



ASIAN INFRASTRUCTURE
INVESTMENT BANK

Indonesia: Mandalika Urban and Tourism Infrastructure Project

Key findings from the Bank's Project implementation monitoring mission
from June 3 to 17, 2022

Board Briefing

September 26, 2022



Technical Briefing

- **Objective of Technical Briefing.** To brief the Board, following the last Board briefing on May 23, 2022, on the key findings from the recent implementation monitoring mission carried out from June 3-17, 2022 (Mission) in relation to the Mandalika Urban and Tourism Infrastructure Project (Project); respond to the Board's questions; and discuss the way forward.
- **Scope of AIIB's Mission.** The Mission's scope was to: (a) review the implementation of each Project component from March 2019 to June 2022; (b) assess and cost the activities that are planned until Project completion in September 2024; (c) review implementation of Project environmental and social instruments and detailed Action Plan; (d) discuss the status of ongoing and planned procurement contracts/activities; and (e) identify possible issues and constraints that may affect Project implementation and discuss ways to address them, including possible Project changes.
- **Members of AIIB's Team.** The Bank's mission members consisted of: Sangmoo Kim (Project Team Leader, Sr. Investment Operations Specialist), Odil Akbarov (Social Development Specialist), Julius Thaler (Chief Counsel - Legal), Geoffrey Read (Project Advisor/ Sr. Engineering Consultant), Jitender Pal (Urban Planning Consultant), all of whom who physically joined the mission; and Chongwu Sun (Sr. Environment Specialist), Giacomo Ottolini (Sr. Procurement Consultant), Chitambala John Sikazwe (Sr. Procurement Specialist), Yi Geng (Sr. Financial Management Specialist), Michaela Bergman (Principal Social Development Specialist), Rambat Sakwan (Social Development Consultant), Nurul Mutmainnah (Financial Management Consultant), and Jinghui Li (Project Assistant), who joined remotely.

Technical Briefing Agenda

- **Agenda**

- Project Overview

- Objectives, Scope
 - Concerns raised by the Special Rapporteur on extreme poverty and human rights of the Office of the United Nations High Commissioner for Human Rights

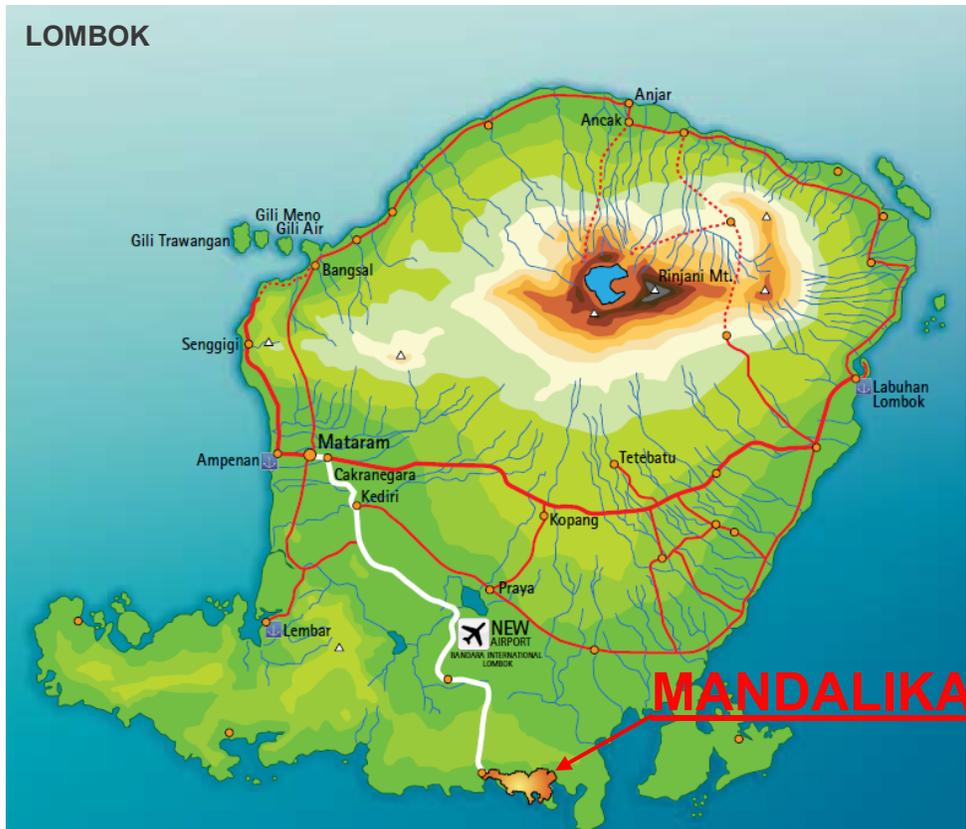
- Key Mission Findings, Project implementation status, Project monitoring and oversight

