



**“IF IT IS DETRIMENTAL TO COMMUNITIES, THEN WHAT IS DEVELOPMENT FOR?”:**

THE HUMAN RIGHTS AND SOCIO-ECONOMIC IMPACTS OF THE MANDALIKA URBAN TOURISM AND DEVELOPMENT PROJECT





**“If it is detrimental to communities,  
then what is development for?”:**  
the Human Rights and Socio-Economic Impacts of  
the Mandalika Urban Tourism and Development Project

A report by the  
Koalisi Pemantau Pembangunan Infrastruktur Indonesia

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# CONTENTS

<b>I. Introduction</b>	5
1) Executive Summary	5
2) Terms and Abbreviations	6
3) Methodology	6
<b>II. Survey Findings</b>	8
1) The overwhelming majority of affected people were not consulted for the Mandalika project	8
2) A violent history of land conflicts in Lombok	11
3) Heavy deployment of security forces during international motorcycle racing events	12
4) Lack of adequate compensation	14
5) The Socio-Economic Impacts of the Mandalika project	15
<i>The Resettlement Action Plan disregards the importance of traditional livelihood activities</i>	15
<i>Devastating socio-economic impacts on affected communities</i>	16
<i>Socio-Economic impact on local tourism</i>	17
6) Conditions in the Temporary Resettlement Site	18
7) Conditions in the Permanent Resettlement Site	19
<i>Social and economic impacts of the resettlement site</i>	19
<i>Lack of adequate information about the resettlement process</i>	20
<i>More than three years' delay for full-time employment as a form of livelihood restoration</i>	20
<i>Lack of running water and sanitation facilities</i>	21
<i>Insufficient infrastructure for cattle grazing</i>	21
<b>III. Recommendations</b>	22

# I. Introduction

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## 1) Executive Summary

The Mandalika Urban Development and Tourism Project is a large-scale tourism infrastructure development project on the Indonesian island of Lombok. It is a core part of the Indonesian government's strategy to develop ten "new Balis."<sup>1</sup> It is the first standalone project in Indonesia of the Asian Infrastructure Investment Bank (AIIB), which approved a loan of US \$248.4 million that makes up 78.5 percent of total funding.<sup>2</sup> The state-owned Indonesian Tourism Development Corporation (ITDC), a parastatal corporation whose shares are fully owned by the Ministry of State-Owned Enterprises of the Government of Indonesia, is leading the implementation of the Mandalika project.<sup>3</sup> The Mandalika International Street Circuit, a motorcycle racetrack, has been aggressively marketed as a major tourist attraction for the island.

The AIIB approved financing for the Mandalika project in December 2018. Prior to project approval, land disputes intensified in the Mandalika area, with ITDC and the government of Indonesia ramping up involuntary land acquisition in preparation for the Mandalika project. Despite these worrying developments at the local level and Lombok's well-documented legacy of violent land disputes, the AIIB failed to exercise the necessary due diligence to avoid, minimize, or mitigate the risks of involuntary resettlement and forced evictions of affected Indigenous peoples. Since project approval, the AIIB has shifted the responsibility for meeting its own environmental and social standards to its borrower, the ITDC. As a result, AIIB's failure to meet its *own mandatory due diligence requirements* has caused irreversible negative impacts on Indigenous Sasak communities.

In order to shed light on the continued socio-economic and human rights impacts of the Mandalika project, the Koalisi Pemantau Pembangunan Infrastruktur Indonesia, or Coalition for Monitoring Infrastructure Development Indonesia (KPPII), conducted a survey of 105 affected community members in December 2022 and January 2023.

The survey found that 98% of the respondents were not asked for their consent regarding the Mandalika project. Only 6% had ever participated in a consultation meeting held by ITDC or by the AIIB. These figures represent an obvious and evident breach of the AIIB's Environmental and Social Framework (ESF), which requires that its clients meaningfully consult with affected communities and provide "evidence of broad community support" of Indigenous Peoples.<sup>4</sup>

The AIIB's ESF also stipulates that in situations "when the Bank is unable to ascertain that [...] broad community support has been obtained from the affected Indigenous Peoples", activities that would affect those communities should be "excluded from the project."<sup>5</sup> Yet in KPPII's survey, 82% of respondents said that they would not have given their consent for the Mandalika project. When civil society organizations called on the AIIB to suspend the Mandalika project, citing the lack of meaningful consultation and intimidation of Indigenous Populations, the AIIB did not address these issues. Instead, the bank removed these standards from its ESF without any public consultation, effectively weakening protections for communities affected by AIIB-funded projects around the world.

KPPII's survey data also reveals a pattern of intimidation and coercion of communities affected by the Mandalika project. 70% of the respondents surveyed have been affected by coercion and intimidation within the land acquisition process.

Virtually all respondents surveyed feel that they were not offered fair and adequate compensation for their land, homes, and crops that were acquired or destroyed due to the Mandalika project. Due to loss of land and access to the sea and other natural resources, many locals have had to take on debt to feed their families. Indeed, since its launch, the Mandalika project's purported development efforts have pushed affected communities further into a state of food insecurity and extreme poverty.

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<sup>1</sup> Insider, ['The hunt for the next Bali: Inside Indonesia's plan to save its tourism industry by minting 5 new hubs for international travelers'](#), May 2021.

<sup>2</sup> AIIB, [Project Document of the Asian Infrastructure Investment Bank: the Republic of Indonesia Mandalika Urban and Tourism Infrastructure Project](#), December 2018.

<sup>3</sup> ITDC, [ITDC Website: About us](#), Accessed in February 2023.

<sup>4</sup> AIIB, [Environmental and Social Framework \(Amended in November 2022\)](#).

<sup>5</sup> AIIB, [Environmental and Social Framework \(Amended in November 2022\)](#).

Women, in particular, have faced challenges advocating for their land rights and have been routinely neglected in consultation meetings held by the ITDC and AIB— despite the fact that women and children have been disproportionately affected by the Mandalika project's negative socio-economic and human rights impacts.

Involuntary resettlement caused by the project has further impoverished affected communities. Many of these families have lived for more than three years in a temporary shelter and continue to endure its unsanitary and difficult conditions to this day. Households who were able to move to a permanent resettlement site worry that its remoteness and the lack of land available for livelihood activities will render them more vulnerable and make it more difficult for children to continue their schooling.

89% of respondents felt that their concerns regarding the negative impacts of the Mandalika project are not taken seriously by the ITDC or AIB. Only one respondent surveyed believed they can trust the ITDC's grievance redress mechanism or the AIB's complaints mechanism.

Through this report, KPPII hopes to amplify the experiences and concerns of project-affected people. Their voices should be at the center of deliberations made by the AIB, ITDC, and the Indonesian government—yet instead, they have been categorically ignored.

Unlike other Development Financial Institutions that are increasingly adopting commitments to respect human rights, the AIB does not recognize international human rights law or have explicit human rights commitments integrated in its safeguards. Despite multiple calls issued by the United Nations Special Procedures and Indonesian civil society organizations, the AIB has not addressed the serious violations of its standards by the ITDC or the devastating impacts of the Mandalika project on local communities. Instead, the bank has deliberately weakened the protections guaranteed to Indigenous Peoples affected by the projects it funds globally, without providing any opportunity for affected communities or civil society to provide input.

