourism destinations supported through the Project represent the beginning of the GoI's broader and longer-term tourism development agenda that includes more than 80 strategic tourism areas throughout the country, and aims to increase the relative importance of the tourism sector for Indonesia's economy, jobs and foreign exchange earnings. The GoI's commitment to this agenda is reflected in its efforts, particularly over the past two years, to identify and prioritize tourism-relevant public investments, plan and allocate necessary budgets, deepen coordination between line ministries and with subnational governments, and establish and/or strengthen destination-level management authorities. The delivery Platform and mechanisms established through the Project's preparation process will serve as the foundation for the GoI to maintain development efforts in the selected destinations beyond the Project period and to replicate and scale up the Project's approach to other destinations in the future. The Project also finances the strengthening of tourism sustainability monitoring and community engagement to help ensure that, both during the Project period and in the longer term, destination development is managed in a manner that: (i) includes and economically empowers the local communities in the destinations; and (ii) protects and preserves the natural and cultural assets that attract tourism.

#### D. Role of Partners

44. Key development partners include the Swiss State Secretariat for Economic Affairs (SECO), the Australian Government Department of Foreign Affairs and Trade (DFAT), and the German Agency for International Cooperation (GIZ). The Indonesia Infrastructure Support (INIS) Trust Fund (DFAT) provided a recipient-executed grant (US\$2.1 million) for the preparation of ITMPs and a Bank-executed grant (US\$0.65 million) for the Demand Assessments and a water quality assessment for Lake Toba. The Kingdom of the Netherlands and SECO, through the Multi-Partner Facility for Trade and Investment Climate (MPFTIC), co-funded the Demand Assessments. In December 2017, the World Bank established the Indonesia: Sustainable Tourism Development Multi Donor Trust Fund (STD-MDTF), with a first contribution from SECO (CHF4 million). SECO's bilateral contribution (CHF8 million) to Indonesia's tourism sector includes assistance for skill development and support for sustainable and inclusive tourism destinations. In addition, GIZ's Innovation and Investment for Inclusive Sustainable Economic Development (ISED) program (2017-2020) operates in Lombok (for details: Annex 2).

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## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

45. The overall risk rating for the Project is high. In three areas, the risk is rated as substantial: (i) Technical Design of the Project; (ii) Institutional Capacity for Implementation and Sustainability; and (iii) Fiduciary management. Social and Environmental risk is rated as high.

(a) Technical design risk of the Project: While the Project is informed by adequate analytical work, being an integrated Project, it cuts across several issues and therefore can be considered technically complex, requiring strengthened institutional arrangements and planning. While these institutional and planning tools are part of the Project design, they are not yet all formally adopted, and therefore the current residual risk is assessed as substantial. The GoI is in the process of bringing the various government expenditures related to tourism development together through strengthened implementation and institutional arrangements, the use of ITMPs, and—over time—a single code in the central government's budget. These system improvements are largely part of the Project scope itself, and further strengthened through a parallel IFC advisory project and IBRD advisory project. While not all the Project's economic benefits can be controlled through operational design, comprehensive Demand Assessments have been carried out to inform the prioritization and economic rationale of the Project. The ITMPs are expected to be developed based on these Demand Assessments. A residual risk that cannot be mitigated easily is the impact of security issues on market demand. While the impact of sporadic terrorist attacks tends to be short-term, the impacts increase as such attacks become more frequent. While the

higher-level impacts of the wider government program would be directly affected, the PDO is less vulnerable to demand shocks caused by security issues (see also the Economic Assessment on robustness to shocks).

(b) Institutional capacity for implementation and sustainability risk is assessed as substantial. Compared to

Indonesia's tourism development efforts to date, this Project can help bring better coordination, alignment of expenditures and results-orientation. This significant opportunity comes with substantial risk, however, if

institutional arrangements are not sufficiently strengthened. There is a substantial likelihood that weak

institutional capacity for implementing and sustaining the Project may adversely impact the PDO, as

implementation involves several agencies with capacity differences and activities in multiple locations. In

Indonesia's decentralized context, ensuring local governments align their expenditures and efforts with the

central government is no easy task. While the implementing agencies have some capacity to implement the

Project with some assistance from external consultants, the improved coordination and better alignment of

expenditures and activities requires significant additional effort and capabilities. During preparation, this inter-

ministry/agency coordination has already improved, and is expected to be further strengthened during the

implementation phase. To formalize the institutional arrangements, two Ministerial Decrees need to be issued;

however, the nature of the implementation arrangements is known and tested. Two similar Platform projects

(PAMSIMAS and KOTAKU) currently under implementation show it is possible to combine various central

government programs and mobilize local government resources once a common plan is agreed by all parties

and institutional arrangements are in place. As the tourism destinations and the key tourism areas are part of

Kawasan Khusus (special areas) and Kawasan Strategis (strategic areas),<sup>24</sup> the central government will

accelerate—and can also directly provide—province and kabupaten/kota scale basic services there.

<sup>24</sup>The three tourism destinations are strategic areas per Government Regulation No. 50 of 2011. They are also included as National

Strategic Projects under Presidential Regulation No. 58 of 2017 on Acceleration of National Strategic Projects.

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(c) Fiduciary risk is assessed as substantial. The financial management risk is assessed as being substantial before

mitigation, and moderate after mitigation. At this stage, the Financial Management Specialist (FMS) has assigned

this risk rating mainly due to limited capacity of RIDA, the Project Executing Agency, in implementing Bank-

financed projects. To mitigate the associated risk, the FMS has discussed financial management arrangements

for the Project with the proposed CPIUs. The Advance and Grant Financing will be implemented mainly by the

RIDA (as the CPMU). The proposed action plan will be for RIDA to prepare the POM to manage implementation.

As most of the project activities (almost 60 percent of total expenditures) will be implemented by DG Highways and DG Human Settlements, RIDA should work closely and coordinate with these DGs on project implementation. Procurement risk under the Project is substantial because of the risk of: (i) procedural non-compliance due to implementing agencies' insistence to follow the GoI's procurement procedures instead of the World Bank's Procurement and Consultants Guidelines, which govern procurement under the Project; (ii) delays due to limited experience of RIDA in the World Bank's Procurement procedures, and also due to cumbersome internal processes in government, slow decision making, and the absence of systematic monitoring mechanisms; and (iii) rejection of lower-priced contract bids due to narrow interpretation of qualification criteria. These risks will be mitigated by: (i) including an explicit provision in the Loan Agreement and POM to highlight that the World Bank's Procurement and Consultant Guidelines shall govern all procurement under the Project and take precedence over GoI procurement regulations; (ii) CPMU, with support of its consultants, providing procurement training to RIDA and other CPIUs, as well as systematically verifying procedural compliance and monitoring progress against planned schedules; (iii) specifying qualification criteria in bidding documents in an unambiguous manner, such that there is no rejection of lower priced bids without seeking written clarifications from bidders on information provided in the bid. In addition to the World Bank's prior review of strategically-important, large value or complex contracts, and the hands-on procurement support by the World Bank during project implementation, it is proposed that procurement supervision in the field be conducted at least twice per year, including ex-post reviews of no less than 20 percent of the contracts subject to the World Bank's post review.

(d) Environmental and Social risk is assessed as high. The social and environmental risks associated with the identified sub-projects for component 2 (based on the Demand Assessment) are anticipated to be moderate, because of their nature, type and scale. These risks can be managed by the mitigation measures that will be prepared in safeguards instruments prepared in accordance with the approved Project's ESMF. Any sub-projects implemented under the Project regardless of source of financing will be implemented meeting the World Bank and the Indonesian's safeguards requirements as specified in the ESMF. The overall social and environmental risk is rated high because investments of larger scale and complexity may be recommended in the ITMPs, the capacity of the Executing Agency to manage the potential environmental and social risks from sub-projects implemented by various involved agencies at various levels is limited, and reputational risks identified by the Regional Operations Committee. These larger scale sub-projects may require larger scale land acquisition, have significant adverse environmental and social impacts, and—if not managed well—cause tourism development that derives profits for developers and/or operators but does not facilitate benefits to host and/or vulnerable communities and/or cause degradation of natural, cultural and social assets on which tourist attractions depend. The ITMPs' recommendations will take World Bank safeguards requirements as specified in the Project's ESMF into account and are intended to promote integrated tourism development that is socially and

environmentally sustainable. However, since some of these investments will occur outside the Project, either in terms of timeframe or funding source, or both, the World Bank will have no direct control over their implementation. There is thus risk that such investments will not be implemented as the World Bank-financed ITMP intended and/or will not follow national safeguards.

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## VI. APPRAISAL SUMMARY

### A. Economic and Financial (if applicable) Analysis

46. A detailed cost-benefit model was used to estimate the expected net present value (NPV) and economic rate of return (ERR) of the Project's various interventions over a 25-year projection horizon to capture the inherently longer-term payoffs from tourism development. The analysis was conducted separately for each destination and consisted of four steps: (1) projecting tourism demand; (2) estimating economic benefits from tourism spending; (3) estimating project costs (both over the 5-year intervention period and in the longer-term); and (4) comparing costs and benefits and computing rates of return. Costs and benefits in the model were estimated on an incremental basis relative to a 'without-project' (or 'business-as-usual') scenario—i.e., the set of outcomes that would have materialized in the absence of Project investments and interventions. The numerical assumptions underpinning this distinction between the with- and without-Project scenarios were defined and elaborated as part of the Demand Assessment conducted during Project preparation, and are summarized in Annex 5.

47. Overall, the Project's interventions are expected to yield a positive economic return (i.e., an NPV above zero and an ERR above the assumed social discount rate of 7 percent) in each of three selected destinations, but the heterogeneity across the destinations is significant. The estimated NPV and ERR are exceptionally high in Borobudur-Yogyakarta-Prambanan, moderately high in Lombok, but closer to breakeven levels in Lake Toba (Table 4). The latter stems from the fact that Lake Toba is predominantly a domestic tourism destination, thus attracting relatively low-spending visitor segments. Although the Project is expected to stimulate an increase in Lake Toba's foreign visitors relative to the 'without-Project' scenario, the starting level is very low (only 60,000 visitors in 2015), and the incremental gains are not sizeable enough to translate into significant aggregate economic impacts. For the Project as a whole (all three destinations combined), the estimated NPV is US\$4.1 billion and the ERR is 35.9 percent.

48. A sensitivity analysis conducted to assess the robustness of these estimates to changes in four key economic benefit determinants (i.e., number of visitors, length of stay, average daily spending, and spending multiplier) confirmed the economic viability of the Project in Borobudur-Yogyakarta-Prambanan and Lombok under a range of downside

scenarios, even one in which large negative shocks to all the parameters materialize at the same time.<sup>27</sup> In Lake Toba, the most adverse combined shock scenario pushes the estimated NPV and ERR of the destination below their breakeven values, but other than this relatively extreme case, Lake Toba's economic viability is also fairly resilient to potential shortfalls in demand or cost overruns relative to the baseline estimates.

25 The 23-year horizon is based on the Project start year (2018) and the final projection year of the Demand Assessment (2041).

26 In the baseline case of the Borobudur-Yogyakarta-Prambanan economic valuation, the economic return is highly positive, as evidenced by the large positive NPV, but the ERR metric is mathematically undefined since the estimated net benefit flows are positive throughout the projection horizon (albeit by a very small margin in the first three years). For details on this issue, refer to Annex 5.

27 Two 'combined shock' scenarios were estimated: (i) for each of the four aforementioned benefit determinant variables, a 25 percent

decrease in the difference between their 'with' and 'without Project' baseline values; and (ii) a 50 percent decrease in this difference.

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Table 4: Summary of Project economic analysis

25% shock*	Combined 50% shock*		Baseline estimate		Combined
	NPV	ERR	NPV	ERR	NPV
ERR	US\$ million	percent	US\$ million	percent	US\$ million
Borobudur-Yogyakarta-Prambanan	\$159	16.1%	\$1,310	N/A**	\$627
Lombok	\$211	10.9%	\$2,655	32.4%	\$1,195
Lake Toba	-\$110	N/A	\$179	15.2%	\$7
TOTAL PROGRAM (3 DESTINATIONS)	\$259	10.1%	\$4,144	35.9%	\$1,829

Note: Net present value (NPV) is computed under a social discount rate of 7 percent.

\* Simultaneous negative shock to all four key benefit determining variables. The shock is a decrease in the difference between their "with" and "without program" baseline values.

\*\* Undefined due to all positive net benefit flows over entire projection horizon.

## B. Technical

49. The Project is strategically relevant by addressing the key constraints to Indonesia realizing its full tourism potential:

(a) The overriding constraint is weak coordination and implementation capabilities for sustainable tourism destination development, which are being strengthened through the Project and a parallel analytics and advisory services (ASA). Key components of sustainable development of tourism destinations are integrated

tourism master planning and monitoring the sector's positive and negative social, environmental (including climate change) and economic impacts. The Project strengthens institutions for monitoring and provides capacity building for local government agencies. It also supports strengthening of the Project's institutional arrangements themselves.

(b) The Demand Assessment indicated there is an urgent need for investments in water supply, solid waste management, waste water management and sanitation in all three destinations to reverse environmental degradation, preserve natural and cultural tourism assets, and improve health, hygiene and cleanliness, which in turn affect the destinations' attractiveness. The Demand Assessment also identified the need to improve the quality and condition of tourism-relevant roads and provide facilities for non-motorized traffic within the destinations. Component 2 is designed to close access gaps for basic services in the key tourism areas and improve tourism-relevant road quality. It finances sub-projects that are closely linked to the preservation of tourism assets and visitor experience, such as the maintenance, rehabilitation and reconstruction of roads, public transport facilities, non-motorized traffic infrastructure (e.g., sidewalks and bicycle paths) and park and greenery development. Access to sustainable piped water supply is included too, as basic services deficiencies have been identified as a weakness by visitors to these destinations. Without piped water supply, residents and visitors must rely on shallow wells or surface water as their main source of drinking water. In the densely-populated areas, both these sources are often heavily contaminated because of poor sanitation practice or poorly-maintained septic tanks, putting people at risk of contracting water-borne diseases. Investments in solid waste management and waste water management and sanitation are urgently needed to address cleanliness and litter, health and hygiene, and environmental sustainability concerns. Addressing these health and sanitation risks is especially important when climate change is expected to amplify public health risks from

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water-borne and vector-borne diseases.<sup>28</sup>

(c) Skill development and community empowerment is included to ensure that the current and future tourism workforce has the relevant skills demanded by firms in the tourism economy. Activities to increase firm capabilities have been designed to improve tourism firms' access to domestic and foreign tourism markets and to increase quality of firm service delivery. The third constraint identified was the limited tourism workforce skills and private-sector tourism services and facilities outside of Bali. Furthermore, following the issuance of Minister of Tourism Decree No. 11 of 2017, the GoI's tourism community awareness (Sadar Wisata) program has become the portfolio of Deputy Institutional Development and Tourism Industry. Such changes will help



build better synergy between tourism awareness and basic tourism education programs, improving their effectiveness in promoting local participation in the tourism economy.

(d) A more targeted approach to investment planning and promotion could help Indonesia overcome information asymmetries and lessen the burden of bureaucratic procedures, which in turn can lead to higher FDI inflows and attract investments that are better aligned with the GoI vision for the destination.

50. While several institutional arrangements have been made, or have been announced, they are not yet all formalized and need to be strengthened. The ministerial Tourism Coordination Team provides important political leadership. However, at the central government level, technical institutional arrangements are needed too. Coordination is happening at that level, but needs to be formalized (through the Steering Committee and Technical Committee). The steering and technical committee will ensure cross-sector coordination, oversight of tourism development at the national level, and support to the provincial and local task forces. Destination level institutional arrangements have been established in Lake Toba and, more recently, in Borobudur. However, these Management Authorities (Badan Otoritas) have not yet taken a strong coordination role. For APBDI/II alignment for each province and kabupaten/kota in the destinations, the relevant provinces and kabupaten/kota will establish Province and Kabupaten/Kota task forces to ensure more effective vertical as well as horizontal cross-sector coordination on planning, implementation, and monitoring of the project activities. Finally, each of the coordination bodies needs to establish a mechanism for effectively engaging with the private sector and local communities.

### C. Financial Management

51. The Project's CPIUs should follow the POM prepared by the RIDA (as CPMU) for project implementation, including Financial Management. The CPIUs will include the budget for the Project in their Daftar Isian Pelaksanaan Anggaran (DIPA, Budget Warrant) to finance the activities of the Project. For internal control, the RIDA is expected to appoint staff who will be responsible for all financial management aspects of the Project, which will handhold other PIUs to comply with FM Project requirements. Satkers<sup>29</sup> in RIDA, DG Highways, DG Human Settlements, Deputy Institutional Development and Tourism Industry, Deputy Destination Development, and Deputy Investment Planning will be responsible for conducting payment verification on all packages and expenditures financed under the Project. The MPWH inspectorate will conduct internal audit of the project implementation by RIDA, DG Highways, and DG Human Settlements. The Ministry of Tourism inspectorate will be responsible to conduct internal audit of the project

28 Confalonieri, U., B. Menne, R. Akhtar, K.L. Ebi, M. Hauengue, R.S. Kovats, B. Revich and A. Woodward, 2007: Human health. Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, M.L. Parry, O.F. Canziani, J.P. Palutikof, P.J. van der Linden and C.E. Hanson, Eds., Cambridge University Press, Cambridge, UK, 391-431.

29 The smallest unit that manages budget under the Budget Holder (Kuasas Pengguna Anggaran, KPA). Budget Holders usually are at

DG/Deputy level in a ministry, or in each Local Government Working Unit (Satuan Kerja Perangkat Daerah, SKPD)/Dinas at local government level.

implementation by Deputy Institutional Development and Tourism Industry and Deputy Destination Development; similarly, the BKPM's inspectorate will be responsible to conduct the internal audit of the project implementation by Deputy Investment Planning. The request letter to the MPWH inspectorate, Ministry of Tourism inspectorate, and BKPM inspectorate for the internal audit for project implementation will be prepared by the Project. The RIDA will be responsible to prepare the quarterly Interim Financial Report (IFR) of the Project for submission to the World Bank. Counterpart funding can be reported through the IFRs. The Project will use the advance method. Two Designated Accounts (DAs) will be opened at Indonesia's Central Bank: one for the Loan (IBRD) and one for the Grant (the Recipient-Executed Trust Fund, RETF). The World Bank will transfer the initial deposit (advance) to the DAs based on request (using the IFR format which includes the projection of Project needs for a 6 months' period). All PIUs will follow the government treasury system to process payments. The Loan will be subject to external audit by Indonesia's State Audit Institution (Badan Pemeriksa Keuangan, BPK). Risk-based supervision by the World Bank's task team of financial management will be conducted. If counterpart funding is reflected in the project financial statement, it will be audited as part of the Project by BPK. Otherwise, it will be audited by BPK as part of the ministries' and local governments' annual audit (for details: Annex 2).

#### D. Procurement

52. All procurement under the Project shall be governed by, and carried out in accordance with, the World Bank's Procurement and Consultant Guidelines, dated January 2011 (revised July 2014), stipulated in the Loan Agreement. This includes procurement of goods, works and non-consultant services under the National Competitive Bidding (NCB) method which shall also be governed by the World Bank's Procurement Guidelines, except that the GoI's procurement regulations may be used to the extent they do not conflict with the World Bank's Procurement Guidelines and subject to the required improvements listed in the NCB Annex to the Loan Agreement and which are incorporated in the harmonized NCB model bidding documents agreed between the World Bank and the National Public Procurement Agency (Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah, LKPP). In such case of a conflict or difference in opinion arising during the procurement process, the World Bank shall provide clarification in writing which shall be followed. The GoI's e-procurement system (Sistem Pengadaan Secara Elektronik, SPSE) may only be used for procurement of Goods, Works and non-consultant services under the NCB method and using the harmonized NCB standard bidding documents. Furthermore, the SPSE e-procurement system modified by MPWH may be used only for selection of consultant firms under the Quality and Cost Based Selection (QCBS) method and using the World Bank's standard Request for Proposal document adjusted satisfactory to the World Bank for electronic use. The GoI's national SPSE e-

procurement system or the SPSE e-procurement system modified by MPWH shall not be used for procurement of Goods, Works and non-consultant services under international competitive bidding (ICB) method, nor for selection of consultants under any other method except QCBS. Until such time that the modifications of these e-procurement systems have been completed by LKPP/MPWH acceptable to the World Bank, which will be confirmed through the World Bank's written no objection, procurement under the above-stated methods shall be carried out through non-electronic process with manual issuance of invitation for bids and receipt of bids.

53. The bulk of the procurement will be under component 2 of the Project, mainly for civil works. The contracts for civil works are expected to be of simple nature and value below the ICB thresholds and will mostly be procured under the NCB method. Various consultant services are expected under all four components of the Project. Most of the consultant contracts will require hiring of firms, for which the QCBS method will be applied. The procurement plan will provide the basis for use of the procurement and selection methods and the World Bank's review requirements for each contract package which will be consistent with the World Bank's standard thresholds based on the project procurement risk. While local government agencies are responsible for implementing sub-projects under component 2, these sub-

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projects will be fully financed by counterpart funding. Procurement of contracts that are not financed by the loan but exclusively from the Government's own budget may follow the GoI's Procurement Regulations, as provided for in paragraphs 1.5 and 1.8 respectively of the World Bank's Procurement and Consultant Guidelines (for details: Annex 2).

#### E. Social (including Safeguards)

54. RIDA as the Executing Agency for the Project has prepared an Environmental and Social Management Framework (ESMF) that includes a Land Acquisition and Resettlement Policy Framework (LARPF) and an Indigenous Peoples Planning Framework (IPPF), which was consulted in the three destinations and Jakarta, and has been disclosed in English and Bahasa in the Executing Agency's website ([www.bpiw.pu.go.id](http://www.bpiw.pu.go.id)). The English version of the ESMF was also disclosed in the Infoshop (original date: October 31, 2017, and latest version: February 11, 2018). These frameworks together provide guidance and procedures for: environmental and social screening of proposed sub-projects; preparation, review, and approval of safeguards instruments (environmental and social assessments and management plans, land acquisition and resettlement action plans, and indigenous peoples plans) that are consistent with Indonesian laws and regulations and World Bank safeguards policies; monitoring and enforcement of implementation of the safeguards instruments; and environmental and social management capacity-building at national and tourism destination levels. The ESMF also specifies how World Bank safeguards policies will be incorporated into ITMPs,

downstream sectoral plans, and feasibility studies. The day-to-day responsibility for ESMF implementation, and for the overall environmental and social safeguard performance of the Project, is under RIDA. Preparation of safeguards instruments for sub-projects will be the responsibility of the proponent—the cognizant ministry for sub-projects implemented at the central level, or the relevant agency at the destination level. The PMS Consultant engaged by RIDA will provide environmental and social expertise and technical assistance to RIDA as well as capacity-building for RIDA and for agencies at the destinations. These arrangements have been assessed as adequate to manage environmental and social outcomes of the Project.

