

Social Compliance Audit Report

Project Number: 50330-001
5 February 2018

INO: Rantau Dedap Geothermal Power Project – Phase 2 (Indonesia)

Prepared by Mott MacDonald for PT Supreme Energy Rantau Dedap (SERD).

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Rantau Dedap Geothermal Project

Social Compliance Audit

5 February 2018

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Issue and Revision Record

Revision	Date	Originator	Checker	Approver	Description
A	6 Apr 17	T Nugent	T Streater	K Haymon	Draft Issue
B	2 Jun 17	T Nugent	B Lim	K Haymon	ADB Comments Addressed
C	18 Jan 17	T Nugent M Vo	S Arora P Gouws	K Haymon	Additional documents reviewed Integrate additional fieldwork findings from January 2018 Comments from ADB addressed
D	5 Feb 18	T Nugent	P Gouws	K Haymon	Final comments from ADB

Document reference: 379968 | 02 | D

Information class: Standard

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Executive summary

Overview

PT Supreme Energy Rantau Dedap (SERD), a company owned by Supreme Energy, Engie Energy Asia, and Marubeni Corporation (the “Sponsors”) is developing the Rantau Dedap geothermal power project with a design capacity of 92MW, located in South Sumatra Province, Republic of Indonesia (the “Project”). The Project’s implementation is proposed in two phases, whereby Phase I constitutes the geothermal resource exploration phase, while steam-field development and power plant construction will be undertaken in Phase II.

The Asian Development Bank (ADB) provided 50 million USD as early stage financing in 2014 to facilitate Phase I. For financing Phase II, ADB requires a Social Compliance Audit (SCA) to be undertaken to determine whether the Project has complied with ADB Safeguard Requirement One: Involuntary Resettlement, Safeguard Requirement Two: Indigenous People and the outcomes of a 2014 Social Compliance Audit Report (SCAR). This report presents the outcomes of document reviews and field work during January 2017 and January 2018.

Summary of findings

The below table provides a summary of the overall finding and compliance rating for each component of the CMAP, SR2, and SR3 assessed. This table presents only the compliance findings against ADB SPS for SERD led activities. The land acquisition for the Transmission Line being undertaken by PLN is considered as an Associated Facility and it is recommended that the prevailing regulatory framework be used for the purposes of this element. This should be supplemented by additional monitoring of the entire process by SERD (through consultation with PLN) and assessment of uncompensated livelihood impacts for those households residing within the Protection Forest area.

The summary below demonstrates that there are not items arising from the 2014 SCAR or assessment against SR2 and SR3 which have been assessed and non-compliant. A rating of compliant has been achieved for the majority of the safeguard requirements. Mott MacDonald has assessed matters pertaining to stakeholder engagement and livelihood restoration as partially compliant. The rationale behind the findings of partially compliant for these aspects is as follows:

- SERD has a demonstrated commitment to transparent, ongoing and meaningful consultation with all stakeholders. In order to secure and demonstrate ongoing and complete compliance with the safeguard requirements, Mott MacDonald have identified the need for improvements in how data is captured and reported.
- Since the 2014 SCAR, SERD have undertaken a range of activities to develop and implement its ISDP. The manner in which the ISDP is being implemented has been informed by outcomes of internal and external monitoring (including communications from the ADB and Mott MacDonald at the conclusion of the January 2017 site visit) and resulting in programme design appropriately targeted towards impacted people. These changes in approach have not yet been incorporated into the ISDP and SEP and therefore SERD is not

readily able to clearly disclose these programmes, or have the appropriate framework in place to monitor and report on implementation outcomes.

Moving from a rating of partially compliant to compliant for these matters is considered readily achievable by SERD using its existing internal resources (for stakeholder engagement) and through working with consultants it has already engaged to make the appropriate amendments to its ISDP and SEP (for livelihood restoration matters).