The Mandalika project risks creating a dangerous new precedent for the implementation of other projects financed by AIB in Indonesia, Southeast Asia, and around the world. Taxpayers' money should not lead to the further impoverishment, marginalization, intimidation and coercion of Indigenous communities. It is imperative for the AIB and ITDC to disclose key data relating to the project, such as the land audit of the Mandalika area, and to provide affected community members adequate compensation and meaningful redress immediately.

## 2) Terms and Abbreviations

<b>AIB</b>	Asian Infrastructure Investment Bank
<b>ESF</b>	Environmental and Social Framework
<b>ITDC</b>	Indonesia Tourism Development Corporation
<b>KPPII</b>	Koalisi Pemantau Pembangunan Infrastruktur Indonesia, or Coalition for Monitoring Infrastructure Development Indonesia
<b>LTDC</b>	Lombok Tourism Development Corporation
<b>RAP</b>	Resettlement Action Plan
<b>SATGAS</b>	Task force for the acceleration of settlement of land disputes

## 3) Methodology

In December 2022 and January 2023, KPPII conducted interviews with project-affected people in the Mandalika project area and areas of project influence.<sup>6</sup> Altogether, 105 interviews were conducted with 69 men and 36 women. Interviews were conducted in the local Sasak language and Bahasa Indonesia. All participants were informed of the purpose of the interviews and provided consent to be featured in this report. Through interviews and focus group discussions, particular efforts were made to gather the experiences and perspectives of women as well as individuals affected by involuntary resettlement.

<sup>6</sup> Under AIB's [Environmental and Social Framework](#), a 'project area of influence' is defined as the area likely to be affected by the project, including all its ancillary aspects. This includes areas used for livelihood activities.



Aerial photograph of Mandalika showing the construction of the Mandalika motorcycle racetrack and tourism infrastructure. (Photo by Arsyad Ali / AFP)



## II. Survey Findings

### 1) The overwhelming majority of affected people were not consulted for the Mandalika project

According to AIIB's own safeguards requirements, all potential projects are to be assessed and assigned into one of four categories, depending on "the highest environmental or social risk, including direct, indirect, cumulative and induced impacts" in the areas affected by the project.<sup>7</sup>

From the outset, Mandalika was classified as a "Category A" project due to its high risks of "irreversible, cumulative, diverse or unprecedented" environmental and social impacts.<sup>8</sup> Although the AIIB-approved Environmental and Social Impact Assessment for the Mandalika project identified negative impacts from involuntary resettlement,<sup>9</sup> the project nevertheless moved forward without further comprehensive social and environmental assessments.<sup>10</sup>

**Under the AIIB's "Environmental and Social Standards", ITDC was required to:**



<b>Assess the environmental and social risks and impacts of the project.</b>	<b>Engage in meaningful consultations with stakeholders during the project preparation and implementation phases.</b>	<b>Obtain the Free, Prior, and Informed Consultation of local Sasak communities.</b>
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Crucially, the AIIB does not recognize international human rights law or customary law relating to Indigenous Peoples according to the international community's standards. The bank does not recognize the principle of Free, Prior, and Informed *Consent* (FPIC) enshrined in the United Nations Declaration on the Rights of Indigenous Peoples.<sup>11</sup> Instead, the AIIB puts forward a significantly weaker requirement in its ESF – the principle of Free, Prior, and Informed Consultation (FPI Consultation).

<sup>7</sup> AIIB, [Environmental and Social Framework \(Amended in November 2022\)](#).

<sup>8</sup> United Nations Special Procedures, [Communication concerning human rights violations and abuses committed in the implementation of the Mandalika urban development and tourism project](#), March 2021.

<sup>9</sup> Asian Infrastructure Investment Bank, [Environmental and Social Impact Assessment of the Mandalika Urban Development and Tourism Project](#), October 2018.

<sup>10</sup> Korinna Horta and Wawa Wang, [The Beijing-led Asian Infrastructure Investment Bank \(AIIB\): Global leader in infrastructure finance, at what cost?](#), published by Heinrich Boll Stiftung, December 2020.

<sup>11</sup> AIIB, [Environmental and Social Framework \(Amended in November 2022\)](#).



Even so, the ITDC should have held meaningful and inclusive consultations with affected landowners and users in Mandalika. However, it did not even meet the weaker requirement of the AIIB's FPI Consultation principle. Although the ITDC did conduct consultations with local communities, they mostly targeted local village chiefs or government officials—instead of engaging with the community members most directly impacted by the project.<sup>12</sup> According to KPPII's outreach in the Mandalika area, the vast majority of community meetings led by both the ITDC and AIIB have been conducted in Bahasa Indonesia instead of the more culturally appropriate Sasak language. Survey data shows that 9 in 10 affected people do not have a fluent grasp of Bahasa Indonesia, putting them at a severe disadvantage in understanding important information about the project's impacts, giving voice to their perspectives, and communicating their grievances.

6%

of respondents participated in a consultation meeting held by ITDC or by the AIIB.

Indeed, 99% of the survey respondents told KPPII that they were not satisfied with the amount of information they received about the Mandalika project, and the way it was delivered to them. 98% of the respondents said that they were not asked for their consent regarding the Mandalika project. Only eight respondents were aware that a single statement by a village leader had been used to represent the consent of all affected community members by ITDC. Respondents were angry at the lack of transparency and meaningful engagement with the community as a whole:

*"ITDC should not have used the statement of one person as a representative of the consent of all people. ITDC should have asked for the opinions and consent of the wider community, not only those whose land will be affected by the Mandalika project, but also the general public who live around this area. Because we all live close to the Mandalika circuit area, we need to know about the project development plans, their impacts on us, and what are the potentials for us to be able to develop economically."*

Other project-affected people shared views that ITDC had intentionally mishandled the consultation process in order to expedite project approval:

*"The consultation should really have sought out the voices, opinions, and approvals of the wider community, but maybe because our area needed to be urgently vacated, so ITDC used the voice of one person as a representative of the whole community."*

Survey results clearly show that the Mandalika project violated all three of the AIIB's own criteria as listed in its ESF. The due diligence has led to adverse consequences for the affected local population, including: 1) significant adverse environmental and social impacts, 2) involuntary resettlement, and 3) impacts on Indigenous Peoples.

<sup>12</sup> United Nations Special Procedures, [Communication concerning human rights violations and abuses committed in the implementation of the Mandalika urban development and tourism project](#), March 2021. Recent attempts by the AIIB to extend consultations to project-affected people (PAPs) have not been meaningful, interviews held by KPPII following AIIB field visits have shown that only a small amount of PAPs were invited to meetings held primarily in Bahasa Indonesia, where PAPs felt they could not openly share concerns due to the presence of ITDC or Indonesian government officials.

# 82%

of respondents would not have given their consent for the Mandalika project.

