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# Not Everyone And Not Enough: Arbitrary Resettlement and Compensation Schemes in the AIIB-funded Mandalika project



An analysis by

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A common sight in Mandalika: post-eviction temporary houses and bathrooms built with World Superbike (WSBK) and MotoGP billboard waste. Photo: Just Finance International (Mas Agung Wilis Yudha Baskoro, 2023)

***Nearly five years have passed since the Beijing-led Asian Infrastructure Investment Bank (AIIB) approved a \$248.4 million loan for the financing of Indonesia’s Mandalika Urban Development and Tourism Project. The project represented a major investment for the young bank, established in 2016 to fast-track regional infrastructure projects in Asia. In practice, however, the AIIB’s involvement in Mandalika has enabled and perpetuated the wide-scale, forced eviction of indigenous populations from their land, while severing them from their main sources of livelihood.***

In Mandalika, the AIIB’s due diligence and transparency failures can be traced to the very beginning of its involvement. Before approving the Mandalika project in December 2018, the AIIB failed to audit and verify the land and resettlement assessments submitted by its client, the Indonesian Tourism

Development Corporation (ITDC). The ITDC’s Resettlement Action Plan (RAP) stated that 92.7 percent of the selected land for development was “clean and clear” from conflicts, which became the grounds on which the AIIB approved funding. Yet this number is a gross oversimplification — if not outright misrepresentation — of the true conditions in Mandalika.

The AIIB has made lofty promises to uphold high transparency standards and “*best environmental and social practices*,” while claiming that it has “*worked with communities... to minimize and mitigate, if not avoid, adverse project impacts*.” In the ITDC’s RAP, three important conditions were established and guaranteed under the AIIB’s safeguards for all project-affected peoples: (1) provision of fair resettlement, (2) compensation for loss of property in the case of eviction, and (3) livelihood restoration for all project-affected persons.

Yet, instead of upholding these standards, the bank has repeatedly failed to meet its own, most basic social and environmental safeguards. For more than four years and counting, project-affected communities in Mandalika have endured — and continue to face — internal displacement, loss of livelihoods, and the daily humiliations of project-induced poverty. In the midst of this messy and unfinished resettlement and compensation process, the AIB has devised an exit strategy which is the opposite of the time-bound remedies and open resolutions that are needed.



Project-affected communities are confronted with a new problem after the evictions: poverty. Senior citizens who lived from crops and livestock lost their livelihoods and were forced to look for income as hawkers and parking attendants. These families have been living in the temporary settlement since 2020. ITDC's promise to move them into permanent housing and fair compensation has failed. Photo: Just Finance International (Mas Agung Wilis Yudha Baskoro, 2023)

According to the AIB's latest Project Implementation Monitoring Report, the bank and its client, ITDC, aim to complete resettlement in September this year, with the ITDC expected to “prepare a RAP implementation completion report and provide all supporting documents.” Accepted protocol among international financial institutions is to produce regular, ongoing and public resettlement and social impact monitoring reports in order to ensure transparency and accountability. The AIB's consent in allowing its client to present a single data dump at the self-described terminus of the resettlement process represents an alarming deviation from this practice, pre-

venting access to crucial information on land acquisition, resettlement and compensation by project-affected peoples and the public.

A more rigorous and transparent reporting procedure would aim to represent the true conditions and impact faced by Mandalika's indigenous populations, instead of rushing to “check the boxes” in order to facilitate a quick exit without accountability. Such an assessment would reveal a resettlement process beset by uneven implementation at best, blatant neglect and outright dismissal at worst, that is far from complete. According to the testimonies we collected, the bank's client has also repeatedly and consistently discriminated against the people's right to have access and input in the resettlement decision-making process by withholding important compensation and housing information from the very people most affected by these decisions. Only on a few occasions was any information disclosed at all, and even then it was done selectively in a non-public manner.

The key findings in this briefing come from a variety of data verification and information-gathering techniques including: 1) review of the AIB approved-project documents including its “project implementation monitoring reports” (PIMRs); 2) non-public resettlement and compensation data by Indonesia's state actors implementing resettlement we have obtained; 3) structured and open-ended interviews with no fewer than 70 households from the Ebunut and Ujung villages (more information below) as well as and other project-affected in the Mandalika project area; 4) continuous engagement with the ITDC and the Indonesian governmental agency responsible for public housing (PUPR); 5) review of questionable land sell contracts, and 6) and records of bank accounts verified by lawyers.