Safeguard requirement	Compliance rating	Overall findings
SCAR (2014) corrective measures and action plan		
Socio-economic profile	Compliant	SERD has developed a socio-economic profile of the affected people which can be used for Phase I and Phase II
Documentation and record maintenance of consultation	Partially compliant	Minor improvements have been recommended to ensure that SERD is tracking all necessary data it is gathering as part of its stakeholder engagement activities
Record keeping of grievances	Compliant	A robust grievance record taking system is in place. Recommendations have been made to strengthen the grievance log
Prioritisation of employment opportunities	Compliant	SERD has noted that it is prioritising affected people for employment opportunities at the site. To provide for reporting, Mott MacDonald has recommended to develop a dedicated tracking and monitoring mechanism
ADB SPS disclosure requirements	Compliant	All key project documents to date have been disclosed on the ADB website
Monitoring requirements of ADB SPS	Compliant	SERD has commenced development of twice annual socio-economic monitoring reports. Improvements are recommended to capture how future monitoring will be integrated into updated documentation
Development of a skill development and livelihood improvement programme	Partially compliant	The ISDP which SERD has developed adequately captures the development of livelihood restoration measures. As a result of the audit a number of minor improvements have been recommended to ensure full compliance
Safeguard Requirement 2: Involuntary Resettlement		
Avoidance of involuntary resettlement where possible	Compliant	All land acquisition to date complies with this principle
Minimise involuntary resettlement	Compliant	All land acquisition was through a negotiated settlement process, and therefore no involuntary resettlement has occurred.
Census and socio-economic profiles of displaced persons	Compliant	A census and socio-economic profile was developed
Carry out meaningful consultation with displaced persons	Partially compliant	SERD has a demonstrated commitment to ongoing and meaningful consultation with affected people. To secure full compliance, minor amendments are required to ensure target engagement is undertaken and appropriately document
Establish grievance redress mechanism	Compliant	A grievance mechanism was established and implemented for the land acquisition phase
Improve or at least restore the livelihoods of all displaced people	Partially Compliant	based on the results from the social audit, it appears that the livelihood of affected people has been improved/unchanged after the land acquisition and compensation process. SERD has effectively conducted several activities on livelihood restoration and community development under their ISDP and CSR programs.

Safeguard requirement	Compliance rating	Overall findings
		The current version of the ISDP does not accurately reflect the commitments made by SERD. As noted previously, improvements to the ISDP are required to capture the need for targeted implementation (which SERD have recently commenced), monitoring of the different beneficiary groups, and providing better definition around monitoring and evaluation methods, budgets and schedules.
Land based resettlement strategy	Compliant	All land acquisition undertaken to date complies with this principle.
Compensation based on the principle of replacement cost	Compliant	All land acquisition by SERD undertaken in accordance with this principle
Compensation provided for non-land assets to displaced persons without titles to land or any recognisable legal rights to land	Compliant	The crop valuation mechanism utilised by SERD has meant that AHs have been compensated for non-land assets at a level which allows them to purchase similar areas of land elsewhere even though they held no formal title over the Protection Forest land.
Disclose the resettlement plan,	Compliant	Consultation undertaken in accordance with these principles
Conceive and execute involuntary resettlement as part of a development project or program.	Compliant	Land acquisition has integrated the ISDP
Pay compensation and provide other resettlement entitlements before physical or economic displacement.	Compliant	All land acquisition has been completed by SERD and payments provided prior to economic displacement
Monitor and assess resettlement outcomes	Partially compliant	As the ISDP is directed at the broader community, the monitoring approach presently being taken does not provide certainty that affected people have been included in the monitoring process.
Safeguard Requirement 3: Indigenous Peoples		
Early screening	Compliant	SERD has undertaken a detailed screening of the Semendo ethnic people against the requirements of SR3. This has demonstrated that they are not classed as Indigenous Peoples for the purpose of SR3 and further actions by SERD are not considered necessary

Source: Mott MacDonald 2018

Based upon review of the documentation, Mott MacDonald recommends that Category B be applied for the purposes of Safeguard Requirement 2 (Involuntary Resettlement) and Category C for the purposes of Safeguard Requirement 3 (Indigenous People).

