

Indonesia: Mandalika Urban and Tourism Infrastructure Project (the Project)

AIIB's response to the article posted by Just Finance International in relation to allegations of forced evictions and involuntary displacement for the Project

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The Asian Infrastructure Investment Bank (AIIB) takes allegations of human rights violations related to the projects it finances extremely seriously. In this regard, AIIB always remains open to dialogue and to continuous improvement of its operational practices. We note the concerns raised in the article regarding alleged human rights violations in connection with the Project, though most of the concerns appear to involve the nearby MotoGP circuit race track that is not part of the AIIB-supported Project. While AIIB has not, to date, found any evidence of coercion or use of force or intimidation relating to land acquisition and resettlement under the Project itself, it continues to engage in enhanced monitoring of this Project.

As part of its enhanced monitoring, AIIB conducted a two-week long field-based review of the Project from June 3 to 17, 2022, despite the travel restrictions due to the COVID-19 pandemic. Overall Project implementation is proceeding well, considering the Project's complexity. The AIIB Project Team met stakeholders including the Government of Indonesia (GoI)'s Ministries, local government, local communities, Project-affected people, local CSO/NGO groups, local universities, contractors and workers, in both formal and informal settings. In general, AIIB received positive feedback from Project stakeholders, including local communities, with regard to the Project's benefits and anticipated positive impacts.

Concerns Expressed Earlier. In March 2021 AIIB received a communication from the Special Rapporteur on extreme poverty and human rights of the Office of the United Nations High Commissioner for Human Rights (Special Rapporteur) raising concerns regarding alleged human rights violations in connection with the Project, though most of the concerns appeared to involve the nearby MotoGP circuit race track that is not part of the Project. The communication can be found here: <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gld=26078>. In April 2021, AIIB's Senior Management requested Government attention to the issues raised, which was followed by a Government visit to the Project site. Due to pandemic-related travel restrictions, AIIB's Local Consultant visited the site to better understand the concerns.

AIIB responded to the Special Rapporteur's communication on May 1, 2021 setting out its findings and views of the matter, and followed up with direct communication with the Special Rapporteur. The response can be found here: <https://www.aiib.org/en/projects/details/2018/approved/download/Indonesia/Mandalika-Project-Note-from-AIIB.pdf>. AIIB was at that time unable to find evidence of the violations alleged with regard to the Project, but confirmed the need for better stakeholder engagement on the part of Indonesia Tourism Development Cooperation (ITDC), and agreed with ITDC on an Action Plan to enhance this engagement. In March 2022, AIIB received another communication from the Special Rapporteur, generally repeating the allegations, to which AIIB responded in May 2022 and followed up with a 2-week site visit in June 2022.

Project Overview. The Project, estimated to cost USD316.5 million, is being financed by a sovereign-backed loan of USD248.4 million from AIIB to ITDC, a company wholly owned by the GoI that has a mandate to plan and develop the Mandalika Special Economic Zone (SEZ) on Lombok Island. The remaining Project costs of USD68.1 million are being financed by ITDC and GoI counterpart funds. The

Project focuses on implementation of the initial phase of an integrated masterplan prepared by the GOI to guide development of Mandalika as a tourism destination.

The Project aims to provide sustainable core infrastructure for the development of the new tourism destination in the Mandalika SEZ, including infrastructure improvements in surrounding communities. By facilitating private sector investment, the Project is expected to create significant direct, indirect, and induced employment in tourism as well as related businesses, boosting Indonesia's tourism competitiveness and sustainable economic growth. In addition, the Project includes improvements to basic infrastructure and services in adjacent communities that would serve both visitors and residents. It aims to protect and enhance the unique cultural life and scenic attractions of the Project area, which are its major tourism assets.

The Project consists of the following components:

- Component 1: Provision of Basic Services and Infrastructure. This includes new construction, rehabilitation, and reconstruction of infrastructure in the Mandalika SEZ as well as in selected surrounding communities, as follows:
 - Sub-component 1.1. Construction of core infrastructure in the Mandalika SEZ, 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. The infrastructure implementation phases are based on the location of already leased-out or in-demand lots, thereby facilitating optimal take up by investors, and efficient integration of site infrastructure into the adjacent public utility network. Accommodation, retail, and other tourist facilities are being financed by private investors through long-term lease arrangements.
 - Sub-component 1.2. 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. The objective is for an equitable share of the benefits of the Project to reach local communities and mitigate possible negative externalities from an increased volume of tourists and associated businesses.
- Component 2: Technical Assistance (TA) and Capacity Building. This includes:
 - Sub-component 2.1. Project management support, including procurement, financial management, monitoring and evaluation, environmental and social safeguards, and stakeholders' collaboration at the destination level.
 - Sub-component 2.2. Construction management support, including final review of engineering drawings, construction oversight, quality assurance and supervision works, contract management, and handover of works from contractors to ITDC.
 - Sub-component 2.3. Training and skills development for selected nearby villages to maximize economic and social benefits for local communities.
 - Sub-component 2.4. Sustainable tourism destination management and monitoring system, through developing monitoring tools for the Mandalika tourism destination and extended areas,

including the coastal environment, and conducting preparatory studies for a second phase of the Mandalika master plan and future tourism destinations.