- Indonesia Tourism Development Corporation (ITDC) Action Plan and its progress
 - Takeaways from the meetings with Project stakeholders

- Summary and Next Steps

- Q&A and Discussion

Project Overview (1)



Objectives: To provide sustainable core infrastructure for the development of a new tourism destination in the Mandalika region of Lombok.

- Component 1: Provision of basic services and infrastructure. 1.1. Construction of core infrastructure in Mandalika, including road and drainage, water supply, wastewater, solid waste management, electricity distribution, disaster risk management, landscape, and community facilities; and 1.2. Infrastructure improvements to selected nearby villages.
- Component 2: Technical Assistance and capacity building. 2.1. Project management; 2.2. Construction management; 2.3. Establishment of economic linkages; and 2.4. Destination management and monitoring, including developing monitoring tools for the destination and extended areas.

Loan Amount:	USD248.4 million	Total Disbursements:	USD107 million (43.0%)
Borrower & IA:	ITDC	Guarantor:	Republic of Indonesia
Loan Approval:	Dec. 7, 2018	Loan/Guarantee Signing:	Dec. 31, 2018
Effectiveness:	Mar. 22, 2019	Loan Closing:	Sep. 30, 2024

Project Overview (2)

- Rationale for AIIB financing includes: (a) a catalytic investment for growth; (b) promotion of balanced regional development; (c) reduction of infrastructure constraints to mobilize private capital; and (d) alignment with national development priorities and anticipated synergies with parallel initiatives supporting the tourism sector.
- The Project was assigned Environmental and Social Category A, due to the Project's significant and diverse potential environmental and social impacts – involvement of multi-sectoral infrastructure, highly complex land issues (including legacy issues), geographical location (remote island, pristine environment), and multiple stakeholders involved in overall tourism development.
- This Project provided a rare opportunity for the Bank to finance urban infrastructure on a transformational scale – a “*high risk high impact*” project – targeting one of the poorest parts of Indonesia.
- Pursuant to the Bank's Environmental and Social Policy (ESP), all three Environment and Social Standards (ESSs) were applied and environmental and social instruments were prepared accordingly, including an Environmental and Social Impact Assessment/Environmental and Social Management Plan (ESIA/ESMP), Resettlement Planning Framework/Resettlement Action Plan (RPF/RAP), and Indigenous Peoples Development Plan (IPDP), which were reviewed and cleared by the Bank, following an iterative process.
- In addition to the comprehensive environmental and social instruments, the key Project features include:
 - Sustainable land use planning and building regulations;
 - Sustainable infrastructure solutions;
 - Direct interventions for surrounding local communities; and
 - Support for longer-term destination management.

Project Overview (3)

- 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?gId=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 Management 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.

Project Overview (4)

- 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 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 mission in June 2022.
- Since the first communication from the Special Rapporteur, AIIB has engaged in enhanced monitoring of the Project, and has sought to use its good offices to facilitate resolution of issues involving the separate MotoGP circuit project. It has also remained in communication with the Special Rapporteur.
- To date, AIIB's enhanced monitoring has not revealed evidence of human rights violations.
- This briefing is designed to update the Board on its latest findings based on the June 2022 field mission.

Status of Project Implementation

- Since loan effectiveness, good progress has been made in implementation of the Project components. As of August 31, 2022, the disbursement stands at USD107 million (43.0% of the total AIIB loan amount).
 - *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), will be awarded.
 - *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 Q1 2023.
 - *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 Special Economic Zone (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.