For SERD to secure full compliance with SR2, SR3 and the SCAR, Mott MacDonald has developed consolidated corrective action items. These are summarised in the below table. Given the compliance assessment did not identify any non-compliances, none of the proposed corrective actions are required to be closed prior to financial close. SERD must provide updates on the implementation of the CAP as part of its monthly report, with detailed updates to be provided as part of its required bi-annual safeguards reporting obligations to the ADB.

Corrective action	Deliverable	Timing
The existing stakeholder engagement plan is required to be updated to reflect the updated measures and methods identified within the audit, a revision to the identified stakeholders based upon the Phase II footprint and incorporation of additional communication methods	Revised Stakeholder Engagement	90 days after financial close

Corrective action	Deliverable	Timing
Revised the grievance log such that it includes the name, contact details, preferred contact method, contact timing and address of the individual logging the grievance	Revised grievance log	90 days after financial close
Hire additional CLO resources as support to the existing field representative/CLO to assist in stakeholder engagement activities and management of documentation and administrative matters	Updated resourcing plan	Prior to first loan draw down
Revisions to the Integrated Social Development Plan are to be undertaken such that it presents a concise plan which both addresses impacts to affected households and effectively distributes Project benefits to the broader community	Revised Integrated Social Development Plan	90 days after financial close
A stand-alone socio-economic impact and integrated social development plan monitoring report is to be provided twice annually	Monitoring Report	Twice annually
Disclosure of documents revised to meet the outcomes of this audit report to the local community is to occur as part of the ongoing consultation and engagement processes	Evidence of disclosure	90 days after financial close
For land acquisition activities for the transmission line within the protection forest, SERD is to develop a basic socio-economic profile of all affected households to determine the magnitude of uncompensated livelihood impacts. This is to include a basic audit to determine if all affected households have been provided with compensation prior to economic displacement. The outcomes of these assessments are to be integrated into the integrated social development plan as appropriate.	Revised integrated social development plan and socio-economic profile	Upon the PLN led land acquisition and compensation process being completed
Ongoing consultation to occur with PLN to track the process of independent valuation of land and non-land assets, and any cases of land acquisition being resolved through expropriation mechanisms	Monthly updates	Monthly after financial close
For land acquisition activities for the transmission line within private land, SERD is to cooperate with PLN to undertake a limited scope audit to determine if the proactive measures put in place by PLN to eliminate irregularities within the compensation payment process have been effective. This should cover an appropriate level of samples from across all 14 village administrative areas. The Corrective Action Plan is to be agreed to by SERD, PLN and the ADB and agreement be sought between all parties prior to its implementation commencing	Audit report	Upon the PLN led land acquisition and compensation process being completed
For any future land acquisition (ie for the biodiversity offset plan implementation or to facilitate future geothermal exploration and exploitation activities), SERDs procedures are to be amended such that Governor of South Sumatra Decree 19/2014 is to be the appropriate point of reference. These procedures are also to include development of minutes for all meetings held during the negotiation process.	Land acquisition documentation	Ongoing

Source: Mott MacDonald 2018

1 Introduction

1.1 Overview

PT Supreme Energy Rantau Dedap (SERD), a company owned by Supreme Energy, Engie Energy Asia, and Marubeni Corporation (the “Sponsors”), is developing the Rantau Dedap geothermal power project located in South Sumatra Province, Republic of Indonesia (the “Project”). The Sponsors are seeking finance for the construction and operation of an initial 92MW phase of the Project from commercial banks, with Mizuho Bank Ltd (Mizuho) as the mandated lead arranger (MLA), as well as international development banks and financial organisations, including the Asian Development Bank (ADB), Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI), collective referred to as the “Lenders”.

