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**Project Summary Information (PSI)**

Project Name	Indonesia: Mandalika Urban and Tourism Infrastructure Project
Country	The Republic of Indonesia
Sector	Multi-sectoral infrastructure
Project No.	000069
Guarantor	The Republic of Indonesia
Borrower	Indonesia Tourism Development Corporation (ITDC)
Implementation Agency	ITDC
Environmental and Social Category	A
Date of PSI prepared or updated	Updated on March 19, 2019
Date of Concept Approval	March 15, 2018
Date of Appraisal Approval	October 8, 2018
Date of Board Approval	December 7, 2018

**I. Introduction**

As the largest economy in Southeast Asia, Indonesia has achieved impressive economic growth during the last decade. While the commodity-driven economy is slowing down, the tourism industry has potential to serve as a major contributor to GDP, job creation, tax revenues, and an important source of foreign exchange earnings. However, poor access and quality of infrastructure and services prevent Indonesia from realizing its full tourism potential.

The Government of Indonesia (GoI) has prioritized tourism as an important growth sector. The GoI's National Medium-term Development Plan (RPJMN) has placed tourism as one of four sectoral development priorities. Along with RRJMN, the GoI launched the Indonesia Tourism Development Priority Program (PPNPPI) to accelerate the development of ten priority tourism destinations, including Mandalika.

The Mandalika project site is strategically located on the south coast of Lombok island in Central Lombok Regency with good access from Lombok International Airport. Given the rich tourism endowments, the GoI has selected Mandalika as a priority tourism destination and has laid the initial groundwork for its development. The Project would finance the construction of essential core infrastructure for a new tourism destination in Mandalika and its surrounding communities. With the investments in tourism-related infrastructure, the Project will promote sustainable development in Mandalika and in Lombok more generally and contribute to poverty reduction on the island.

This is fully consistent with the GoI's national tourism development priorities as defined in the RPJMN and PPNPPI. The Project is also aligned with the Bank's goal of "fostering sustainable economic development by investing in infrastructure" and "mobilizing private capital".

## **II. Project Objectives and Expected Results**

The objective of the Project is to provide sustainable core infrastructure for the development of a new tourism destination in the Mandalika region of Lombok. According to the Mandalika Masterplan, serviced land lots are to be leased to private investors to construct and manage retail facilities, accommodation, and other tourist facilities to an internationally acceptable standard. In addition, the project includes improvements to basic infrastructure and services in adjacent communities that would serve both visitors and residents. It will aim to protect and enhance the unique cultural life and scenic attractions of the project area which are its major tourism assets.

## **III. Project Description**

Key infrastructure for the Mandalika tourism destination will be developed in two phases: Phase-I (2019-23) and Phase-II (2024-26). The Project will be focused on Phase-I.

The Project consists of two components.

Component 1: Provision of basic services and infrastructure. This component would include new construction, rehabilitation, and reconstruction of infrastructure in Mandalika as well as selected surrounding communities.

- (i) *Sub-component 1.1. Construction of core infrastructure in Mandalika.* This would provide essential infrastructure in the Mandalika SEZ for Phase-I, including internal roads, streets, landscaping, and drainage; water supply, sanitation, sewerage and wastewater treatment; solid waste management; electricity distribution; disaster risk management facilities; public facilities and public open space.
- (ii) *Sub-component 1.2. Infrastructure improvements to neighboring communities.* This sub-component would support infrastructure improvements for adjacent villages, including water supply and sanitation, drainage, solid waste management, transport, disaster risk reduction facilities, protection of natural and marine assets, and community facilities. This would ensure that an equitable share of the benefits of the Project reaches local communities, while helping to mitigate likely negative externalities from an increased volume of tourists and associated businesses.

Component 2: Technical Assistance and Capacity Building. This component would provide Technical Assistance (TA) to increase the capacity of the ITDC in carrying out project activities to a high standard. TA activities include: (i) project management support, including procurement, financial management, monitoring and evaluation,

environmental and social safeguards, and stakeholders' collaboration at the destination-level; (ii) construction management support, including final review of engineering drawings, construction oversight, quality assurance and supervision works, contract management, and hand-over of works from contractors to ITDC; (iii) training and skills development for selected near-by villages to maximize economic and social benefits for local communities; and (iv) destination management and monitoring including; developing monitoring tools for the destination and extended areas, and conducting preparatory studies for Phase-II and future tourism destinations.

#### **IV. Environmental and Social Category**

The Bank's Environmental and Social Policy (ESP) is applicable to the proposed Project. The Project is assigned Category A, due to the nature of the project activities, the local environmental and social context, as well as the significant and diverse potential environmental and social impacts. The Bank's three Environment and Social Standards (ESSs) are triggered. The proposed ES instruments are as follows: Environmental and Social Impact Assessment (ESIA)/Environmental and Social Management Plan (ESMP), Resettlement Planning Framework (RPF), and Indigenous Peoples Development Plan (IPDP).

