

The AIIB / World Bank Indonesian National Slum Upgrading Project

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November 2017

The Chinese government's launch of the *Asian Infrastructure Investment Bank (AIIB)* in 2016 has led other international financial institutions, including the World Bank and the Asian Development Bank, to support a range of new infrastructure mega-projects, some of which are co-financed with the AIIB. There are growing concerns about the often-significant environmental and social impacts associated with such large-scale infrastructure development.

Germany, as the AIIB's fourth largest shareholder -- after China, India and Russia -- plays a crucial role in ensuring transparency and adherence to important environmental and social safeguard requirements. Germany's role is especially important given ongoing efforts to eliminate civil society space within China, as demonstrated by recent detentions, disappearances, arrests, and imprisonments of hundreds of human rights defenders, environmentalists, public interest lawyers, and women's rights advocates.

At this early stage of operations, many of the AIIB's projects are co-financed with other international financial institutions. With a relatively small number of staff, the AIIB relies heavily on safeguards, monitoring, and evaluations of other institutions. Despite a determined push to achieve substantial lending targets, the AIIB appears to conduct little of its own due diligence or oversight, and does not appear to respond in a meaningful manner to civil society concerns about problems with its investments.

We examine one of the AIIB's first projects, the Indonesian National "Slum Upgrading" Project (NSUP), the first AIIB project co-financed with the World Bank and the first AIIB project in Indonesia, the AIIB's eighth largest shareholder which hopes to become the bank's largest borrower. The impacts of this project, and the AIIB's response to civil society input may set a benchmark for future high-impact AIIB projects.

AIIB - World Bank Indonesia National “Slum Upgrading” Project

In July 2016, as part of Indonesia’s ambitious program to provide “100% access” to potable water and sanitation and “0 percent slums” in urban areas, the AIIB and World Bank each approved loans of US\$216.5 million for a joint five year National “Slum Upgrading” Project (NSUP) in 154 of Indonesia’s “*Cities Without Slums*” areas, using World Bank Safeguards for implementation.

In Indonesia, however, “slum”-related projects are often plagued with violence, land-grabbing, forced evictions, and the impoverishment of the evicted communities. Thus, the official designation of an urban village as a “slum” is quite feared and is often understood by residents as a preliminary step prior to violent forced evictions.¹

Resettlement poses economic and social risks to vulnerable urban populations, often with extraordinary impacts on women. In Indonesia’s urban villages, women have a diverse array of multiple income streams and economic strategies including food stalls, kiosks, heavy labor, shellfish harvesting (in coastal cities). Many women use their homes for a key portion of their income-generating activities and face particularly adverse consequences from evictions, including significant interruptions of home-based economic activities as well as heightened risk of gender-based violence during evictions.

According to civil society reports, the NSUP has been plagued with problems including:

- **A failure to carry out meaningful public consultations** required by the AIIB and World Bank.

- **Landgrabbing, Threats, and Intimidation.** Local communities and Indonesian NGOs raising concerns about NSUP have received death threats and other forms of intimidation, with no response from AIIB or WB..

¹ Reuters News: Indonesian Slum Dwellers Challenge Eviction Law in Landmark Case, “According to the Jakarta Legal Aid Institute, which has been helping evicted families, there were 113 forced evictions last year, with each round typically involving many dwellings. A total of 8,145 families and 6,283 small businesses were affected in 2015, the group said. Another 325 evictions were set to take place this year, the institute said, citing the government’s planning documents.” <http://www.reuters.com/article/us-indonesia-landrights-slums-idUSKCN1201QK>, Sep 30, 2016; Rima News, Penggusuran dan Penggusuran di Era Ahok Jadi Gubernur Jakarta, 28 September 2016, <http://rimanews.com/nasional/peristiwa/read/20160928/305143/Penggusuran-dan-Penggusuran-di-Era-Ahok-Jadi-Gubernur-Jakarta>;

- **“Voluntary Land Donation”?** Project documents claim that involuntary resettlement will not occur, that so-called “voluntary land donation” will be used, and people living in areas designated as slums will “voluntarily” give up their land and homes. This is not credible given the widespread use of armed forces including military, police and armed thugs (“preman”) for evictions in Indonesia’s urban villages, the threats already reported against those raising concerns, and the insecurity of land tenure where the majority of the population (and the vast majority of the poor) do not have land certificates proving ownership.