## No Meaningful Consultation and No Consent

The AIIB has stated in the RAP that the Mandalika project was designed in consultation with the communities. In fact there was a “socialization forum” organized by the ITDC with Ebunet and Ujung villagers in attendance. The forum was intended to explain the resettlement process and solicit meaningful feedback from the local communities. Yet the majority of participants we interviewed reject the notion that the forum was anything close to a public consultation. According to the participants, the ITDC merely gathered members of the project-affected community in a cramped room in Ebunut sub-village and told them they would have to leave their land and houses due to the construction of a major tourism development. Participants were informed that each household would be provided with a new two-story house at a different location in the future.

According to community members who attended, the meeting was conducted in a non-consultative way which deprived them of the possibility to freely express their views and questions. There was no discussion, only information dissemination. Flanking their presence were members of the state police and ITDC security services, as well as unidentified civilians who were suspected to be Indonesian state intelligence officers. The silent presence of these enforcement officials permeated the meeting, according to those in attendance, creating an atmosphere of intimidation and coercion.

The AIIB’s environmental and social mandates require its clients to meaningfully consult with affected communities and provide “evidence of broad community support” from Indigenous Peoples. Neither the AIIB and the ITDC have been able to provide any evidence of such community support from the local Sasak populations affected by this project.



Father of Awan’ stands outside his makeshift stall near the shoreline of Mandalika. He and his family have been twice evicted by ITDC and refused to accept the unfair and non-transparent resettlement and compensation terms the ITDC offered. Photo: Just Finance International (Mas Agung Wilis Yudha Baskoro, 2023)



Eviction victim ‘Father of Jannah’ stands on the land that was once his village. He has been seeking shelter in the temporary resettlement site for over three years now. Photo: Just Finance International (Mas Agung Wilis Yudha Baskoro, 2023)


Crucially, the AIIB does not recognize the widely practiced international principle of Free, Prior, and Informed Consent (FPIC), enshrined in the United Nations Declaration on the Rights of Indigenous Peoples. Instead, the AIIB puts forward in its Environmental and Social Framework (ESF) a significantly weaker requirement called the principle of Free, Prior, and Informed *Consultation* (FPI Consultation).

## Discriminating and non-transparent resettlement eligibility

Despite the AIIB’s rhetorical pledges to minimize the impact on displaced peoples, displacement in Mandalika continues to this day. Much of this can be traced to the bank’s initial failures in conducting the necessary due diligence of the project’s resettlement data. Our own investigation has yielded the discovery of non-public resettlement data from 2019, compiled by the ITDC and other project implementation agencies but which the AIIB has not required its client or other project implementing agencies to disclose.

# Mandalika Urban Development & Tourism Project

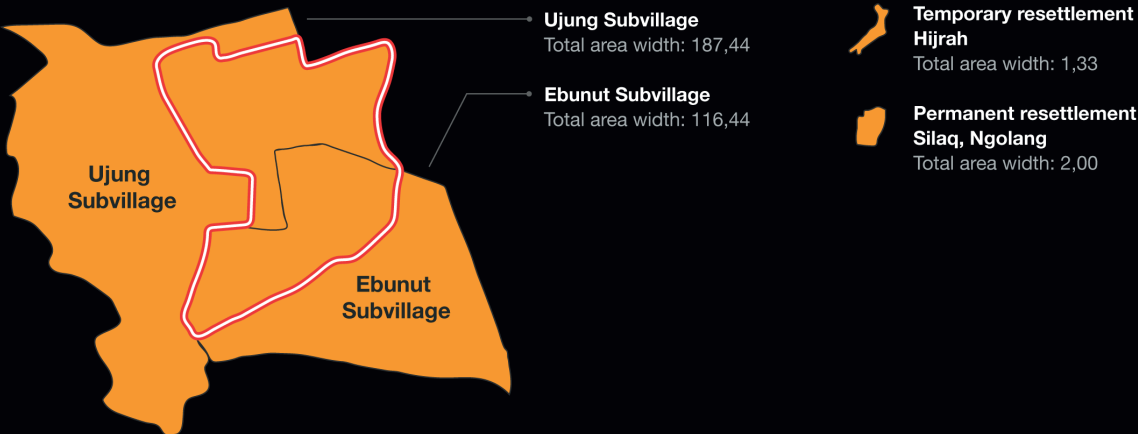
Debt financing: \$248.4 million

Financier: AIIB - Asian Infrastructure Investment Bank 

## Map over Lombok Tengah, Nusa Tenggara Barat, Indonesia



### Loss of land and livelihoods: Communities forced off their land to settle in significantly smaller areas



A close analysis of this data indicates major discrepancies between various official data sources, suggesting that the number and selection of households ultimately able to qualify for resettlement was arbitrarily determined — if not outright manipulated based on extraneous factors. This amounts to a violation of the fundamental human right to adequate housing.