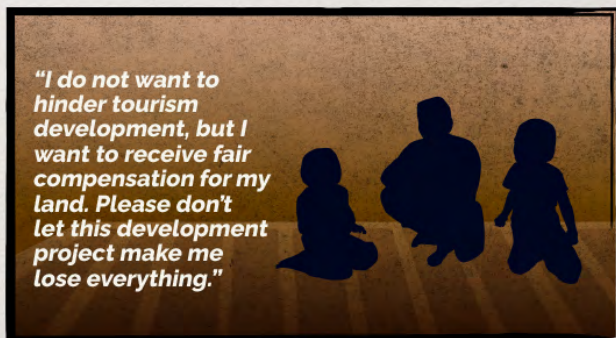
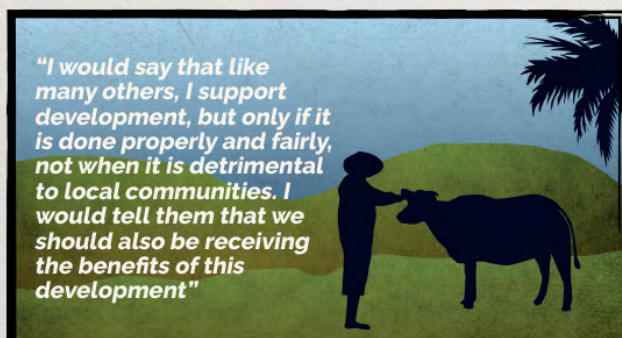
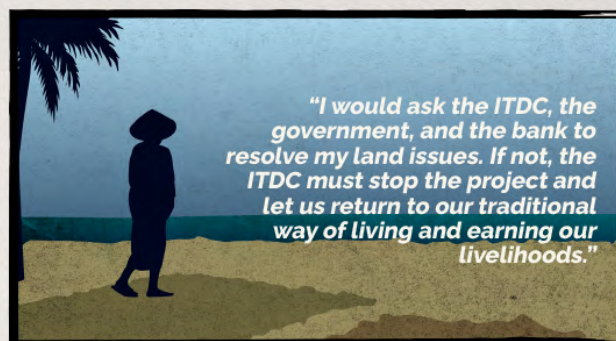
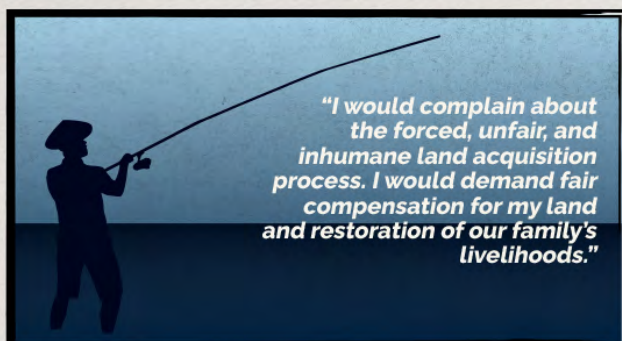
Respondents shared some of the reasons they did not feel comfortable granting their consent to the Mandalika project:

- *"If it is detrimental to the local communities, what is this development for? Why build tourism infrastructure if the human and land rights of the people have not been respected?"*
- *"We don't oppose development, but we want our land to be paid according to market prices, and we don't want to be forced into accepting a project. The Government and ITDC should do more by guaranteeing jobs for the community."*
- *"I think that the Mandalika project does not benefit the community. On the contrary, it makes people miserable. The ITDC and government are only concerned with their own benefits".*

Several respondents voiced their hopelessness in the ITDC and Indonesian government's willingness to consider the perspectives of Indigenous communities, let alone seek their consent.

One respondent explained, *"Because you cannot refuse, it is pointless. If the government wants to move forward with the project, it will still be carried out."* Another said, *"If the government wants this project, then we cannot fight it"*.

## What project-affected people wish they could say to the ITDC and the AIIB:



These findings represent a severe indictment of both the ITDC and the AIB. The bank's ESF, at the time of project approval, required "evidence of broad community support" of Indigenous Peoples regarding the outcome of negotiations stemming from a "mutually accepted process of consultation between the Client and the Indigenous Peoples."<sup>13</sup> At the outset of the Mandalika project, the AIB's ESF also stipulates that "when the bank is unable to ascertain that such broad community support has been obtained from the affected Indigenous Peoples," the activities that would affect those Indigenous Peoples would be excluded from the project. It is clear that the AIB failed to exercise proper due diligence of the Mandalika project, and did not adequately monitor whether the ITDC was meaningfully engaging with local Indigenous communities.

Instead of addressing the ITDC's failure to meaningfully consult with communities in Mandalika, the AIB removed these important requirements from its ESF. Without any public consultation, the bank unilaterally erased important safeguards that would mitigate against harms arising from involuntary land acquisition and involuntary resettlement of Indigenous Peoples – a far cry from requiring its Client to ensure mutually accepted consultation terms and evidence of broad community support it originally espoused. This removal coincided with calls made by civil society organizations for the bank to immediately suspend the Mandalika project, improve its transparency and accountability practices, and remedy the social harms experienced by the project-affected Indigenous community in Mandalika.<sup>14</sup> The AIB's deliberate move to weaken its standards contradicts its stated principles on transparency<sup>15</sup> when responding to allegations of human rights violations in the Mandalika project.

# 89%

of respondents felt that their concerns regarding the negative impacts of the Mandalika project are not taken seriously by ITDC or the AIB.

Since then, the ITDC has not taken decisive steps to improve community engagement. In December 2022, it organized a purported consultation meeting about land disputes. In fact, 40% of the entities invited represented the Indonesian police or military.<sup>16</sup>

The lack of meaningful community engagement has led to severe mistrust of the ITDC and AIB. 96% said that they were not aware that they could submit a complaint regarding the impacts of the Mandalika project through the ITDC's official grievance redress mechanism. When informed about this mechanism and the AIB's own complaints channel, none of the respondents surveyed said they trusted these processes to address their grievances.

## 2) A violent history of land conflicts in Lombok

The majority of land in Indonesia is not registered with formal land titles, and there is limited recognition of customary land rights within the legal system.<sup>17</sup> Due to incomplete and often imprecise official records, as well as the significant overlap between official land titles and customary land usage, land conflicts are a serious issue in the country.<sup>18</sup>

<sup>14</sup> KPPII, [Indonesian civil society calls for the cancellation of the World Superbike event to honour victims of forced evictions who have yet to receive compensation and resettlement](#), November 2022.

<sup>15</sup> AIB, [Applying Best Environmental and Social Practices to AIB Projects](#), June 2021.

<sup>16</sup> KPPII, [A statement to the AIB and the ITDC: Indonesian civil society rejects sham consultations and the use of state security in resolving land rights issues in the Mandalika project](#), December 2022.

<sup>17</sup> United Nations Special Procedures, [Communication concerning human rights violations and abuses committed in the implementation of the Mandalika urban development and tourism project](#), March 2021.

<sup>18</sup> United Nations Special Procedures, [Communication concerning human rights violations and abuses committed in the implementation of the Mandalika urban development and tourism project](#), March 2021.



Lombok Island is no exception. A study by the Asian Development Bank highlighted the legacy of violent land grabbing and forced evictions tied to the first wave of tourism investment in Lombok during the 1990s. Developers such as the Lombok Tourism Development Corporation (LTDC), the ITDC's institutional predecessor, acquired land from local Sasak people "at far below the market price, often using state security forces to coerce landowners into accepting unfavorable terms," according to the Asian Development Bank's report.