- **Lack of use of gender-disaggregated data.** “Heads of households” (usually men) are usually referenced in data collection, failing to account for the economic livelihoods of women, leading to their impoverishment if impacted or evicted. Loss of assets or livelihoods not documented are certainly not compensated for.

- **Miscategorization of Risk:** The NSUP project was initially rated as a high-risk, high-impact (Category A) project, likely to involve significant environmental and social impacts, significant resettlement impacts, and impacts on Indigenous Peoples. Suddenly, in 2016, prior to AIIB approval, the project was “downgraded” to a “moderate” impact (Category B) project, requiring far less environmental and social due diligence. Claims were made that involuntary resettlement would be avoided and so-called “voluntary land donations” by slum dwellers would occur instead.

- **Default to Indonesia’s *Borrower System* without mandatory *Borrower System Assessment*.** It is well documented that Indonesia’s “Borrower System” of laws and regulations and their implementation is significantly weaker than the requirements of the AIIB’s *Environmental and Social Framework* and the safeguard requirements of other IFI’s, including the World Bank. Indonesia does not require livelihood restoration for project-affected people, the Environmental Impact Assessment (AMDAL) does not require meaningful consultation and participation. Since 2015, objections to the seizing of land for a project must be made to the Governor who then has a maximum of **three working days** to respond to any objections. No response means that the objection to

landgrabbing is rejected. Obviously, a period of three days is grotesquely inadequate to meaningfully assess an objection to a seizure of land.

Conclusion:

It appears that the AIIB has failed to conduct the most basic due diligence prior to deciding to support this project. Given the violations of the AIIB Environmental and Social Framework as well as World Bank Safeguards, the NSUP must be **completely reviewed by the AIIB prior to any further disbursement or implementation**. Substantial new environmental and social due diligence is required, including re-categorization of the project back to the project's original Category A status, requiring full environmental and social assessment.

Civil society groups monitoring the project have made a number of demands including:

- **No evictions.** The dubious *Voluntary Land Donation* program calling for “slum”-dwellers to “donate” their lands and houses is not credible and must be cancelled. If the goal is to “upgrade” urban villages, forced resettlement - including that disguised as *Voluntary Land Donation* must be eliminated from this project.
- **Meaningful public consultation** with full access to information.
- **A gender-differentiated baseline census of project-affected people, a gender-disaggregated analysis of the data and a gender-sensitive approach** to ensuring full participation and recognition of rights, including land rights, of women. Otherwise, this project is likely to lead to substantial impoverishment of women, as well as men, in 154 cities.
- **Security Force Risk** assessment is needed to assess the risk of violence from armed parties including the military (TNI), police, satpol and armed thugs (preman) and other security forces linked to the project.. This is an **AIIB requirement**.
- There must be an explicit **legally-binding ban on the use of armed security forces and threats and violence against communities** with a legally binding clause that any such threats made or use of violence against communities or civil society organizations will result in the **cancellation of the project**. This is particularly important given the threats made against civil society and affected communities to date in connection with this project.
- Attention to **corruption**.

This analysis is largely a summary of a report by ILRC, WALHI, ELSAM, Ecological Justice, TuK, INDIES, and Ulu Foundation, “The WB-AIIB Indonesia National ‘Slum Upgrading’ Project: Safeguard Violations and Weak Country Systems Analysis,” 2017, as well as updates by the groups.

Further readings:

Ecological Justice, ILRC, WALHI, et al, “Social and Environmental Safeguards for Infrastructure Finance supported by Multilateral Development Banks: The case of Indonesian Infrastructure Financial Intermediaries, Funds, and Investments”, 2016.

Forbes, “China wages war on pollution while censoring activists”,

<https://www.forbes.com/sites/sarahsu/2016/08/04/china-wages-war-on-pollution-while-censoring-activists/#1420d92b3e8d>

Jakarta Post, Forced evictions getting harsher, March 17, 2016.

<http://www.thejakartapost.com/news/2016/03/17/forced-evictions-getting-harsher.html>