55. The overall social impact of the Project is expected to be positive. Land acquisition and/or resettlement will be limited, as activities to be financed under it are likely to include small to medium scale physical investments. Potential adverse social impacts would occur during the construction of the physical investment including temporary access restriction and disturbance (e.g., livelihoods, health and safety, and convenience). If the central government and local governments in the selected destinations implement larger-scale physical investments recommended in the ITMPs and sectoral plans, there may be more extensive land acquisition and/or resettlement. Other potential adverse social impacts of tourism development in general may include: greater economic and social disparity, limited access for the community to public natural resources (such as beaches), internal conflict within communities due to inequality of capacity to harness new opportunities (including exclusion of the vulnerable groups and disadvantaged peoples such as women, the very poorest, as well as IPs); loss of jobs due to conversion of agricultural activities into tourism-related built-up areas; and disturbance, unsustainable commercialization of local cultures, practices, and values as well as unfair benefit sharing from harnessing community's assets for tourism development. Community health and safety may also be issues, particularly sexually transmitted diseases and the dangers of busier traffic. Also, if not managed properly, there may be induced uncontrolled growth of settlements and/or small businesses surrounding the tourist attractions. The potential social issues and risks discussed above can be mitigated through greater inclusion of key stakeholders—local communities, vulnerable and disadvantaged groups (including women), and IPs—in the Project; inclusive and meaningful consultation and participation in preparation, implementation, and monitoring and evaluation of the ITMPs and physical investments; improving consistency in implementation of the current laws and regulations pertaining to land acquisition, IPs, and local government and village planning processes; and capacity building and awareness raising

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programs and community satisfaction surveys. The World Bank safeguards policies triggered by the Project include:  
OP/BP 4.10 Indigenous Peoples and OP/BP 4.12 Involuntary Resettlement.

F. Environment (including Safeguards)

56. The PDO is measured in terms of progress on an index of 'sustainable tourism' indicators, and its largest component focuses on addressing existing basic services gaps for the population of the key tourism areas and reversing environmental degradation, which is a potential positive impact of the Project. Better road quality and public transport facilities will reduce potential accidents while improving safety and convenience of communities and visitors' movements. Improved access to basic services and infrastructure (water, sanitation, waste collection) will improve peoples' health, reduce medical costs and avoid or reduce degradation of water and air quality and visual amenity. FSS and DEDs will help appropriate site selection and technical designs for physical investments and avoid and/or minimize impacts. The ITMPs are intended to avoid the potential negative impact of unintegrated tourism development—i.e., the degradation of the environmental and cultural resources on which tourism depends if necessary preventative measures and management arrangements are not put in place. It will be included in the consultants' terms of reference for DEDs, and in the bidding document and contract for the physical works to adopt the chance finds procedures during construction. Potential adverse impacts of sub-projects are those taking place during construction, such as dust, noise, disturbance on existing traffic flows, livelihoods and access for local communities and visitors. Facilities that the ITMPs recommend but that are not implemented under the Project (or facilities not included in the ITMPs) may be constructed with less attention to national safeguards requirements. Facilities constructed upon the recommendation of the ITMPs may have indirect or induced adverse or cumulative impacts which were either not foreseen despite emphasis in the ITMP process on identifying them, not effectively managed, or both. Indirect impacts associated with the increasing number of new business entities would take place in further time during or after Project implementation. Aspects of the EHS Guidelines will be formulated or streamlined to provide guidance to potential investors and reviewers/approvers to strengthen EHS practices, particularly workplace health and safety and waste management when new businesses are established. The World Bank safeguards policies triggered by the Project include: OP/BP 4.01 Environmental Assessment; OP/BP 4.04 Natural Habitats; and OP/BP 4.11 Physical Cultural Resources.

G. Other Safeguard Policies (if applicable)

57. No other safeguards policies are triggered by the Project.

H. World Bank Grievance Redress

58. Communities and individuals who believe that they are adversely affected as a result of a Bank supported operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance

Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

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59. The Project has a three-tiered Grievance Redress Mechanism (GRM). The designated GRM focal point at the destination level (local or provincial) will be responsible for receiving and addressing grievances at the destination level, and the RIDA will have the responsibility for grievances submitted at the national level or grievances that cannot be successfully resolved at the destination level. RIDA will also monitor overall GRM implementation by means of quarterly reports from the lower levels. As an example, the procedures in the GRM at the local level consist of:

- (a) The uptake points to receive and respond to complaints will comprise of one or more of these media: RIDA ([www.bpiw.pu.go.id](http://www.bpiw.pu.go.id)) and local governments' websites, SMS/WhatsApp number, hotline, and/or boxes at the sites where physical investments or other activities supported by this Project are located. Complaints received are not limited to safeguards issues, but any issues relevant to the Project.
- (b) Complaint is recorded in the grievance log, and complainant is given a receipt and information on how the complaint process works.
- (c) The recorded complaint is verified on the ground, and if it is valid and relevant to the sub-project, then the focal point will discuss it with relevant parties for follow-up.
- (d) The focal point will notify the complainants on the follow-up actions and the dates of completion of such actions.
- (e) Complaints will be followed up as soon as possible, and there will be service standards for responding to complaints.
- (f) Dispute resolution on-site can be mediated by the village or kecamatan officials, or, if this is unsuccessful, the complainant and the agency/entity implementing sub-project agree on assigning a mediator who does not take sides.
- (g) Solved complaints will be recorded and unsolved complaints that need to be followed up at the higher level are also recorded.
- (h) During the process of receiving and following up complaints, the focal point will closely coordinate with and report to the agency/entity implementing the sub-projects.
- (i) If the complaint remains unsolved, it will be directed to the relevant agencies at the provincial level through the Provincial Development Planning Agency (Badan Perencanaan Pembangunan Daerah, Bappeda); and finally, if it remains unsolved at this level, it will be directed to RIDA.

60. The MPWH has significant experience in GRM, specifically in three large projects, i.e. the National Program for Community Empowerment in Urban Areas (Program Nasional Pemberdayaan Masyarakat Mandiri Perkotaan, PNPM-Urban), KOTAKU and PAMSIMAS, for which large numbers of complaints could be managed and resolved in a transparent manner. Development of the Project's GRM will benefit from these existing arrangements and experience.

## VII. RESULTS FRAMEWORK AND MONITORING

61. The Project's results chain is structured around four results areas, each of which corresponds to one of the four components of the Project, and contributes to the achievement of the PDO outcomes and broader tourism sector objectives (Figure 6). The four components are: (1) increasing institutional capacity to facilitate integrated and sustainable tourism development; (2) improving tourism-relevant road quality and basic services accessibility; (3) promoting local participation in the tourism economy; and (4) enhancing the enabling environment for business entry and private investment in tourism. Each is broadly linked to a subsequent PDO-level outcome that most closely reflects the economic or social impact of that results area. The relationships are not exclusively linear, as a given component

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can feed into multiple PDO outcomes. For instance, the targeted private investment in the tourism sector relies on all key constraints being addressed through the four components. Collectively, these PDO-level outcomes are expected to lead to other high-level tourism sector impacts which are viewed as falling outside the scope, influence, and time horizon of the Project, either because they are: (i) expected to respond materially to Project activities only after the Project's 5-year implementation horizon; (ii) influenced by various other forces outside the Project's direct control; or (iii) not readily measurable with current statistical and M&E capacities. These broader impacts include increases in the number of visitors, the average spending level of these visitors, and the direct tourism sector jobs created in each of the selected destinations.

Figure 6: Structure of Project's Results Framework

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62. Within each of the four results areas, indicators have been developed to track and reflect the chain of activities, outputs and intermediate outcomes related to each associated component. The causal relationships between these indicators within each results area (i.e. the results chain) are presented in Figure 7 to Figure 10. Again, the relationships are not exclusively linear, as a given outcome relies on activities from multiple components.

Figure 7: Results Chain for Component 1–Increase institutional capacity to facilitate integrated and sustainable tourism development

Figure 8: Results Chain for Component 2– Improve tourism-relevant road quality and basic services accessibility

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Figure 9: Results Chain for Component 3– Promote local participation in the tourism economy

Figure 10: Results Chain for Component 4– Enhance the enabling environment for private investment and business entry in tourism

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Results Framework

Project Development Objective(s)

The Development Objective is to improve the quality of, and access to, tourism-relevant basic infrastructure and services, strengthen local economy linkages to tourism, and attract private investment in selected tourism destinations in Indonesia.

RESULT\_FRAME\_T BL\_ PD O

				Unit
of				
PDO Indicators by Objectives / Outcomes				DLI CRI
Baseline	Intermediate Targets	End Target	Target	
Measure				
1	2	3	4	
Increase institutional capacity to facilitate integrated and sustainable tourism development				
Increased performance on the 'sustainable tourism'				



Percentage 0.00 20.00 40.00 60.00 80.00 100.00  
 indicators

Improve tourism-relevant road quality and basic services accessibility

1,686, 2,450,  
 Number of beneficiaries of improvements to tourism-  
 352,3 922,4

Number 0.00 400.0 100.0 2,849,500.00  
 relevant basic infrastructure and services  
 00.00 00.00

0 0

Promote local participation in the tourism economy

Increased community satisfaction with efforts to promote

Percentage 0.00 8.00 20.00  
 local participation in the tourism economy

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

82,00 167,5 256,5 349,2

Amount(U  
 Value of private investment in the tourism sector  
 32,400,000.00 0,000. 00,00 00,00 00,00 421,200,000.00

SD)

00 0.00 0.00 0.00

RESULT\_FRAME\_T BL\_ IO

Unit

of  
 Intermediate Results Indicators by Components DLI CRI  
 Baseline Intermediate Targets End Target

Measure

1 2 3 4  
 Increase institutional capacity to facilitate integrated and sustainable tourism  
 development

Number of periodic STO (Sustainable Tourism Observatory,

Number 0.00 3.00 6.00 9.00 12.00 15.00  
 or equivalent) monitoring reports published

Percentage of spatial plans or sectoral master plans

Percentage 0.00 0.00 10.00 20.00 30.00 40.00  
adopted or revised in line with the ITMP

Improve tourism-relevant road quality and basic services accessibility

Percentage of tourism-relevant roads maintained in

Percentage 40.00 52.00 64.00 76.00 88.00 100.00  
accordance with IRI < 6

Square 60,00 120,0 180,0 240,0  
New dedicated space created for non-motorized traffic  
0.00 300,000.00

Meter (m2) 0.00 00.00 00.00 00.00

60,06 163,8 327,6 485,9  
People provided with access to improved water sources Yes Number  
0.00 546,000.00

0.00 00.00 00.00 40.00

People provided with access to sustainable solid waste  
77,22 257,4 506,2 763,6

Number 0.00 858,000.00  
collection service  
0.00 00.00 20.00 20.00

People provided with access to improved sanitation  
56,16 180,9 368,1 549,1 Yes Number  
0.00 624,000.00  
services  
0.00 60.00 60.00 20.00

1,608. 3,282. 5,027. 6,843.  
New hotel rooms added  
Number 0.00 8,255.00

00 00 00 00

Promote local participation in the tourism economy

Number of trainees and tourism professionals completing  
30,13 39,13 48,13 57,13

Number 21,132.00 66,132.00  
competency based certification  
2.00 2.00 2.00 2.00

Female certification  
Percentage 33.00 35.00 38.00 42.00 46.00 50.00

4,756. 5,626. 6,379. 7,172. Number of tourism businesses with an online presence 7,354.00		Number	4,099.00
00 00 00 00			
Number of existing tourism businesses with an increase in 265.0 502.0 899.0		Number	0.00
0.00 1,183.00 service and quality ratings 0 0 0			
Number of participants in tourism awareness raising 3,400. 6,500. 9,100. 11,35 13,600.00 programs 00 00 00 0.00		Number	600.00
Female participation 30.00 35.00 40.00 45.00 50.00		Percentage	27.00
Enhance the enabling environment for private investment and business entry in tourism			
3 3 3 Adoption of destination-specific private investment plans		Text	0.00
3 new updat updat updat 3 updated and annual updates ed ed ed			
RESULT_FRAME_TBL_UL			

Monitoring & Evaluation Plan: PDO

Indicators

Indicator Name	Increased performance on the 'sustainable tourism' indicators
Definition/Description	The measured change will be based on a composite index of selected indicators, to be determined in the first year of Project implementation. The change reported is expressed as percentage achievement in the target set for each indicator (i.e., the percentage of the difference between the baseline value and end target). These indicators will be different for each destination, depending on its priority issues, which will vary by destination. Initial priority areas identified for Lake Toba include: waste water management, solid waste management, water management, water quality, and tourism product diversity. For Borobudur-Yogyakarta-Prambanan, the areas are: waste water management, solid waste management,

conservation/heritage, visitor management/stress on sites and systems or crowding, and inclusive tourism. For Lombok, the areas are: waste water management, solid waste management, water management, marine conservation, and security. Sample indicators are described in: UNWTO. 2004. Indicators of Sustainable Development for Tourism Destinations. A Guidebook.

Frequency Annual  
Data Source STOs, or equivalent organizations

Methodology for Data Collection depending on 'sustainable tourism' indicator (e.g., survey, secondary data collection)

Responsibility for Data Collection STOs, or equivalent organization  
CPMU/CPIU-Ministry of Tourism through

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Indicator Name Number of beneficiaries of improvements to tourism-relevant basic infrastructure and services  
Project's improvements to the quality of, and access to, tourism-relevant roads, non-motorized transport infrastructure, water supply, sanitation, and solid waste management. The number of beneficiaries of water supply, sanitation and solid waste management is measured under the Project's intermediate results indicators for services. For roads, the number of beneficiaries is estimated based on  
Definition/Description the expected timeline of road upgrading (in km) and the proximity of local residents in each destination to the upgraded roads (within 2 km, i.e. 20-25 min walk). For non-motorized infrastructure, beneficiary estimates are based on the timeline of infrastructure upgrading (in km) and the proximity of local residents to the upgraded infrastructure (within 0.5 km). For the intermediate and end targets, an average of 3.9 household members has been used, as per BPS.  
Frequency Annual

Data Source Reports on sub-projects improved or built in the selected destinations created by national, provincial or local governments

Methodology for Data Collection Reported data compiled in management information system

## Responsibility for Data Collection

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Indicator Name  
efforts to promote local participation in the tourism economy

Increased community satisfaction with the tourism economy  
The community satisfaction survey will cover three sets of beneficiaries of the activities in component 3 of the Project: (i) participants in the tourism awareness programs; (ii) firms completing the 'Online Savvy Training'; (iii) individuals participating in the tourism skills training and certification programs. This indicator will measure the increase in the percentage of survey respondents who report being 'satisfied' or 'very satisfied' with their participation in, and outcomes of, their respective program (including responsiveness to feedback they provide). Calculated as a weighted average of scores on questions covering each of the three key component programs.

Frequency  
Baseline, mid-term, and end.

Data Source  
Community Satisfaction Survey

Methodology for Data Collection  
Survey

Responsibility for Data Collection  
CPMU/CPIU-Ministry of Tourism

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Indicator Name  
tourism sector

Value of private investment in the tourism sector

Value of foreign and domestic direct investment realized in the tourism sector in the selected tourism destinations (targets shown are the cumulative sum over time). The business lines (KBLIs) comprising the tourism sector include the following investment categories and 4-digit identifier codes: hotel investments (5511, 5513, 5519, 5590); non-hotel investments, including restaurants (5610, 5621, 5629, 5630); travel/tour agencies (7911, 7912, 7999); and other tourism services (9103, 9311, 9321, 9322, 9323, 9324, 9329, 6812). The locations of investment considered for the measurement of this indicator

include the following kabupaten/kota in each of the destinations: Lombok (Kota Mataram, Lombok Tengah, Lombok Timur, Lombok Barat); Borobudur-Yogyakarta-Prambanan (Kota Yogyakarta, Sleman, Kulon Progo, Gunung Kidul, Bantul, Magelang); Lake Toba (Toba Samosir, Simalungun, Samosir). The tourism sector relies on all key constraints being addressed through the four Project components.

Frequency

Annual

Data Source

BKPM/BKPMD

system  
Methodology for Data Collection

Data compiled in management information

Responsibility for Data Collection

CPMU through PMS

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Results Indicators

Monitoring & Evaluation Plan: Intermediate

Indicator Name  
Tourism Observatory, or equivalent) monitoring reports published  
tourism areas in the selected destinations, providing  
critical indicators, based on agreed geographic scope of key  
tourism' indicators. The 'sustainable tourism' indicators will be  
on its priority issues, which will vary by destination. Initial  
include: waste water management, solid waste management,  
Definition/Description  
tourism product diversity. For Borobudur-Yogyakarta-  
management, solid waste management, conservation/heritage,  
systems or crowding, and inclusive tourism. For Lombok, the  
waste management, water management, marine  
indicators are described in: UNWTO. 2004. Indicators of Sustainable  
Guidebook.

Number of periodic STO (Sustainable  
Annual reports published covering key  
documentation and analysis of progress of  
tourism areas and list of 'sustainable  
different for each destination, depending  
priority areas identified for Lake Toba  
water management, water quality, and  
Prambanan, the areas are: waste water  
visitor management/stress on sites and  
areas are: waste water management, solid  
conservation, and security. Sample  
Development for Tourism Destinations. A

Frequency

Annual

Data Source

STOs, or equivalent organizations

system

Data compiled in management information

Responsibility for Data Collection

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Indicator Name Percentage of spatial plans or sectoral master plans adopted or revised in line with the ITMP  
Definition/Description The number of spatial plans and sectoral master plans that require adoption of revision will be identified in the ITMP.  
Frequency Annual

Frequency

Data Source Plans prepared by local, provincial and national government agencies

Methodology for Data Collection Plans reviewed by PMS for being in line with ITMP and recorded in management information system

Responsibility for Data Collection CPMU/CPIU-Ministry of Public Works and Housing (RIDA) through PMS

Indicator Name Percentage of tourism-relevant roads maintained in accordance with IRI < 6  
Definition/Description Percentage of tourism-relevant roads maintained in accordance with national standards and targets for stable maintenance condition, defined as IRI < 6. The roads included in this indicator consist of selected roads within the selected tourism destinations that are crucial for tourism development. For the selected tourism destinations the total length of roads included is 755km, consisting of national roads (390km), provincial roads (265km) and kabupaten roads (100km) (Annex 6-A).  
Frequency Annual

Frequency

Data Source Reports by the Ministry of Public Works and Housing (DG Highways) and provincial and local governments

Methodology for Data Collection Reported data compiled in management information system

Responsibility for Data Collection CPMU/CPIU-Ministry of Public Works and Housing (DG Highways) through PMS

Indicator Name	New dedicated space created for non-motorized traffic
Definition/Description	Dedicated infrastructure for non-motorized traffic includes sidewalks, pedestrian zones, bicycle and becak lanes, hiking and biking tracks and pedestrian boulevards. The 300,000m2 target is based on 150km of 2m wide newly constructed dedicated space for non-motorized traffic for the selected tourism destinations. Normal Indonesian standard is 1.5m wide sidewalks along main roads. For tourism areas, a higher quality standard is used of 2m width at a minimum, except for dedicated hiking and biking tracks which sometimes can be less than 2m width.
Frequency	Annual
Data Source	Reports on sub-projects improved or built in selected destinations created by Ministry of Public Works and Housing (DG Human Settlements), provincial or local governments
Methodology for Data Collection	Reported data compiled in management information system
Responsibility for Data Collection	CPMU/CPIU-Ministry of Public Works and Housing (DG Human Settlements) through PMS

Indicator Name	People provided with access to improved water sources
Definition/Description	
Frequency	Annual
Data Source	Reports on sub-projects improved or built in selected destinations created by Ministry of Public Works and Housing (DG Human Settlements), provincial or local governments
Methodology for Data Collection	Reported data compiled in management information system. For the intermediate and end targets, an average of 3.9 household members has been used, as per BPS.
Responsibility for Data Collection	CPMU/CPIU-Ministry of Public Works and Housing (DG Human Settlements) through PMS



## Responsibility for Data Collection

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Indicator Name	People provided with access to sustainable solid waste collection service
Definition/Description	People provided with access to sustainable solid waste collection service in the key tourism areas and in 27 kecamatans surrounding Lake Toba. This indicator measures the incremental impact—i.e., the additional households provided with access. Sustainability implies compliance with national service standards (SPM Permen PU 01/PRT/M/2014). Access to sustainable solid waste collection services is defined as having a collection service of at least twice a week and transport of waste collected to a transfer station or a processing unit. The key tourism areas are defined in Table 9 and in the POM. For the intermediate and end targets, an average of 3.9 household members has been used, as per BPS.
Frequency	Annual
Data Source	Reports on sub-projects improved or built in selected destinations created by Ministry of Public Works and Housing (DG Human Settlements), provincial or local governments
Methodology for Data Collection	Reported data compiled in management information system
Responsibility for Data Collection	CPMU/CPIU—Ministry of Public Works and Housing (DG Human Settlements) through PMS

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Indicator Name	People provided with access to improved sanitation services
Definition/Description	
Frequency	Annual
Data Source	Reports on sub-projects improved or built in selected destinations created by Ministry of Public Works and Housing (DG Human Settlements), provincial or local governments

information system. For the intermediate and end targets, an average of 3.9 household members has been used, as per BPS.

Housing (DG Human Settlements) through PMS  
Responsibility for Data Collection

Indicator Name  
Definition/Description  
Frequency

Data Source  
information system  
Methodology for Data Collection  
Responsibility for Data Collection

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Indicator Name  
Definition/Description  
Frequency

Data Source  
information system  
Methodology for Data Collection  
Responsibility for Data Collection

Indicator Name  
Definition/Description  
Frequency

Data Source  
information system  
Methodology for Data Collection

Responsibility for Data Collection

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<p>Indicator Name</p> <p>online presence</p> <p>and new firms) that go online (travel website</p> <p>Tourism businesses are those businesses as defined by the travel</p> <p>the travel website company lists on its website. The travel</p> <p>businesses: (i) Accommodation providers (hotels, B&amp;B/Inns,</p> <p>Definition/Description</p> <p>rentals); (ii) Restaurants; and (iii) Attractions (tourism sites that</p> <p>festivals, shops that sell items direct to tourists - handicrafts, gifts,</p> <p>horse riding and other sport-related activity</p> <p>providers, and rental outlets for sports gear,</p> <p>Frequency</p> <p>Data Source</p> <p>management information system</p> <p>Methodology for Data Collection</p> <p>travel website company</p> <p>Responsibility for Data Collection</p>	<p>Number of tourism businesses with an</p> <p>Cumulative number of businesses (existing</p> <p>company) after</p> <p>taking the 'Online Savvy Training'.</p> <p>website company, i.e. those businesses</p> <p>website company lists the following</p> <p>specialty lodging incl. hostels, vacation</p> <p>charge an entrance fee, markets,</p> <p>foods etc., dive, snorkel, trekking,</p> <p>providers, tour</p> <p>companies, tours, cruises, some transport</p> <p>bicycles, scooters,</p> <p>surfboards etc.)</p> <p>Annual</p> <p>Travel website company</p> <p>Travel website company data included in</p> <p>CPMU/CPIU-Ministry of Tourism through</p>
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<p>Indicator Name</p> <p>with an increase in service and quality ratings</p> <p>website company who attend Project-funded training and</p> <p>increase in their 'bubble rating' (i.e., an overall score of service</p> <p>business listed on the travel website on a scale from 0-5 and</p> <p>ratings for each business). Tourism businesses are those businesses</p>	<p>Number of existing tourism businesses</p> <p>Existing and new businesses on travel</p> <p>implement changes and experience an</p> <p>level measured for an individual tourism</p> <p>calculated by aggregating individual</p>
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as defined by the travel website company, i.e. those businesses the travel website company lists on its website. The travel website company lists the following businesses: (i) Accommodation providers (hotels, B&B/Inns, specialty lodging incl. hostels, vacation rentals); (ii) Restaurants; and (iii) Attractions (tourism sites that charge an entrance fee, markets, festivals, shops that sell items direct to tourists - handicrafts, gifts, foods etc., dive, snorkel, trekking, horse riding and other sport-related activity providers, tour companies, tours, cruises, some transport providers, and rental outlets for sports gear, bicycles, scooters, surfboards etc.).