When development on the Lombok International Airport was revived after the Asian financial crisis, local communities protested the project's initial process of land acquisition, which featured heavy coercion by the LTDC to force people into accepting compensation packages far below market rates. The protests grew until they were met by deployed security forces in a violent repression, resulting in at least 35 farmers injured, many from gunshot wounds.

**70%**

of respondents felt intimidated or coerced by members of the Indonesian security forces and/or state actors due to land acquisition process.

Despite this well-documented history of violent land grabbing and forced evictions in Lombok, as well as reports of land conflicts in Mandalika between 2018 and 2019, the AIIB did not conduct and release its own comprehensive land survey as a precondition of project approval. Instead the bank complacently approved a plan prepared by the ITDC, which claimed that the ITDC had management rights over 92.7% of the land in the Mandalika project area.<sup>21</sup> This claim—that the overwhelming majority of the Mandalika area's land was clean and clear of any land disputes or conflicts—was both problematic and inaccurate, yet the AIIB did not conduct the necessary due diligence to examine the ITDC's assertions.<sup>22</sup>

KPPII's survey data reveals a continuation of the pattern of intimidation and coercion of Indigenous Peoples in the land acquisition process employed by the AIIB-funded Mandalika project. One man, who was involuntarily resettled, describes his experience of being forced to accepting unfair compensation for his land:

*"I was frequently visited by ITDC staff and government officials. They were accompanied by the police. They forced me to accept involuntary resettlement because they told me that otherwise I will not receive any compensation. Then I was evicted by the ITDC so they could build the Mandalika International Street Circuit."*

Another respondent shared how the threat of violence gradually became normalized:

*"We were repeatedly visited by security forces, both the police and military. They were led directly by the ITDC and accompanied by village heads. We felt very intimidated by the security forces, but because there were so many of them, we got used to it. There were soldiers and policemen who pointed their guns at our family."*

The security forces made regular visits, sometimes late into the night. But they were not merely a menacing presence. Some community members told KPPII that they were arrested and assaulted for defending their land:

*"The police and military are the ones that visit my house the most often. When they come, there is usually no altercation, but in 2020, I was arrested for defending my land. The policeman who detained me stepped on my neck."*

One family was forced to leave their home after the ITDC erected a sign in front of their door:

*"My father was arrested and jailed for three and a half months for taking down the ITDC sign. Because the sign was posted right in front of our door, it was a major inconvenience, we had difficulty going in and out of our house. That is why my father dismantled it. He was arrested on charges of damaging ITDC property and was accused of land clearing."*

<sup>19</sup> Asian Development Bank Institute, [Working Paper Series No. 1036: Land Acquisition in Indonesia and Law No.2 of 2012](#), November 2019.

<sup>20</sup> Asian Development Bank Institute, [Working Paper Series No. 1036: Land Acquisition in Indonesia and Law No.2 of 2012](#), November 2019.

<sup>21</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

<sup>22</sup> Just Finance International, [AIIB's Mandalika project in Indonesia force thousands to leave their homes. 'What can you do when they point guns at you'](#), August 2022.

Women-led households are particularly vulnerable in cases of forced eviction. One woman shared the experiences of her neighbor, who lives alone with her baby: *“When her house is being evicted, there isn’t much she can do, even if the neighbors help. To this day, they are worried about being evicted again in the future.”* Children are being traumatized by the use of force, as told by one woman: *“The police entered our house, they deployed into all the rooms of the house. [...] We all feel so intimidated, [...] To this day, the children are scared whenever they see the police.”*

Though the Mandalika project’s countless cases of intimidation, violence, and forced evictions began in 2018, they are part of a continuum that dates back decades. Said one respondent:

*“ITDC argues that they have paid for our land in full. We have never received anything other than intimidation and terror.”*

Another respondent said:

*“We feel pressured, intimidated. The ITDC led the effort against us. The security forces came and pointed their weapons at us. They said that we had to leave our land because, according to them, ITDC had already paid for our land. We often carry out mediation and protest actions, but they are useless.”*

To this day, local communities in Mandalika continue to experience intimidation and coercion by the ITDC, Indonesian officials, and Indonesian security forces trying to clear new land for development. The latest incidents of intimidation took place as recently as February 2023.

### 3) Heavy deployment of security forces during international motorcycle racing events

**84%**

of respondents said that they were impacted by excessive deployment of soldiers and/or police during World Superbike and MotoGP races at Mandalika circuit.

Tourism forms an important pillar of Indonesia’s economy, comprising five percent of the national gross domestic product.<sup>23</sup> A central attraction in the Mandalika Special Economic Zone is the International Street Circuit, which hosts some of the world’s premier motorcycle races and events twice a year. Although the AIIB does not directly fund construction of the Mandalika International Circuit, a Resettlement Action Plan (RAP) - prepared by the ITDC and approved by the bank - is centered around the involuntary resettlement and social-economic impacts of the construction of the Mandalika circuit, including in Ebnut village which has been paved over to build the race track. The bank is also funding the construction of roads leading to the circuit, which has resulted in involuntary resettlement and forced land grabs.

As the stand-alone funder of the Mandalika project, the AIIB has a responsibility to ensure that its clients—in this case, the ITDC—respect the land and human rights of Indigenous populations living in both the project area and the project’s area of influence.

Instead, these rights have been repeatedly trampled. During race events, Indonesian security forces are routinely deployed to restrict the movement of local communities. They have detained locals for criticizing or protesting the military’s actions, and forced themselves into the homes of the same families who are being pressured to surrender their lands. One man recounted:

*“Whenever there are events at Mandalika, either World Superbike or MotoGP, our home is filled with security forces, the police and the army. Especially during the first World Superbike race and the MotoGP in March 2022, our land was occupied by about 800 personnel from the police force who were on call for ‘security reasons.’”*

<sup>23</sup> PWC. [Tourism’s contribution to Indonesia’s GDP can grow higher](#), May 2022.

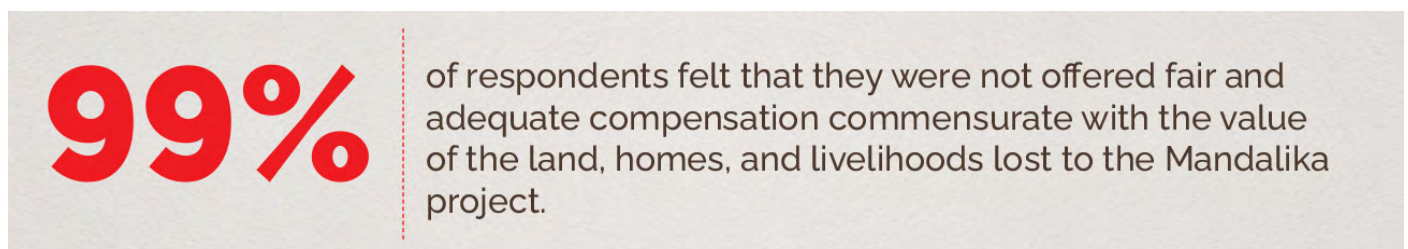
Local women told KPPII they were forced to comply with frequent and unreasonable orders from security forces deployed during motorcycle racing events:

*"During the race events, our home was surrounded by the police and military. We were so busy serving them coffee and boiling them cassava to eat. They never paid us, they just ordered us around. I really wanted to object to this treatment, because the price of sugar and coffee is expensive. But we didn't dare to refuse because they were carrying weapons. I was afraid of being shot by them."*

Mandated checkpoints and restrictions on movement have cut off community members from their livelihoods and from accessing local shops for their essential goods. During race events, children have faced challenges attending school due to movement restrictions.<sup>24</sup> One respondent even shared the case of a funeral disrupted by the heavily imposed restrictions:

*"The family of the deceased could not mourn because the funeral was at the same time as a racing event"*

#### 4) Lack of adequate compensation



The AIB's environmental standards require at a bare minimum the restoration or improvement of all persons displaced by a project through land-based resettlement or cash compensation at replacement value for land, including the transitional costs. In the same vein, the AIB's safeguards also require "prompt compensation at replacement cost for assets that cannot be restored, and improved access to alternative livelihoods."

In Mandalika, only 15% of surveyed respondents said that they received compensation for their land. Less than a third of respondents said they received compensation for their homes or for lost crops. Meanwhile, 92% of respondents felt that they were not in a position to negotiate satisfactory compensation. One person said:

*"There is no room for negotiation, there was never a meeting to discuss compensation. We don't know how, but our land has been turned into a building."*

Another respondent told KPPII:

*"They offered us an amount that is nowhere near how much the land is worth. It is just a joke. We are constantly being forced to vacate the land. Whether we accept the compensation offer or not, we will still have to leave the land"*

The AIB's safeguards require meaningful consultation to be "inclusive," "accessible," and to enable "the consideration of stakeholders' views as part of decision-making."<sup>25</sup> Yet the ITDC did not engage in any meaningful dialogue with project-affected people about the various forms of compensation they are eligible to receive for the loss of their land and livelihood. For instance, 98% of respondents were never aware—at any point during project consultations—that land-for-land swaps were an alternate form of compensation. As such, the ITDC's actions in offering only unilaterally determined compensation represent a gross violation of its responsibilities under the AIB loan.

<sup>24</sup> KPPII, [The AIB's Statement on Retaliation is misleading: the intimidation of Indigenous Sasak communities continues to this day with the heavy involvement of security forces in the Mandalika tourism development project](#), October 2022.

<sup>25</sup> Asian Infrastructure Investment Bank, Environmental and Social Framework (para. 13 "Vision: Stakeholder Engagement"), 2019.



The AIIB safeguards require its Client to engage in Free, Prior and Informed Consultation with affected Indigenous Peoples and obtain their broad support if activities under the Project would have impacts on land and natural resources subject to traditional ownership or under customary occupation or use.<sup>26</sup>

However, respondents repeatedly said that they felt dismissed by the ITDC and government officials, and treated as if they did not have the rights to their own land. This attitude is reflected in the ITDC's use of language in key project documents. For example, the word "squatter" is typically used to designate families who do not have land titles, but are customary land owners. Women who were the heads of their household said that there was never any opportunity for negotiations, and that they were at a disadvantage in advocating for their land rights with ITDC.

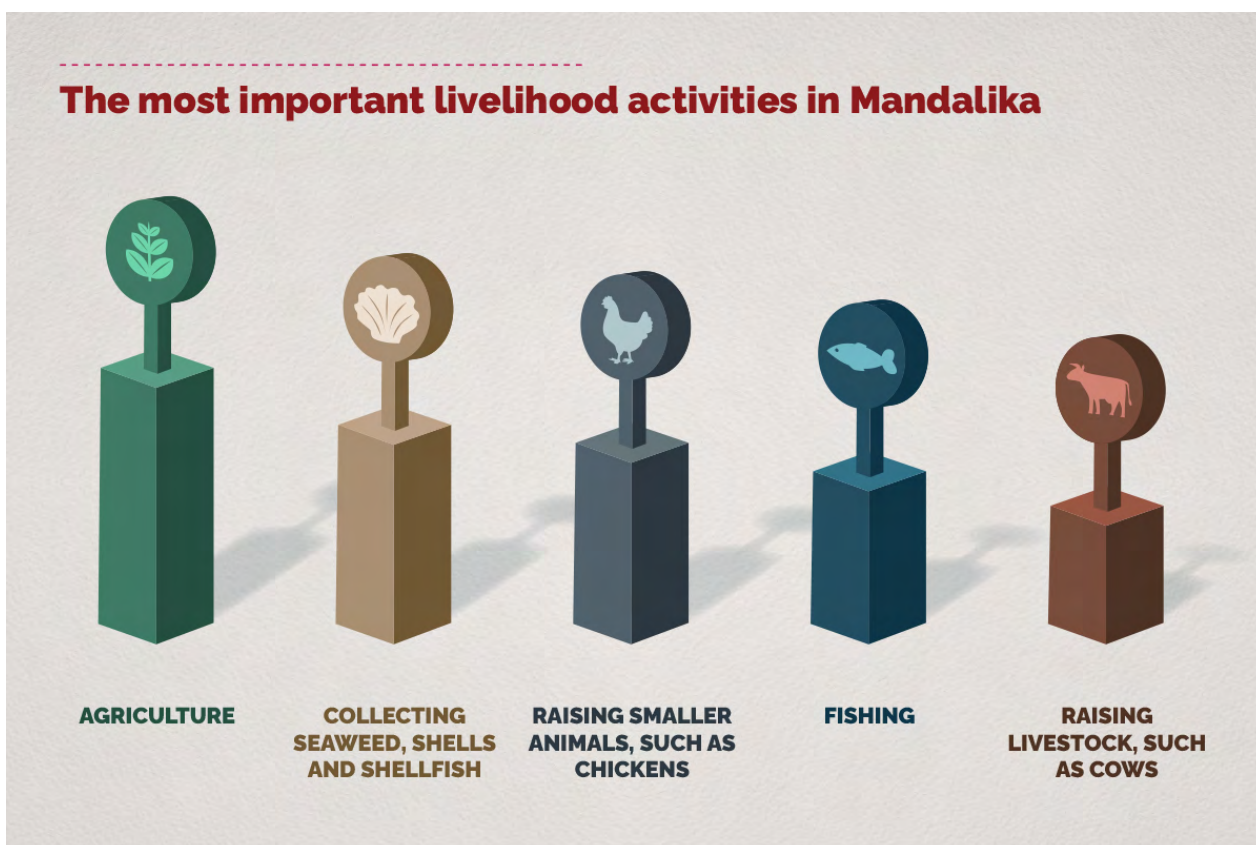
It is imperative for project-affected people to receive adequate compensation for the lands, homes, businesses and livelihoods that were lost due to the Mandalika project. Loan disbursement and project implementation should be halted until there has been a thorough investigation into land disputes and compensation. One survey respondent captured the mood of many: *"We don't reject projects or development, but we don't want our land to be taken away. So pay our land first, then continue the construction."*

## 5) The Socio-Economic Impacts of the Mandalika project

### The RAP disregards the importance of traditional livelihood activities

The Mandalika project did not only evict Indigenous families from their individual parcels of land—its impacts were much further reaching. By narrowing its focus to agricultural activities at the household level, the ITDC's RAP does not adequately reflect how project-affected households in Mandalika actually make their living. As such, the report entirely overlooks the importance of the sea as a source of livelihood for local populations, and ignores the importance of fishing, seaweed cultivation, shells and seafood for their survival.<sup>27</sup>

Starting from this fundamentally flawed understanding of the local conditions, the implementation of the Mandalika project has robbed Indigenous communities of their access to the sea and coastal areas, communal agricultural and grazing lands, communal coconut trees, as well as natural areas where men and women would forage for plants.