Photos of Construction Progress (2)

Construction of ground water tank, temporary evacuation shelters, parking facilities



EAST GROUND WATER TANK

No	Work Items	Remaining Works	Remarks
1	Rebar Tank 3	4.731,49 kg	Wall Stage 1
2	Rebar Tank 1	14.194,47 kg	Wall Stage 1



Wall Rebar Installation



No	Work Items	Remaining Works
1	Subgrade Preparation	Finish
2	Aggregate Base A	Finish
3	Rigid Pavement	Finish
4	Retaining Wall	351,00 m ²



No	Item	Remaining Works
1	Rigid Pavement	192,38 m ²
2	Aggregate Base A	Finish
3	LPA Parking	Finish
4	Concrete Fc' 20 MPa	198 m ²



Rigid Pavement



No	Work Items	Remaining Works
1	Aggregate Base A	Finish
2	Drainage U-Ditch	Finish
3	Rigid Pavement	Finish
4	Street Lighting	Finish
5	Curb Mountable	Finish



Photos of Construction Progress (3)

Construction quality checks and environment, health, safety control and monitoring



Sandcone Backfill Crossing Box West GWT



Field California Bearing Ratio Test Roundabout Tes 7



Sandcone Base A Roundabout Tes 7



Checklist & Slump Test Rigid Pavement Roundabout Tes 7



7 days Compressive Strength Test of f'c 25 Mpa Integral Waterproofing Column Tank 1 West GWT



Checklist & Slump Test Slab Tank 2 East GWT



Noise Monitoring



Water Quality Monitoring



Dust Monitoring



Vibration Monitoring

AIIB's Project Implementation Monitoring

- 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 since the onset of the pandemic) to review progress and address specific issues. This includes weekly meetings with the Client targeted to environmental and social aspects of the Project.
- 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 Project team is continuing to monitor implementation of 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 June 2022 the Bank's Project team conducted its first onsite implementation and monitoring mission since the pandemic began, lasting over two weeks. The AIIB Consultant is planning to conduct a field visit from November 2022 to continue providing support to ITDC in connection with its stakeholder engagement and resettlement.

Status of Land Acquisition and Resettlement (1)

- **Land Ownership by the Client.** 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.
- **Land Acquisition by the Client.** Individually-owned land required for the Project has been acquired on a willing-buyer and willing-seller basis. There are ongoing claims to ITDC's land. These are addressed either by negotiation and/or through the legal process.

Pre-condition before moving to HPL94



Temporary resettlement (HPL94)



Education program for children in HPL94



Permanent housing (under construction)



Basic infrastructure and facilities in HPL94



Health program in HPL94



Status of Land Acquisition and Resettlement (2)

- **Resettlement Process.** The 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.
- According to 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.
- 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.

ITDC Action Plan Progress (1)



On the basis of the AIB Consultant's findings in 2021 and following subsequent discussions with ITDC, an Action Plan setting out measures to be taken by ITDC going forward was developed and continues to be under implementation. The Action Plan was intended to be a living document, and is updated in consultation between AIB and ITDC as the Project progresses. The Action Plan includes the following:

- **Enhanced Stakeholder Engagement.** To improve stakeholder engagement, ITDC, with support from AIB, has developed an Implementation Strategy for Communication, which outlines: (i) how often ITDC and its contractors should hold meetings with Village Chiefs, Sub-Village Chiefs, Project-affected people, and other stakeholders; and (ii) how ITDC will disseminate information about the progress of the Project and employment opportunities. There has been continued engagement; however, the COVID-19 pandemic has necessitated some restrictions on in-person engagement.
- **Adoption of a Standard Operating Procedure for Security Personnel.** With respect to the use of security personnel, ITDC has developed a Standard Operating Procedure (SOP) in case of the use of security personnel by either ITDC or its contractors during implementation of the Project activities.