Frequency

Annual

Data Source

Travel website company

management information system  
Methodology for Data Collection

Travel website company data included in

travel website company  
Responsibility for Data Collection

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Indicator Name  
awareness raising programs

Number of participants in tourism

at least one community awareness and engagement program  
Definition/Description

Number of people who register and attend session.  
Annual

Frequency

Data Source

Reports of the Ministry of Tourism

information system  
Methodology for Data Collection

Reported data compiled in management

Responsibility for Data Collection

CPMU/CPIU-Ministry of Tourism through PMS

Indicator Name

Female participation

Definition/Description  
participants in tourism awareness raising and

Percentage of females amongst the engagement programs  
Annual

Frequency

Data Source

Reports of the Ministry of Tourism

Reported data compiled in management

information system  
Methodology for Data Collection

CPMU/CPIU-Ministry of Tourism through PMS

Responsibility for Data Collection

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Indicator Name	Adoption of destination-specific private investment plans and annual updates
Definition/Description	Initial plans for the three target destinations (Lombok, Borobudur-Yogyakarta-Prambanan and Lake Toba), followed up by annual updates and revisions.
Frequency	Annual
Data Source	BKPM
information system Methodology for Data Collection	Reported numbers included in management
Responsibility for Data Collection	CPMU/CPIU-BKPM through PMS

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#### ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY : Indonesia  
Indonesia Tourism Development Project

63. The Project consists of four integrated components, each of which targets a key constraint to unlocking tourism potential in Indonesia, and which collectively are expected to contribute to higher-level impacts on the number of foreign and domestic visitors, related increases in tourism foreign exchange earnings, employment, contribution to GDP and overall competitiveness. As a whole, the Project provides an organizing framework to help address coordination failures between central (APBN), provincial (APBDI) and kabupaten/kota governments (APBDII), and mobilize their resources towards a common objective in each of the selected tourism destinations.<sup>30</sup> This common objective is anchored in integrated tourism master plans (ITMPs) that will be prepared for each of the destinations, as

well as in the institutional arrangements that are specifically established to enhance collaboration amongst various institutions. The preparation of these plans, together with strong program management support (initiated with Preparation Advance and Grant financing), will help align existing government programs for roads, basic services, skills development and the business environment for better results in tourism destinations. For roads and basic services, the Project accelerates existing national infrastructure programs, focusing on the higher quality standards demanded by the tourism sector and on reversing environmental degradation, preserving natural and cultural tourism assets, and improving health, hygiene and cleanliness, which in turn affect the destinations' attractiveness. It does not, however, aim to influence the sectoral agenda of each of these sectoral programs, which will be addressed through existing sector-focused national programs, such as Western Indonesia Roads Improvement Project (WINRIP), National Urban Water Supply Program, National Urban Wastewater Program, Sanitation by Communities Program (Sanitasi Berbasis Masyarakat, SANIMAS) and National Rural Water Supply and Sanitation Project (Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat, PAMSIMAS). Rather, it aims to improve Indonesia's approach to developing tourism destinations, beyond the selected destinations financed under the Project. As such, it learns from successful other Platforms in Indonesia, where the MPWH is also the executing agency, such as the National Slum Upgrading Project (NSUP, or Program Kota Tanpa Kumuh, KOTAKU), which operates across 153 cities and the Special Capital District of Jakarta, and PAMSIMAS, which operates in 350 districts. These two platforms also involve several other ministries.

Component 1: Increase institutional capacity to facilitate integrated and sustainable tourism development (Total cost of: US\$24.7M, of which US\$0.6M Counterpart Funding, US\$2.1M Trust Funds, and US\$22.0M IBRD)

64. This component consists of a technical assistance program to increase institutional capacity at the national and subnational level to facilitate integrated and sustainable tourism development (Table 5), and will include such activities as:

(a) The preparation of ITMPs, downstream sectoral master plans and studies, and institutional development and capacity building for integrated tourism destination planning, including the protection and management of World Heritage Sites—and, if applicable, Global Geoparks and Biosphere Reserves—, managed by the Regional Infrastructure Development Agency (RIDA) of the Ministry of Public Works and Housing (MPWH). Each ITMP consists of an overall development plan for the entire tourism destination area (with a planning horizon of 25

30APBN is Anggaran Pendapatan dan Belanja Negara (State Revenue and Expenditure Budget); APBD I is Anggaran Pendapatan dan Belanja Daerah Tingkat I (Provincial Revenue and Expenditure Budget); and APBD II is Anggaran Pendapatan dan Belanja Daerah Tingkat II (Kota/Kabupaten Revenue and Expenditure Budget).

years) and detailed development plans (with a planning horizon of 5 years) for existing and future key tourism areas within the tourism destination. The plans will be based on the Demand Assessment and economic analysis for each destination and will be prepared in close consultation with all stakeholders, including local communities and the private sector. They will provide the basis for development of tourism facilities and supporting infrastructure that: (a) is consistent with the environmental, social and cultural opportunities and constraints of the destinations; and (b) avoids degradation of the natural and cultural assets that attract visitors. As such, they will include a detailed appraisal of key risks to destination development (economic, social, environmental, cultural), including natural disaster risks, as well as possible mitigation measures.<sup>31</sup> It is anticipated that some sectoral master plans will be required in some areas, such as water supply in Lombok and the sewerage system around Lake Toba. This will be further identified under the ITMPs.

(b) Program Management Support (PMS): The PMS Consultant will provide PMS to RIDA (the Executing Agency for the Project) including for Project planning, budgeting, quality control, supervision, monitoring, reporting, and coordination to ensure that implementation is consistent with Project objectives and in compliance with the Loan Agreement. Tasks include: providing overall project management support; coordination of project activities; creating synergies among all stakeholders; ensuring accountability in project financial management, monitoring and reporting; assisting in preparing consolidated yearly project proposals; establishing a transparent Project Management Information System; ensuring social and environmental safeguards are properly applied; ensuring active local community participation; facilitating spatial planning in accordance with the ITMPs; ensuring appropriate complaint handling and resolution; ensuring adequate capabilities from all project stakeholders and ensuring timely delivery of reports. In addition to the PMS Consultant, the central government project management unit (CPMU) that will be established under RIDA, will also require additional consultants and operating costs to play this important role for the Project.

(c) Supporting natural, cultural and social asset monitoring and preservation, including through the establishment and/or strengthening of institutions, such as Sustainable Tourism Observatories (STOs) as part of UNWTO International Network of Sustainable Tourism Observatories (INSTO) and/or Wonderful Indonesia Sustainable Tourism Observatories (WINSTO). These institutions, supported by the Ministry of Tourism, will monitor selected indicators of 'sustainable tourism' in the destinations. The Project will contract them to deliver this reporting. Several recent assessments have identified relevant indicator areas, with corresponding indicators suggested by UNWTO guidelines (Table 6), which will be confirmed during the ITMP process. The increased performance in the key tourism areas on these indicators will be measured (as a PDO indicator) using a composite index.

Table 5: Estimated costs of component 1 (5 years, in US\$ million)

	Consulting Services	Training, Operating
costs, non-consulting services	Total	
ITMPs	3.9	
0.1	4.0	
Downstream master plans and studies	9.7	
-	9.7	

Program Management Support		8.4
-	8.4	
STO program		0.6
2.0	2.6	
Total component 1		22.6
2.1	24.7	

31Being located on the Pacific Ring of Fire (an area with a high degree of seismic activity), Indonesia is exposed to a range of geological and hydro-meteorological hazards, and must also address high risk of earthquakes, volcanic eruptions, and tsunamis.

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Table 6: Indicative priority issues and corresponding indicators to be monitored  
Indicator areas<sup>32</sup> Indicators<sup>33</sup>

Indicator areas <sup>32</sup>	Indicators <sup>33</sup>
	Lombok
Waste water management (or number of tourism establishments that have installed their own grey water recycling treatment system)	Percentage of waste water or grey water recycled by tourism establishments
Solid waste management	Quantity of waste strewn in public areas (waste counts)
Water management	Number of establishments participating in water conservation practices/programs, applying water conservation policies and techniques
Conservation - protecting critical ecosystems (reef)	Percentage reef protected
Security	Number of security incidents reported to police, hotels, etc. by tourists
	Borobudur-Yogyakarta-Prambanan
Waste water management (or number of tourism establishments that have installed their own grey water recycling treatment system)	Percentage of waste water or grey water recycled by tourism establishments
Solid waste management	Quantity of waste strewn in public areas (waste counts)
Conservation - Heritage designation under which historic structures,	Percentage of designated assets (number and type of monuments and districts are recognized)
Stress on sites and peak, daily, weekly and monthly) systems or crowding	Total number of tourists visiting the site (mean, inclusive)
Inclusive Tourism	Percentage of jobs in travel and tourism businesses held by residents (ratio of women to men)
	Lake Toba
Waste water management (or number of tourism establishments that have installed their own grey water recycling treatment system)	Percentage of waste water or grey water recycled by tourism establishments
Solid waste management	Quantity of waste strewn in public areas (waste counts)
Water management	Number of establishments participating in water conservation practices/programs, applying water conservation policies and techniques
Water quality	Number of eutrophication related incidents being reported using an alternative proxy indicator (e.g., fish kills and algae blooms)
Tourism product diversity	Number of different types (or clusters) of travel and tourism businesses and supporting services



Component 2: Improve tourism-relevant road quality and basic services accessibility  
(Total cost of: US\$680.0M, of which US\$440.4M Counterpart Funding and US\$239.6M IBRD)

65. This component consists of sub-projects designed to enhance the quality and condition of tourism-relevant roads, provide facilities for public transport and non-motorized transport, as well as improve access to basic services and infrastructure essential for a satisfactory tourist experience and for the preservation of natural and cultural assets of selected tourism destinations. This component is implemented by Directorate General (DG) Highways and DG Human Settlements of the MPWH. It includes:

(a) Road transport expenditures for improving the quality and condition (through construction, widening, betterment, improvement/reconstruction, rehabilitation, and maintenance) of the tourism-relevant roads,

32 HHTL. 2017. Demand Assessment; Global Sustainable Tourism Council. 2017. Lombok Sustainable Tourism Destination Evaluation Report; Global Sustainable Tourism Council. 2016. Sleman Sustainable Tourism Destination Evaluation Snapshot Report; RIDA. 2018. Indonesia Tourism Development Program: Environmental and Social Management Framework; and World Bank. 2018. Draft Environmental and Social Systems Assessment: Indonesia Tourism Development Program.

33 Indicators have been selected using: UNWTO. 2004. Indicators of Sustainable Development for Tourism Destinations. A Guidebook.

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including bridges (Table 7; Annex 6-A), in the selected destinations in accordance with national standards and targets for stable maintenance condition (i.e. International Roughness Index (IRI) < 6). For several segments of tourism-relevant national roads, DG Highways has prepared feasibility studies (FSs) and detailed engineering designs (DEDs), and included these segments in the 2018 central government work plan (Annex 6-C), amounting to US\$11.2 million. These sub-projects will be screened for compliance with the Environmental and Social Management Framework (ESMF), subsequently included in the Project, and predominantly, or fully, financed by counterpart funding. For provincial and kabupaten/kota roads, several segments will benefit from specific purpose grants (Dana Alokasi Khusus, DAK), amounting to US\$10.6 million in 2018. Road and bridge widening (lane addition or widening beyond the right-of-way) and construction must await the destination-specific ITMPs, which are expected to identify 2019 priority sub-projects by August 2018 as an interim deliverable, while the full ITMPs are expected to be completed by April 2019 (Table 10). Based on a preliminary assessment of existing road conditions and potential risks, about 1 percent of the tourism-relevant roads need slope protection, 15 percent need new drainage and 14 percent need rehabilitation or improvement of drainage. An estimated 20

percent of the Project's road betterment and rehabilitation costs are thus allocated for investment in slope protection and improved drainage measures to reduce climate vulnerability of these roads, ensuring all-weather physical access to the destinations and continuity of basic services during both high and low tourism seasons.

(b) Tourism services and infrastructure, such as pedestrian and non-motorized traffic facilities, parks and greenery development or improvement, and the construction or improvement of subnational facilities for public transport, such as bus stops and terminals, jetties, boat landing sites, ferry terminals, and taxi and truck stands.

Most of these sub-projects will be identified as part of the ITMP preparation. However, US\$11.1 million in sub-projects for improvement of infrastructure for pedestrians, bicycles, and non-motorized traffic facilities, and/or urban parks and greenery improvement can start in 2018 (Annex 6-C). Subnational government agencies, such as local public works and settlements agencies, are responsible for the subnational facilities for public transport sub-projects, while DG Human Settlements can also play a role in non-motorized facilities and parks and greenery improvement or development.

(c) Basic services infrastructure to improve access to sustainable water supply, solid waste management, waste water management and sanitation in the key tourism areas (21 kecamatans), and the 27 additional kecamatans in the Lake Toba destination that are targeted for the sanitation and solid waste programs (Table 8; Annex 6-B).

For several sub-projects (amounting to US\$7.8 million), DG Human Settlements prepared FSs and DEDs, and included these sub-projects in its 2018 work plan (Annex 6-C). These sub-projects will be screened for compliance with the ESMF, subsequently included in the Project, and fully financed through counterpart funding. While the need (per destination) for the following sub-projects has already been identified (Table 8; Annex 6-B), their construction must await the ITMP for guidance on site location: expansion of existing or construction of new municipal water treatment facilities (> 100 l/s); construction and upgrading of fecal sludge treatment plant; construction and upgrading of sewer reticulation systems; construction and upgrading of waste water treatment plant; and expansion/rehabilitation/upgrading of existing Final Disposal Site with controlled/sanitary landfill, including supporting facilities (Table 10).

(d) FSs, DEDs and management and supervision consultants' services for the abovementioned physical investments.

This includes three consultants' packages to ensure the quality of physical works, as well as the incorporation of environmental and social safeguards measures in compliance with the ESMF.

Table 7: Tourism-relevant roads: estimated Project costs (5 years, in million US\$)	
Tourism-relevant roads	National roads
Province / Kabupaten /Kota roads	
Lombok destination	116.4
83.7	

Road routine and periodic maintenance	34.7
21.9	
Road rehabilitation	60.8
44.6	
Road betterment	20.8
17.1	
Borobudur-Yogyakarta-Prambanan destination	17.6
49.1	
Road routine and periodic maintenance	5.3
13.1	
Road rehabilitation	9.2
26.3	
Road betterment	3.2
9.8	
Lake Toba destination	62.5
11.6	
Road routine and periodic maintenance	18.6
3.0	
Road rehabilitation	32.6
6.2	
Road betterment	11.2
2.5	
Total 3 destinations	196.5
144.5	
Road routine and periodic maintenance	58.6
38.0	
Road rehabilitation	102.6
77.1	
Road betterment	35.2
29.4	

Source: HHTL. 2017. Demand Assessment, and Bank staff estimates based on MPWH unit prices.

Table 8: Estimated costs of tourism-relevant basic services (5 years, in million US\$)

Tourism-relevant basic services	Kabupaten/Kota basic services	National basic services
Lombok destination		
114.1	32.2	
Piped water supply		
42.7	16.5	
Solid waste management		
6.3	3.6	
Waste water management and sanitation		
65.1	12.2	
Borobudur-Yogyakarta-Prambanan destination		
37.4	14.8	
Piped water supply		
26.6	10.3	
Solid waste management		
2.2	1.2	
Waste water management and sanitation		
8.6	3.3	
Lake Toba destination		
33.2	13.6	
Piped water supply		
6.9	2.7	
Solid waste management		
4.6	2.6	
Waste water management and sanitation		
21.7	8.3	
Total 3 destinations		
184.8	60.6	
Piped water supply		
76.2	29.4	
Solid waste management		
13.1	7.4	

Waste water management and sanitation  
95.5 23.8

Source: HHTL. 2017. Demand Assessment, and Bank staff estimates based on MPWH unit prices.

66. The criteria used for selecting sub-projects for inclusion in component 2 are tourism-relevant administrative boundaries, and key issues related to tourism competitiveness in the selected destinations. The Demand Assessment helped identify key tourism areas (defined at the kecamatan level, Table 9) and critical basic services gaps affecting tourism competitiveness (especially health and hygiene, environmental sustainability, including climate resilience, and visitor experience). It concluded that in the three tourism destinations external connectivity constraints were already being resolved for current and future visitation patterns during the Project period. Once finalized, the ITMPs will improve comprehensive investment planning and phasing and provide a strong framework for increasing the tourism-relevant road quality and basic services accessibility of each destination. The 5-year Project, however, will not include all

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infrastructure investments identified in the 25-year ITMPs. First, based on the Demand Assessment and through component 2, the Project focuses on addressing existing gaps and avoiding further degradation or reversing the degradation of the environmental assets (e.g., beaches, coral reefs, lake) that attract visitors. Second, new and larger investments are expected to be needed only in later phases of development, as visitor demand increases. Third, the Project will focus on key tourism areas within wider tourism destinations. The Project Operational Manual (POM), together with the ITMPs and the ESMF, will guide—respectively—the type of sub-projects eligible under the Project and the siting and recommended policies required for the improvement of tourism-relevant basic services and infrastructure. Should the ITMPs indicate the need for new types of sub-projects or adjustments to the geographic scope of key tourism areas, this would require revisions to the POM, and World Bank no objection. These new types of sub-projects could include road, public transport and water, sanitation and solid waste sub-projects of a larger scale than currently described in Table 10. The POM sets forth criteria and procedures for selecting sub-projects, which inter alia exclude 'large scale' infrastructure that are not predominantly tourism related.

67. Finalizing the ITMPs is thus not a pre-requisite for starting activities under component 2. While the ITMPs are being prepared, the type of sub-projects for component 2 is limited to investments that would be advisable no matter what the final outputs of the ITMPs would be—i.e., the 'no regret' investments (Table 10), as will be recorded in the POM.

Table 9: Key tourism areas: definition

Key tourism areas	Related Kecamatan (and Kabupaten/Kota)
Lombok's key tourism areas	
The Gili Islands	Pemenang (North Lombok)
Senggigi area and its	Batu Layar (West Lombok); Pemenang, Tanjung (North Lombok)

northward coastal extensions	
Southern coast	Pujut, Praya Barat (Central Lombok); Sekotong (West Lombok); Jerowaru (East Lombok)
Borobudur-Yogyakarta-Prambanan's key tourism areas	
Borobudur	Borobudur, Mungkid (Magelang)
Prambanan-Boko	Prambanan (Sleman); Prambanan (Klaten)
Yogyakarta	Kraton, Gedongtengen, Danurejan, Ngampilan,
Kotagede, Gondomanan (Yogyakarta)	
	34
Lake Toba's key tourism areas	
Parapat and surroundings	Girsang Sipangan Bolon (Simalungun)
Samosir island (partly)	Simanindo, Pangururan (Samosir)
Balige	Balige (Toba Samosir)

34An additional 27 kecamatans in Lake Toba destination are targeted for sanitation and solid waste programs to address the lake's water pollution and cleanliness concerns: Silahisabungan, Merek, Muara, Baktiraja, Lintongnihuta, Paranginan, Pematang Silimahuta, Silimakuta, Purba, Haranggaol Horison, Dolok Pardamean, Pematang Sidamanik, Ajibata, Lumban Julu, Uluan, Porsea, Siantar Narumonda, Sigumpar, Laguboti, Tampahan, Sianjur Mulamula, Harian, Sitiotio, Balige, Nainggolan, Onan Runggu, Palipi and Ronggur Nihut. Also, some of the tourism-related roads sub-projects are in the wider tourism destination area, instead of the key tourism areas.

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Table 10: Eligible sub-projects and need to await ITMP  
Eligible sub-projects

ITMP Needed?	
I	ROADS
1.1	Road routine maintenance; Road preventative maintenance
No	
1.2	Road periodic/rehabilitation maintenance
No	
1.3	Road improvement/reconstruction
No	
1.4	Road betterment (including minor widening)
No	
1.5	Road widening (lane addition)
Yes	
1.6	Road construction*
Yes	
1.7	Bridge routine maintenance, periodic maintenance, rehabilitation
No	
1.8	Bridge widening (lane addition)*
Yes	
1.9	Bridge construction*
Yes	
1.10	Sub national roads support
No	
1.11	Planning, management, and supervision of National Road Preservation and Capacity Improvement
No	
II	TOURISM SERVICES AND INFRASTRUCTURE
2.1	Construction of new infrastructure for pedestrians, bicycles, and non-motorized transport, such as
Yes	sidewalks, walkways, bicycle paths, road crossings, pedestrian bridges, etc.
2.2	Improvement of infrastructure for pedestrians, bicycles, and non-motorized transport, such as
No	

- sidewalks, walkways, bicycle paths, road crossings, pedestrian bridges, etc.
- 2.3 Urban parks and greenery improvement projects for beautification  
No
- 2.4 Urban parks and greenery development projects for beautification  
Yes
- 2.5 Construction or improvement of subnational facilities for public transport, such as bus stops and terminals and ferry terminals, taxi and truck stands. Periodic maintenance and improvement on ferry terminals and jetties in existing subnational ports  
Yes
- III WATER SUPPLY
- 3.1 Expansion of existing and construction of new water supply network  
No
- 3.2 Expansion of existing or construction of new municipal water treatment facilities (< 100 l/s)  
No
- 3.3 Expansion of existing or construction of new municipal water treatment facilities (> 100 l/s)  
Yes
- 3.4 Repair or replace existing (or damaged) water storage facilities  
No
- IV SANITATION
- 4.1 Construction and upgrading of fecal sludge treatment plant  
Yes
- 4.2 Construction and upgrading of sewer reticulation systems  
Yes
- 4.3 Construction and upgrading of waste water treatment plant  
Yes
- 4.4 Public toilet and sanitation facilities (e.g. community toilet facilities (MCK) in the local community areas/parks)  
No
- 4.5 Septic tank pump out trucks  
No
- V SOLID WASTE
- 5.1 Small solid waste processing facilities  
No
- 5.2 Garbage collection trucks and other collection equipment  
No
- 5.3 Small-scale biogas and composting facilities  
No
- 5.4 Temporary Disposal Sites  
No
- 5.5 Expansion/ rehabilitation/upgrading of existing Final Disposal Site with controlled/sanitary landfill, including supporting facilities  
Yes
- 5.6 Establishment of 3R organizations or community services (e.g. waste banks program)  
No
- VI FS and DED
- 6.1 FSs and DEDs for physical investments listed above  
Depends on sub-

project

\*) Based on Demand Assessment not identified as needed.