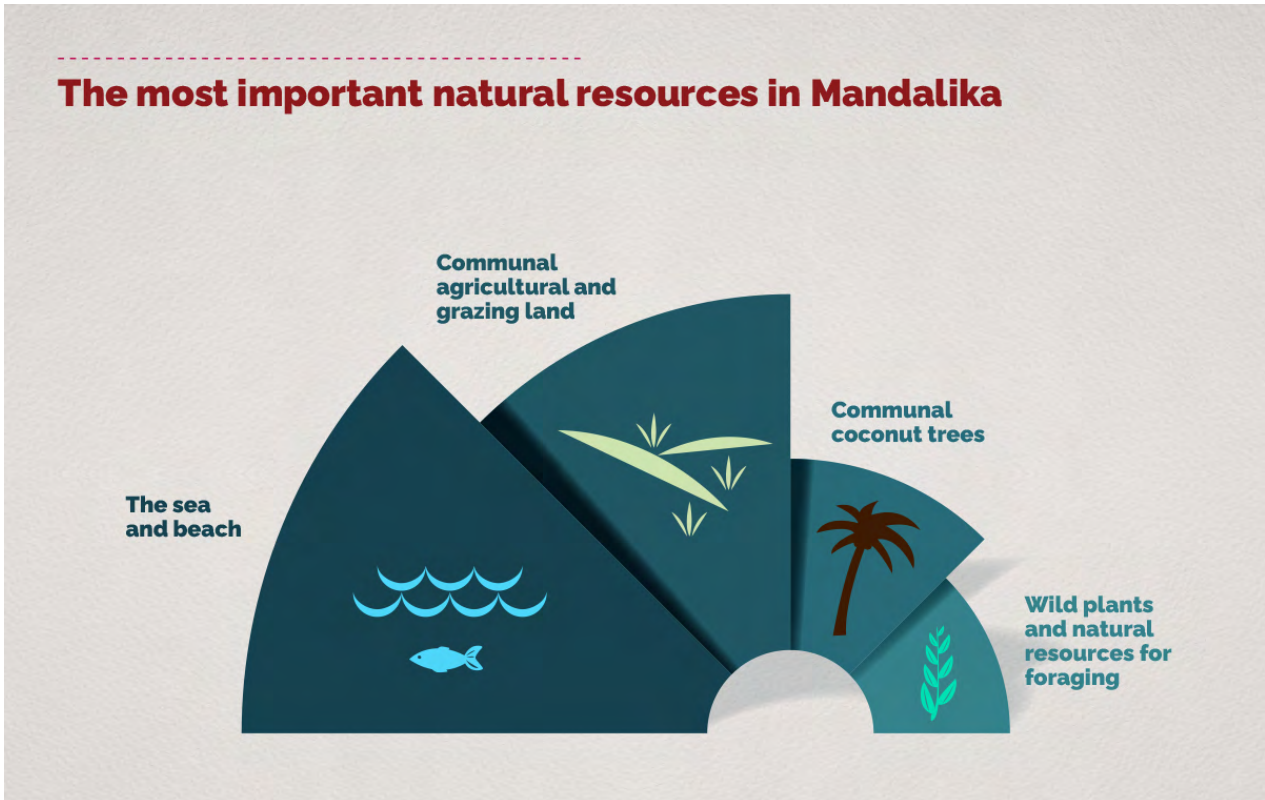


<sup>26</sup> Asian Infrastructure Investment Bank, Environmental and Social Policy ("C: Environmental and Social Assessment", "J: Consultation"), 2019.

<sup>27</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

Not having access to the sea and coastal areas has significantly hurt the livelihoods of project-affected communities. One man said: *"There is no more access to the sea and the beaches where I used to collect shellfish and marine products and fish, they are no longer allowed to be accessed by ITDC. In the past, marine sources were an additional source of income for me."* New fishing regulations related to the Mandalika project have also affected the ability of Indigenous artisanal fishermen to access certain beaches. As one respondent said:

*"Most of the fishing community was evicted, so now we have to go further away to fish, to Awang or the East Lombok area."*



69% of survey respondents said that the Mandalika project has destroyed natural and/or communal resources that they depended on for survival. The overwhelming majority of project-affected community members were not compensated for these socio-economic impacts. Several years on, the loss of agricultural land, access to the sea, and natural resources has turned this previously self-sufficient Indigenous community into one entirely reliant upon unskilled—and frequently precarious—employment for their survival.

### **Devastating socio-economic impacts on affected communities**

71% of respondents said that their lives were worse off as a result of the Mandalika project. Their biggest challenges, in ranked order, are:

**1) Food insecurity:** Women reported developments on the Mandalika project have caused greater food insecurity. Many mothers have had trouble securing well-balanced diets for their children. One respondent said:

*"We are no longer allowed to go to the sea. It has become very difficult because we can no longer eat fish. We have not received any compensation for the impacts of the project on our income, even though we are starving."*

Without the means to secure staple foods, another shared this account:

*"Our family has only been eating boiled cassava for several days now because we don't have money to buy rice. I feel like throwing up whenever I smell cassava, but I still have to prepare it so that my family has something to eat."*

**2) Employment difficulties:** Affected community members said that they faced greater obstacles to employment opportunities, in large part due to poor road conditions as a result of the Mandalika project. Many report needing to travel further after being involuntary resettled, which has caused additional fuel expense. Local businesses have seen a collapse in demand as many customers have moved due the forced evictions. Some respondents also cited the movement restrictions, heavily enforced during motorcycle racing events, as an additional challenge to securing employment.

**3) Barriers to education:** Many women reported that their household incomes have declined due to the Mandalika project. Without enough money to pay for tuition fees, they have had no choice but to take their children out of school. One woman described her family's situation:

"Nobody in our family graduated from high school. We had hoped that our children could go to school, but we started having financial difficulties due to the Mandalika project, so they had to drop out. My oldest child was in his second year of high school, but he dropped out because we had no more money."

**4) Rising debt:** 79% of respondents said they have experienced increased financial difficulties due to the Mandalika project. The loss of their land, access to the sea, and local natural resources has pushed many project-affected people to take on greater debt just to feed their families. Said one respondent:

"In the past, I didn't have to worry because I had land to plant sweet potatoes and access to the sea. Now, I don't have either of those, so we often go into debt to get food".