ITDC Action Plan Progress (2)

- **Livelihood Restoration of Project-affected People.** This part of the Action Plan outlines the process whereby Village Chiefs and local government mediate contentious issues, including whether and to what extent affected people need non-financial assistance. With support from the AIIB Project team, ITDC, working with the Government of Indonesia (GOI), has provided compensation, in accordance with the RAP, to all Project-affected families who lost their source of income derived from farming. In addition to compensation under the RAP, ITDC plans to provide a member from each Project-affected family with a job related to tourism; this plan is to be implemented when Mandalika is open for tourism.
- **Functioning of Grievance Redress Mechanism (GRM) Improved.** AIIB receives weekly updates on the grievances logged and measures taken to address the complaints. ITDC advertises and provides information to Project-affected people on the GRM. The GRM was established by ITDC to address both Project and non-Project complaints in the Mandalika SEZ. As of August 25, 2022, a total of 162 complaints (for Project-related activities) have been received. Of these 132 have been resolved. The complaints related to a number of issues, but mostly to shortage of water (that was not Project induced), land prices, construction impacts and employment opportunities.
- The AIIB Project team continues to monitor implementation of the Action Plan as part of its Project implementation monitoring.

Banner
(Project GRM and AIIB's PPM)



Mandalika POS (post)
(regular project update and job opportunities)



Consultation meeting with
Project-affected people



Consultation with local community
(Pujut sub-district)



Meetings with Project Stakeholders (1)

- The AIIB Project Team met relevant stakeholders including the GOI Ministries, local government, local communities, Project-affected peoples, local CSO/NGO groups, local universities, contractors and workers, in both formal and informal settings. These meetings were used to: facilitate the review of the Project's progress; keeping these stakeholders informed and up to date with Project activities; enable articulation of ongoing concerns by stakeholders; and identify-measures to be taken by ITDC to address concerns.
- The target groups for these meetings were carefully selected based on the main social concerns raised and built on AIIB Consultant's previous meetings. The meeting dates and times were chosen so as not to conflict with participants' work schedules or cultural or religious events including praying time. Meetings were organized by either ITDC or the Bank team depending on their objectives.
- The Bank team received generally positive feedback from participants, including local communities and local CSO/NGO groups, with regard to the Project (e.g., local street vendors – their increased income due to growing local tourist numbers and Project contractors/workers, particularly, during the time of COVID-19 pandemic; and local community – better general access including to the markets, due to improved road infrastructure and increased safety at night due to provision of street lighting under the Project).



Meetings with Project Stakeholders (2)

- Key concerns/suggestions raised by Project stakeholders and actions discussed and agreed with ITDC.

Concerns and Suggestions	Agreed Actions
<p>More skill development and training for local communities and employment opportunity</p>	<p>(i) ramp up skill development and training programs for future job opportunities in Mandalika for surrounding local communities both inside and outside the Project area. To this end, the Bank team is now discussing with ITDC the inclusion of additional activities under the Project that could be financed from uncommitted loan savings resulting from tax exemptions; and</p> <p>(ii) coordinate and collaborate with Project stakeholders on training opportunities (e.g., tourism-related training-supported by the Ministry of Tourism and fishery-related training by local government’s fisheries unit).</p>
<p>Livelihood restoration relating to limited space for cattle and goat husbandry in the permanent resettlement site</p>	<p>(i) construct a collective cattle pen in the permanent resettlement site (local government agreed to prepare additional budget in 2022 for this purpose).</p>
<p>Enhanced stakeholder engagement and communication</p> <p>Better coordination with the various programs and investments in the Mandalika SEZ</p>	<p>(i) better explain the Project scope/activities, and how it will benefit local communities in and surrounding the Project area, and provide employment opportunities; and prepare detailed stakeholder engagement programs and submit regular reports on stakeholder engagement to the Bank; and</p> <p>(ii) strengthen stakeholder engagement through the use of an experienced independent facilitator, with the objective of enhancing communication with stakeholders about the Project and facilitating resolution of outstanding issues.</p>

Meetings with Project Stakeholders (3)

