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Dear Dr. Ahmad,

We are pleased to offer comments from the International Network on Displacement and Resettlement on the consultation draft for the Asian Development Bank’s Country Safeguards Review: Indonesia Consultation: Draft of March 2017. Please acknowledge receipt and submit to the appropriate reviewers.

Best regards,

Dr. Theodore E. Downing, President
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Thank you for sharing the Technical Assistance Draft through a Public Consultation process. We offer these comments for your consideration for the topic of Involuntary Resettlement.

Purpose: The TA Paper presented a case for concluding that Indonesia’s Country Safeguard System (CSS) for involuntary resettlement meets ADB’s Safeguard Policy Statement (SPS) 2009 for measures of both “equivalence” and “acceptability”. It concluded that Indonesia’s CSS is “broadly aligned with the objectives, scope and triggers of the ADB SPS with regard to ... involuntary resettlement safeguards. The level of equivalence for Indonesia’s CSS for involuntary resettlement is high in comparison with other DMCs in Asia and the Pacific” (ADB 2017: paragraph 60).

New Law: We appreciate that Indonesia has recently promulgated a new Law on development displacement, ACQUISITION OF LAND FOR DEVELOPMENT IN THE PUBLIC

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1 The International Network on Displacement and Resettlement (INDR) is chartered as a non-profit, international professional association, founded in 2000. Its members work in all aspects of development-induced displacement and resettlement (IDR) ranging from on-the-ground managers of displacement projects to socio-economic project designers, evaluators, policy developers, lawmakers focusing on takings, and more. Our primary concern is for people who are “in the way” of development and desire to prevent, avoid or mitigate the predictable but preventable negative outcomes. Its professional website is www.displacement.net. Contact T. E. Downing, President president@displacement.net

2 From SPS para 68 (ii). “ADB may consider application of a borrower’s CSS to identify and manage the social and environmental risks associated with ADB financed projects at the national, sub national, sector, or agency level provided that (a) the CSS is equivalent to ADB’s (equivalence assessment), that is, the CSS is designed to achieve the objectives and adhere to the policy scope, triggers, and applicable principles set out in this SPS (page 16-18); and (b) the borrower has the acceptable implementation practice, track record, and capacity (acceptability assessment), and commitment to implement the applicable laws, regulations, rules, and procedures in the country, specific sector, or agency concerned.”
INTEREST, LAW NO. 2 OF 2012, effective in January 2014, supported by enabling regulations and capacity building. We recognise this significant investment in streamlining and enhancing legal and regulatory frameworks for land acquisition in Indonesia.

Equivalence: The TA Paper states that “For involuntary resettlement, the recently enacted Law 2 of 2012 and its implementing regulations were explicitly designed to align Indonesia’s legal framework with international best practice, including the safeguard systems of ADB, the World Bank, and other multilateral and bilateral development partners” (ADB 2017: paragraph 61). We would, therefore, expect a rather close alignment of this Law and the ADB’s Safeguard Policy Statement (SPS 2009). However, the case for Indonesia’s equivalence with the SPS in involuntary resettlement presented in the TA Paper relies on a range of other legal instruments to boost the Law 2/2012 to address “equivalence” issues. In what follows, we examine why this is so and whether the TA Paper’s claims of substantive equivalence with ADB’s SPS can be sustained.

Acceptability: The TA finds that the case for “acceptability” — or the track record in implementation of the relevant laws, regulations and guidelines — is subject to various weaknesses, including the challenges of implementing the new legislation at all levels of government. It nonetheless recommends approving the use of Indonesia’s CSS for two sectors considered to be stronger.

In this analysis that follows we carefully review these findings and conclusions. We conclude that Indonesia does not yet satisfy either the equivalence or the acceptability standards for use of the CSS as defined in ADB’s Safeguard Policy Statement (SPS) of 2009. 3

For your easy reference we have grouped together our comments into five main headings:

- The Objectives for addressing risk in Development Displacement
- Rights in Development and Displacement
- Public Consultation on Development Displacement in Indonesia.
- Conclusion
- Recommendations

1. The Objectives for Development Displacement

We now compare ADB’s statements on involuntary resettlement with the Indonesian legal and regulatory framework, as presented in the TA paper.