### Socio-Economic Impacts on local tourism

The Mandalika project represents a major initiative by the Indonesian government, backed by AIIB, to supercharge the area's tourism. Yet none of the benefits have been seen by community members working in the local tourism industry. In fact, many of them have reported *greater* barriers to their livelihood since implementation on the Mandalika project began.

One reason for this is a ban issued by the ITDC on local community members selling food or souvenirs to tourists. A survey respondent shared:

*"Before the construction of the Mandalika project, we could sell goods anywhere. After the Mandalika Street circuit was constructed, we were banned from doing this. It became very difficult for us."*

Small business owners who mainly cater to tourists have reported the ITDC's efforts to evict them. One local business owner said:

*"Before the Mandalika project, it was easier for me to make money. I used to have a shop to sell drinks and food at Batu Kotak. There used to be a lot of tourists. The Mandalika project has not increased the number of tourists... I was evicted from my shop and now I only depend on seaweed cultivation for my survival."*

As in other cases, the costs of development mispractice have fallen most heavily on women and girls, who are more likely to informally sell souvenirs, handicrafts and food and drinks to tourists as a means to support their families. Some women continue to do so, but face daily intimidation by ITDC security officers. One of them recounted:

*"Yes, every day I go around selling souvenirs, but I am often scolded and kicked out by ITDC security officers."*

Another woman shared the direct economic toll of the Mandalika project on her livelihood:

*"In the past, when we would sell goods on the beach, we could earn up to 13 million per day during the high season. Now, even when there is an event held at the Mandalika Circuit, we can earn at most 4 million a day."*

Taken altogether, this represents one of the central ironies of the Mandalika project. Out of all project-affected communities, those working in the local tourism sector should have been best positioned to grow their business or find better-paying jobs from the Mandalika tourism development project. Instead, regulations and enforcement intentionally aimed at targeting them has perversely led to a reduction in their income and the destruction of small and informal businesses, overwhelmingly affecting female community members.



## 6) Conditions in the Temporary Resettlement Site

According to the environmental and social safeguards established by the AIIB, the bank's clients must "meaningfully engage" with local communities affected by its projects. Yet in the Mandalika project, the AIIB-backed ITDC has failed to provide even basic information about its resettlement process—despite the project's tremendous repercussions on the lives and livelihoods of the local community.<sup>28</sup>

**The ITDC contravened the AIIB's Environmental and Social Safeguards, which requires clients to meaningfully engage with communities that will be involuntarily resettled by:**

			
Disclosing the draft resettlement plan in a timely and accessible manner, in a form and language understandable to the stakeholders	Disclosing the final resettlement plan and any updates to affected persons and stakeholders in a timely, accessible and understandable manner	Carrying out meaningful consultations with persons to be displaced, host communities and NGOs	Facilitating their informed participations in the consultations
			
Consulting with all persons to be displaced on their rights within the resettlement process, entitlements and resettlement options, and further participation process	Ensuring their involvement in planning, implementation, monitoring and evaluation of the Resettlement Action Plan	Paying attention to the needs of vulnerable groups – Indigenous People, those below the poverty line, the landless and those without legal titles to land, and elderly, women and children	Ensuring the participation in consultations by the above mentioned vulnerable groups

87% of survey respondents who were involuntarily displaced said that they did not receive sufficient information from ITDC about the resettlement plan. None of them were involved in the design or execution of the resettlement plan or asked for their input. None of them had the chance to attend consultation meetings with ITDC. None of them were informed of their rights during the resettlement process.

Nearly half of respondents did not know that the ITDC's resettlement plan included a commitment to permanently resettle people within 12 months. Instead, many have endured three years and counting in a temporary shelter with poor conditions. When informed that the ITDC's own plan had promised otherwise, they expressed their anger and frustration. One respondent said:

*"I was promised to stay here for a short time. And yet I have been stuck living in the temporary shelter for over three years."*

<sup>28</sup> AIIB, [Environmental and Social Framework](#), Environmental and Social Standard 2: Land Acquisition and Involuntary Resettlement.

Another explained: *"During this time, in addition to losing our land and natural resources, we also lost the potential to practice our traditional economic culture and livelihoods".*<sup>29</sup>

None of the respondents interviewed were satisfied with the living conditions in the temporary shelter area. According to the AIBB-approved resettlement plan, the ITDC was responsible for providing the following to involuntarily resettled people:<sup>29</sup>

- **A temporary house which includes a private bathroom and toilet.** Yet 86% of survey respondents said that they built their houses by themselves, or with support from family members. Not a single respondent who was involuntarily resettled said they were provided with a temporary house that featured a private bathroom and toilet. An involuntarily resettled man reported:

*"We had to build everything ourselves, we were not provided with any facilities at the temporary shelter provided, and we were much further away from the sea and our livestock."*

- **Basic services such as running water, electricity connection, garbage collection and disposal, and street lighting.** Meanwhile, 100% of the respondents said that their garbage was not regularly collected.
- **Assistance to move people and assets to the temporary shelter.** In fact, four in ten respondents said they received no assistance from the ITDC during their move.

Significantly, 62% of the respondents also reported feeling unsafe living in their temporary shelter. During the three years they have resided there so far, none of the respondents have been provided with any livelihood support, such as a plot of land to grow crops or raise cattle, or the means to carry out fishery activities.

These local accounts represent a serious dereliction of AIBB's own commitments as outlined in its Environmental and Social Framework, which expressly state that a project resulting in involuntary resettlement *must* improve the overall socioeconomic status of displaced persons.<sup>30</sup>

## 7) Conditions in the Permanent Resettlement Site

After more than three years of living in a temporary shelter in cramped and unsanitary conditions, a first group of families were relocated to a permanent resettlement site in a nearby area called Ngolang. As part of its survey efforts, KPPII conducted a focus group discussion with this initial cluster of families.

### Social and economic impacts of the resettlement site

The Ngolang permanent resettlement site is located on top of a hill that is accessible only by a very steep, poorly constructed road. The site's location and design were determined unilaterally by ITDC, without any input from or consultation with project-affected people. Only a two thirds of the involuntarily resettled respondents were informed of the remote location of the permanent resettlement site. Those who had been moved to Ngolang expressed their frustration at being relocated to new homes on top of a mountain, severing them further from the sea and their livelihoods. The isolation of this resettlement site adds another obstacle to the economic survival of Mandalika's affected communities, who had already endured greater impoverishment from losing their lands and easy access to the sea.

In the project's RAP approved by the AIBB, the ITDC has sought to minimize the challenges faced by resettled people in continuing their traditional livelihood activities:

*"When the PAHs [project-affected households] relocate, they will loose (sic) their houses, the places where they have lived for years. The farmers will also loose (sic) their primary or secondary income since they leave their crops behind and will not be able to farm on the land anymore. For those who rely on animal husbandry they will be able to bring their animals along to the new location and continue their livelihood. The affected people who work as fishermen, small traders, casual labors, students etc will not be affected except in terms of distance to commute to work. According to the plan, the change of distance, however, will be only a few kilometers. Most of the PAHs own motorcycle and/or bikes."*<sup>31</sup>

<sup>29</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018

<sup>30</sup> AIBB, [Environmental and Social Framework](#), Environmental and Social Standard 2: Land Acquisition and Involuntary Resettlement.