The ADB provided a 50 million USD early stage financing product in 2014 to facilitate the exploration phase. Defined by the ADB as Phase I of the Project, SERD was required to comply with the requirements of the ADB’s Safeguard Policy Statement (SPS) 2009 and was subject to an initial environmental examination (IEE)¹ and social compliance audit report (SCAR)². The SCAR developed a set of correction measures and action plan (CMAP) to be implemented and reported against by SERD during Phase I. To determine the degree SERD has implemented the outcomes of the IEE and SCAR and complied with the ADB SPS during Phase I, the ADB requires a SCAR be undertaken. This document presents the outcomes of the SCAR undertaken by Mott MacDonald for all aspects of Phase I up until January 2018, measured against the requirements of the IEE, SCAR, SPS Safeguard Requirement (SR) 2: Involuntary Resettlement and SR3 Indigenous Peoples. As well as measuring compliance for Phase I, this report analyses additional ongoing and proposed land acquisition activities being undertaken by SERD in preparation for the construction and operations phase (referred to by the ADB as Phase II). It also seeks to identify opportunities for improved performance for Phase II which is presently the subject of additional environmental and social due diligence by the Lenders.

1.2 Definition of terms

For avoidance of doubt, the definitions of the following terms as used in the context of this report are:

- Project – the Rantau Dedap geothermal power project (ie design capacity of 92MW), located in South Sumatra Province, Republic of Indonesia. This includes Phase I, Phase II, existing assets and associated facilities as described below.
- Phase I, or the ‘exploration phase’ – this covers the infrastructure works (eg roads, well pads, water intakes, supporting facilities), as well as the exploratory drilling activities between 2013 and 2015 and all land acquisition activities undertaken up to January 2018.
- Phase II or the ‘exploitation phase’ – this covers the currently planned future activities (expected to commence in 2018, with completion of construction in 2021), which include development drilling (ie drilling of production and reinjection wells), and construction of operational components (eg power plant).

¹ Prepared by SERD as a document of the borrower and disclosed by the ADB (<https://www.adb.org/projects/documents/rantau-dedap-geothermal-power-project-phase-1-iee>)

² Prepared by SERD as a document of the borrower and disclosed by the ADB (<https://www.adb.org/projects/documents/rantau-dedap-geothermal-power-project-phase-1-scar>)

- Existing assets –the Project components constructed/completed during Phase I, and are existing as of January 2018 (see Figure 2). This scope also includes any land acquisition conducted by the Project during Phase I.
- Associated facilities – this refers to the proposed 39km transmission line (consisting of 116 towers) between the Project and the future Lumut Balai substation. The land acquisition for this, which is being undertaken by PLN, commenced during Phase I and is therefore referred to as a Phase I activity.

1.3 Objectives

The overarching aim of this audit is to understand and assess the extent to which the activities undertaken by SERD to date as part of Phase I are consistent with the requirements of ADB SR2 and SR3 and to provide clear and concise actions for implementation by SERD.

To achieve this aim, Mott MacDonald have undertaken the audit for the following objectives:

- To review and provide an assessment of whether all land acquisition, compensation and livelihood restoration activities undertaken to date are consistent with national regulations, ADB's SR2 and the corrective measures and action plan contained within the 2014 SCAR. This includes all land acquisition required for Phase I activities, and those required to facilitate the development of Phase II.
- To identify and provide commentary on the livelihood restoration measures currently being implemented by SERD based on document review and interviews with external and internal stakeholders.
- To provide conclusions on compliance of actions undertaken by the Project to date (as measured against SR2 and the 2014 SCAR) and identify opportunities for improvement for any ongoing land acquisition, compensation, and livelihood restoration activities to be integrated into lending requirements for Phase II Project financing.
- To review and provide an opinion as to whether the initial Indigenous Peoples classifications and assessed impacts levels proposed within the 2014 SCAR remain relevant or re-evaluation is required.
- To re-assess project categorisation having regards for the outcomes of the audit and the requirements of SR2 and SR3.
- To provide clear and concise actions for implementation by SERD which have been incorporated into a corrective action plan (CAP). This CAP accounts for all activities up until January 2018 and develops a single point of reference for future compliance for all impacts arising from Phase I activities.