Upon completion of the first visioning Masterplan for Mandalika in 2012, an Environmental Impact Analysis (AMDAL) as well as an Environmental Management Plan and Environmental Monitoring Plan (RKL-RPL) were prepared and cleared in 2012. Due to the introduction of Government Regulation No. 5 of 2012, the development of the detailed Masterplan for Mandalika in 2015 and the subsequent amendments in 2017, ITDC prepared an 'Addendum AMDAL' in 2018. Drawing on the draft Addendum AMDAL, a separate ESIA and ESMP have been prepared in 2018 to ensure that the requirements of AIB's ESP are adequately reflected and taken into consideration. The ESIA presents baseline data, screens potential environmental impacts, analyses the design and site selection for proposed activities, conducts an analysis of alternatives, and outlines mitigation measures to prevent or reduce direct, indirect, and cumulative environmental impacts. These measures will be implemented by ITDC, contractors, project consultants and other concerned stakeholders, during project preparation, construction and operational phases.

Upon full implementation of the operations, the Project is anticipated to result in a wide array of environmental and social benefits within and around the project site, over the life of the Project. Due to large investments in water management, waste management, and community infrastructure improvements, anticipated improvements include improved quality of groundwater, surface water, and sea water, ultimately resulting in significantly improved environmental conditions for residents and institutions within and around the project site. Along with development of core infrastructure for the Mandalika SEZ, the Project is expected to also improve basic infrastructure and services for local communities and create job opportunities during construction and operation, thereby enhancing income and livelihoods for the local population.

The first round of public consultations for the 2012 AMDAL was conducted in January 2012. Another public consultation meeting was held in April 2018 in Kuta village, Pujut

Sub-district, following the governmental requirement for the Addendum AMDAL. Additional consultations by the Bank and ITDC were held throughout project preparation. Consultations took the form of workshops, group discussions, and interviews, with participants including representatives of the surrounding villages, business owners, small traders, and persons in vulnerable situations.

A GRM will be established by ITDC and disclosed to local communities, in addition to being reflected in all safeguards documents, to ensure that affected people can present their grievances and get timely consideration and resolution. Individuals and communities who believe that they are adversely affected by the Project may submit complaints to the head of respective local village, which will be passed on to the ITDC Mandalika office for resolution. Each complaint will be documented into grievance log and its resolution will be carefully monitored by a PMU grievance contact person and community relation staff.

The ESIA/ESMP, RPF and IPDP in both Bahasa and English have been disclosed by ITDC through their website: <https://itdc.co.id/corporate/proyek-infrastruktur-urban-dan-pariwisata-mandalika-en-us/>. In addition, a hard copy in Bahasa of all safeguards instruments has been displayed in the ITDC Mandalika office and the respective village councils of project-affected villages. The ESIA/ESMP, RPF and IPDP in English has also been disclosed on the Bank's website. All safeguard documents and implementation progress reports will be disclosed and maintained throughout project implementation.

## V. Estimated Project Cost and Financing Source

The total cost of the Project is estimated to be USD316.50 million, which will be funded by a sovereign backed loan from the Bank and counterpart funds provided by Go/ITDC. The cost estimates of the Project and financing sources are summarized in the Table below.

Component	Cost Amount	Financing Source	
		AiIB	Go/ITDC
<b>Component 1:</b> Basic Services and Infrastructure (including neighboring villages)	169.30	169.30	0.0
<b>Component 2:</b> Implementation Support and Capacity Building	15.40	14.40	1.00
Land Cost	67.11	0.00	67.11
Contingencies (Physical and Price)	41.36	41.46	0.00
Financing Charges During construction	23.34	23.34	0.00
<b>Total:</b>	<b>316.50</b>	<b>248.39</b>	<b>68.11</b>

## **VI. Implementation**

The Borrower, Indonesia Tourism Development Corporation (ITDC), will be responsible for implementation of the proposed project. Under ITDC, a Project Management Unit (PMU), headed by a Project Director, has been established in Mandalika. The PMU would be responsible for overall project preparation and implementation. It will also oversee overall project M&E including compliance with the environmental and social safeguards. Consultants will be engaged to support ITDC and PMU to carry out their responsibilities.

Procurement for all contracts funded by the Loan proceeds will be carried out in accordance with the Bank's Procurement Policy and its associated Interim Operational Directive: Procurement Instructions for Recipients.

The Project will be implemented between March 2019 and March 2024.

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