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Component 3: Promote local participation in the tourism economy (Total cost of: US\$66.9M, of which US\$29.8M Counterpart Funding and US\$37.1M IBRD)

68. Component 3 aims to increase participation of local firms and individuals in the tourism sector. This

component is implemented by Deputy Institutional Development and Tourism Industry of the Ministry of Tourism, and its key outcomes relate to: (i) guaranteeing a continuous supply of relevant workforce skills for jobs in the tourism economy; (ii) supporting local firms to capture opportunities in the increasingly-digitalized tourism economy; (iii) improving the quality of service standards among local tourism firms; and (iv) improving local community awareness (Sadar Wisata) and engagement in tourism development (Table 11).

69. The development of relevant workforce skills will include the provision of relevant and high-quality competency based training (CBT) and the strengthening of the certification system of the tourism sector in selected destinations. While the Project focuses on strengthening technical and vocational education and training (TVET) institutions relevant to the selected destinations, it will also help improve the system for tourism-related workforce skill development, from which other destinations will also benefit. During Project implementation, technical assistance will increase alignment of CBT with the demands of the private sector over time. To enable this, component 3 includes:

- (a) Developing competency-based standards, qualification frameworks and related curriculum packages, including holding related industry-government consultations.
- (b) Training of trainers, teachers and assessors for improved delivery of CBT and developing related guidance materials, including inter alia: (i) consulting services to develop guidance materials to ensure the new curriculum is understood and implemented by teachers in TVET institutions, training of trainers materials to ensure trainers can deliver curriculum guidance to teachers, and standard operating procedures and training materials for assessors to be more proficient in certifying graduates of CBT programs and existing tourism professionals based on recognition of prior learning; (ii) workshops and training for trainers and assessors; (iii) workshops for tourism industry professionals to certify them to lecture (Level 6 and 8) in TVET institutions; and (iv) teacher internships in partnership with the tourism industry.
- (c) Provision of technical assistance for TVET institutions to align with private sector demands including provision of required TVET equipment, including inter alia: (i) consulting services for technical assistance for TVET institutions to prepare and implement work plans towards better alignment with private sector demands; and (ii) equipment and supplies/materials for selected TVET institutions' tourism laboratories. The technical assistance is for TVET providers that have a Memorandum of Understanding, or a similar agreement, with the Ministry of Tourism (or the Ministry of Education and Culture) for use of its curriculum, and that have agreed partnerships with potential employers which are based on an agreed results framework (with defined occupational requirements and employment targets). TVET equipment will be provided to TVET institutions that are managed under the Ministry of Tourism budget, and for which the Ministry can procure these goods directly.
- (d) Certification of trainees and tourism professionals, including consulting services for the development and implementation of life-long learning (upskilling) programs for a targeted number of existing tourism professionals. Certification is an ongoing Ministry of Tourism activity, which operates across Indonesia's priority destinations, with US\$0.86 million allocated for the Project's selected destinations in 2018. As the activities

listed above are implemented, the competency levels of those certified will increase.

(e) Holding bi-annual tourism skill development forums in each of the Project's selected destinations to improve coordination and collaboration between TVET stakeholders (TVET institutions, government ministries/agencies

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and the private sector).

70. With regards to local firms, the Project's support will focus on equipping the Ministry of Tourism with the means to better prioritize and more effectively deliver capacity building to these firms. Through a partnership with a travel website company, Deputy Institutional Development and Tourism Industry will identify those tourism firms that are currently offline and develop a series of workshops that will improve these firms' online presence and engagement—critical for any tourism firm to remain competitive and to maximize its access to markets. Furthermore, through this partnership, the Ministry will monitor and evaluate service and quality standards of tourism firms, identify areas needing improvement in each destination, and tailor practical CBT to enable tourism firms to meet higher overall standards. In practice, the component includes:

(a) Acquisition of data from a travel website company to assist in the design of policies and programs aimed at increasing local firms' linkages to global online platforms and improving their quality standards.

(b) Consulting services to deliver training for local tourism firms to help boost their online market access. The training delivery also requires non-consulting services and operating costs.

(c) Consulting services for the content and delivery of targeted programs that focus on improving firm quality and service standards that the travel website data identifies as weak.

71. To support the improved design, implementation, and monitoring of community awareness and engagement programs, this component also includes:

(a) Training and operating costs for the existing Ministry of Tourism's Sadar Wisata awareness program, with a 2018 budget allocation of about US\$7.7 million for 68 locations, including US\$0.69 million for the Project's selected destinations. Support will enable Deputy Institutional Development and Tourism Industry to increase the number of community participants engaged in tourism through programs, such as entrepreneur mentoring and women's economic empowerment, in the selected destinations.

(b) Consulting services to redesign, using international best practice, this existing program to be more focused on, and effective in, empowering communities in the selected destinations to participate in tourism, for example, in decision-making processes or in capturing economic and social benefits. Careful planning in design and implementation to support community-oriented and inclusive tourism sector opportunities can have a positive effect on employment and incomes of women and indigenous peoples (IPs)<sup>35</sup> in tourism services. However, both opportunities and constraints are likely to be context-specific, and interventions will need to be informed by



gender analysis and strategies for addressing barriers to participation and the possibility of triggering an increase in gender-based violence.

(c) Community satisfaction surveys to better assess the perceived benefits from tourism (individual and community benefits; economic and social benefits; conservation of traditions; etc.), changes in the level of engagement including changes in socio-economic conditions (e.g., prices, access to resources, and traditional values), changes in environmental conditions (improvement or degradation), and interaction with visitors, etc.

Disaggregation by gender provides useful feedback on any differences between men and women in the community and potential barriers to participation in skills development and the tourism industry.<sup>36</sup> Where applicable, sufficient IPs will be included in the surveys, so that their satisfaction and engagement can be

35 Masyarakat Adat (Customary Communities), Masyarakat Hukum Adat (Customary Law Communities) and Masyarakat Tradisional (Traditional Communities), are used interchangeably for IPs in Indonesia. IPs is used as the term to encompass all.

36 UNWTO. 2004. Indicators of Sustainable Development for Tourism Destinations. A Guidebook.

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monitored. While the surveys have the potential to provide feedback for all project components, the community awareness and engagement programs will be the first place where the issues identified in the survey can be addressed.

72. In promoting local participation in the tourism economy, gender equity gaps can be addressed. While more than half of tourism businesses in Indonesia are run by women and more women (58 percent) than men (42 percent) in 2017 are employed in the tourism sector in Indonesia (61%-39% in West Nusa Tenggara province; 57%-43% in Central Java province and the Special Region of Yogyakarta; and 60%-40% in North Sumatra), 37 initial assessments indicate two gender equity gaps in the Project's selected destinations:

(a) Data on the number of tourism graduates and professionals certified in 2017 shows that twice as many males compared to females were certified, 67 percent and 33 percent respectively. For employers, certification is expected to decrease asymmetries of information, reducing the transaction costs of selecting workers. For the job seekers or workers, certification can help them in communicating the quality, depth and breadth of their skills to potential employers better and quickly. Additionally, in the context of training, certification is also an indication of the alignment of training institutions with pre-established curricula and standards. Certification rates of training graduates sends a signal on the efficiency of the training institutions delivering expected results.

Certification is thus important for labor mobility, allowing workers to seek jobs of greater quality and opportunities for advancement. By increasing certification for women, this will enable women to seek jobs of

greater quality and enable them to advance from lower level positions in the tourism industry. To ensure females and males are certified at the same level, the Ministry of Tourism will introduce gender equity targets in the memorandum of understandings it signs with the certifying agencies. This target will encourage the certifying agencies to identify the root causes of inequality, and adjust their outreach and certification services offer accordingly.

(b) Female participants of the Ministry of Tourism's tourism awareness and engagement program, Sadar Wisata, in 2017 accounted for only 27 percent of total participants, compared to 73 percent males.<sup>38</sup> Tourism awareness and engagement programs aim to increase the economic empowerment and benefits that local communities gain from tourism sector growth in their community, and include activities such as entrepreneur mentoring and economic empowerment. Relatively low female participation will be addressed by offering specific economic empowerment activities for women, including the related awareness raising activities to inform women about the benefits of training and to encourage more women participants to attend. The Project will support activities to reduce these two gaps and includes two gender equity indicators, one for certification and one for participation in community engagement programs, aimed at gender equality in women's and men's certification and participation in community engagement programs (i.e., economic empowerment activities), respectively. In addition, the travel website company data on tourism firms, the community satisfaction surveys (by including gender disaggregated data), and the sustainable tourism indicators (see component 1) offer opportunities for new data, to be reported to the CPMU, to inform policy, planning and investment decisions and actions. Other potential gender equity issues the Project will explore relate to the relative seniority of males versus females, variance in employment conditions and contractual standards, access to training opportunities, possibilities for advancement, and how the impacts of tourism differ on the lives of men and women in the selected destinations.<sup>39</sup> Women's economic

<sup>37</sup> BPS. 2017. SAKERNAS 2017; and UNWTO/UNWOMEN. 2011. Global Report on Women in Tourism 2010.

<sup>38</sup> Ministry of Tourism 2017 data for the three destinations (Lake Toba, Lombok and Borobudur-Yogyakarta-Prambanan).

<sup>39</sup> Similar patterns as in other sectors tend to occur with women working in lower-level positions and earning 10 to 15 percent less than

their male counterparts. Furthermore, data indicate that women in tourism contribute much more time and effort to family businesses

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empowerment is generally considered the capacity to participate in, contribute to, and benefit from different activities that enable them to negotiate fairer distribution of benefits.<sup>40</sup>

Table 11: Estimated costs of component 3 (5 years, in million US\$)  
Component 3 Activity  
Costs

a. Competency-based standards, qualification frameworks and related curriculum packages	2.1
b. Training of trainers, teachers and assessors for improved delivery of CBT	2.8
c. Technical assistance for TVET institutions to align with private sector demands, and required equipment	29.8
d. Life-long learning training	16.8
e. Certification	3.6
f. Bi-annual tourism forums	0.3
Sub-total skill development	55.4
a. Data	0.5
b. Training on online engagement	1.4
c. Training on service & quality	4.4
Sub-total firm capabilities	6.3
a. Community awareness and empowerment programs implementation	4.2
b. Re-design community awareness and engagement programs	0.3
c. Community satisfaction survey	0.7
Sub-total community engagement	5.2
Total component 3	66.9

Component 4: Enhance the enabling environment for private investment and business entry in tourism (Total cost of: US\$1.3M, of which US\$1.3M IBRD)

73. Component 4 consists of a technical assistance program to design and implement tourism destination specific investment planning, to include such activities as:

- (a) The preparation and updating of investment project ready to offer (I-PRO).
- (b) Market sounding activities.
- (c) Monitoring of investment projects (Table 12).

Table 12: Estimated costs of component 4 (5 years, in US\$ million)

costs, non-consulting services	Consulting Services	Training, Operating
	Total	
Investment planning		0.18
1.12	1.3	
Total component 4		0.18
1.12	1.3	

74. Overall project costs across the four components amount to an estimated US\$772.9 million (Table 13). The Lombok destination accounts for the largest share of project expenses, owing to the sizeable needs for roads maintenance and upgrading in the destination's key tourism areas (Table 14).

(in hotels, homestays, and restaurants) and that much of this economic activity is unpaid or underpaid. UNWTO/UNWOMEN. 2011.

Global Report on Women in Tourism 2010.

40 Organisation for Economic Co-operation and Development (OECD). 2011. Women's Economic Empowerment: Issues Paper.

Table 13: Project Cost by Year (indicative, in million US\$)

Project component	Year 2	Year 3	Year 4	Year 5	TOTAL	Year 1
1: Increase institutional capacity to facilitate integrated and sustainable tourism development						4.4
5.0	5.0	5.1	5.2	24.7		
Integrated planning and coordination						4.0
4.6	4.5	4.5	4.5	22.1		
Monitoring of sustainable tourism						0.4
0.4	0.5	0.6	0.7	2.6		
2: Improve tourism-relevant road quality and basic services accessibility						79.3
127.6	174.5	178.0	120.6	680.0		
Roads: Routine and periodic maintenance						11.6
19.3	22.2	22.2	21.3	96.6		
Roads: Betterment and rehabilitation						29.3
44.0	61.1	61.1	48.8	244.3		
Non-motorized traffic facilities						2.2
2.3	2.3	2.2	2.3	11.3		
Tourism specific infrastructure						10.0
10.0	10.0	10.0	10.0	50.0		
Piped water supply						9.6
19.8	30.4	31.8	14.0	105.6		
Solid waste management						1.9
3.8	5.9	6.2	2.7	20.5		
Waste water management & sanitation						10.9
22.3	34.3	36.0	15.8	119.3		
DEDs and FSS (including safeguards instruments)						3.8
6.1	8.3	8.5	5.7	32.4		
3: Promote local participation in the tourism economy						8.6
11.3	22.4	14.9	9.7	66.9		
Skill development						5.5
8.9	19.9	12.4	8.7	55.4		
Firm capabilities						1.8
1.3	1.5	1.6	0.1	6.3		
Community engagement						1.3
1.1	1.0	0.9	0.9	5.2		
4: Enhance the enabling environment for private investment and business entry in tourism						0.3
0.3	0.3	0.2	0.2	1.3		
Investment planning						0.3
0.3	0.3	0.2	0.2	1.3		
Total Project Costs						92.6
144.2	202.2	198.2	135.7	772.9		

Table 14: Project Cost by Destination (indicative, in million US\$)

Project Components	Lombok	B-Y-P	Lake Toba	TOTAL
1: Increase institutional capacity to facilitate integrated and sustainable tourism development				
8.2	8.3	8.2	24.7	
Integrated planning and coordination				
7.4	7.4	7.3	22.1	
Monitoring of sustainable tourism				
0.8	0.9	0.9	2.6	
2: Improve tourism-relevant road quality and basic services				
388.2	144.5	147.3	680.0	

accessibility			
Roads: Routine and periodic maintenance			
56.7	18.3	21.6	96.6
Roads: Betterment and rehabilitation			
143.3	48.5	52.5	244.3
Non-motorized traffic facilities			
6.7	1.9	2.7	11.3
Tourism specific infrastructure			
16.7	16.6	16.7	50.0
Piped water supply			
59.1	36.9	9.6	105.6
Solid waste management			
9.8	3.5	7.2	20.5
Waste water management & sanitation			
77.4	11.9	30.0	119.3
DEDs and FSS (including safeguards instruments)			
18.5	6.9	7.0	32.4
3: Promote local participation in the tourism economy			
42.5	12.5	11.9	66.9
Skill development			
37.9	7.9	9.6	55.4
Firm capabilities			
2.6	3.0	0.7	6.3
Community engagement			
2.0	1.6	1.6	5.2
4: Enhance the enabling environment for private investment and			
0.4	0.5	0.4	1.3
business entry in tourism			
Investment planning			
0.4	0.5	0.4	1.3
Total Project Costs			
439.3	165.8	167.8	772.9

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## ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY : Indonesia  
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### Project Institutional and Implementation Arrangements

75. The Ministry of Public Works and Housing (MPWH) will be the executing agency for the Project and responsible for financial management of the IBRD loan proceeds, implementation of environmental and social safeguards in accordance with the World Bank's requirements as specified in the Environmental and Social Management Framework (ESMF), and the procurement and management of most contracts (including all contracts under component 2). A central government project management unit (CPMU) will be established under the Regional Infrastructure Development Agency (RIDA) of the MPWH. Central project implementation units (CPIUs) will be established in all implementing Directorate Generals (DGs)/Deputies: DG Highways, DG Human Settlements and RIDA in the MPWH; deputy Destination Development and Deputy Institutional Development and Tourism Industry in the Ministry of

Tourism; and Deputy Investment Planning in BKPM. The RIDA will be supported by the Program Management Support (PMS) Consultant. The CPMU and CPIUs are expected to be established in the months leading up to the Project's expected date of effectiveness. These implementation arrangements are being designed based on similar arrangements that have been established—and are currently in place—in the same ministry and the same departments for other programs, thus learning from successful multi-ministry Platforms in Indonesia, where the MPWH is also the executing agency.<sup>41</sup>

76. For overall strategic guidance, a ministerial Tourism Coordination Team, chaired by Indonesia's Vice-President, will provide cross-sectoral strategic coordination. In 2017, a new Presidential regulation assigned four coordinating ministers as deputies to the chairman. This revision strengthens coordination, as the key ministries/agencies involved in the Project report to different coordinating ministries—for instance, the MPWH to the Coordinating Ministry of Economic Affairs (CMEA); the Ministry of Tourism to the Coordinating Minister of Maritime Affairs; the Ministry of Education and Culture (MoEC), relevant to heritage preservation, to the Coordinating Minister for Human and Cultural Development; and the Ministry of Home Affairs, relevant to local governments, to the Coordinating Minister of Legal and Security Affairs.<sup>42</sup>

77. Based on this strategic guidance, the National Development Planning Agency (Badan Perencanaan Pembangunan Nasional, BAPPENAS) will establish central level institutional arrangements for alignment between investment planning and budgeting, including: (i) a proposed Steering Committee to be composed of the Ministers from each involved ministry or agency; and (ii) a proposed Technical Committee consisting of Echelon I officials from each involved ministry or agency. These two committees will also include government agencies/ministries that have no direct implementing responsibility for the Project, but are critical stakeholders.

78. For provincial and local government (i.e. APBDI/II) alignment, for each province and kabupaten/kota in the destinations, Provinces and Kabupaten/Kotas will establish task forces in each of the 4 provinces and 11

<sup>41</sup> These include the National Slum Upgrading Project (NSUP, or Program Kota Tanpa Kumuh, KOTAKU), which operates across 153 cities and the Special Capital District of Jakarta, and the National Rural Water Supply and Sanitation Project (Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat, PAMSIMAS), which operates in 350 districts. These two platforms also involve several other ministries.

<sup>42</sup> Presidential Regulation No. 64 of 2014 concerning the Cross-Sectoral Strategic Coordination of Operations of Tourism, and its

subsequent revision through Presidential Regulation No. 40 of 2017.

kabupaten/kota where the Project operates. Local governments are predominantly involved in the implementation of component 2. For road sub-projects and subnational transport, local project implementation units (LPIUs) include

provincial and local public works agencies. The Balai are responsible for technical assistance and monitoring and evaluation (M&E) of the subnational roads financed by specific purpose grants (Dana Alokasi Khusus, DAK). DG Highways conducts facilitation and technical supervision of subnational roads through two sub-directorates under the Directorate of Freeways, Urban Road, and Subnational Roads Facilitation: (i) the Sub-Directorate of Management and Evaluation of Subnational Roads, which is responsible for assessing, coordinating, and facilitating proposals from subnational governments, and M&E of the implementation of subnational roads; and (ii) the Sub-Directorate of Technical Guidance of Subnational Roads, which is responsible for guiding the planning, programming, implementation, and management of subnational roads and road network connectivity. The Balai and the Sub-Directorate of Technical Guidance of Subnational Roads review a sample of the DAK-financed road packages. These two sub-directorates are part of the project implementing arrangements (as deputy heads of the CPMU). For basic services, local public works and settlements agencies are LPIUs. The PMS Consultant will have in-destinations teams which will support local agencies in aligning their sub-projects with the ITMPs and ensuring compliance with the Project's ESMF and fiduciary requirements. Two or three detailed design and supervision consultants under DG Human Settlements, DG Highways, and (if needed) DG Water Resources, will support the physical implementation of component 2 by ensuring the quality of physical works, as well as ensuring environmental and social safeguards measures are incorporated in compliance with the ESMF.

79. Finally, tourism development coordination at the destination level will be facilitated by several existing local managements authorities and bodies. Existing destination level arrangements for tourism development coordination include:

- (a) A Management Authority Board for Lake Toba Tourism Area, which corresponds to the area defined in Presidential Regulation No. 81 of 2014 on the Spatial Planning of Lake Toba and its surrounding areas. Within this boundary, an 'authority-zone' of approximately 600 Ha has been established.<sup>43</sup>
- (b) A Management Authority Board for Borobudur Tourism Area, including: (i) the National Tourism Destination Areas of Borobudur-Yogyakarta, Solo-Sangiran and Semarang-Karimun Java;<sup>44</sup> (ii) the area defined through Presidential Regulation No. 58 of 2014 concerning the Spatial Plan for Borobudur and its surrounding areas, and (iii) an additional area of approximately 300 Ha located in Purworejo District and currently managed by Perum Perhutani, a state-owned forestry company. Within these 300 Ha, an area of approximately 50 Ha has been identified as an 'authority-zone'.<sup>45</sup> The ITMP, however, is limited to Borobudur-Yogyakarta-Prambanan.

80. The Tourism Authority Boards for Lake Toba and Borobudur are composed of two bodies: an Advisory Board (or Steering Committee), chaired by the Coordinating Minister for Maritime Affairs, which will establish the general policy, provide overall direction and supervision of the Lake Toba and Borobudur Tourism Areas interventions; and an Executive Board (or Implementing Agency), a working unit under the Ministry of Tourism, which will coordinate, synchronize, and facilitate the planning, development, and construction of both Tourism Areas. Regarding the 'authority-zones', the Executive Board has also been granted specific management rights to facilitate its development

(i.e., plan the allocation and use of land, sublease and/or cooperate the use with third parties and organize licensing and non-licensing services). Different ministries, provincial governors, and agencies are members of the Advisory Board (membership varies for each Tourism Area reflecting its specific configuration). The Executive Board is responsible for

43 Presidential Regulation No. 49 of 2016, issued on June 13, 2016.

44 Government Regulation No. 50 of 2011 on the 2010-2025 National Tourism Development Master Plan.

45 Presidential Regulation No. 84 of 2017, issued on April 11, 2017.

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the preparation of the Master Plans for the Tourism Areas for a period of 25 years; as well as for a 5-year detailed Development and Construction Plan for each 'authority-zone'. Considering that different institutions have been assigned the management of the Borobudur Tourism Area, including the Borobudur Temple Area, 46 Prambanan Temple and the Ratu Boko Temple, the Presidential Regulation stipulates that they shall continue to perform their activities but in addition will: (i) refer to the Master Plan for the Borobudur Tourism Area and the detailed Development and Construction Plan that will be prepared by the Executive Board; and (ii) will coordinate with the Borobudur Authority Board while carrying out their specific management activities. The Tourism Coordination Team agreed to keep the responsibility for the Tourism Area Master Plans (i.e., ITMPs) with the MPWH.