1.4 Confirmation of scope

The scope of the SCA comprises the existing facilities and activities undertaken up until January 2018. The full details of the Phase I components included within the SCA are described within Section 2.1 below.

The SCA was conducted in two phases. The first phase was between January and June 2017 and involved desk-based review of documentation, a site visit, and follow up discussions with both SERD and the ADB. The second phase was conducted during December 2017 and January 2018 and included an additional site visit and the review of additional information provided by SERD. The findings of both phases have been integrated into this report. Details of the site visit agendas (including internal and external stakeholders interviewed) and documents reviewed are provided within Section 3.

2 Project description and scope

2.1 Overview

The following section presents a description of the Project's location, components, and status. The scope of this SCA only includes components of the Existing Assets (ie Phase I) as defined in Section 1.2 above.

2.2 Project history

Rantau Dedap geothermal working area (known as a *Wilayah Kuasa Panas Bumi – WKPB*) was awarded in December 2010, with initial phases of the exploration programme commencing in 2011. This included topographic survey and civil engineering assessments, with an initial heat loss survey, report, and geoscientific interpretation of the WKPB completed in February 2012. Following the approval of the power purchase agreement (PPA – see below) and business viability guarantee letter (BVGL) in November 2012, PT Leighton Contractors Indonesian (LCI) was engaged as the civil contractor in January 2013 to develop access roads, well pads, and a range of other facilities, such as the administration and staff accommodation complex, yard and workshop areas, as well as security posts and water supply and treatment facilities. Supported by a loan from ADB, exploration drilling was undertaken in 2014 and 2015 resulting in the development of six full diameter wells: B1, B2, C1, C2, I1 and I2.

At the completion of the exploration drilling programme, GeothermEx was engaged as the Lender's resource consultant to undertake a technical due diligence utilising data gathered during exploration. The report submitted in October 2015 applied numerical simulations and suggested that the western portion of the field could sustain an output level of 92MW based on the use of dual flash technology.

SERD entered a PPA with PT Perusahaan Listrik Negara (PLN) on 12 November 2012. As part of this PPA, PLN has responsibility for the construction of the transmission infrastructure for the Project which is a 39km 150kV transmission line to the Lumut Balai substation. Mott MacDonald understands that SERD is presently in the process of re-negotiating aspects of the PPA with PLN; however, this does not include changes to obligations regarding the transmission line.

2.3 Location and project components (Phase II)

The Project is located approximately 225km to the southwest of Palembang across the administrative areas of Muara Enim Regency, Lahat Regency and Pagar Alam City in South Sumatra Province, Indonesia. It is situated within the 353km² Rantau Dedap WKP, in the Bukit Barisan mountain range at an altitude of between 1,500m and 2,600m above sea level. The area covers privately-held land (primarily coffee plantations) and protected forest which includes disturbed areas (again used primarily for coffee plantations, as well as areas of secondary forest).

The Project is in a relatively and sparsely populated area, with only five villages. The total population is approximately 6,500 people in the area directly surrounding the Project area. Most residents engage in agriculture as their primary livelihood. Figure 1 below shows the project location.

and associated documents having been undertaken by PT ESC. SERD has issued an 'invitation of bid enquiry' document on 2 June 2016 (SERD Tender No. 15000105-OQ-10103) for the engineering procurement and construction (EPC) contract for the construction of Phase II. Information provided by SERD indicates that the selection process is still ongoing and is anticipated to be concluded within the first quarter of 2017.