Concerns and Suggestions	Agreed Actions
Request for ITDC support during two culturally important local events in Mandalika (Bau Nyale and Madaq)	<ul style="list-style-type: none"> (i) provide facilities such as camping tents, public toilets and garbage bins; and (ii) support for branding the events as a cultural tourism asset for Mandalika.
Proposed awareness and training programs for hawkers, local vendors, and other relevant small businesses	(i) incorporate relevant training programs into the Sub-component 2.3 (skill development and training for local communities) and provide support to these hawkers, vendors and small businesses as part of the tourism and hospitality industries in Mandalika.
<p>Maintaining a vision of developing Mandalika as a sustainable tourism destination.</p> <p>Kuta beach area has lost its traditional atmosphere</p>	<ul style="list-style-type: none"> (i) supported by the Sub-component 2.4 (Destination management and monitoring), develop a longer-term tourism branding strategy by leveraging Mandalika's unique local cultural and natural assets; and (ii) continued communication and partnership with relevant Project stakeholders.
Local NGO's expressed interest in future business opportunities, including various events designed to promote tourism, such as organizing cultural /tourism events in Mandalika	(i) communicate closely with Project stakeholders, in particular local CSO/NGO groups in order to strengthen the Mandalika branding and facilitate development of possible cultural programs, which is being supported under the Sub-component 2.4 (Destination management and monitoring).

Meetings with Project Stakeholders (4)

Concerns and Suggestions	Agreed Actions
<p>A potential Project risk if the Project implementation is delayed, thereby not generating timely economic opportunities for local communities</p>	<ul style="list-style-type: none"> (i) expedite implementation of Project activities, including Sub-component 1.2 (Infrastructure improvements to selected nearby villages) and Sub-component 2.3 (skill development and training for local communities); (ii) as committed under Project RAP, provide at least one job per Project-affected household once tourism activities get underway; (iii) continue to monitor employment status and income levels of local people involved in the Project.
<p>ITDC's frustration over constant information seeking/clarifications requested by the Bank and frequent meetings/investigations over the last two years.</p>	<ul style="list-style-type: none"> (i) improve stakeholder engagement and communication, in particular with domestic and international CSOs/NGOs effectively responding to their continued scrutiny.
<p>Uncertainty around the ongoing COVID-19 pandemic and related travel restrictions, and the pandemic's impact on the Project and private investors' appetite</p>	<ul style="list-style-type: none"> (i) complete construction of essential infrastructure in Mandalika SEZ, as future market demand will be determined by improved accessibility, supply of quality infrastructure, accommodation, and tourism products and services; (ii) revisit ITDC's tourism marketing strategy and consult with the Ministries on possible interim solutions/programs; and (iii) discuss possible Project changes which help mitigate COVID-19 impacts on the Project, tourism industry, and local economy.
<p>Local economic linkages with hotel supply chains (e.g., tourism products/services, foods, furniture, building materials)</p>	<ul style="list-style-type: none"> (i) Incorporate in Land Utilization and Development Agreement revision (being advised under the Sub-component 2.4) a provision to encourage hotel operator(s) to engage local suppliers/service providers and employ a certain percentage of locals.

Summary and Next Steps (1)

- Overall Project implementation is proceeding well despite the ongoing challenges given the complexity of the Project. In general, the Bank's June mission received positive feedback from Project stakeholders, including local communities, with regard to the Project's benefits and expected positive impacts.
- AIIB takes allegations of human rights violations related to the projects it finances extremely seriously. Consequently, 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.
- AIIB acknowledges that, as with any development project, there continues to be room for improvement in stakeholder engagement by all parties concerned.
- To this end, during the mission, AIIB agreed with ITDC and the GOI that ITDC would engage an experienced facilitator independent from either ITDC, GOI and AIIB to facilitate a better understanding of Project-related issues. The facilitator is anticipated to be appointed by November 2022.

Summary and Next Steps (2)

- As part of its enhanced approach to Project monitoring, the AIIB Project team continues to monitor implementation of the Action Plan, and to report to the Board of Directors on its progress through its Project Implementation and Monitoring Reports.
- 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.
- AIIB's next full regular monitoring mission is planned for December 2022.
- AIIB remains open to dialogue with all concerned parties, including Project stakeholders and the Special Rapporteur and to continuous improvement of its Project monitoring.

THANK YOU



ASIAN INFRASTRUCTURE
INVESTMENT BANK