According to our analysis of the non-public data, it appears that the Mandalika project's RAP, submitted by the ITDC and approved by the AIB, contains significant amounts of both duplicitous and unverified information. It has become clear that the ITDC manufactured much of the data without directly consulting with project-affected persons, while the AIB looked the other way.

An initial census for Mandalika resettlement conducted by Indonesia's Public Housing Services (PUPR) in 2019 registered 188 PAHs, with 132 from Ebunut sub-village and 56 from Ujung sub-village. That same year, an initial resettlement proposal prepared for Ebunut by a local village head requested 129 Project-Affected Households (PAHs) from Ebunut to be resettled.

The total number for both Ebunut and Ujung subvillages then dropped to 150 PAHs in a joint census conducted by the ITDC in partnership with Greencorp.

Yet in the list of names compiled by ITDC in its RAP submission to the AIB, there are only 137 families, consisting of 84 families from Ebunut and 53 from Ujung. Then in the fall of 2019, at the end of its own non-public resettlement data verification process, the Central Lombok governmental agency

responsible for housing determined that only a total of 120 PAHs — 67 from Ebunut and 53 from Ujung - would qualify to receive relocation assistance.

***There has never been any attempt to explain or account for these discrepancies by any of the parties involved.*** Furthermore, only a small group of project-affected residents with privileged village positions had any knowledge about what was happening within this opaque and inconsistent process for determining resettlement and compensation eligibility. None of the other rights holders affected by the project - the vast majority - had any visibility into what was happening to them.

In our own field interviews and efforts to verify this data, we have further discovered no fewer than 11 PAHs from Ebunut that were eliminated from all existing versions of the resettlement data, thus no longer eligible for any future resettlement and compensation. This group also includes eight young families whose heads of households were already adults during the non-public resettlement determination process, yet were still somehow excluded from the RAP and census.<sup>1</sup>

**The confusion and inconsistencies between these four contradictory sets of data reflect the AIB's failures in meeting the most basic measures of accountability. The bank wholesale delegated its due diligence responsibilities to the ITDC, while allowing its client to operate in near-total opacity. In addition to all this, the systematic exclusion of any meaningful involvement by the project-affected communities have resulted in a complete breakdown of a fair and orderly resettlement process.**

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<sup>1</sup> Another discrepancy exists in both the RAP and PUPR resettlement verification data that counted a total of 9 households in Ebunut that are not to be found (6 in RAP; 3 in PUPR)

## Stalled and incomplete relocation to new housing site

The Mandalika project's RAP makes explicit promises that a predetermined 150 PAHs would be entitled to a permanent residential house built in "Silaq Ngolang" ("Silaq"), a sub-village in Kuta Mandalika. The promised resettlement house is described as a two-story tourist house built on 100 m<sup>2</sup> of land, equipped with public facilities including running water, public health, street lamps and cattle pens, as well as space for cultivating crops. None of these conditions have been met in full.

AIB's latest monitoring report, disclosed in late August 2023, states: *"Each resettled household has received land title and house certificates indicating their ownership. Houses have been provided free for PAHs without a down payment."*

Our ongoing investigation and interviews with both villagers who have been relocated to Silaq and who are still awaiting relocation reveal a vastly different story.

Though the RAP originally stipulated permanent resettlement housing for 150 PAHs, only 120 housing units have been constructed in Silaq, which is located high up on a mountain-side and far from the fishing and farming livelihood sources most villagers have known. All the housing units are not two stories but one. Presently, only 27 PAHs from Ebunut and 34 PAHs from Ujung occupy a total of 61 resettlement housing units. Many were approved to relocate beginning in late 2022, after spending years in Hijrah, an unsanitary and cramped temporary shelter area. Contrary to the AIB's monitoring report, none of these 61 PAHs possess any form of 1) a land title or 2) housing certificates to this date.

The 61 PAHs granted housing in the Silaq permanent resettlement site — albeit still without their promised land titles and housing certificates — represent just a fraction of the total residents displaced from both Ebunut and Ujung<sup>2</sup>. Crucially, the AIB and ITDC have provided no explanation for why the other 59 housing units remain empty. At least 15 PAHs remain stranded in Hijrah to this day, where they face yet another impending forced eviction.

Outside Hijrah and in the Mandalika project area, we interviewed many families that were twice evicted from their original homes in Ebunut and prevented by the ITDC from settling temporarily in Hijrah. In overcoming their state of homelessness, they resolved to build temporary housing from scratch using billboards and leftover scrap materials from their demolished houses.