81. The relationship between implementing arrangements, coordinating arrangements and the PMS is presented in Figure 11, and further details will be presented in the Project Operational Manual (POM).

#### Financial Management

82. Overview. Though project implementation will involve MPWH, Ministry of Tourism and BKPM, most of the project activities will be implemented by DG Highways and DG Human Settlements of MPWH under component 2 of the Project (60 percent of project expenditures). All project expenditures financed by the IBRD loan will be part of the central government budget with counterpart funding from both the central government (APBN) and the participating local governments (APBD) in the selected tourism destinations. From a financial management (FM) perspective, the assessment is focused on the capacity of the MPWH and all FM arrangements will be described in more detail in the POM. The Project's CPIUs should follow the POM prepared by the RIDA (as CPMU) for project implementation.

83. Institutional arrangements. The RIDA will be the executing agency for this Project. For coordination purposes, the CPMU will be established under RIDA. It will be responsible for overall project coordination, day-to-day management, budgeting, financial administration, monitoring and reporting. Project implementation will follow the



GoI's system. CPIUs (or Satkers) in MPWH, Ministry of Tourism and BKPM will include government officers with FM functions, such as commitment makers, verification officers, treasurers and accounting officers. The CPMU will be supported by the PMS Consultant, including a FM specialist to assist in handling all aspects of the Project's FM arrangements.

46 For the Borobudur Temple Area (including the two smaller temples of Mendut and Pawon) the GoI, through Presidential Decree 1 of 1992, has established management zones, each assigned to a different agency. The MoEC, through the Borobudur Conservation Office, is responsible for conservation and preservation management of the Borobudur Temple (Zone I). PT. Taman Wisata Candi Borobudur, Prambanan and Ratu Boko, a state-owned enterprise, manages tourist activities in Zone II; promotes Borobudur in both local and international markets; and ensures the local community is benefitting from the tourism development of Borobudur. Kabupaten Magelang manages and enforces spatial planning, land use and development control in the greater Borobudur area (Zone III -V).

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Figure 11: Project Institutional Arrangements: Coordinating and Implementing

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84. Budgeting. In Indonesia, financing arrangements for Bank projects implemented by central government agencies are governed by the Daftar Isian Pelaksanaan Anggaran (DIPA, Budget Warrant). Source of financing for project activities, including financing percentage, are detailed in the DIPA and strictly followed. As such, project activities identified to be financed by the World Bank will be financed by the World Bank at 100 percent. The budget of the Project will be included in the DIPA of RIDA, DG Highways, DG Human Settlements, Deputy Institutional Development and Tourism Industry, Deputy Destination Development, and Deputy Investment Planning to finance project activities. The CPMU and all CPIUs are expected to work closely with their respective planning bureau to ensure timely issuance of DIPA and inclusion of the proposed disbursement plan in DIPA for the World Bank funds. Local Government (LG) budgets will be recorded in the LG budget (APBD), but will not be financed by the World Bank.

85. Accounting and Reporting. All CPIUs will maintain separate accounting records for all payment orders (Surat Perintah Membayar, SPM) and remittance orders (Surat Perintah Pencairan Dana, SP2D) on a cash basis. All financial transactions will be recorded in the government accounting system and included in the ministries' financial statement.

All CPIUs will keep original remittance payment records (SP2Ds) and maintain files for audit purposes. The CPMU will prepare Interim Financial Reports (IFR) for project monitoring purposes. The CPMU will be responsible for submitting the IFR to the World Bank on a quarterly basis not later than 45 days after the end of each quarter. The IFR covers all project expenditures and counterpart funding. Annual Project Financial Statement will be prepared by the CPMU for audit purposes. Guidelines on IFR and annual project financial statement preparation will be part of the POM.

86. Internal controls. The Project will follow the government's internal control system. The CPMU is expected to appoint staff to be responsible in all aspects of the Project's FM arrangements and accountable to handhold all CPIUs to be able to implement the Project. FM training to RIDA as CPMU was conducted in November 2017 and the FM team will continuously support the Project throughout its implementation. The CPMU is expected to prepare the POM, which must to cover: (i) organizational structure of the Project, (ii) guidelines for inclusion of the Project's budget into DIPA, (iii) supervision and payment verification mechanism, (iv) funds flow mechanism, (v) IFR format, preparation and its submission to the World Bank, (vi) disbursement mechanism and withdrawal application preparation process, (vii) annual project financial statement preparation, and (viii) internal and external audit arrangement.

87. Payment verification. To intensify project verification procedures, CPMU and CPIUs will officially appoint dedicated staff to conduct detailed verification of the contractors and consultants' invoices prior to issuance of payment requests. Guidelines on how to conduct such verification will be part of the POM. The guidelines will include third party confirmation, site visit, technical review and thorough review of the documentation received. Training on the use of the guidelines will be provided before project start. Furthermore, specifically for Consultant Services under the CPMU, the RIDA will assign a counterpart for each of the Consultants. The counterpart role is to ensure: (i) the consultant delivers its report or work in line with the agreed schedule; (ii) consultant's request for payment is in line with the agreed contract; and (iii) all supporting documentation is in place and reflecting incurred expenditures eligible for payment. The counterpart will be rotated every two years during Project implementation to maintain its independence.

88. Monitoring and Evaluation. All CPIUs will report on the progress of Project implementation to the CPMU on an annual basis.

89. Internal audit. The MPWH inspectorate will conduct internal audit of the project implementation by RIDA, DG Highways, and DG Human Settlements. The Ministry of Tourism inspectorate will be responsible for internal audits of project implementation by Deputy Institutional Development and Tourism Industry and Deputy Tourism Destination Development; similarly, the BKPM's inspectorate will be responsible for internal audits of the project implementation

by Deputy Investment Planning. The request letter to the MPWH Inspectorate, Ministry of Tourism inspectorate, and BKPM inspectorate for the internal audit for project implementation will be prepared by the Project. All Inspectorates' Reports related to the project implementation will be accessible to the World Bank.

90. Flow of Funds. The project will use the advance method. The flow of funds is as follows:

(a) Two Designated Accounts (DAs) will be opened at the Central Bank. One for the Loan (IBRD) and one for the recipient-executed trust fund (RETF, i.e. the preparation grant of INIS Grant No. TF0A4649).

(b) CPMU submits a request for an advance to the World Bank through the Ministry of Finance.

(c) The World Bank will transfer the initial deposit (advance) to DAs based on request (using IFR format which include projection of Project needs for the 6 months' period).

(d) All CPIUs follow the government treasury system to process payment.

(e) Additional transfers can be made based on request (using IFR format which include projection of Project needs for the 6 months' period).

The GoI may opt for the pre-financing method (i.e., reimbursement), where instead of transferring the funds to the DA, the World Bank transfers the funds to the GoI's account as reimbursement for the pre-financing amount.

91. External Audit Arrangements. The CPMU will be responsible for preparing the annual project financial statements. The project financial statement will be subject to audit by Indonesia's State Audit Institution (Badan Pemeriksa Keuangan, BPK). Each audit will cover a period of one fiscal year of the recipient. The audit will be conducted in accordance with the agreed Terms of Reference acceptable to the World Bank. BPK will provide an opinion on the financial statements and prepare comments on the internal control of the project and compliance with the POM. Audit reports and audited financial statements will be furnished to the World Bank no later than six months after the end of the fiscal year concerned and shall be made available to the public.

92. Supervision Plan. Risk-based supervision of the Project's financial management will be conducted. This will involve desk supervision, including review of IFRs and audit reports, and field visit. Financial management supervision is to be conducted every 6 months together with the task team as part of the Project's implementation support.

#### Disbursements

93. Disbursement Arrangements. The main applicable disbursement methods are Advance and Reimbursement; direct payment and special commitment are also available. Two DAs denominated in US\$ must be opened in the Central Bank (Bank Indonesia) under the name of the Ministry of Finance for each source of funds (Loan and RETF). The DA will be a segregated account with fluctuated ceiling, based on forecast of expenditures for the next 6 months. DAs will be used for financing eligible expenditures of the Project. Disbursement arrangement for the Project will be reflected in the POM and agreed with the World Bank. Applications for the replenishment of the DAs advance may be submitted through quarterly IFR which consist of (i) DAs Activity Statement; (ii) Statement of Expenditures under Bank's prior review and non-prior review; (iii) Project Cash Forecast for 6 months' period; and (iv) Project Sources and Uses of Funds.

For the project activities/expenditures identified in the DIPAs to be financed by the World Bank, Bank financing will be at 100 percent, inclusive of taxes. For disbursement categories and allocation for activities financed by the IBRD Loan and RETF, see: Table 15.

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Table 15: Allocation of the Loan and RETF Proceeds

Category	Amount of RETF Allocated	Amount of IBRD
Allocated % of Expenditures to be	(in US\$)	(in US\$)
financed (inclusive of taxes)		
Goods, works, consultants' services, non-100		296,000,000
consulting services, training, workshops and incremental operating costs		
Consultants' services, training, operating 100	2,100,000	
costs and non-consulting services		
Project Preparation Facility (PPF) 100		4,000,000*
TOTAL	2,100,000	
300,000,000		

\*The PPF will be part of IPF.

#### Procurement

94. All procurement under the Project shall be governed by, and carried out in accordance with, the World Bank's Procurement and Consultant Guidelines, dated January 2011 (revised July 2014), stipulated in the Loan Agreement. This includes procurement of goods, works and non-consultant services under the National Competitive Bidding (NCB) method which shall also be governed by the World Bank's Procurement Guidelines, except that the GoI's procurement regulations may be used to the extent they do not conflict with the World Bank's Procurement Guidelines and subject to the required improvements listed in the NCB Annex to the Loan Agreement and which are incorporated in the harmonized NCB model bidding documents agreed between the World Bank and the National Public Procurement Agency (Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah, LKPP). In such case of a conflict or difference in opinion arising during the procurement process, the World Bank shall provide clarification in writing which shall be followed. The GoI's e-procurement system (Sistem Pengadaan Secara Elektronik, SPSE) may only be used for procurement of Goods, Works and non-consultant services under the NCB method and using the harmonized NCB standard bidding documents. Furthermore, the SPSE e-procurement system modified by MPWH may be used only for selection of consultant firms under the Quality and Cost Based Selection (QCBS) method and using the World Bank's standard Request for Proposal document adjusted satisfactory to the World Bank for electronic use. The GoI's national SPSE e-procurement system or the SPSE e-procurement system modified by MPWH shall not be used for procurement of Goods,

Works and non-consultant services under international competitive bidding (ICB) method, nor for selection of consultants under any other method except QCBS. Until such time that the modifications of these e-procurement systems have been completed by LKPP/MPWH acceptable to the World Bank, which will be confirmed through the World Bank's written no objection, procurement under the above-stated methods shall be carried out through non-electronic process with manual issuance of invitation for bids and receipt of bids.

95. The bulk of the procurement will be under component 2 of the Project, mainly for civil works to improve the tourism-relevant roads, provide facilities for public transport and non-motorized transport in the selected destinations and their tourism attractions, as well as improve access to basic services and infrastructure. The contracts for civil works are expected to be of simple nature and value below the ICB thresholds and will mostly be procured under the NCB method. Various consultant services are expected under all four components of the Project, such as FSs and DEDs for civil works, ITMPs for Lake Toba, Borobudur-Yogyakarta-Prambanan, and Lombok, Program Management Support, consultant services to support tourism investment planning, and other studies and technical assistance as needed to support these components. Most of the consultant contracts will require hiring of firms, for which the QCBS method will be applied. Selection of United Nations Agencies, such as UNESCO, are expected to follow single source selection, as per paragraph 3.15 of the World Bank's Consultant Guidelines. The procurement plan will provide the basis for use of the procurement and selection methods and the World Bank's review requirements for each contract package which

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will be consistent with the World Bank's standard thresholds based on the project procurement risk. The Procurement Plan for the first 18 months of the Project has been finalized, mainly consists of selection of consultants for the ITMPs and Program Management Support, and shall be further updated to include other activities as needed for the Project. The Procurement Plan for remaining investments will be prepared after the ITMPs are completed. The procurement processes for contracts under component 1 will be carried out by the Procurement Service Units (Unit Layanan Pengadaan, ULPs) in the RIDA of the MPWH and Deputy Destination Development of the Ministry of Tourism; under component 2 by DG Highways and DG Human Settlements of the MPHWH; under component 3 by Deputy Institutional Development and Tourism Industry of the Ministry of Tourism; under component 4 by BKPM. While local government agencies are responsible for implementing sub-projects under component 2, these sub-projects will be fully financed by counterpart funding. Procurement of contracts that are not financed by the loan but exclusively from the Government's own budget may follow the GoI's Procurement Regulations, as provided for in paragraphs 1.5 and 1.8 respectively of the World Bank's Procurement and Consultant Guidelines.

Environmental and Social (including safeguards)

96. RIDA as the Executing Agency for the Project has prepared an Environmental and Social Management Framework (ESMF) for the Category A Project that includes a Land Acquisition and Resettlement Policy Framework (LARPF) and an Indigenous Peoples Planning Framework (IPPF). The day-to-day responsibility for ESMF implementation and the overall GRM management, and for the overall environmental and social safeguard performance of the Project, is under RIDA. Preparation of safeguards instruments for sub-projects will be the responsibility of the proponent—the cognizant ministry for sub-projects implemented at the central level, or the relevant agency at the destination level. The PMS Consultant engaged by RIDA will provide environmental and social expertise and technical assistance to RIDA as well as capacity-building for RIDA, monitoring and reporting of the performance of the ESMF implementation and capacity building for agencies at the destinations. These arrangements have been assessed as adequate to manage environmental and social outcomes of the Project.

#### Monitoring and Evaluation

97. The Project will be monitored and evaluated through multiple agencies, mechanisms, and data providers. Results M&E will be coordinated by designated technical staff across the CPIUs—the MPWH, the Ministry of Tourism, and BKPM, and compiled by the CPMU. Data collection and analysis will require complementary efforts from various other ministries/agencies (e.g. Manpower and Transmigration), including at the subnational level (e.g., provincial/local Public Works Agencies, Environmental Boards, TVET institutes, and local one-stop services). The RIDA will be supported by the PMS Consultant to establish a transparent Project Management Information System for M&E and reporting. The PMS Consultant will explore the possibility of using a geographic information system (GIS)/remote sensing technology to aid in M&E. This will allow for compiling of all relevant data on one platform. As a starting point, the Project will use the detailed information collected through the Demand Assessments that were conducted as part of Project preparation.

#### Role of Partners (if applicable)

98. Key development partners include the Swiss State Secretariat for Economic Affairs (SECO), the Australian Government Department of Foreign Affairs and Trade (DFAT), and the German Agency for International Cooperation (GIZ). The Indonesia Infrastructure Support (INIS) Trust Fund (DFAT) provided a recipient-executed grant (US\$2.1 million) for the preparation of ITMPs and a Bank-executed grant (US\$0.65 million) for the Demand Assessments and a water

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quality assessment for Lake Toba. The Kingdom of the Netherlands and SECO, through the Multi-Partner Facility for Trade and Investment Climate (MPFTIC), co-funded the Demand Assessments. In December 2017, the World Bank established the Indonesia: Sustainable Tourism Development Multi Donor Trust Fund (STD-MDTF), with a first

contribution from SECO (CHF4 million). The STD-MDTF will support: (i) strengthening the coordination platform for sustainable tourism development within government and between the government and the private sector; (ii) improving sustainable tourism planning; and (iii) enhancing natural, cultural and social asset monitoring and preservation systems. In addition to its STD-MDTF contribution, SECO's bilateral contribution (CHF8 million) to Indonesia's tourism sector includes (i) assistance for skill development and (ii) support for sustainable and inclusive tourism destinations. SECO's assistance for skills development focuses on the Tourism Polytechnic in Lombok. It aims to work towards a better qualified tourism workforce with relevant skills through improving training relevance, teachers' capabilities, and institutional relations between schools and private sector. SECO's support for tourism destinations builds on the achievements and networks previously developed by the past bilateral support in Flores and Wakatobi (the WISATA project). It includes support to strengthen capacity of sector stakeholders at the destination level such as local governments, communities and industry, and destination management organizations to ensure local participation in integrated tourism planning, and assist with the implementation of the planning at the local level. In addition, GIZ's Innovation and Investment for Inclusive Sustainable Economic Development (ISED) program (2017-2020) works in Lombok to promote sustainable tourism development by: enhancing both private-public cooperation in TVET; supporting inclusive and green business models; and linking and matching the supply and demand of human resources.

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### ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY : Indonesia

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#### Strategy and Approach for Implementation Support

99. The strategy for implementation support is based on the Project's implementation arrangements, which while complex, are not 'new' to Indonesia. They are based on similar arrangements that have been previously established—and are currently in place—in the same ministry and the same departments for other programs, thus learning from successful multi-ministry Platforms in Indonesia, where the MPWH is also the executing agency. From this perspective, the World Bank Group's implementation support will focus on leveraging the government's Platform mechanisms, while at the same time providing targeted capacity building in areas where there is still room for improvement and a need for additional resources. Such support will be provided through a mix of World Bank Group technical staff and consultants.

100. The World Bank will maintain a sizable core team in Jakarta. The team includes specialists in tourism, (urban)

planning, environmental monitoring, transport, water supply and sanitation, engineering, safeguards, education, private sector development, community engagement, and economics. Having the core team based in Jakarta will facilitate frequent dialogue with the government counterpart teams, and permits ongoing implementation support. The core team will be supplemented with specialists in natural and cultural asset management and protection, tourism market assessment and sector-specific investment planning and promotion, monitoring and evaluation, and others as needed.

101. Considering the demands of the platform and requirements for a sizable core team based in Jakarta, it is expected that the standard World Bank Implementation Support Budget will not be sufficient. It is expected that the task team will not only be supported by the Implementation Support Budget, but also trust fund(s) to ensure the project is implemented and builds the foundation for further destination development across Indonesia. The latter will be supported through a parallel IFC advisory project (for sector-specific investment promotion) and IBRD advisory project (for better tourism coordination, planning and 'sustainable tourism' monitoring).

102. The project team will conduct at least two formal missions per year covering the selected destinations. The missions will be carried out jointly with government counterparts, and will include the World Bank's financial management and safeguards staff, and other specialists as required. During the first 24 months of the Project frequent visits will be required to support the ITMP process and spreading the Platform approach.

103. Findings and agreed recommendations in Aide Memoires will be used jointly by the Government and the task team for follow up meetings.

#### Implementation Support Plan and Resource Requirements

104. Technical: The significant technical assistance activities under the Project require technical review and inputs, especially during the first twelve months of the Project. During this same time, the ITMPs will be prepared, particularly requiring technical review and inputs, partly from specialists not based in Jakarta.

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105. Procurement: The procurement related implementation support will include consultations on the procurement related issues and will be provided from the country office-based procurement officer. The World Bank procurement officer will also provide capacity building and training workshops to the implementing agencies, as needed.

106. Financial management: As part of the Project implementation support missions, the World Bank will conduct financial management implementation support within a year from the Project effectiveness, and then at appropriate intervals. During Project implementation, the World Bank will supervise the Project's financial management



arrangements in the following ways: (a) review the Project's quarterly IFRs; (b) remind the Project's annual financial statements preparation and audited financial statement submission (six months after the end of the fiscal year); (c) recommend follow up actions recommended in the auditor's management letters; and (d) during the World Bank's on-site missions, review the project's financial management aspect of its implementation, including sufficiency of counterpart funds, as applicable; and efforts to minimize occurrence of corrupt practices involving Project resources.

Resource Estimate Time (staff weeks/year)	Focus	Skills Needed
First twelve 5 months	Capacity building: institutional development	'Platform' skills
5	Capacity Building: integrated planning	Urban Planner
4		Environmental Specialist
4		Social Specialist
1		Heritage Specialist
1		Natural Resource Specialist
5	Capacity building: tourism development	Tourism Specialist
6	Capacity building: sustainable tourism monitoring	Environmental Specialist
12	Social Monitoring	Social Specialist
12	Environmental Monitoring	Environmental Specialist
15	Operational Monitoring	Transport Specialist
5		Urban Specialist/Engineer
Specialist	10	Water Supply and Sanitation
Economist	6	Education Specialist/
Specialist/Economist	6	Tourism Industry
4		Environmental Specialist
8	Financial Management	Financial Specialist
4	Procurement Training and Support at Central Level	Procurement Specialist
4	Procurement Ex Post Review and Spot Check	Procurement Specialist
2	Monitoring and Evaluation	M&E Specialist /Economist

10	Team Support	ACS
15	Team Leadership	TTL
5	Capacity building: institutional	'Platform' skills
12-60 months	development	
4	Capacity Building: integrated planning	Urban Planner
4	Capacity building: tourism	Tourism Specialist
4	development	
4	Capacity building: sustainable tourism	Environmental Specialist
4	monitoring	
12	Social Monitoring	Social Specialist
12	Environmental Monitoring	Environmental Specialist
15/10	Operational Monitoring	Transport Specialist
5	(12-24 months / 25-60 months)	Urban Specialist/Engineer
Specialist	10/8	Water Supply and Sanitation
6		Education Specialist/ Economist
Specialist/Economist	6	Tourism Industry
4		Environmental Specialist
8	Financial Management	Financial Specialist
4	Procurement Training and Support at	Procurement Specialist
4	Central Level	
4	Procurement Ex Post Review and Spot	Procurement Specialist
4	Check	
2	Monitoring and Evaluation	M&E Specialist /Economist
10	Team Support	ACS
15/10	Team Leadership	TTL
	(12-24 months / 25-60 months)	

ANNEX 4: DETAILED CONTEXT ON SELECTED TOURISM DESTINATIONS

Lombok

Figure 12: Lombok: Key attractions, gateways, and tourism areas

Source: HHTL. 2017. Lombok: Demand Assessment. Map Data: ©2017 Google.