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3 As above.
ADB’s Safeguard Policy Statement (SPS 2009):

The objective for Involuntary Resettlement is expressed as a direct intent to protect those displaced by development projects, to avoid and reduce impacts on people; to ensure they are not impoverished by any remaining displacement; and measurably to enhance the living standards of the affected poor and vulnerable (SPS 2009: 19: Objectives). The objectives are based on understandings, drawn from the social sciences, of the risks inherent in displacement and the measures required to replace losses and reconstruct lives and livelihoods.

The key elements of this standard approach - which to many represents a “paradigm” in that it contains the basic assumptions, ways of thinking, and methodology that are commonly accepted by displacement specialists and shared by most other international lenders to developing countries - may be paraphrased from the SPS (2009: 19) as follows.

Development is risky for those people affected whether they are displaced physically or economically or both. Special efforts are required in advance to identify, scope and screen potential displacement risks and impacts, through a survey and/or census of displaced persons, including a gender analysis, specifically related to resettlement impacts and risks. Surveys will be updated to census level once the detailed technical design work is finished, and before any acquisition. Consult meaningfully with all affectees regardless of whether they hold legal land title, to develop strategies and plans to replace all losses or compensate for them at full replacement rates before their displacement, to augment compensation with additional resources for necessary livelihood and housing rebuilding as part of a development strategy. The paradigm includes efforts to ensure fair play for those affected through disclosure of key information and plans, establishment of grievance redress mechanisms, and disclosure of monitoring and evaluation reports that address the outputs and outcomes achieved in terms of the original objectives.

Indonesian Legal and Regulatory Framework

Indonesia’s Law 2/2012 and its enabling regulations represent a significant advance on the earlier system of Presidential Decrees covering land acquisition, if not resettlement. There has also been capacity building. The Law 2/2012 invokes wording of the 1945 Constitution and 1960 National Land Law to set overall general principles on “humanity, justice, benefit, certainty, transparency, agreement, participation, welfare, sustainability, and harmony as consistent with the values of the nation and the state” (Law 2/2012 para.2).

Despite this general wording, we can find no equivalent objectives that directly address the plight of people displaced in the legal and regulatory framework as presented in the TA report. Crucially,
there is no mention at all in Law 2/2012 and its implementing regulations of key SPS elements such as:

- efforts to avoid or minimise displacement;
- mitigation of involuntary restrictions on land use or on access to legally designated parks and protected areas;
- the notion of displacement-related risk that necessitates actions to avoid impoverishment;
- the requirement to determine the scope of resettlement planning through a survey and/or census of displaced persons, including a gender analysis, specifically related to resettlement impacts and risks. Subsequently, the requirement to update the population record of all displaced persons by their residence based on the census. If a census is not conducted prior to project appraisal and the resettlement plan is based on a sample survey, an updated resettlement plan will be prepared based on a census of displaced persons after the detailed measurement survey has been completed, but before any land acquisition for the project;
- that replacement or replacement rate is a minimum principle governing compensation for all losses;
- that augmenting compensation to reconstruct livelihoods, housing, and communities is often essential to achieve the original objectives;
- that the poor and vulnerable should receive special attention to enhance their living standards to a national minimum, including title to land and housing plus additional resources;
- that project proponents provide sufficient financing to meet the outcome objectives;
- and that all required monitoring and evaluation including of impacts and outcomes on people affected should be disclosed.

It is striking that keywords and phrases that underpin the logic of the approach, or paradigm, simply do not appear in the principal legal documents – words such as: 1) (displacement) impacts and risks, 2) development strategy, 3) replacement rate, 4) livelihoods, 5) poor and vulnerable people affected, 6) gender disaggregation and other outcomes.