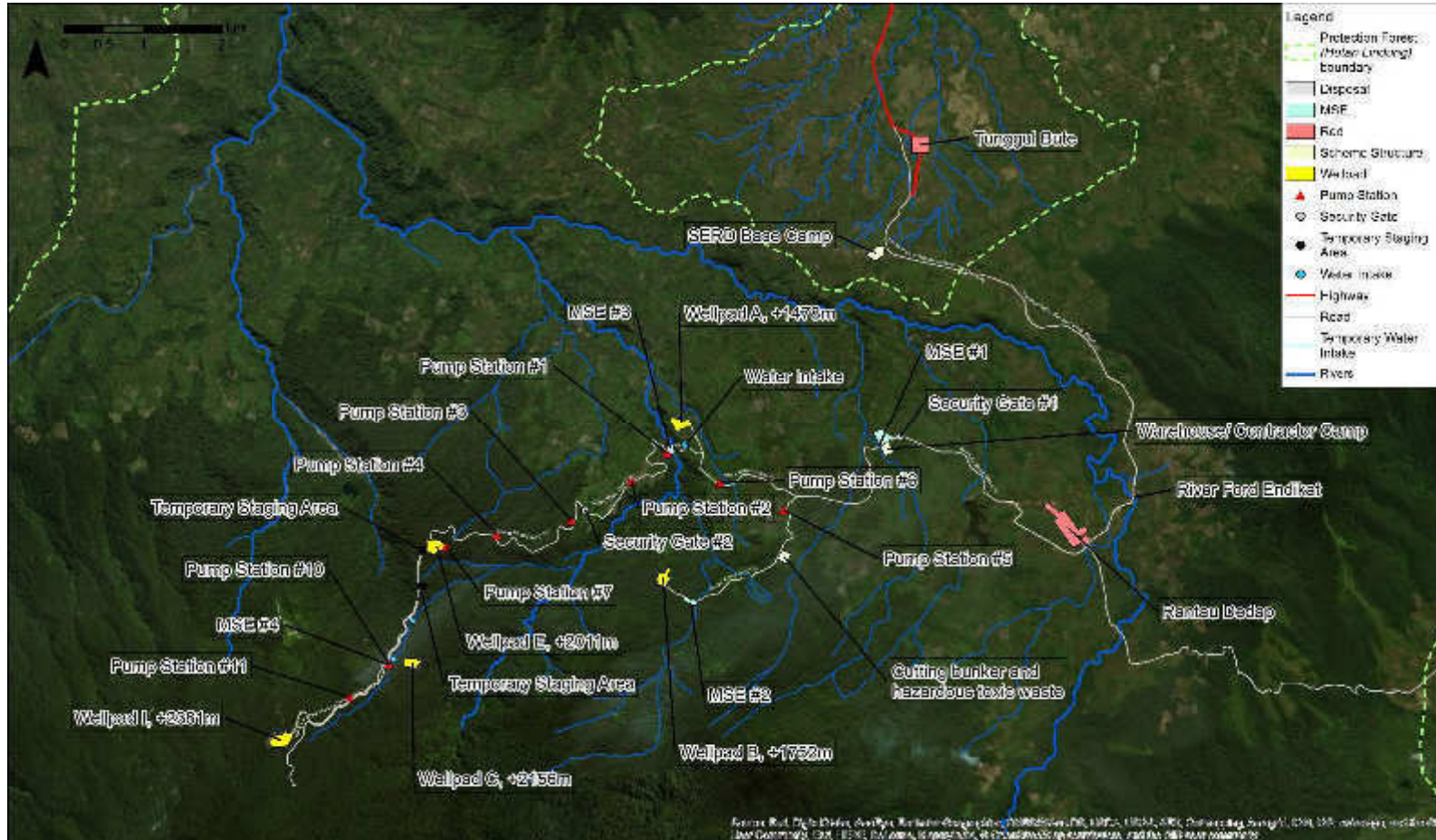
As previously noted, PLN is responsible for building the transmission line and associated infrastructure for the Project. The interface between PLN and SERD's responsibilities is the power plant switchyard. PLN has indicatively identified the transmission line alignment as well as transmission tower locations – 39.11km long with 116 towers. The transmission line will connect the Project to the proposed Lumut Balai substation, which is approximately 15km northeast of the Project. Currently, the transmission line's sole purpose (although there might be other future connection possibilities) is to cater for the Project's connection to Lumut Balai substation. Therefore, this transmission line is considered an 'associated facility' of the Project.