<sup>31</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

Yet 14% of the respondents surveyed do *not* have a motorcycle in their household. Resettled households will also incur additional fuel costs, which could limit their movements. Indeed, 59% of project-affected respondents said that they struggle to afford enough petrol for their basic transportation needs. Additionally, 39% of respondents answered that women in their families do not use motorcycles. Once again, the relocation will have an outsized impact on women, making it more difficult for them to seek educational and livelihood opportunities.

Children are also at greater risk of dropping out of school after moving from the temporary shelter to the permanent resettlement site. Before the Mandalika project, most children could attend the local school on their own, since it was only a 5-minute walk from their homes. For families that have been moved to the permanent resettlement site, the school is more than an hour and a half by foot on a steep road, and many students will no longer be able to attend by walking. Parents have expressed concerns that their children will no longer be able to attend school due to the greater difficulties in transportation and expense.

Although approximately 40 families have moved some of their possessions into the new homes, none of the resettled families have permanently moved to the resettlement site. They have many reasons to resist permanent relocation. Since the permanent resettlement site is on top of a steep hill far from the sea, resettled peoples are unable to fish and collect seaweed, and there is no arable land available at the permanent resettlement site to cultivate food or provide vegetation for cattle. Resettled families said that they fear a permanent move would hamper their survival by making it even more difficult for them to perform livelihood activities, and that they prefer commuting between the temporary shelter and Ngolang in order to be closer to their livelihood activities at least part of the time.

### **Lack of adequate information about the resettlement process**

The initial families relocated to the permanent resettlement site all believed that their residences would be provided for free, as a component of the compensation for the Mandalika project.

None of the respondents in this group were aware that they would be required to pay 300,000 IDR per month to pay off their new homes, as stated in the RAP. The RAP was approved by the AIB without the ITDC defining how many monthly payments involuntarily resettled households would need to make in total. Although the RAP clearly states: *"[the number of installments] is still unknown but will be disclosed by Central Lombok Government at least one month prior to the relocation to permanent location"*,<sup>32</sup> households that have already moved to the resettlement site have not been told how many payments they are required to make towards their new homes.

This lack of transparency is concerning. According to some of the families interviewed by KPPII, although the ITDC never mentioned that they were required to make monthly payments, they said that households would receive an ownership certificate for their new homes after 5 years. Based on this information, it is possible that resettled families will be required to make 5 years' worth of payments for their new homes, amounting to a total cost of 18 million IDR—far surpassing any of the compensation payments they are eligible to receive.

### **More than three years' delays for full-time employment as a form of livelihood restoration**

According to the RAP, one person per household should be provided with vocational training and a full-time job with ITDC or one of its contractors, with an average income of 2 million IDR.<sup>33</sup> Indeed, the RAP explicitly justifies its monthly charge of 300,000 IDR for the new residence by referring to this guarantee of a stable income that could cover the monthly payment as well as the family's living expenses.<sup>34</sup> However, in the three years since they were evicted from their land, none of the resettled people interviewed have been granted full-time employment.

Some men and women have worked for ITDC's contractors as day-wage laborers, either as construction workers or as security guards, but none have ever been granted a full-time position with a stable income. None of the respondents had heard of any other resettled person hired into a full-time job. In fact, none of them were even aware that they were entitled to one full-time job per household. Only one survey respondent indicated that they had ever been informed about vocational trainings provided by the ITDC for involuntarily resettled people. Without stable employment, resettled families are at a high risk of sliding further into debt.

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<sup>32</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

<sup>33</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

<sup>34</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.



### **Lack of running water and sanitation facilities**

According to the RAP, involuntary resettled families are entitled to running water and sanitation facilities in the permanent site.<sup>35</sup> Due to a technical issue with an ITDC-built water pump at the bottom of the mountain, there are issues with the availability of running water provided at the permanent resettlement site. Running water is only available for two hours each day. Despite the RAP's guarantees, local leaders have asked affected households to pool money together to buy a stronger pump themselves. They have also had to take on additional electricity costs for running the pump by themselves.

### **Insufficient infrastructure for cattle grazing**

Although the RAP states that resettled families would be able to bring their animals to the site and continue their livelihoods,<sup>36</sup> no cow pen or grazing area was provided at the resettlement site. One such facility was built by ITDC at the foot of the mountain, about a half hour by motorcycle from the resettlement homes. But the space can only accommodate 10 cows—far insufficient to meet the livelihood needs of the resettled communities. It is also unsafe to leave cows so far away from one's residence. Typically, cow pens are constructed near the family home in order to mitigate the potential theft of such an important economic asset and ensure appropriate levels of care. Families who have been resettled are resorting to taking turns standing guard day and night at the cow pen to protect their assets. Among all the challenges they face, resettled families cited the lack of land for cattle grazing and absence of a suitable cow pen as the key impediments preventing them from moving to the permanent resettlement site.

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<sup>35</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

<sup>36</sup> ITDC, [Resettlement Action Plan: Mandalika Urban and Tourism Infrastructure Project](#), 2018.

### III. Recommendations

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As a precondition for project approval, the AIIB conducted its own audit of the ITDC's land survey. Despite the intensification of land disputes in Mandalika, its devastating impacts on local communities, and numerous reports of intimidation and coercion from Indonesian civil society and the United Nations, the AIIB has yet to make public its audit of the ITDC's land survey. It is imperative for this document to be released to the public.

In light of the numerous violations documented in this survey, the AIIB must suspend its financing of the Mandalika project until the following conditions have been met:

- a)** The ITDC and Government of Indonesia has excluded elements of the state security including the military, police and intelligence from any future land acquisition, project implementation, or land dispute resolution process.
- b)** All land acquisition issues are adequately resolved by providing adequate compensation reflecting the market value of the land and property lost, as well as the loss of income from crops and natural resources. Particular attention must be granted to households that were coerced into ceding their land at below market value and involuntarily resettled, and who are currently completely excluded from the ongoing land dispute resolution process led by the Indonesian government, despite the devastating negative impacts of the Mandalika project on their lives and livelihoods.
- c)** The ITDC and Government of Indonesia has provided remedies to affected populations for the negative socio-economic impacts and human rights violations linked to the Mandalika case.
- d)** The ITDC and Government of Indonesia has effectively resolved issues relating to involuntary resettlement.

The AIIB claims that security forces are regularly monitored and held to rigorous Standard Operating Procedures (SOP) throughout their deployment to the Mandalika project area. Given the ample opposing evidence on the ground, the bank and the ITDC must release their SOP so that civil society organizations and affected communities can provide input and report any non-compliance of security forces to the bank.

Shareholders of the AIIB must press the bank to take serious efforts to ensure that the long-standing instances of intimidation, retaliation and manipulation of project-affected communities are reported, investigated, and addressed with transparency, sensitivity and accountability.

The AIIB must take responsibility for its complicity in bankrolling the Mandalika project, which has fueled land conflicts and human rights abuses, by conducting an independent evaluation. This evaluation should be staffed by human rights experts chosen in consultation with and agreed by NGOs and project-affected peoples, in order to ensure that these bad practices do not become a precedent for other AIIB-funded projects in Indonesia, Southeast Asia, and elsewhere in the world.