Even the word “resettlement” appears only briefly – it is one of the choices given for the form of compensation (Law 2/2012 Article 36). It is presented as an “either /or” option: the people affected can request either compensation or resettlement (or one of several other choices). This is at variance with the SPS, which requires, on top of compensation, additional measures as may be necessary to meet the overall livelihood and poverty reduction objectives.
Moreover, Law 2/2012 Article 36 defines “Resettlement” very narrowly to mean only replacement land. This definition reflects none of the wider meanings that the word “Resettlement” has taken on to meet the overall objectives in which “Resettlement” may encompass, according to circumstances, a development program for those displaced; housing replacement, re-establishment of communities with various facilities; inclusion of hosts in resettlement options; and demonstrable livelihood re-establishment. The Law 2/2012 and related enabling regulations refer both to land acquisition and resettlement but fall to fail to establish rights to resettlement and rehabilitation assistance within this wider context. The two terms are conceptually and practically different. Given the narrow definition of resettlement which is presented, and the silence on articulating the broader SPS resettlement principles, one may conclude that the Indonesian Law 2/2012 primarily addresses land acquisition and not resettlement.

The law also does not require appraisers of compensation to consider intangible land values, including cultural, spiritual, and historical values—this should be included within the definition of “other appraisable loss” in Article 33 of the Law. Ideally, a legal provision should be included to require the appraisers to at least consider (account for) spiritual, cultural, historical values when assessing compensation. Article 34 states that compensation shall be based “the value [of the land] at the time of the announcement”, but the law does not establish special procedures for calculating compensation in areas where land markets are weak or non-existent, and thus “value” is difficult to ascertain. Requiring the replacement cost method to be employed as an alternative to market value compensation would be one solution.

The definition and rights of “Entitled Party” (parties entitled to compensation) under Articles 40-41 of Law 2/2012 are ambiguous and may be taken as limiting eligibility to formally recognized land rights holders and others with formal evidence or proof (e.g. titles) that they have rights to land. Thus, the law suggests that indigenous and local communities with undocumented customary or tenure rights that are not formally recognized by the government may not be entitled to compensation. The Law suggests that registration or achievement of formal documentation is required to receive compensation in whatever form, but the process of registering customary lands has been slow, and thus this requirement excludes many indigenous populations informally living on land that is legally recognized as owned by the state.

In short, INDR is concerned that the methodology set out in the Law 2/2012 was not carefully aligned with ADB policy, creating the unfortunate result that measurements of equivalence of the country framework are incorrect if not meaningless. In another example, the review accepts a socio-economic survey of the potentially displaced (Article 15) as equivalent to the ADB’s

^ According to Law 2/2012 Article 36 c) Elucidation: “’Resettlements’ means a process of replacing the Entitled Party’s land with the land of different location as agreed upon during the process of Acquisition of Land”.
requirements for a census based on detailed measurement survey prior to any land acquisition or restriction. The on-the-ground significance for project administration, cost estimates, and performance between a census and a survey is considerable, with the lower country standard being unacceptable - although this will likely mean that impacts and risks will not be properly identified, budgeted for and addressed prior to acquisition. Likewise, no results that undermine the overall ADB policy objectives should be considered acceptable or reparable by the country standard through administrative actions. The criteria used in this comparison needs a rigorous review to make certain it was properly constructed. The tests of acceptability and equivalence MUST be aligned with ADB policy and the legal frameworks.

MASP/NLA and MAPPI are the key agencies responsible for land acquisition and resettlement. Their tasks, as outlined, do not relate to involuntary resettlement but rather to land acquisition. MAPPI is, in fact, an industry grouping for appraisers. Again, this central and pivotal concept is nowhere mentioned in the Law or regulations. The TA paper asserts that MAPPI valuation method is equivalent to replacement cost. However, no supporting evidence is provided to substantiate this conclusion, which relies solely on an industry guideline. Further, no information is provided as to whether valuation standards provide for other resettlement related impacts, such as support to the non-titled, support for poor and vulnerable households, transitional support during relocation etc. A distinction should be made between ad hoc sector agency practice and national requirements.