107. Lombok is a tourism destination that is typically part of a 'destination tour' or a 'side trip' from Bali and is increasingly popular with foreign visitors. Lombok is part of the Lesser Sunda Islands, which include Bali to its west and Flores further east. As of 2015, most of Lombok's visitors visited the Gili Islands and nearby Senggigi (Figure 12). Lombok possesses attractive cultural and natural resources that are favorable for tourism development. Lombok received about 2 million visitors in 2015, of whom 52 percent were foreign visitors. Half of these foreign visitors were from Europe and more than 18 percent from Australia. Lombok has an international airport, fast boat and ferry services from Bali, and the roads are good, making travelling between different areas of the island easy. Being an island, Lombok's external connectivity is defined by the quality and frequency of air and sea access. Most foreign visitors (68 percent) arrive over sea, primarily by speedboat from Bali to the Gili Islands. Domestic visitors also mostly arrive by sea (70 percent) but they typically use regular public ferry services. Air transport is used by around 30 percent of all visitors (foreign and domestic). The island has retained its allure as an 'unspoiled paradise', in contrast with neighboring Bali. It also has good supporting tourism-related facilities, such as restaurants, travel agents, and adventure activity operators.

108. Despite these strengths, Lombok Projected 2015-2041 (Best-case scenario) has several weaknesses hindering the destination's medium to long-term sustainable development. Lombok has been overshadowed by its closest neighbor, Bali, and still needs to develop its own identity. Skill levels in the tourism industry are still low, but with the opening of the Ministry of Tourism's Hotel School (Poltekpar) in Mataram, which will provide comprehensive education/training, this is expected to improve. The lack of sanitation and solid waste management poses a serious health

Figure 13: Lombok: Visitors

risk for the resident population and visitors Source: HHTL. 2017. Lombok: Demand Assessment

alike and has an impact on the fragile marine Visitor Expenditure, 2015-2041 (US\$ environment, especially coral reefs. General '000)

Figure 14: Lombok: Forecast Annual

cleanliness and litter problems already tarnish the image of Lombok as a tourism destination. Lombok also lacks high quality and internationally branded resorts to attract Asian and Middle Eastern visitors. By continuing with 'business as usual', Lombok's growth potential will not be realized. In this scenario, the destination will have minimal government support for the development of key areas (particularly the southern coast), no measures will be taken to reduce the risk of further environmental degradation

Source: HHTL. 2017. Lombok: Demand

Assessment

(especially on the Gili Islands) reducing the attractiveness of the destination, and there will be no significant investment in necessary basic services.

109. Through the Project, the destination's key weaknesses can be addressed and it can move beyond a business as usual scenario. With a targeted tourism development program, Lombok is projected to experience significant growth in foreign visitors (Figure 13). The tourism destination area, Lombok, includes three key tourism areas for development: The Gili Islands, Senggigi and the southern coast.<sup>47</sup> Investments in key basic services (water, sanitation and solid waste management) will improve the environmental sustainability of the Gili Islands—a beach and diving destination. Integrated tourism master planning will assist each of Lombok's three key areas create their own identity (like Bali with Ubud, Nusa Dua and Kuta) providing guidance on branding and proposed planning controls. This will be particularly important for Senggigi's development, and its northward development to Tanjung, to maintain its 'boutique' character, created through 20 years of small-scale hotel development. The lack of further investments in full service hotels, especially in Mandalika Resort area since the 1990s (except for one hotel), fostered skepticism amongst investors. Turning this around, requires targeted investment planning.

<sup>47</sup>For area definition, see Annex 1, Table 9. The Demand Assessment mentions Mataram as a key tourism area for domestic corporate and government segments. Its development, however, is not related to Lombok as a tourism destination, and therefore is not included here. Mount Rinjani is another key tourism area that is discussed in less detail, as it does not require significant investment.

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110. In the southern coast area, a further phase of hotel development (as is in the pipeline for the Mandalika Resort area) could incentivize the establishment of direct air routes to proximate source markets, especially Australia. The state-owned enterprise Indonesia Tourism Development Corporation (ITDC) is responsible for Mandalika's

development and has prepared a Detailed Master Plan for the area.<sup>48</sup> ITDC is now playing a 'first-mover' role by building new hotels and constructing on-site infrastructure, which can diversify Lombok's tourism offer and attract new visitor markets to Mandalika (for an integrated resort experience) and along the greater southern coast (with high-end, low-density accommodation), if concerns related to the preservation of the natural environment (including cleanliness) are addressed. With resort development in the south, and investment in related marketing, Lombok can also become a new destination for Chinese and other East Asian visitors who currently do not visit. An integrated approach to Lombok's tourism has the potential to achieve 2.5 million domestic and foreign visitors by 2021. It could also potentially generate annual expenditures of US\$505 million in 2021 (US\$821 million in 2026 and US\$1.7 billion in 2041)—1.4 times the 2015 expenditure (Figure 14).

Borobudur-Yogyakarta-Prambanan

Figure 15: Borobudur-Yogyakarta-Prambanan: Key attractions, gateways, and tourism areas

Source: HHTL. 2017. Lombok: Demand Assessment. Map Data: ©2017 Google.

48 Mandalika's development is not financed through the Project.

111. Borobudur-Yogyakarta-Prambanan  
Yogyakarta-Prambanan: Visitors Projected 2015-2041 (Best-case scenario)  
development, each representing the rich Javanese cultural heritage (Figure 15). First, the Borobudur area (Kecamatan Borobudur and Kecamatan Mungkid) which includes the Borobudur Temple Complex—a UNESCO World Heritage Site, several other ancient temples and surrounding cultural villages.<sup>49</sup> Second, the Prambanan-Boko area (Kecamatan Prambanan in Central Java Province and Kecamatan Prambanan in the Special Region of Yogyakarta) includes the UNESCO World Heritage Site of the Prambanan Temple Compound and Ratu Boko.<sup>50</sup> The third area is Yogyakarta city with several key cultural

Figure 16: Borobudur-  
2041

Source: HHTL. 2017. B-Y-P:

Yogyakarta-Prambanan: Forecast Annual Visitor heritage attractions.<sup>51</sup> Yogyakarta is also the 2015-2041 (US\$ '000)  
destination base for domestic and foreign tourists, because it is a transport hub for road, air and rail, and the primary cluster of available accommodation (91 percent of hotel rooms are in the Special Region of Yogyakarta, 9 percent

Figure 17: Borobudur-  
Expenditure,

are in Kabupaten Magelang) and services, and because of its proximity to the main other attractions in the area such as Prambanan. There is also sufficient high-quality labor in the destination.

112. The primary concerns for further development are overcrowding, insufficient connectivity with key Asian markets, inadequate basic services and poor destination management, in particular the weak management of key cultural heritage sites. By continuing with business as usual, heritage resources, especially at the Borobudur Temple Compound, will be increasingly degraded by the absence of adequate visitor flow management. For the segment of visitors who visit the destination primarily for Borobudur temple (as a 'must-see'), demand growth will be moderated by the decreasing attractiveness of the destination, as domestic and international visitors staying at commercial accommodation are sensitive to the degradation of the monuments and visitor experience. The destination has previously enjoyed strong tourism investment from domestic investors, however there is a risk that this will decline if the key tourism assets continue to deteriorate.

49 Borobudur Temple—is the largest Buddhist temple in the world and a 'must-see' Buddhist experience dating from the 8th and 9th

century—, and Pawon Temple and Mendut Temple; two sites that provide views of Borobudur Temple, the sunrise spot of Punthuk

Setumbu and the chicken-shaped prayer house of Bukit Rhema.

50 Prambanan Temple Compound consists of Prambanan Temple—a Hindu temple dating from the 9th century—, Sewu Temple, Bubrah

Temple and Lumbung Temple. Ratu Boko is a site with a mix of Buddhist and Hindu structures.

51 The Kraton (Palace), the sultan's residence and a living museum; Taman Sari (Water Castle), a former royal garden of the Sultanate

of Yogyakarta, and Malioboro shopping street in Kota Yogyakarta. For area definition, see Annex 1, Table 9.

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113. Borobudur-Yogyakarta-Prambanan destination, with improvements in heritage conservation and management, could attract a greater diversity and rapidly growing number of foreign visitors, while remaining a predominantly domestic destination. It would continue to remain a part of an Indonesian tour for most foreign visitors, and could also attract larger numbers of Asian visitors: (i) short haul visitors from Singapore, Malaysia and Thailand, as part of short dedicated stay; and (ii) long haul Asian visitors as part of longer multi-destination trip. To avoid growing dissatisfaction and stagnation, especially amongst foreign visitors, a significant revision of the Borobudur experience is needed to create a peaceful and spiritual experience. The introduction of a Borobudur Temple Compound Visitor Management Plan (financed under the Project), in close alignment with the wider integrated tourism master planning for the destination, can assist with temple compound management, visitor flows and regulated and/or restricted temple

access. An improvement in heritage conservation and management, and in the development of public spaces, is needed to ensure sustainability and authenticity of the destination's cultural heritage sites. Investment in basic services, such as wastewater and sanitation, solid waste management are key to improving environmental sustainability, cleanliness, and health and hygiene. With these public investments, combined with a more strategic approach to investment planning and promotion, that leads to investment in enhanced attractions (such as the cultural villages around Borobudur and tourism experience enhancement in Kota Yogyakarta and Prambanan), the average length of stay could be increased. An integrated approach to tourism development has the potential to achieve 13.4 million domestic and foreign visitors by 2021 and generate estimated total annual expenditures of US\$898 million in 2021 (US\$1.0 billion in 2026 and US\$1.4 billion in 2041)—1.2 times the annual expenditure in 2015 (Figure 16; Figure 17).

Lake Toba

Figure 18: Lake Toba: Key attractions, gateways, and tourism areas

Source: HHTL. 2017. Lombok: Demand Assessment. Map Data: ©2017 Google.

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114. Lake Toba is a destination largely for local tourism, which has suffered from declining appeal. Lake Toba is the largest volcanic lake in the world and the center of Indonesia's Batak culture. Within this destination there are three areas for tourism development (Figure 18). First, Parapat (Kecamatan Girsang Sipangan Bolon in Kabupaten Simalungun) is the main gateway to Samosir Island in the lake and offers the highest number of star-rated hotels and the most developed tourism infrastructure. Second, Samosir Island within the lake (especially Kecamatan Simanindo and Kecamatan Pangururan in Kabupaten Samosir) has several natural and cultural tourism attractions<sup>53</sup> and third, Kecamatan Balige (in Kabupaten Toba Samosir) on the southern shore, which offers some interesting Batak architecture and is the closest lake-side village to Silangit Airport. Lake Toba is a holiday destination since the 1970s, and the rich natural beauty of the lake is considered by the travel trade as a world class attraction. There are good air connections between southeast Asia and Medan, the main gateway.

115. Several challenges have led to its declining appeal. The primary concerns are road accessibility between Medan and Parapat (length of travel), a rapidly deteriorating natural environment, low quality and lack of variety in hotel accommodation, limited number of supporting tourist facilities and low levels of investor interest. Without improvements, demand will remain stagnate and

visitor expenditure will remain low due to limited tourism product offering.

Source: HHTL. 2017. Lake

Toba: Demand Assessment

116. With improvements in environmental sustainability, accessibility and activities, Lake Figure 20: Lake Toba: Forecast Annual Visitor Expenditure, 2015-2041

Toba can become an attractive destination for a (US\$ '000)

wider variety of domestic and some foreign visitors, particularly short haul weekenders from Singapore and Malaysia. Road improvement between Medan and Tebing Tinggi (as part of the government's regional infrastructure investment plans)<sup>54</sup> will reduce the travel time from Medan to Parapat from over five hours to less than two hours, making Lake Toba significantly more accessible to both foreign and domestic markets. While road construction is underway, improved flight scheduling between Jakarta and Silangit airport can play an interim role in improving access. Both Source: HHTL. 2017. Lake Toba: Demand Assessment interventions will be instrumental in unlocking the

52 Lake Toba destination coincides with the Lake Toba's Spatial Plan, as per Presidential Regulation No. 81 of 2014.

53 The Stone Chair of King Siallagan and King Sidabutar's Tomb; Ambarita, a traditional village that provides sights of Batak culture; Parbaba beach; the hot springs at Gubung Pusuk Buhit Mountain; and Tuktuk Village which concentrates tourism services.

54 The government has regional infrastructure investment plans in place in the regions in which the selected destinations are located.

The Project does not include these plans.

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potential for increasing day trips from Medan and short/weekend stays to the destination. Investments in basic services (solid waste, water supply, waste water and sanitation) will ensure significant efforts are made to rehabilitate and preserve the lake—improving the sustainability and attractiveness of the destination. Furthermore, an increase in visitor numbers has the potential to trigger investments in the medium to longer term in recreational activities, MICE facilities, and hotel and real-estate developments in key accommodation areas of Parapat and Samosir. With an integrated tourism development approach Lake Toba will gradually transition into a world-class environmentally sustainable destination focusing on its volcanic heritage combined with Batak culture, creating a niche mountain/ lakeside retreat. The destination has the potential to achieve 2.1 million domestic and foreign visitors by 2021, and generate estimated annual expenditures of US\$99 million in 2021 (US\$157 million in 2026 and US\$253 million in 2041)—1.4 times the 2015 expenditures (Figure 19; Figure 20). At the same time, these investments in basic services will help achieve the government's water quality objectives for the lake, and they are in line with Toba Caldera Geopark designation, as well as reemerging ambitions to become recognized as a UNESCO Global Geopark.<sup>55</sup>



117. This analysis outlines the economic rationale for the proposed Project and the use of public funds, and presents a quantitative framework for: (i) assessing the cost-benefit implications of different tourism demand scenarios in the three priority destinations; (ii) selecting and sequencing the public investments needed to attract and support this demand; and (iii) avoiding overly-costly outcomes with limited local economic impact. This economic assessment will be a critical input into the integrated master planning and expenditure budgeting for the three destinations selected for priority development in the Project—Lombok, Lake Toba, and Borobudur-Yogyakarta-Prambanan (BYP).

#### Rationale for Public Provision and Financing

118. Since tourism is generally perceived as an organically-occurring private sector activity, for each of the Project's priority destinations, a careful assessment was undertaken as part of Project preparation to determine: (i) the extent to which tourism is already happening, and, if not, what are the possible reasons; (ii) the constraints that may exist to its future growth; and (iii) the role that public interventions are expected to play. The goal is to identify and avoid scenarios where public funds would be substituting for investments the private sector already has the adequate incentives and resources to undertake. The approach of exploring a hierarchical chain of alternative options—direct private financing, policy and regulatory reforms to address market failures, and private-public risk sharing—that are first assessed and exhausted before relying on direct public financing, is critical to maximizing the development impact of scarce public resources. On this basis, several rationales for public support have been identified for the Project's selected destinations:

(a) Relieving infrastructure constraints and bottlenecks (where private solutions would not be commercially viable).

In many areas of the selected destinations, the quality of roads and basic services infrastructure is inadequate to ensure basic access to residents and to sustain increasing numbers of visitors. Targeted public investments in such 'foundational' connectivity and basic services infrastructure—which are generally too costly to be undertaken by any single private actor—can be critical to unlocking private investment and business formation in the tourism sector and enabling the destinations to capture potential visitor demand.

(b) Developing local human resources for the tourism economy. In several of the priority destinations, tourism is still a nascent sector and the local communities have limited sensitization to tourism activity, or the necessary skills and capacity to participate in its economic opportunities. Private operators who invest in these

55 Lake Toba Water Quality study, draft 2018.

destinations have weak incentives to train local workers or help local firms upgrade their capacity to supply goods and services at the quality standard demanded by foreign tourists. As such, these operators will tend to

source their labor and services from elsewhere in the country or from abroad, thus diminishing the local economic benefits of tourism. Public support can help avoid this suboptimal outcome, and support local workers and firms to upgrade their skills and quality standards to capture the economic opportunities of tourism.

(c) Protecting natural assets and cultural heritage sites. Between 2013 and 2015, Indonesia's WEF tourism competitiveness ranking on environmental sustainability declined sharply (and remained low in 2017), reflecting situations such as in Bali, where beaches are becoming overcrowded and littered with trash, or in Lake Toba, where the lack of management systems is leading to increasing pollution of the lake. Private actors who are operating in such destinations will tend not to internalize the social costs of unmanaged growth that leads to the degradation of the natural and cultural assets which are often the destination's main tourism attraction, as in the case of Borobudur or Lake Toba. For this reason, there is a clear role for the government to invest in environmental preservation and put in place mechanisms to forestall such asset degradation.

(d) Reducing regional economic disparities. The government's selection of destinations that are geographically dispersed across the Indonesian archipelago reflects, to a certain extent, a desire to broaden the benefits of tourism beyond traditional destinations such as Bali, and use the sector—which is inherently labor-intensive, has generally low entry barriers, and employs a high share of women—as a tool for local economic and social development of lagging regions. Without such strategic focus on these destinations in poorer regions and the public investment to kick-start their tourism sectors, many of them would be unlikely to develop organically.

#### Economic Impact Analysis Framework

119. The economic impact analysis employs a cost-benefit model to estimate the expected net present value (NPV) and economic rate of return (ERR) of the Project's various interventions. The estimation approach consists of four key steps, summarized in Figure 21 and explained in greater detail below. Since many of the planned Project investments will not be completed until the latter stages of the 5-year Project period, a long-term (23-year) projection horizon is used for the analysis to capture the longer-term payoffs from Project contributions.<sup>56</sup>

120. Costs and benefits in the model are estimated on an incremental basis relative to a 'without-Project' (or 'business-as-usual') scenario, which represents the counterfactual. This entails defining a set of outcomes that would have materialized in the absence of Project investments and interventions. While these are difficult to predict, the general premise is that, without a coordinated and integrated tourism development Project, the selected destinations would either: (i) not have sufficient resources to put in place the infrastructure, services, and management structures to develop their tourism sectors and boost the trajectory of visitor growth; or (ii) grow in an unmanaged manner, leading to an overemphasis on 'mass' tourism with declining levels of visitor spending (and thus low local economic impact), and degradation of the natural and cultural assets of the destination (thus compromising sustainability). The numerical assumptions underpinning this distinction between the with- and without-Project scenarios were defined and elaborated as part of the Demand Assessment conducted during Project preparation.

56 The 23-year horizon is based on the Project start year (2018) and the final projection year of the Demand Assessment (2041).

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Figure 21: Economic Impact Assessment approach

Step 1: Projecting tourism demand

121. As part of the Demand Assessment, detailed forecasts were produced for both foreign and domestic visitors to each of the 3 destinations, disaggregated according to the visitor sub-segments most relevant to each destination (e.g. nationality, purpose of visit, etc.). The projections cover a 25-year time horizon from 2016-2041. Two demand scenarios were estimated for each destination:

(a) Business-as-usual: this scenario represents the expected evolution of tourism demand based on: (i) recent trends in the destinations; and (ii) expected future shifts in the composition of visitors and their patterns of demand (i.e. length of stay, average daily spending, tourist sites visited within the destination) as the destinations mature and encounter constraints to growth due various supply and demand factors (e.g. supply of hotel rooms, deterioration in the quality of destination attractions and visitor experience).

(b) Best case: this scenario represents the future demand that could materialize if an integrated and sustainable tourism development Project to relieve constraints to growth and competitiveness constraints in each destination is successfully implemented by the GoI, and elicits a strong complementary private sector investment response.

122. The difference in visitors between these best case and business-as-usual scenarios represents the incremental visitor demand assumed to be generated by the tourism development Project—the key variable for subsequently estimating the economic benefits of the Project. In addition to forecasts for the number of visitors in each scenario, the evolution of visitors' average length of stay and average daily spending was also projected as part of the Demand Assessment. These projections are summarized in Figure 22, organized according to key periods of the forecast horizon: the end of the Project in 2022, 5 years after the end of the Project, and 20 years after.

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Figure 22: Summary of Demand Forecast

Best case scenario			Business-as-usual scenario			
			Difference (Program impact)			
			2015*		2027	
2022	2027	2041	2022	2027	2022	2041
Number of visitors						
Lombok						
			1,982,427	2,565,432	2,864,262	3,761,300
2,614,004	3,126,460	5,150,200	48,572	262,198	1,388,900	
Domestic						
			952,648	1,113,806	1,218,819	1,477,800
1,118,112	1,247,696	1,601,100	4,306	28,876	123,300	
Foreign						
			1,029,779	1,451,626	1,645,442	2,283,500
1,495,892	1,878,765	3,549,100	44,266	233,322	1,265,600	
Borobudur-Yogyakarta-Prambanan						
			11,502,332	13,502,265	14,338,777	16,223,100
13,701,927	15,014,233	18,840,900	199,662	675,456	2,617,800	
Domestic						
			11,208,810	13,132,433	13,940,670	15,775,800
13,220,399	14,391,277	17,614,800	87,966	450,608	1,839,000	
Foreign						
			293,523	369,833	398,107	447,300
481,529	622,956	1,226,100	111,696	224,849	778,800	
Lake Toba						
			1,802,209	2,058,686	2,172,552	2,297,800
2,211,739	2,655,071	3,348,400	153,053	482,519	1,050,600	
Domestic						
			1,743,500	1,978,279	2,085,252	2,210,500
2,125,128	2,532,349	3,083,500	146,850	447,098	873,000	
Foreign						
			58,709	80,408	87,300	87,300
86,610	122,722	264,900	6,203	35,422	177,600	
Avg. length of stay (days)						
Lombok						
				2.5	2.5	2.4
2.5	2.9	2.9	0.1	0.4	0.6	2.4
Domestic						
				2.7	2.6	2.6
2.6	2.6	2.5	0.0	0.0	-0.1	2.6
Foreign						
				2.3	2.3	2.3
2.5	3.0	3.2	0.1	0.7	0.9	2.3
Borobudur-Yogyakarta-Prambanan						
				3.2	3.0	3.0
3.0	3.0	2.8	0.0	0.0	-0.1	2.9
Domestic						
				3.2	3.0	3.0
3.1	3.0	2.8	0.0	0.0	-0.1	3.0
Foreign						
				1.8	1.9	1.9
2.0	2.1	2.1	0.2	0.3	0.3	1.9
Lake Toba						
				2.7	2.6	2.6
2.7	2.5	2.6	0.0	-0.1	-0.1	2.6
Domestic						
				2.7	2.6	2.6
2.7	2.6	2.6	0.0	-0.1	-0.1	2.7
Foreign						
				2.1	2.1	2.1
2.1	2.2	2.3	0.0	0.2	0.2	2.1
Avg. daily expenditure (USD)						
Lombok						
				80.3	85.2	86.3
88.7	100.5	112.7	3.5	14.1	21.1	91.6
Domestic						
				23.9	24.4	24.7
25.8	26.4	27.8	1.5	1.8	2.5	25.3
Foreign						
				125.0	124.9	125.2
126.7	132.9	137.0	1.8	7.7	8.4	128.6
Borobudur-Yogyakarta-Prambanan						
				17.0	17.8	18.0
19.0	20.2	23.5	1.2	2.2	5.2	18.3
Domestic						
				15.1	15.7	15.8
16.0	16.4	17.3	0.4	0.6	1.3	16.1
Foreign						
				142.2	142.2	142.2
142.2	142.2	142.2	0.0	0.0	0.1	142.1
Lake Toba						
				14.1	14.9	15.2
18.6	24.0	29.5	3.7	8.8	14.5	14.9
Domestic						
				11.3	11.5	11.5
14.9	19.1	20.8	3.4	7.6	9.2	11.6
Foreign						
				123.9	124.0	124.4
134.7	137.0	142.8	10.7	12.6	18.4	124.4

\* Most recent year of available historical data.