Other Project features include: (i) development and adoption of sustainable land use planning and building regulations; (ii) development and implementation of sustainable infrastructure solutions; Development of a destination management system for the extended area of the Mandalika SEZ, including: (a) tools and guidance on how tourism development could optimally benefit local communities; (b) consideration of measures to encourage local employment in the Mandalika SEZ; and (c) measures to sustain and protect the Mandalika SEZ ecosystem and integrate local customs and cultures into Mandalika's development; and (iii) development and application of monitoring tools for spatial expansion and land use changes, as well as coastal environments, using drones and innovative analytical tools, and construction supervision using technology.

Status of Project Implementation. AIIB's financing was approved on December 7, 2018 and the financing agreement with ITDC became effective on March 22, 2019. Since loan effectiveness, good progress has been made in implementation of the Project components. As of August 31, 2022, the disbursement stands at USD106 million (42.7% of the total AIIB loan amount). The Project Management and Construction Management consultants have been hired and are on board. Two works contracts for Sub-component 1.1 were awarded in March 2021. Other contracts for works and consulting services are under preparation. More specifically:

- Sub-component 1.1. The major civil works contracts for construction of core infrastructure, i.e., Package 1 (West side) and Package 2 (East side), were awarded in March 2021 and show good physical progress with adequate quality assurance. The remaining works contracts, i.e., Package 3 (Wastewater Treatment Plant), Package 4 (Electrical Facilities), and Package 5 (Solid Waste Treatment Plant), are expected to be awarded by Q4 2022.
- Sub-component 1.2. The infrastructure investment program for nearby villages has been finalized, based on a participatory planning process and a series of consultations with local communities, and is expected to be implemented from Q4 2022.
- Sub-component 2.1 and 2.2. Project Management and Construction Management Consultants are on board.
- Sub-component 2.3. ITDC is implementing an annual community development program for 2022 (including skill development and trainings for local communities and SMEs to help strengthen economic linkages).
- Sub-component 2.4. ITDC is implementing several activities including development of: spatial monitoring and reporting tool for spatial expansion and land use changes for the Mandalika SEZ and surrounding areas as well as construction supervision; a long-term sustainable tourism destination system; and a longer-term monitoring tool using hydrodynamic/water quality models for ground and surface water (upstream watershed), drainage, and coastal marine areas.

Land Acquisition and Involuntary Resettlement, Livelihood Restoration. Rights to most of the land within the Mandalika SEZ were acquired over time by ITDC as evidenced by official certificates (known as HPL certificates) granting it the right to manage the concerned land. There are ongoing claims on ITDC's land. These are addressed either by negotiation and/or through the legal process.

The Resettlement Action Plan (RAP) prepared for those living informally on ITDC-owned land provides for restoring and/or improving the livelihoods of those who have been resettled, and is currently under implementation. The RAP provides a comprehensive set of compensation measures for families informally occupying ITDC's land, including provision of land and permanent housing (after an interim period of temporary housing until the permanent site is prepared), relocation assistance, cash compensation, provision of training and jobs to address any loss of income, and other support for livelihood restoration.

In accordance with the entitlements of the RAP, each household has been allocated a 100 m² plot in the Ngolang permanent resettlement site. Construction of 120 new houses in Ngolang has largely been completed by the Ministry of Public Works and Housing and Local Government. The relocation of households from the temporary resettlement site (HPL 94) to permanent houses is planned to be completed by December 2022.

Each resettled household will receive land title and house certificates indicating their ownership. Houses will be provided free for Project-affected households without a down payment. The new houses have been designed in such a way that they can serve as guest houses for tourists and therefore provide an additional source of income. Furthermore, ITDC has committed to providing at least one job per Project-affected household once tourism activities get underway. Socialization meetings were held with community members and no specific issues or concerns were raised. ITDC and relevant authorities will consult with Project-affected people about the house distribution mechanism and the process in order to be inclusive and transparent.