2. Rights in Development Displacement
The case for “equivalence” with the SPS presented in the TA Paper depends upon inclusion of human rights and other legal instruments that Indonesia has ratified or approved. These instruments are cited to augment the Law 2/2012 and its enabling regulations in order to claim equivalence with SPS. The inclusion of such laws is in line with SPS insofar as it “protects the rights of those likely to be affected or marginalized by the development process” (SPS 2009: paragraph 4).

For the Indonesian CSS, human rights instruments specifically include the following.

- **Law 39 of 1999 regarding Human Rights** provides that “All members of vulnerable groups in society, such as children, the poor, and the disabled are entitled to greater protection of human rights” (Article 5).

- **Law 11 of 2005 regarding Ratification of International Covenant of Economic, Social, and Cultural Rights (ICESCR)** ratifies the ICESCR that extends recognition of the right of everyone to an adequate standard of living for himself/herself and his/her family, including adequate food, clothing and housing, and to the continuous improvement of living.

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5 Involuntary Resettlement Safeguards A Planning and Implementation Good Practice Sourcebook – Draft Working Document November 2012, 3 (a) para. 24 compared to this document’s Table 9, E4.
conditions (Article 11 of the ICESC Rights). It acknowledges the essential importance of international cooperation based on free consent in ensuring this right.

Other relevant laws include:

- **Law 11 of 2009 on Social Welfare** stipulates that implementation of social welfare is prioritized to those most in need in terms of poverty, neglect/displacement, disability, and remoteness. Implementation of social welfare includes social rehabilitation, social security, social empowerment, and social protection.

- **Presidential Regulation (Perpres) No 2 of 2015 on the National Mid-term Development Plan (Rencana Pembangunan Jangka Menengah Nasional)** which mandated Government to act on gender issues through gender mainstreaming in every policy, program and development activity.

- **Law No 16 of 2011 regarding Legal Aid** governs *pro bono* legal services granted by a legal aid provider to a recipient freely (without any charges) (Article 1 paragraph 1). A legal aid recipient is a person or group of poor people (Article 1 paragraph 2). A legal aid provider is legal aid institution or civil society group offering legal aid services based on this law (Article 1 paragraph 1).

Although they are clearly part of the “equivalence” case, the “acceptability” assessment does not address the application of these Laws in practice in land acquisition processes in the four case studies presented in this study. The degree to which CSS complies with international law on involuntary resettlement, including the Guidelines on Forced Evictions, needs to be documented. A full review of the rights perspective as outlined here, and its application in the context of land acquisition and resettlement in particular would help to determine how rights are to be addressed fully at all levels. The outputs would be, inter alia, an analysis of current knowledge, attitudes and practice on rights issues amongst land acquisition staff and affectees at all levels; recommendations on integrating key rights and entitlements into the process of land acquisition and resettlement; and recommendations to ensure a rights based safeguard at all levels that ensured, for example, no forced evictions nor other human rights violations. There appears to be no definite plans to address these laws in future. This is despite the findings of all 4 case studies that reported weaknesses in developing, implementing and/or monitoring special measures to assist, the poor, vulnerable and marginal affected people.

3. **Public Consultation on Development Displacement in Indonesia.**  
The people’s voices are striking in their absence throughout the TA Paper. There is no people focus in the equivalence assessment. Paragraphs 10 and 12 of the TA Paper indicate the methodology is not independent, which is a government led exercise with no discussions with project affected people. The failure to conduct interviews and research with the people impacted by the projects and
the failure substantively to document the adequacy of the implementation of national law including
the SPS principles and the policy in its entirety, is a major omission and therefore, renders the whole
exercise questionable.