## Step 2: Estimating economic benefits

123. For each demand scenario, the expected expenditures by foreign and domestic visitors are calculated using the assumptions for average daily spending and length of stay in each destination. Next, the direct impact of this spending on local GDP in each destination is estimated using tourism sector input-output tables, which are available at the national level and for certain provinces. The latest figures suggest that every 1 rupiah of foreign tourist expenditure translates into 0.85 rupiah of GDP in Borobudur-Yogyakarta-Prambanan, 0.74 in Lake Toba, and 0.66 in Lombok.<sup>57</sup> The

<sup>57</sup>Input output (I-O) tables drawn from the tourism satellite account produced by BPS and the Ministry of Tourism. I-O tables that correspond to the province of each destination are only available for Borobudur-Yogyakarta-Prambanan (Central Java). For the other two destinations, provinces with close geographic proximity or similar economic characteristics were used as proxies. In the case of Lombok, the I-O table multipliers of Bali are used, as the two destinations are both island economies where tourism represents a large share of GDP. For Lake Toba, the I-O tables for South Sumatera—the closest province for which there is available I-O data—are used.

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less than one-for-one pass-through owes primarily to the fact that a portion of tourist spending goes towards imported goods and services (also known as spending 'leakage'). For domestic tourist spending, the net GDP impact is expected to be even lower due to intra-country substitution effects.<sup>58</sup>

124. Finally, once the direct GDP impact is calculated, it is adjusted using tourism spending 'multipliers' to account for additional indirect and induced impacts—i.e. the additional output, income, and employment generated by tourist expenditures as they propagate throughout the economy.<sup>59</sup> This multiplier-augmented figure represents the final value of economic benefits expected from increased visitor demand in each of the 3 destinations.

125. For the purposes of this economic analysis, only economic benefits deriving from the increase in tourism spending are included in the calculations. Other economic impacts from the Project's investments, such as increased access to basic services (water, sanitation, solid waste) for local communities in the destinations, are not considered or quantified, as the full set of costs incurred to generate and sustain these impacts are broader than those included in the Project.

## Step 3: Estimating Project costs

126. In the Project, public costs related to tourism development are spread across the Project's four key components.

### Component 1:

- a. Integrated destination master planning
- b. Sustainable tourism monitoring

Component 2:

- c. Road and non-motorized infrastructure
- d. Basic services infrastructure
- e. Tourism-specific infrastructure

Component 3:

- f. Tourism firm capabilities support programs
- g. Tourism workforce skills development
- h. Community engagement programs

Component 4:

- i. Investment planning

127. As in the case of the benefit calculations, the costs considered here are incremental—i.e. those above and beyond the public spending that would have otherwise occurred in the business-as-usual scenario. This means that for certain ongoing government programs, only the additional costs of Project improvements related to the tourism development agenda are included in the calculations.

128. Certain Project expenditures are fixed and independent of the level of projected demand (e.g. destination planning and investment planning, community engagement programs, etc.), but most others vary depending on the magnitude of visitor demand projected for each destination. This is particularly true of basic services infrastructure, the scale and cost of which will increase with larger numbers of expected visitors and the growth in the resident population that tends to accompany an expansion of the local tourism sector (i.e. people moving to the destination to fill the new

58 Most domestic tourist spending 'substitutes' for money that would have been spent elsewhere in the domestic economy. However, it will have an incremental impact on GDP if: (i) it would have otherwise been used to import goods/services (including outbound tourism); and (ii) the multiplier effect of tourism demand is greater than for other sectors.

59 Recent WTTC studies of Indonesia's tourism sector suggest spending multiplier values ranging from 1.7 to 3. This economic analysis

takes the most conservative estimate and assumes a multiplier of 1.7 for all three destinations.

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jobs created). Recurrent expenditure items beyond the Project period (e.g. for staff salaries, infrastructure operation and maintenance) are estimated based on the specific mix of investments in each destination.

Step 4: Cost-benefit comparison and economic return calculation

129. As mentioned above, the projection horizon in this analysis is set at 23 years to capture the longer-term payoffs of developing the destinations, which will not fully materialize until well beyond the 5-year Project period. The assumed distribution of benefits and costs over this projection period is as follows:

- (a) Benefits accrue in line with the projected path of visitor demand;
- (b) Public investment costs are incurred over the 5 years of the Project;
- (c) Recurring costs for the operation and maintenance of infrastructure, activities, and institutions financed through

the Project are phased in gradually during the 5-year Project period, and subsequently incurred annually over the remainder of the projection horizon.

130. The present value of the projected stream of costs and benefits are calculated using a real social discount rate of 7 percent, derived from a Ramsey formula that uses international averages for the pure time preference and marginal utility of consumption elasticity parameters, and an Indonesia-specific estimate of expected per consumption growth.<sup>60</sup> All future monetary values are expressed in constant 2017 prices.

131. These NPV and ERR metrics provide a systematic quantitative basis for comparing the cost-benefit efficiency of proposed public spending in each of the destinations. The analytical framework also allows for different public investment items under consideration to be added or dropped and their incremental impact on the overall economic return to be assessed. While this economic analysis cannot, and should not, be the only factor in the investment decision process (a variety of environmental, social, and political economy factors must also be considered), it is nevertheless an essential part of the GoI's toolkit to screen/select/prioritize public investments and avoid undertaking costly spending agendas with limited local economic impact.

#### Project's Economic Impact

##### Lombok

132. Over the 25-year projection horizon, the present value (PV) of the Project's expected incremental benefits in the Lombok destination is estimated at US\$3.2 billion. These benefits derive almost exclusively from the expected spending impact of foreign visitors (Table 16), and are concentrated in the post-Project period, after investments in developing the southern coast of the island (i.e. Mandalika) are completed and the accommodation supply constraint (which currently limits visitor growth) is relieved.

<sup>60</sup>The social discount rate reflects the opportunity cost of capital from an inter-temporal perspective for society as a whole—i.e. the social view of how future benefits and costs are to be valued against present ones. According to Ramsey (1928), under constant relative risk aversion, the real social discount ( $r$ ) can be expressed as  $r = \beta + \varepsilon * \sigma$ , where  $\beta$  is the pure time preference rate,  $\varepsilon$  is the elasticity of the marginal utility of consumption, and  $\sigma$  is the expected growth rate of per capita consumption. Most empirical cross-country estimates suggest an average value of 1 for  $\beta$ , and 1.5 for  $\varepsilon$  (see Lopez 2008). The expected growth rate of per capita consumption ( $\sigma$ ) in Indonesia is set at 4 percent, equal to its average projected growth over the next 5 years (2017–2021) according to the IMF's latest World Economic Outlook (April 2017). Plugging these parameters into the Ramsey formula yields a social discount rate of 7 percent ( $1 + 1.5 * 4$ ).

133. On the cost side, the vast majority of expenses relate to improvements in the quality of transport infrastructure

(both motorized and non-motorized) and basic services, both of which will have to be maintained beyond the Project period (hence the high recurrent costs post-2022). In total, the PV of investment and recurrent costs is estimated at roughly US\$0.5 billion.

134. Netting the expected benefits against and expected costs results in an NPV of US\$2.7 billion for the destination, and an ERR of 32.4 percent, well above the assumed social discount rate of 7 percent. The benefit-cost ratio is 6.1.

135. Based on the employment multipliers in the latest tourism satellite account, the incremental visitor spending generated by Project investments is expected to create an additional 18,500 jobs in Lombok, which includes people directly employed in the tourism sector, as well as indirectly in sectors with backward and forward linkages to the tourism sector supply chain. While fairly high in absolute value terms, this job creation number represents only 1.2 percent of the current stock of employment (1.5 million) in Lombok. By the end of the forecast horizon (2041), the incremental employment impact is projected to rise to over 325,000 jobs.

Table 16: Summary of expected Project benefits and costs in Lombok destination

Project period							PV*	2018
US\$ million (constant 2017 prices)								
2019	2020	2021	2022	2023-27	2028-32	2033-41		
<b>BENEFITS</b>								
3.8	5.1	6.7	50.8	1,074.9	2,056.2	6,589.2	\$3,174	2.6
Domestic visitor spending impact							\$15	0.4
0.5	0.7	0.9	0.9	5.9	8.0	20.8		
Foreign visitor spending impact							\$3,160	2.2
3.3	4.4	5.8	49.9	1,068.9	2,048.2	6,568.4		
<b>COSTS</b>							\$519	49.5
81.1	118.5	114.1	76.2	104.6	113.6	199.9		
Investment costs							\$268	36.1
61.4	94.5	88.0	50.8	0.0	0.0	0.0		
Component 1: Institutional support for tourism development							\$6	1.3
1.5	1.5	1.5	1.5	0.0	0.0	0.0		
Component 2: Roads and basic services for tourism							\$241	34.6
56.5	79.9	79.9	46.0	0.0	0.0	0.0		
Component 3: Local participation in tourism economy							\$21	0.1
3.3	13.0	6.5	3.2	0.0	0.0	0.0		
Component 4: Enabling environment for private investment							\$0	0.1
0.1	0.1	0.0	0.0	0.0	0.0	0.0		
Recurring costs							\$251	13.4
19.7	24.0	26.1	25.4	104.6	113.6	199.9		
Component 1: Institutional support for tourism development							\$2	0.1
0.1	0.2	0.2	0.2	1.1	1.1	1.9		
Component 2: Roads and basic services for tourism							\$210	9.6
16.1	20.5	22.6	22.4	86.6	95.6	167.5		
Component 3: Local participation in tourism economy							\$38	3.7
3.4	3.3	3.3	2.7	16.8	16.8	30.2		
Component 4: Enabling environment for private investment							\$0	0.0
0.0	0.0	0.0	0.0	0.1	0.1	0.2		
<b>NET BENEFITS</b>							\$2,655	-46.9
77.3	-113.3	-107.4	-25.4	970.3	1,942.7	6,389.4		-
Economic rate of return (ERR)							32.4%	
Benefit-cost ratio							6.1	
Incremental direct and indirect jobs created (number, cumulative)								1,623
2,300	3,038	3,849	18,503	105,987	162,250	326,654		

\* Calculated at social discount rate of 7 percent.



136. In the BYP destination, expected incremental benefits are estimated to amount to US\$1.5 billion in present value terms over the projection horizon (Table 17), again stemming predominantly from the spending of foreign visitors. Relative to Lombok, the distribution of costs is less skewed towards transport and basic services infrastructure (component 2). Nonetheless, significant infrastructure upgrading will still be needed to accommodate the projected volume of future tourism demand, particularly in the Magelang regency, where the quality and availability of infrastructure supporting tourism growth is relatively underdeveloped as compared to Yogyakarta. Collectively, across the four Project results areas, the present value of expected costs is estimated at US\$200 million.

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137. Due to the quick projected response in the growth of foreign visitors to BYP to Project investments and interventions, the estimated net benefits (benefits minus costs) are positive during the Project period (albeit by a very small margin in the first three years), and remain so throughout the rest of the projection horizon. As a result, the ERR metric is undefined,<sup>61</sup> but the economic return of the destination is clearly positive, as evidenced by the estimated large positive NPV of US\$1.3 billion. This is confirmed by high benefit-cost ratio of 7.6.

138. The incremental employment creation resulting from the projected increases in tourism demand is estimated at a little under 20,000 jobs by 2022, and approximately 113,000 by the end of the 25-year projection horizon.

Table 17: Summary of expected Project benefits and costs in Borobudur-Yogyakarta-Prambanan destination

Project period								PV*
US\$ million (constant 2017 prices)								
2018	2019	2020	2021	2022	2023-27	2028-32	2033-41	
<b>BENEFITS</b>								\$1,507
32.2	32.8	43.5	55.5	66.1	515.3	857.3	2,686.3	
Domestic visitor spending impact								\$111
1.6	2.3	3.0	3.9	4.8	40.2	65.1	189.2	
Foreign visitor spending impact								\$1,397
21.5	30.5	40.5	51.7	61.3	475.1	792.1	2,497.1	
<b>COSTS</b>								\$198
21.9	31.6	41.1	41.9	29.2	40.5	43.6	77.0	
Investment costs								\$99
15.6	23.4	31.5	31.5	19.5	0.0	0.0	0.0	
Component 1: Institutional support for tourism development								\$6
1.3	1.5	1.5	1.5	1.5	0.0	0.0	0.0	
Component 2: Roads and basic services for tourism								\$92
14.1	21.8	30.0	30.0	18.0	0.0	0.0	0.0	
Component 3: Local participation in tourism economy								\$0
0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Component 4: Enabling environment for private investment								\$0
0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	
Recurring costs								\$99
6.2	8.2	9.6	10.3	9.7	40.5	43.6	77.0	
Component 1: Institutional support for tourism development								\$2
0.1	0.1	0.2	0.2	0.2	1.1	1.1	1.9	

Component 2: Roads and basic services for tourism								\$76
3.2	5.4	6.9	7.6	7.6	32.3	35.5	62.3	
Component 3: Local participation in tourism economy								\$21
2.8	2.6	2.5	2.5	1.9	7.0	7.0	12.6	
Component 4: Enabling environment for private investment								\$0
0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	

NET BENEFITS								\$1,310
1.3	1.2	2.4	13.6	36.9	474.8	813.6	2,609.3	
Economic rate of return (ERR)								N/A**
Benefit-cost ratio								7.6
Incremental direct and indirect jobs created (number, cumulative)								
6,823	9,639	12,767	16,248	19,632	39,118	60,347	112,753	

\* Calculated at social discount rate of 7 percent.

\*\* Undefined due to all positive net benefit flows over entire projection horizon.

#### Lake Toba

139. Relative to Lombok and BYP, the scale of expected incremental Project benefits (US\$380 million in PV terms) in Lake Toba is considerably smaller. This stems from the fact that Lake Toba is predominantly a domestic tourism destination, thus attracting relatively low-spending visitor segments. Although the Project is expected to stimulate an increase in foreign visitors relative to the 'without-Project' scenario, the starting level is very low (only 60,000 visitors in 2015), and the incremental gains are not sizeable enough to translate into significant aggregate economic impacts.

61The ERR represents the discount rate at which the NPV of the Project's net benefits would be equal to zero. However, since in the BYP case the net benefit flows are positive over the entire projection horizon, there is no discount rate that will produce a zero NPV, hence the undefined ERR.

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140. As a result, the PV of Project benefits in the destination is estimated to exceed the PV of expected Project costs (US\$241 million) by a narrow margin. In net terms, the NPV of the destination is therefore only slightly above its breakeven value (zero), as is the ERR (15.2 percent compared to the cut-off social discount rate of 7 percent).

141. The expected incremental employment impacts—around 6,500 jobs by 2022 and 39,000 by 2041—also pale in comparison to those in Lombok and BYP, although they are nevertheless relatively large as a share of current employment levels in the destination (Table 18).

Table 18: Summary of expected Project benefits and costs in Lake Toba destination

Project period						PV*	2018
US\$ million (constant 2017 prices)							
2019	2020	2021	2022	2023-27	2028-32	2033-41	

BENEFITS							\$379	3.2	
4.5	5.8	7.3	10.6	115.2	224.2	775.9			
Domestic visitor spending impact							\$103	1.5	
2.1	2.7	3.3	4.7	46.2	64.5	147.7			
Foreign visitor spending impact							\$276	1.7	
2.4	3.1	4.0	5.9	69.0	159.7	628.1			
COSTS							\$200	21.4	
31.5	42.5	42.3	30.3	39.2	45.9	78.1			
Investment costs							\$101	15.7	
23.7	33.0	32.0	20.4	0.0	0.0	0.0			
Component 1: Institutional support for tourism development							\$6	1.3	
1.5	1.5	1.5	1.5	0.0	0.0	0.0			
Component 2: Roads and basic services for tourism							\$92	14.2	
21.6	29.5	29.5	18.4	0.0	0.0	0.0			
Component 3: Local participation in tourism economy							\$3	0.1	
0.5	1.9	0.9	0.5	0.0	0.0	0.0			
Component 4: Enabling environment for private investment							\$0	0.1	
0.1	0.1	0.0	0.0	0.0	0.0	0.0			
Recurring costs							\$98	5.6	
7.8	9.5	10.3	9.9	39.2	45.9	78.1			
Component 1: Institutional support for tourism development							\$2	0.1	
0.1	0.2	0.2	0.2	1.1	1.1	1.9			
Component 2: Roads and basic services for tourism							\$81	3.7	
6.1	7.7	8.3	8.2	32.8	39.4	66.5			
Component 3: Local participation in tourism economy							\$14	1.8	
1.5	1.7	1.7	1.4	5.3	5.3	9.5			
Component 4: Enabling environment for private investment							\$0	0.0	
0.0	0.0	0.0	0.0	0.1	0.1	0.2			
NET BENEFITS							\$179	-18.1	-
27.1	-36.7	-35.0	-19.6	76.0	178.4	697.8			
Economic rate of return (ERR)							15.2%		
Benefit-cost ratio							1.9		
Incremental direct and indirect jobs created (number, cumulative)								2,058	
2,829	3,647	4,520	6,481	16,938	23,083	38,760			
* Calculated at social discount rate of 7 percent.									

#### Overall Project impact and sensitivity analysis

142. Aggregating across the 3 destinations, the estimated NPV of the Project as a whole is approximately US\$4.1 billion and the ERR 35.9 percent (Table 19), with a cost-benefit ratio of 5.5.

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Table 19: Summary of expected Project benefits and costs for all 3 destinations

Project period							PV*	2018
US\$ million (constant 2017 prices)								
2019	2020	2021	2022	2023-27	2028-32	2033-41		
BENEFITS							\$5,060	29.0
41.1	54.5	69.5	127.6	1,705.4	3,137.7	10,051.5		
Domestic visitor spending impact							\$228	3.6
4.9	6.4	8.0	10.5	92.3	137.7	357.8		
Foreign visitor spending impact							\$4,832	25.4
36.1	48.0	61.4	117.1	1,613.0	3,000.0	9,693.7		

COSTS							\$916	92.7	
144.3	202.1	198.2	135.7	184.3	203.1	355.0			
Investment costs							\$468	67.5	
108.5	159.0	151.5	90.8	0.0	0.0	0.0			
RA4: Institutions for sustainable tourism development							\$18	4.0	
4.6	4.6	4.6	4.6	0.0	0.0	0.0			
Component 2: Roads and basic services for tourism							\$425	62.9	
99.9	139.4	139.4	82.4	0.0	0.0	0.0			
Component 3: Local participation in tourism economy							\$24	0.3	
3.7	14.8	7.4	3.7	0.0	0.0	0.0			
Component 4: Enabling environment for private investment							\$1	0.3	
0.3	0.2	0.1	0.1	0.0	0.0	0.0			
Recurring costs							\$448	25.3	
35.7	43.1	46.7	44.9	184.3	203.1	355.0			
RA4: Institutions for sustainable tourism development							\$7	0.4	
0.4	0.5	0.6	0.6	3.2	3.2	5.8			
Component 2: Roads and basic services for tourism							\$367	16.5	
27.6	35.0	38.5	38.2	151.7	170.5	296.3			
Component 3: Local participation in tourism economy							\$73	8.3	
7.6	7.5	7.5	6.0	29.1	29.1	52.3			
Component 4: Enabling environment for private investment							\$1	0.1	
0.1	0.1	0.0	0.1	0.3	0.3	0.6			
NET BENEFITS							\$4,144	-63.7	-
103.2	-147.6	-128.7	-8.2	1,521.1	2,934.7	9,696.5			
Economic rate of return (ERR)							35.9%		
Benefit-cost ratio							5.5		
Incremental direct and indirect jobs created (number, cumulative)								10,505	
14,768	19,452	24,616	44,616	162,043	245,681	478,167			
* Calculated at social discount rate of 7 percent.									

143. These summary NPV and ERR metrics, as well those for each individual destination, represent baseline estimates based on the assumptions in the Demand Assessment's demand forecast and the spending multipliers used to calculate economic impacts. Since the assessment of Project's economic viability depends heavily on the values of these assumptions, the range of potential outcomes must also be considered. The cost-benefit ratio (CBR) for each destination is one broad indicator of the sensitivity of the return estimates to variations in costs and benefits. For example, in Lombok, the baseline CBR of 6.1 implies that, even if the value of expected Project benefits falls to 17 percent of its estimated baseline amount, or expected Project costs increase roughly four-fold, the destination would still be economic viable. A similar conclusion can be made for BYP, where the CBR is even higher (7.6). Only in the case of Lake Toba, where the CBR is only 1.9, is there more limited scope for shortfalls in benefits or overruns in costs.

144. While the CBR is a good high-level guide to the robustness of the baseline estimates, to better understand the relative sensitivities to key estimation variables, a scenario analysis was also conducted by varying the values for the four main parameters underlying the economic benefit calculations: visitor growth, average visitor length of stay, average visitor daily spending, and the indirect spending multiplier. Two 'shock' scenarios were considered: (i) for each variable, a 25 percent decrease in the difference between its 'with' and 'without Project' baseline values; (ii) a 50 percent decrease in this difference. The breakeven shock values of each parameter—i.e. the threshold percentage reduction that pushes the NPV of the destination to zero—were also calculated. The results of this analysis are summarized in Table 20.

62 For the spending multiplier, where the assumed value does not differ between the "with" and "without program" scenarios, a simple percent decrease (25 or 50 percent) in the absolute value was applied.

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Table 20: Summary of sensitivity analysis

50% shock		Breakeven shock*		Baseline		25% shock	
				NPV	ERR	NPV	ERR
NPV	ERR	(% reduction)					
Lombok				\$2,655	32.4%		
Number of visitors			>100%			\$2,218	
30.2%	\$1,781	27.6%					
Avg. length of stay			>100%			\$2,174	
29.2%	\$1,692	25.6%					
Avg. daily spending			>100%			\$2,653	
32.4%	\$2,650	32.3%					
Spending multiplier						\$1,862	
27.3%	\$1,068	21.0%	84.0%				
Combined shock						\$1,195	
22.2%	\$211	10.9%	N/A				
Borobudur-Yogyakarta-Prambanan				\$1,310	N/A**		
Number of visitors			>100%			\$986	
94.7%	\$663	50.9%					
Avg. length of stay			>100%			\$1,215	
201.2%	\$1,120	106.4%					
Avg. daily spending			>100%			\$1,310	
N/A**	\$1,291	N/A**					
Spending multiplier						\$933	
73.9%	\$556	37.1%	87.0%				
Combined shock						\$627	
42.4%	\$159	16.1%	N/A				
Lake Toba				\$179	15.2%		
Number of visitors			66.0%			111.6	
12.7%	44.2	9.6%					
Avg. length of stay			>100%			172.9	
15.0%	166.9	14.8%					
Avg. daily spending			>100%			146.7	
13.8%	114.3	12.3%					
Spending multiplier						84.3	
11.3%	-10.3	6.4%	47.5%				
Combined shock						7.1	
7.4%	-110.4	N/A	N/A				

\* Required magnitude of shock to reduce NPV to zero (i.e. the "switching" value of the shock).