A young family of four was evicted twice in 2021 and 2022 for the construction of the Mandalika project. They continue to live in a temporary shelter they built themselves, even though AIB's client, the ITDC, promised them a home and a future. A former fisherman, the father now works as a security guard for the project and has not been paid for 6 months. Photo: Just Finance International (Mas Agung Wilis Yudha Baskoro, 2023)

Many other families have left Mandalika altogether to seek survival elsewhere. Beneath the grand rhetorical commitments made by the AIB and ITDC in their RAP exists a litany

<sup>2</sup> Less than one third, using PUPR figures.



of hardships and humiliations imposed on project-affected groups by the ITDC's callous implementation in Mandalika. Yet the most important violation of all has been robbing them of the fundamental right to determine their own resettlement according to their own needs and wishes.

## **Inadequate and arbitrary housing compensation, pushing many households into poverty**

International best practices for mitigating adverse social and economic impacts from development-driven land acquisition call for International Financial Institutions to provide compensation for loss of assets at replacement cost, calculated as the market value of the assets plus the transaction costs related to restoring such assets. Yet instead of following such a protocol to determine a fair compensation amount, the AIIB-endorsed RAP defined compensation as a unilaterally determined, one-time "handshake" package of IDR 10 million (USD 650 at the time) per household. Furthermore, it was stated that communities would need to put down IDR 5 million — half of their compensation package — as a down payment for their future home in Silaq. Local residents were informed that the other IDR 5 million could be used for their subsistence and other "relocation" needs until they were granted permanent resettlement homes.

Such an arrangement would have already put PAHs in a severely disadvantaged position, with no ability to negotiate more equitable or appropriate compensation amounts for the loss of their homes.

Yet the reality fell far short of even these terms. We interviewed over 79 PAHs who actually received the compensation — albeit without a copy of the receipt that they signed - and ***all of them reported receiving only IDR 3 million in cash payment.***



An elderly man eats rice in cold water in Hijrah, the temporary shelter area for those evicted after the Mandalika project implementation began. Extreme poverty and food insecurity plague not just the displaced population, but also those that have lost their access to agricultural land and natural resources. Photo: Just Finance International (Mas Agung Willis Yudha Baskoro, 2023)

The interviewees said that the ITDC informed them ***IDR 2 million would be kept as "administration fee."*** We also spoke with 6 PAHs listed in the RAP who did not receive the compensation.

The majority-agrarian Sasak households in Mandalika typically sustain themselves through raising cattle and fishing, earning an average income of ***IDR 2.5 to 7 million a month*** in the "no project" scenario before the development activity began. Therefore, the one-time "handshake" compensation of IDR 3 million that actually made it into the hands of some PAHs is equivalent to the bottom range of merely a single month of their income.

Additionally, the expenses for constructing a temporary house runs to greater than IDR 10 million per household. Needless to say, the payment of IDR 3,000,000 that some PAHs received was grossly insufficient given the significant costs from their loss of property and livelihoods, as well as the other burdens of internal displacement. All the community

members we spoke to said they were told they had to accept this compensation at its face value, or else they would get nothing.

Further distorting any semblance to a fair and orderly compensation process, we have uncovered evidence of the ITDC selectively compensating PAHs with land that was urgently needed for construction by the Mandalika project. When summoned by the ITDC, these PAHs were informed that they were given a choice between accepting a second one-time handshake payment or having the rights to a housing unit in the Silaq permanent resettlement site. In both cases, they were told they would have to forgo any livelihood restoration rights. Our investigation also revealed that no fewer than 6 families were denied a residence in the Hijrah temporary shelter site, even though they had brought their own materials for building a temporary home. This contravenes the AIIB's established

safeguard requirements, as well as the commitments outlined in the RAP that the AIIB bank claims are being well implemented.

During the second eviction period between 2020 and 2022, several Mandalika residents still living on land that was urgently needed for infrastructure development were approached by the ITDC and offered IDR 8 to 10 million in payment. 11 PAHs accepted an offer of IDR 10 million for their land. None of them were issued a copy of the terms that they were required to sign. Many acted from a place of desperation and poverty. A few families refused the unilaterally determined compensation, fearing that they would lose their rights for livelihood restoration and fairly determined compensation, as well as a claim to housing in Silaq.