The notion of consultation needs expansion to reflect a more active engagement of those displaced,
as Indonesian citizens, to legally interact with government and/or private sector development
institutions. We recognise that Law 2/2012 Principle 2 f “Principle of agreement” means that the
process of Acquisition of Land shall be carried out by “negotiation between parties to reach mutual
agreement under no duress.” Article 37 specifies that there is a "negotiation " on the compensation-
type, level-- of compensation. "The Land Administrator shall conduct a negotiation with the
Entitled Parties within thirty (30) working days of the submission of the results of appraisal of the
Appraiser to the Land Administrator for determination of the form and/or the amount of
Compensation under the results of appraisal of Compensation as intended by Article 34." The form
of compensation may include money, substitute land, shareholding, resettlement and other forms
(Art 36). If no agreement is reached the Law specifies an appeals process with time frame for each
step with ultimate arbiter being the Supreme Court.

Such negotiation may soften the fundamental reality that land acquisition or restriction for
development is a forced decision wherein government violates, for a public purpose, its obligation to
protect property. Those displaced are in a vulnerable situation that can be exacerbated unless legal
issues are handled fairly, equitably and swiftly. We are concerned that the standard of “consultation”
is not used as an excuse for the denial of basic rights that citizens have to petition and grieve a
taking of land. A higher, not lower standard is the objective. A key part of this process is providing
tangible and speedy legal support for the displaced and institutional development of grievances
through streamlined legal procedures that avoid leaving the displaced in greater limbo. **Law No 16
of 2011 regarding Legal Aid** will potentially assist here – but the action planning to ensure it is
accessible and timely has yet to be developed.

There are, in addition, barriers and gaps in related legislation. **Law 1 of 2011** and its enabling
regulations involve and empower the local community in any resettlement development, but not
otherwise. This means in terms of the people choosing cash, shares or other forms of compensation
(Law 2/2012 Article 36) may miss out on essential empowerment.

**Law 14 of 2008 regarding Public Information Openness** (Article 4) aims to: i) guarantee citizens’
right to acknowledge public policy making plans, public policy programs, public decision making
process, and the grounds of a public decision making; ii) encourage public participation in public
policy making process; iii) increase active public involvement in the public policy making and good
public body governance; iv) constitute good governance that is transparent, effective, efficient, and
accountable; v) acknowledge the grounds of public policies that have eminent effects on people's
lives; and vi) develop science and to enhance the intellectual life of the nation. This useful Law has not been followed in the preparation of this TA; nor is it clear how it would apply to land acquisition and restriction cases.

In another example of “gaps” with SPS, Article 21 (2) of the Law 2/2012 calls for the formation of a team to: make an inventory of “problems” with respect to the land acquisition; meet and clarify the concerns of the complainant; and make recommendations on the resolution of the complaint. Whilst important, this short-lived team does not meet the SPS requirement for a Grievance Redress Mechanism (GRM), which should work to resolve grievances well into implementation and beyond, including grievances related to livelihood restoration and enhancement that may take longer to emerge.

4. Conclusion

In dividing the SPS policy principles on Involuntary Resettlement into 36 “key elements” to assess equivalence, the central intent of and overall logic of the SPS has been lost. In this fragmented result, there is no equivalent protective or developmental statement of objectives in Indonesia’s legal and regulatory framework as presented here that conveys the essential elements of the SPS paradigm. This raises doubts about the extent to which the personnel managing this exercise really understand the risks - and opportunities - inherent in land acquisition and resettlement.

The 4 acceptability case studies do not engender confidence. An opportunity has been lost to compare livelihood outcomes under the new Law compared to previous arrangements. It appears there was no rigorous sampling of people affected as there is no quantification. Further, the report fails to analyze the possible risks of expedited grievance management which relate to scale and sensitivity not less institutional capacity. The failure to grasp key concepts that underpin the resettlement objectives, the gaps in compliance, and the failure to articulate performance against key resettlement principles mean that the rating of moderate is not justified. The principal concern is whether key requirements are being delivered as expected under the law and if those requirements are congruent with the SPS principles. Further, no details of the projects reviewed are provided to inform the reader. It is naïve, even negligent, to rate performance as moderate on the basis of the absence of complaints.