\*\* Undefined due to all positive net benefit flows over entire projection horizon.

145. In Lombok and BYP, the Project's proposed investments remain economically viable—i.e. the estimated NPV is positive and the ERR above the 7 percent social discount rate—in the face of both of the negative shocks each of the key underlying variables considered.<sup>63</sup> Even under a 'combined shock' scenario where negative shocks to all these variables materialize at once, the NPV and ERR of both destinations remain at or above their breakeven levels. In fact,

for most of the parameters considered, the breakeven shock amount is greater than 100 percent, meaning the values of these parameters in the 'with Project' scenario (best case) would have to be lower than in the 'without Project' scenario (business-as-usual) to push the estimated NPV of the destination into negative territory and the ERR below 7 percent. This is tantamount to saying that the Project would depress tourism demand below its expected counterfactual trajectory in the absence of Project interventions, which is a highly unlikely outcome. On this basis, the assertion that the Project's investments in Lombok and BYP deliver a positive economic return can be made with a relatively high degree of confidence.

146. In Lake Toba, however, the situation is a bit more tenuous. Since the NPV is only slightly positive in the baseline case, and the ERR marginally above the breakeven discount rate, certain large negative parameter shocks would push

63Note that sensitivity of the NPV and ERR in Lombok and BYP to variations in the average daily spending amount of visitors is negligible, since there is no difference in this assumed daily spending between the 'with' and 'without Project' scenarios for these two destinations.

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these return metrics below their breakeven values, as in the case of a 50 percent negative shock to the spending multiplier or a combined 50 percent negative shock to all the key determining variables. However, because these represent relatively extreme shock scenarios, and since the milder but still-adverse combined 25 percent negative shock results in a positive NPV and above-breakeven ERR for Lake Toba, the destination can also be judged to be economically viable with a reasonable degree of confidence.

World Bank Value Added

147. The World Bank's input into the design of the Project's content, and the institutional architecture for its implementation, has been critical to enhancing the efficacy and cost efficiency of the GoI's proposed public expenditures.

148. Prior to the start of Project preparation, the demand basis for the GoI's investment planning in each destination was extremely limited. As such, there was a high risk of allocating scarce public resources to investments which were either excessive relative to the scale of tourism demand that could reasonably be expected in each destination, or which would be ineffective at stimulating and/or accommodating new tourism demand.

149. The Demand Assessment, which was undertaken at the advice of the World Bank and financed out of Project preparation funds, provided a rigorous forecast of the magnitude and composition of future tourism demand, and the supply-side requirements to accommodate this demand. These findings served as a framework through which proposed public investments could be screened for inclusion into the Project to ensure they were: (i) directly relevant to the

development of the tourism sector, and (ii) commensurate to the expected magnitude of future demand growth. Going forward, they will also help inform the GoI's marketing strategy for each destination (by providing a clearer understanding of key visitor segments and their spending patterns), and help focus investment planning efforts (by identifying the most critical complementary private investments that need to be mobilized to unlock tourism demand).

ANNEX 6: INDICATIVE SUB-PROJECTS--COMPONENT 2

A. Tourism-relevant roads in Lombok, Borobudur-Yogyakarta-Prambanan and Lake Toba destination

Tourism-relevant roads (in km)		National
Province	Kab./Kota	(km)
Lombok destination		(km)
(km)	(km)	
	Praya (airport)-Mandalika-Kuta	45
	Praya- Ampenan-Senggigi-Pamenang (Ferry Gili Islands)	55
	Pamenang -Tanjung - Sembalun Lawang (Rinjani)	97
	Lembar Port -- Ampenan	34
	Praya (airport) - Jl Raya Labuhan Haji	
27	Batu Layar Coastal road	
33	Batu Layar local roads (Kabupaten Lombok Barat)	
10	Pemenang local roads (Kabupaten Lombok Utara)	
5	Tanjung local roads (Kabupaten Lombok Utara)	
5	Pujut local roads (Kabupaten Lombok Tengah)	
10	Praya Barat (Kuta-Praya via Selong Belanak)	
38	Praya Barat local roads (Kabupaten Lombok Tengah)	
5	Sekotong Coastal road from Lembar Port to Desert Point	
50	Sekotong local roads (Kabupaten Lombok Barat)	
5	Sekaroh/Jerowaru road from Jl Raya Labuhan Haji to Pink Beach (Kabupaten	
25	Lombok Timur)	
	Sub-total Lombok destination	231
148	65	
Borobudur-Yogyakarta-Prambanan destination		(km)
(km)	(km)	
	Keprekan - Borobudur	10
	Janti-Prambanan	10
	Jln. Sultan Agung to Wates	5
	Jln. Pangeran Mangkubumi to Sleman	10
	Sawitan-Borobudur (Central Java Province)	
8	Malioboro Road to Keraton (Yogyakarta Province)	
2	Mungkid-Ketep-Boyolali (Central Java Province)	
65	Pertigaan Jl Magelang Purworejo dan Jl Tempel Turi -Jl Pakem Turi- Jl Raya	
30	Cangkringan-Jl Pakem Kalasan-Jl Raya Solo Jogja (Central Java Province and Yogyakarta Province)	
	Mendut-Ngawen (Kabupaten Magelang)	
6	Sewu-Plaosan (Kabupaten Klaten, Central Java)	
3	Prambanan Complex-Ratu Boko (Kabupaten Sleman, Yogyakarta Province	
3	and Kabupaten Klaten, Central Java Province)	



3	Around Prambanan Complex (Sojiwan, Ratu Boko) (Kabupaten Sleman, Yogyakarta Province)	
105	Sub-total Borobudur-Yogyakarta-Prambanan destination	35
	15	
	Lake Toba destination	(km)
	(km)	(km)
3	Parapat - Ajibata Ferry Port	
	Samosir Island ring road (146km) consisting of:	
	- Tomok - Ambarita	5
	- Ambarita - Simanindo	18
	- Simanindo - Pangururan	20

	- Pangururan - Nainggolan	40
	- Nainggolan - Onan Runggu	7
	- Onan Runggu - Tomok	34
9	Jalan Lingkar Tuk-Tuk	
20	Local roads within the 3 key tourism areas (in Kab. Simalungun, Samosir, Toba Samosir)	
12	Sub-total Lake Toba destination	124
	20	
265	Total three destinations	390
	100	

Source: HHTL. 2017. Demand Assessment, and World Bank staff economic analysis.

B. Tourism-relevant basic services: indicative sub-projects

Sub-projects	Lombok
B-Y-P Lake Toba	
Expansion of existing and construction of new water supply network	7
6 4	
Municipal water treatment facilities (WTP)	4
4 3	
Small solid waste processing facilities (TPST)	39
21 45	
Temporary Disposal Sites (TPS)	116
47 103	
Fecal sludge treatment plant (IPLT)	4
4 7	
Wastewater treatment plant (IPAL)	8
10 31	

Source: HHTL. 2017. Demand Assessment, and joint DG Human Settlements and Bank staff assessments.

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C. Indicative list of 2018 'no regret' sub-projects - component 2

Category Cost (US\$)	Category Description
	Lombok
I	Roads
13,187,737	
II	Tourism Services and Infrastructure
2,262,898	
III	Water Supply
792,593	
IV	Sanitation
125,555	
V	Solid Waste
0	
	TOTAL Lombok
16,368,783	
	Borobudur-Yogyakarta-Prambanan
I	Roads
4,047,249	
II	Tourism Services and Infrastructure
3,721,676	
III	Water Supply
3,333,333	
IV	Sanitation
116,832	
V	Solid Waste
0	
	TOTAL Borobudur-Yogyakarta-Prambanan
11,219,090	
	Lake Toba
I	Roads
4,635,154	
II	Tourism Services and Infrastructure
5,122,984	
III	Water Supply
3,259,259	
IV	Sanitation
210,494	
V	Solid Waste
0	
	TOTAL Lake Toba
13,227,891	
	Three destinations
I	Roads <sup>64</sup>
21,870,140	
II	Tourism Services and Infrastructure
11,107,558	
III	Water Supply
7,385,185	
IV	Sanitation
452,881	
V	Solid Waste
0	
	TOTAL Three destinations
40,815,764	

64This is a long segment contract, which combine different types of works. All such contracts were reviewed to ensure they did not include road widening (lane addition or beyond the right-of-way). This approach, of combining routine maintenance with minor rehabilitation, is used around the world in one form or another because it eliminates the need for road agencies to directly minor maintenance works and it creates economies of scale that attract contractors and lead to reductions in costs.

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D. Lombok: Indicative list of 2018 'no regret' sub-projects - component 2

No	Sub-projects	Kota/Kab	Volume	Unit	Cost (US\$)	
Subcategory						
I	Roads				13,187,737	
1.01	Bandara-Kuta	National	59.07	km	2,340,787	
			54.71	Km	355,034	Road
	routine maintenance; Road preventative					
	maintenance					
			4.36	km	1,985,753	Road
	periodic/rehabilitation maintenance					
1.02	Pemenang-bayan- sembalun bumbung	National	136.08	km	5,290,689	
			128.08	km	982,116	Road
	routine maintenance					
			8	km	4,308,573	Road
	betterment (including minor widening)					
1.03	Cakranegara-mantang- mataram-gerung- kuripan-ampenan	National	108.43	km	1,370,826	
			106.43	km	584,744	Road
	routine maintenance					
			2	km	786,082	Road
	periodic/rehabilitation maintenance					
1.04	Nyiur Lembang - Sesaot Kabupaten improvement/ reconstruction (Kab. Lombok Barat)		4.65	km	1,003,282	Road
1.05	Melase - Penanggak improvement/ reconstruction (Kab. Lombok Barat)	Kabupaten	3	km	720,615	Road
1.06	Kuta - Keruak I improvement/ reconstruction	Province	6	km	1,384,615	Road
1.07	Kuta - Keruak II improvement/ reconstruction	Province	4.50	km	1,076,923	Road
II	Tourism Services and Infrastructure					
2.01	Development and Improvement of infrastructure for pedestrians, and non-motorized transport, such as sidewalks, walkways, bicycle paths, road consultant for Kuta crossings, pedestrian bridges, etc; tourism area parks and greenery improvement projects beautification.	Pujut (Lombok Tengah)	2	pac kag e	2,262,898	Urban for
					2,262,898	
III	Water Supply					
	Supply				792,593	Water
	SPAM development at	Pujut				Expansion
	of existing and construction of new					
3.01	Sasere (Batu Keliang	(Lombok			792,593	water
	supply network					
	Utara) water spring	Tengah)				
IV	Sanitation					
	Sanitation				125,555	

	Sanitation facilities	Batu Layar				Public
	toilet and sanitation facilities (e.g.					
4.01	development at Batu	(Lombok	1	unit	37,037	community
	toilet facilities (MCK) in the local	Layar village				community
	areas/parks)	Barat)				
	Sanitation facilities					
	development at	Sekotong				Public
	toilet and sanitation facilities (e.g.					
4.02	Sekotong Tengah	(Lombok	1	unit	37,037	community
	toilet facilities (MCK) in the local	village (Darul qur'an				community
	areas/parks)	Barat)				
	Wal Hadist)					
	Sanitation facilities					
	toilet and sanitation facilities (e.g.	Sekotong				Public
	development at Cendi					
4.03		(Lombok	1	unit	37,037	community
	toilet facilities (MCK) in the local	Manik village (Ponpes				community
	areas/parks)	Barat)				
	Al-Uswatun Hustoq)					
	Communal septictank	Jerowaru				
4.04	development at	(Lombok	5	unit	14,444	Septic
	tank pump out trucks					
	Sepapan village	TIMUR)				
V	Solid Waste				0	Solid
Waste						
	TOTAL LOMBOK				16,368,783	

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E. Borobudur-Yogyakarta-Prambanan: Indicative list of 2018 'no regret' sub-projects - component 2

No	Sub-projects	Kota/Kab	Volume	Unit	Cost (US\$)	
Subcategory						
I	Roads				4,047,249	
1.01	Yogyakarta-Tempel-Pakem-Prambanan-Yogyakarta	National	62,37	km	2,244,941	
	routine maintenance		56.96	km	400,653	Road
	preventative maintenance		2.11	km	107,822	Road
	periodic/rehabilitation maintenance		0.8	km	589,231	Road
	betterment (including minor widening)		2.5	km	1,147,235	Road
1.02	Jalan KHA. Dahlan (Kota City Yogyakarta)		1.1	km	315,385	Road
1.03	Jalan P. Senopati (Kota City Yogyakarta)		0.7	km	226,923	Road
1.04	Banjarharjo - Ngemplak, Sleman	Kabupaten	4.0	km	1,260,000	Road
II	Tourism Services and Infrastructure				3,721,676	
2.01	Improvement of infrastructure for pedestrians, Development of and non-motorized transport, such as Mendut Temple tourism Mungkid sidewalks, walkways, bicycle paths, road crossings, area, Kab. Magelang (Magelang) pedestrian bridges, etc; (KSPN Borobudur) parks and greenery improvement projects for beautification.					bicycles,
			1	package	329,852	
2.02	Improvement of infrastructure for pedestrians, Development of KSPN Borobudur at Pawon Borobudur sidewalks, walkways, bicycle paths, road crossings, Temple area Kab. (Magelang) pedestrian bridges, etc; Magelang parks and greenery improvement projects for beautification.					bicycles,
			1	package	326,189	
2.03	Improvement of infrastructure for pedestrians, Dev of Borobudur and non-motorized transport, such as tourism area at 10 Borobudur sidewalks, walkways, bicycle paths, road crossings, villages + construction (Magelang) pedestrian bridges, etc;					bicycles,
			2	package	2,547,116	

management consultant parks and greenery improvement projects for beautification.					Urban
2.04 Improvement of infrastructure for pedestrians, Rural settlement	Prambanan				bicycles,
and non-motorized transport, such as development at	(Sleman)	5 ha		518,519	
sidewalks, walkways, bicycle paths, road crossings, Prambanan area					
pedestrian bridges, etc;					
IV Water Supply				3,333,333	
4.01 Dev of SPAM at KSPN Borobudur, Borobudur area, Central Mertoyuda, of existing and construction of new water Java Province (MYC 17-	Borobudur, Mertoyuda, Mungkid	1	kawas an	3,333,333	Expansion supply
network.	(Magelang)				
V Sanitation				116,832	
5.01 Centralized domestic WWTP development at toilet and sanitation facilities (e.g. community neighborhood scale of facilities (MCK) in the local community	Borobudur (Magelang)	350	peopl e	25,509	Public toilet areas/parks)
5.02 Centralized domestic toilet and sanitation facilities (e.g. community WWTP development for facilities (MCK) in the local community	Muntilan (Magelang)	350	peopl e	25,509	Public toilet areas/parks)
neighborhood scale at					



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5.03	Pucungrejo village, Muntilan sub-district Centralized domestic WWTP development for toilet and sanitation facilities (e.g. community neighborhood scale at facilities (MCK) in the local community areas/parks)	Mungkid (Magelang)	350	people	25,509 toilet	Public
5.04	Ambartawang village, Mungkid sub-district Centralized domestic toilet and sanitation facilities (e.g. community facilities (MCK) in the local community areas/parks)	Prambanan (Klaten)	1 unit		40,305 toilet	Public
VI	Cucukan village Solid Waste TOTAL Borobudur-Yogyakarta-Prambanan				0 11,219,090	

F. Lake Toba: Indicative list of 2018 'no regret' sub-projects - component 2

No	Sub-Project (US\$)	Subcategory	Kota/Kab	Volume	Unit	Cost
I	Roads					4,635,154
1.01	Road Jurusan Amborgang - Road periodic/ rehabilitation maintenance Pardinggaran (Kab. Toba Samosir)		Kabupaten	3.2 km		383,674
1.02	Road Jurusan Lumban Road periodic/ rehabilitation maintenance Bulbul - Sibolahotang (Kab. Toba Samosir)		Kabupaten	1.58 km		180,282
1.03	Road Jurusan Sp. Road periodic/ rehabilitation maintenance Hatinggian - Parendean (Kab Toba Samosir)		Kabupaten	2.92 km		358,060
1.04	Road Jurusan Porsea - Road periodic/ rehabilitation maintenance Pangombusan (Kab. Toba Samosir)		Kabupaten	1.6 km		188,888
1.05	Road Jurusan Porsea - Road periodic/ rehabilitation maintenance Narumonda (Kab. Toba Samosir)		Kabupaten	1.72 km		202,865
1.06	Road Jurusan Silaen - 70,846 Road periodic/ rehabilitation maintenance Sihujur (Kab. Toba Samosir)		Kabupaten	0.6 km		
1.07	Road Jurusan Tiga Urung - Road periodic/ rehabilitation maintenance Gorbus (Kab. Simalungun)		Kabupaten	6.37 km		961,538
1.08	Road Jurusan Laras - Bah Road periodic/ rehabilitation maintenance Gunung - Titi Besi (Kab. Simalungun)		Kabupaten	4.5 km		790,000
1.09	Road Palipi - Sp. Batu Jagar Road periodic/ rehabilitation maintenance (Kab. Samosir)		Kabupaten	2 km		330,769

1.10 Raod Sp. HKBP Bolon - Road periodic/ rehabilitation maintenance Siantarantar (Kab. Samosir)	Kabupaten	1.65 km	292,308
1.11 Ringroad Pelabuhan Road periodic/ rehabilitation maintenance Ambarita (Kab. Samosir)	Kabupaten	1.3 km	419,231
1.12 Road Parhorian - Sp. Road periodic/ rehabilitation maintenance Parhorian (Kab Samosir)	Kabupaten	1.15 km	187,462
1.13 Road Janji Raja - Holbung Road periodic/ rehabilitation maintenance (Kab. Samosir)	Kabupaten	1.6 km	269,231
II Tourism Services and Infrastructure			5,122,984

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2.01 Development of tourism of infrastructure for area at Tomok Tuktuk pedestrians, bicycles, and non-motorized Siadang (KSPN Danau Toba) Simanindo such as sidewalks, walkways, bicycle	(Samosir)	1	package	327,823	Improvement transport, paths, road Urban parks projects
crossings, pedestrian bridges, etc; and greenery improvement for beautification.					
2.02 Development of KSPN (Improvement of infrastructure for Danau Toba at Ajibata area pedestrians, bicycles, and non-motorized Kab. Toba Samosir Ajibata (Toba such as sidewalks, walkways, bicycle	Samosir)	1	package	371,693	transport, paths, road Urban parks projects
crossings, pedestrian bridges, etc; and greenery improvement for beautification.					
2.03 Rural settlement area of infrastructure for development at Ajibata Ajibata (Toba pedestrians, bicycles, and non-motorized	Samosir)	1	package	414,272	Improvement transport, paths, road
sub-district Kab. Toba such as sidewalks, walkways, bicycle Samosir crossings, pedestrian bridges, etc.					
2.04 Development of certain area at KSPN Toba Lake Kab. Samosir	Ajibata, Simanindo, Girsang				
Improvement of infrastructure for pedestrians, bicycles, and non-motorized such as sidewalks, walkways, bicycle	Sipangan Bolon, Muara	1	package	3,416,604	transport, paths, Urban projects
road crossings, pedestrian bridges, etc; parks and greenery improvement for beautification.	Samosir, Samosir, Simalungun, Tapanuli Utara)				
2.05 Development of certain Improvement of infrastructure for area at KSPN Toba Lake pedestrians, bicycles, and non-motorized	Girsang				

Kab. Humbang Hasundutan such as sidewalks, walkways, bicycle	Sipangan				transport,
		1	package	370,370	
road crossings, pedestrian bridges, etc; parks and greenery improvement for beautification.	Bolon (Simalungun)				paths, Urban projects
2.06 Development of KSPN Improvement of infrastructure for Danau Toba at Tongging, pedestrians, bicycles, and non-motorized Merek area Kab. Toba such as sidewalks, walkways, bicycle					transport,
	Merek (Karo)	1	package	222,222	paths, Urban projects
Samosir road crossings, pedestrian bridges, etc; parks and greenery improvement for beautification.					
III Water Supply 4.01 SPAM development at	Muara, Ajibata, and Parapat			3,259,259	
Expansion of existing and construction of new Muara sub-district, Ajibata, supply network. and Parapat sub-district	(Tapanuli Utara, Toba Samosir, and Simalungun)	1	package	1,259,259	water
4.02 SPAM development at Expansion of existing and construction of new Simanindo sub-district supply network.	(Samosir)	1	package	2,000,000	water
IV Sanitation 5.01 Communal WWTP (IPAL)				210,494	
toilet and sanitation facilities (e.g. development at Sibuea	Laguboti				Public
toilet facilities (MCK) in the local village, Laguboti sub- areas/parks) district	(Toba Samosir)	1	unit	28,000	community community

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5.02 Communal WWTP (IPAL)	Laguboti				Public
toilet and sanitation facilities (e.g. development at Sitoluama					
	(Toba	1	unit	29,630	community
toilet facilities (MCK) in the local village, Laguboti sub-					
areas/parks)	Samosir)				community
district					
5.03 Communal WWTP (IPAL)	Lumban Julu				Public
toilet and sanitation facilities (e.g. development at Lumban					
toilet facilities (MCK) in the local Julu sub-district	(Toba	1	unit	28,148	community
areas/parks)	Samosir)				community
5.04 Communal WWTP	Laguboti				Public
toilet and sanitation facilities (e.g. Development at Gasaribu					
toilet facilities (MCK) in the local village Laguboti sub-district	(Toba	1	unit	27,778	community
areas/parks)	Samosir)				community
5.05 Communal WWTP	Laguboti				Public
toilet and sanitation facilities (e.g. development at					
	(Toba				
toilet facilities (MCK) in the local Pardomuan Nauli village		1	unit	27,778	community
areas/parks)	Samosir)				community
Laguboti sub-district					
5.06 Toilet combination + communal WWTP at Saribu					Public
toilet and sanitation facilities (e.g.					
	Purba				
Jandi sub-village, Nagori		1	unit	34,580	community
toilet facilities (MCK) in the local					
	(Simalungun)				
Saribu Jandi, Purba sub-					
areas/parks)					community
district					
5.07 Toilet combination + communal WWTP at					Public
toilet and sanitation facilities (e.g.					
	Purba				
Marihat sub-village, Nagori		1	unit	34,580	community
toilet facilities (MCK) in the local					
	(Simalungun)				
Saribu Jandi, Purba sub-					
areas/parks)					community
district					
V Solid waste				0	
TOTAL Lake Toba				13,227,891	