In January 2022, 10 residents who did not appear in the PUPR verification data received a summons to the ITDC office. When we spoke to four of them, we learned that they were offered IDR 10 million in compensation for their land. One person said that they received the payment after they were asked to sign a letter of sale and purchase for the land, while 3 other people did not get the money because one of them said he could not be represented, while the other 2 people admitted it was because they had never taken care of it again. **It is important to note that in all of these cases, PAHs were pressured into accepting unilaterally determined compensation amounts without any information or ability to provide input.**



A family of four with two school age children was denied fair livelihood restoration and resettlement options. After being forced to accept a one-time compensation of meager sum, they were left to fend for themselves. They now live in a makeshift place they built using leftover scrap materials from their demolished home. Photo: Just Finance International (Mas Agung Willis Yudha Baskoro, 2023)

## **Disrupted livelihoods due to ongoing displacement**

The third guarantee by the ITDC and AIIB was livelihood restoration. Promises were made to train income-generating members of the PAHs and provide them with the skills and resources to start new business and pursue better opportunities. None of this has been realized to date.

The AIIB approved RAP states: “ITDC will provide training and permanent jobs...so that the PAHs can recover their livelihood after resettlement,” and places an emphasis on men and women between 20 and 40 years of age.

But according to testimonies we have collected from the project-affected groups, there has been zero evidence that the AIIB’s client delivered any substantive livelihood restoration. Most of the displaced Mandalika communities do not have a steady job or income; nor have they received any meaningful training. Some have found odd jobs in construction yet still struggle to make ends meet after being severed from their previous livelihoods of raising cattle and working in the fisheries.

The ITDC’s commitment to offer jobs that would generate “equal or greater than the minimum wage of West Nusa Tenggara Province” was also broken. Members of the affected communities that lived primarily

from farming and fishing pointed to how the income levels listed in the RAP were substantially lower than what they earned - both during regular and peak cattle trading and fishing seasons. Many of the project-affected interviewees now holding odd jobs say they only make IDR 40-50,000 per day, nearly half of their previous of IDR 75,000 to IDR 1,250,000 a day.

To this day, the AIIB has evaded its previous commitments to ensure that its development activity does not make people worse off. **The bank has been able to bury these problems in part because it is not obligated to disclose any social impact monitoring reports that look into the status of livelihood restoration and compensation.** In fact, the bank’s negligent behavior for years has proven its indifference to these urgent accounts of impoverishment from the Sasak fisher and farmer families that have lost their access to their livelihoods and natural resources.



The Ebunut and Ujung subvillages where the Sasak fisher and farmer families once lived is now a race track. ITDC plans to evict those living in the Seger beach area soon. Photo: Just Finance International (Mas Agung Wilis Yudha Baskoro, 2023)

## Recommendations

Our findings indicate consistent and systematic violations of the RAP's three commitments to provide resettlement, compensation for property loss during and livelihood restoration. While there have been isolated instances of PAHs receiving some form of resettlement and rehoming, they remain exceptions rather than the norm.

Rather than benefit the local communities, the AIIB and ITDC's failure to meet these conditions has led to increased suffering among the hundreds of families who have been evicted. They have not only lost their land, homes, and sources of income but also endured years of uncertainty. Consequently, many of them have accumulated significant debts owed to neighbors and non-conventional banks, often totaling millions or tens of millions, in order to cover daily expenses, school fees for their children, and even materials for the construction of new homes they must build themselves. This situation paints a clear picture of how the promises made by AIIB and ITDC for a better life for those affected by the Mandalika Project have fallen significantly short of the bank's touted commitment to 'best environmental and social practices.

For the project-affected peoples of Mandalika, the AIIB and ITDC's sweet promises of a better life have brought nothing but greater hardship.

The AIIB and ITDC must immediately remedy the rights violations suffered by PAHs due to the Mandalika Project in the following ways:

1. Immediately disclose the land audit and reassessment of ITDC's resettlement data along with documentation detailing the cash and bank payments for compensation.
2. Immediately disclose copies or proof of certificates for land and housing for the 61 PAHs currently residing in the permanent resettlement site 'Silaq'.
3. Immediately relocate and rehouse the PAHs stranded in the temporary shelter area 'Hijrah.'
4. Immediately set up Technical Assistance to facilitate:
  - a) the independent reassessment of the loss of livelihoods and properties and deliver corrective restoration measures based on the independent reassessment,
  - b) the independent assessment of the adequacy and functionality of the permanent resettlement site,
  - c) technical support to its Client in undertaking a land audit in a consultative manner that includes those with land rights and user rights to land.
5. Provide adequate housing for residents while empowering them with the right to determine a location that is not cut off from access to their livelihoods.
6. Provide adequate compensation for house evictions equivalent to the cost of building the required semipermanent house which is based on the price of building materials in the Mandalika area.
7. Provide restoration of life for affected residents based on the number of people, not just heads of families, based on the value of lost livelihoods.
8. Stop eviction until fair resettlement, compensation and livelihood restoration terms have been agreed upon in a consultative manner with all project-affected peoples.