INDR concludes that the recommendations for use of CSS in Indonesia is premature. The new legal and regulatory framework needs to be further developed and tested, to achieve equivalence with the SPS in practice. It must align more closely with the key protective concepts as set out in the SPS. All human rights and other legal instruments that are claimed in the equivalence assessment must be fully integrated into procedures and operations for land acquisition at all levels. Any recommendations put forward for supporting CSS should be based on a revised report.
representing independent research. This should include both quantitative and qualitative findings based on a well defined sample survey that compares project progress and outcomes with and without, or before and after, the introduction of the new legal and regulatory framework. Public consultation must be deepened. Recommendations must also address key project cycle and budget cycle parameters.

We set out below some recommendations that may be useful to address these concerns.

5. INDR General Recommendations

Clarify the Principles:
1. Revise the Law 2/2012 and/or its enabling regulations to articulate key parts of the SPS and the international resettlement objectives, achieving a better alignment between the Indonesian legal and regulatory framework with international resettlement principles. This includes:
   a. Reflect a wider definition of resettlement
   b. Ensure that, before land is acquired or restricted, a complete population census and asset inventory forms the basis for compensation and other assistance
   c. Articulate a livelihood objective, mentioning tools or methods for assessing livelihood risk and impact; for identifying those at risk; and for drawing up feasible livelihood strategies, together with their outcome monitoring and evaluation method.
   d. Articulate an objective to identify, reach and monitor impacts on the poor and vulnerable; and to enhance their standard of living.
   e. Clarify the links between land acquisition and human rights and related instruments, used to justify CSS “equivalence”.
   f. Include the principle of replacement or replacement cost and clarify its assessment when there are no markets for assets lost.
   g. Include a broader definition of intangible losses to include social, cultural and historical values of assets lost.
   h. Clarify and confirm the right of those with customary holdings to be included as “entitled parties” under the law and therefore eligible for compensation.
   i. Extend the Grievance Redress arrangements to ensure that there is a fair and accessible mechanism in place to last right through the implementation period, including the livelihood reconstruction process.

Note: India’s 2013 Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (also Land Acquisition Act, 2013) (LARR) articulates a specific resettlement and rehabilitation objective, and includes strategies to implement the objective. It aims to ensure that the cumulative outcome of compulsory acquisition should be
that affected persons become partners in development leading to an improvement in their post acquisition social and economic status and for matters connected therewith or incidental thereto.

**Recommendations:**

We recommend basing the Action Plan on firmer case study work and extensive public consultation. The elements of the resettlement planning methodology, fair play, disclosure, grievance, monitoring and evaluation should be MORE explicit in the country level document, closely based on ADB policy, and including cross-referencing and resolution of conflicts with existing Indonesian law. This action plan should prioritize how existing laws will integrate with the proposed safeguards. Sanctions in case of non-compliance should be specified. We see progress in this direction, but more work needs to be scheduled.

**Specific INDR Recommendations:**

- Strengthen the Action Plan to become a more clearly focused process with milestones and timelines, with closer alignment to ADB Policy, with specific benchmarks referencing specific laws to reach the legal integration that puts teeth into reaching the (improved) objectives.

- Sharpen the definitions of specific targets, responsibilities or quantification for each recommended action, ensuring full integration of human rights, gender, public disclosure and participation, legal aid and other instruments that form an essential part of the “equivalence” assessment

- Revise and sharpen up the timetables for action

- Take into account the Indonesian project planning cycle and budget cycle, both of which are critical determinants of implementation coverage and quality. For example, clarify that depreciation will no longer be deducted from asset valuations.

**Strengthen the data base:**

- Revise and expand the acceptability case studies.

- Compare a set of pre-and post- 2/2012 projects to compare and contrast livelihood outcomes specifically, utilizing standard sampling methods so that the data can be quantified.

- Deepen and extend the public consultation process.

//end