A RAP compensation tracking system has been developed to record outstanding issues, including whether and to what extent affected people need non-financial assistance and how the issues are resolved. To confirm the adequacy of compensation for informal settlers occupying ITDC land, ITDC has: (i) conducted field verification to record names, employment and livelihood details, and number of family members; and to obtain a copy of identification and a facial photograph; (ii) crosschecked the results of verification data with previous data, working with Village Chiefs; (iii) reviewed the list so as to compare the complaints received and determine the number of informal settlers who are still living in the Project area; and (vi) shared this data with Heads of Villages/Sub Village, Sub District of Pujut, and Central Lombok District.

Any disputes relating to the compensation can be brought to the Task Force for the Acceleration of Settlement of Land Disputes (known as the SATGAS), a task force established by the Regional Government of West Nusa Tenggara to address concerns and/or disputes between local communities and ITDC with a view to identifying mutually agreeable solutions related to grievances about Enclave Land and claimed land, and grievances of informal settlers. AIIB recognizes that the composition of SATGAS includes representatives of: Mataram University; Provincial offices responsible for: police, social services, legal aid, public relations, and law; the Land Office; the Provincial High Court; and the Provincial army.

Once the resettlement process is completed, ITDC will prepare a RAP implementation completion report and provide all supporting documents. The report will be publicly disclosed and shared with the AIIB by ITDC.

Allegation of Coercion, Use of Force and Intimidation. AIIB takes allegations of human rights violations related to the projects it finances extremely seriously. AIIB has not, to date, found any evidence of coercion or use of force or intimidation relating to land acquisition and resettlement under the Project itself. This was reconfirmed during the Bank's site visit in June 2022. At the same time, AIIB recognizes the

complex nature of the Project and the difficulties that have occurred with respect to other nearby investments undertaken by ITDC, such as the MotoGP circuit race track. AIIB also notes the extraordinary challenges posed by the ongoing COVID-19 pandemic, not only with respect to implementation, but also supervision of the Project.

The earlier allegation made by the Special Rapporteur on extreme poverty and human rights of the Office of the United Nations High Commissioner for Human Rights and CSO groups was that the local communities were violently evicted by force, threats and coercion in relation to ITDC's land acquisition. Based on interviews with local communities and CSOs and Bank's detailed responses, the AIIB Project team has been unable to substantiate this allegation and has been unable to find evidence of direct use of force relating to land acquisition and resettlement under the Project itself.

Regarding the article's references to forced evictions from Muluk and Ebunut, it should be noted that these villages are not part of the AIIB-supported Project.

The Bank team is aware of the use by ITDC of security personnel for the purpose of protection and security of the Mandalika SEZ, in particular individual properties such as the MotoGP circuit race track particularly during events and hotels for their day-to-day security (not related to the Project). ITDC has developed, as part of its detailed Action Plan, a Standard Operating Procedure (SOP) for Security Personnel by either ITDC or its contractors. The SOP has been reviewed/cleared and its implementation is being regularly monitored by the Bank team.

AIIB is continuing to engage with the client to confirm that land still to be acquired is done so without any intimidation and/or use of force.

AIIB's Project Implementation Monitoring and Next Steps. Given the complex nature of the Project, the AIIB Project team carried out frequent implementation support and monitoring activities prior to the COVID-19 pandemic. Field visits were carried out every quarter, with a focus on the environmental and social aspects of the Project. In addition to these visits, the Project team has conducted more targeted technical visits/meetings (by videoconference during the pandemic) to review progress and address specific issues.

Once the COVID-19 pandemic began and travel restrictions prevented the AIIB team from undertaking site visits to the Project area, the Bank engaged a national environmental and social expert (AIIB Consultant) to monitor the Project's implementation and provide necessary support to ITDC, focusing on stakeholder engagement and resettlement.

As part of its enhanced approach to Project monitoring, the AIIB Project team continues to monitor implementation of the ITDC's Action Plan, which is regularly updated based on progress achieved in carrying out the measures specified, and as new issues are identified in Environmental and Social aspects of the Project.

The AIIB Project team continues to conduct weekly Project-level meetings with the Client on environmental and social aspects in addition to the AIIB Consultant's regular site visits. These weekly meetings focus on: (a) grievance management; (b) resettlement-related issues such as compensation, progress in developing the permanent resettlement site, and conditions of the temporary resettlement site; (c) reports by the AIIB Local Consultant and ITDC of meetings held with local stakeholders; and (d) employment generation for Project-affected people.

AIIB's next full regular monitoring field visit is planned for December 2022.

AIIB remains open to dialogue with all concerned parties, including Project stakeholders and civil society groups to continuous improvement of its Project monitoring. To this end, during AIIB's June field visit, AIIB confirmed that ITDC plans to engage an experienced facilitator independent from ITDC, GOI and AIIB to facilitate a better understanding of Project-related issues.