2.4 Early works (Phase I)

The Phase I works (still being undertaken) have included feasibility, engineering design, environmental and social impact assessment (ESIA), regulatory permitting, and land acquisition. This included an extensive exploration phase which incorporated civil and infrastructure works (developed by PT Leighton Contractors Indonesia – LCI) to allow access for exploration drilling. Civil works commenced in January 2013 and included access roads, well pads, water pipelines, water intakes/pumps, and supporting facilities such as offices, accommodation camps, and warehouses.

LCI commenced works for the Project on 1 January 2013 (ie after the Protection Forestry Area Permit was obtained in November 2012). Alongside the feasibility, engineering design, ESIA and land acquisition and livelihood restoration plan (LALRP) activities, early works onsite commenced in October 2015 and to date have included the rehabilitation of roads to facilitate access to the site, construction of workers camps, minor technical installations, and geotechnical investigations. Figure 2 provides the Project footprint as of June 2017. Based upon the information provided by SERD, the total Project footprint is 78.9 hectares (ha) as of June 2017. This is comprised of 69.4ha within the Bukit Jambul Gunung Patah protection forest area (known as "*Kawasan Hutan Lindung Bukit Jambul Gunung Patah*") and hereafter simply referred to as the "protection forest"), and 9.5ha outside.

Figure 2: Project layout of existing assets



Note: "MSE" = Mechanically stabilised earth, which is used to refer to river crossings.
 Source: Mott MacDonald, with information from SERD

Table 1: Project components considered existing assets

Component	Description
Access roads	
Road improvement	Two sections of existing (public) roads: <ul style="list-style-type: none"> • Lahat to Kota Agung, • Kota Agung to Tunggul Bute
New road construction	Two sections of new Project roads: <ul style="list-style-type: none"> • Tunggul Bute to Rantau Dedap • Rantau Dedap to facilities area (eg warehouse, cutting bunker)
River crossings	Where the access roads cross over a major waterway (ie Cawang Tengah River and/or its tributaries), a river crossing, consisting of slope stabilisation (ie gabion wall) and flow diversion (ie culvert pipes), is constructed. These are named as “mechanically stabilised earth” (MSE). The four existing crossings are at: <ul style="list-style-type: none"> • MSE #1 – near the warehouse • MSE #2 – near (and leading to) well pad B • MSE #3 – near well pad A (ie crossing Cawah Tengah River) • MSE#4 – near well pad C
Well pads, wells and associated roads	
Well pad A	Previously cleared, but no longer required. Revegetation is in progress.
Well pad B	Reinjection well pad. Two existing wells (RD-B1 and RD-B2) drilled during exploration phase.
Well pad C	Production well pad. Two existing wells (RD-C1 and RD-C2) drilled during exploration phase.
Well pad E	Reinjection well pad (back-up wells). <p>The area is also expected to hold the following components for construction works of Phase II:</p> <ul style="list-style-type: none"> • Spoil disposal • Laydown area • Concrete batching plant (for power plant construction) <p>The power plant (for development phase) is also expected to be constructed at this location.</p> <p>The above elements will be constructed during Phase II of the Project, and are not assessed in the SCA. However, the currently acquired and cleared areas at well pad E are considered part of the existing assets.</p>
Well pad I	Production well pad. Two existing wells (RD-I1 and RD-I2) drilled during the exploration phase.
Water intakes and associated works	
Water intake	There are currently three existing water intakes constructed. They were used for exploratory drilling during Phase I, and are expected to be utilised again for Phase II drilling. These water intakes are located at: <ul style="list-style-type: none"> • Water intake #1 – near the warehouse and MSE #1 • Water intake #2 – between well pad C and E • Water intake #3 – near well pad C
Pumping stations	Due to the elevation of the well pads relative to the water intakes, several pumping stations were required to be located intermittently between the intakes and well pads. There are currently eight such pumping stations, all located next to the Project’s access road. Each pumping station consists of: <ul style="list-style-type: none"> • A pump • A fuel tank, to hold fuel for power generation • A break tank (ie water holding tank), approximately 15 x 3 x 3m dimension <p>Concrete pads were constructed for each the components above.</p>
Water pipelines	Water pipelines were laid between the water intakes and well pads (ie well pad B, C and I), during Phase I, for exploratory drilling. These pipelines will be continued to be used for Phase II drilling, and removed upon completion of drilling (ie these pipelines are considered “temporary”, and not part of the Project’s operational design).
Other supporting facilities	
Project facilities	The following components were constructed during the exploration phase, and expected to be utilised for Phase II’s construction phase as well: <ul style="list-style-type: none"> • SERD base camp at Talang Pisang, which includes:

Component	Description
	<ul style="list-style-type: none"> – Site office – Accommodation camp – approximate capacity of 31 (ie only for SERD staff during Phase I) – currently only seven SERD staff are based on-site • Security posts/gates (ie one at drilling contractor base camp, one prior to reaching well pad E) • Drilling contractor base camp (at entrance to main working area), approximately 2km northwest of Rantau Dedap, which mainly consists of the warehouse building
Phase I disposal pits	There are two existing disposal pits located north of Tunggul Bute (ie 5 and 9km respectively). These were used during Phase I earthworks and drilling activities. Despite the naming convention, only one disposal pit (disposal pit 1) was used for soil disposal. The other (disposal pit 2) was used as an explosive bunker and temporary rock crushing area. Neither disposal pit is expected to be used for Phase II works.
Other construction related facilities	Several areas or components had already been cleared, completed or mobilised, for construction purposes either for works during the exploration phase, or in preparation for development phase. These are: <ul style="list-style-type: none"> • Well pad E (as described above – which covers proposed laydown and spoil disposal areas) • Temporary staging area (500m south of well pad E) • Two atmospheric flash tanks, used during the exploration phase • Temporary hazardous waste storage area and explosive bunker (near well pad B)

Source: Mott MacDonald, based on information provided by SERD

2.5 Description of land acquisition

2.5.1 Overview

Land acquisition for the Project has been defined as being undertaken in three distinct phases:

- SERD led land acquisition between 2011 and 2014 to facilitate the development of infrastructure required for the exploration phase
- SERD led land acquisition between 2014 and 2017 which included a series of additional land acquisition within the protection forest area to facilitate the Phase II project footprint
- PLN led land acquisition for the 39km transmission line (TL) which commenced in 2017 and was still ongoing at the time of the January 2018 field works by Mott MacDonald. As noted within Section 2, the TL is defined as an associated facility.

The nature of each of these phases is described below.

2.5.2 2011 to 2014 SERD led land acquisition

The June 2014 SCAR included a comprehensive analysis of the land acquisition activities undertaken by SERD up until April 2014. This document (included as Appendix I and previously disclosed on the ADB website) assessed SR2 compliance for all acquisition activities undertaken between 2011 and January 2014. This phase of land acquisition was primarily to facilitate the exploration phase, included 19.4ha of privately-held land and 89.1ha of Protection Forest Land (for a total of 108.5ha), and impacted 153 households. A list of these households is provided within Appendix A.1. None of these households were to be physically displaced, with all impacts related to economic displacement only. The 2014 SCAR provided the conclusion that with the exception of minor matters to be resolved through a CMAP (assessed within Section 4), this land acquisition process was consistent with the provisions of SR2.

The land acquisition process for the protection forest area also included attaining an initial Forestry Permit (known as an *Izin Pinjam Pakai Kawasan Hutan – IPPKH*) in accordance with Presidential Regulations 42/2010, 61/2012 and 105/2015 in relation to the utilisation of Forestry Areas and the granting of borrow use permits. This permit (Ref: Forestry Minister Decree No. SK.648/Menhut II/2012) allowed for the utilisation of 91ha, contradictory to the 89.1ha assessed

within the 2014 SCAR. SERD was not able to provide sufficient clarity on the location of this additional 1.9ha during the initial January 2017 site investigations. However, as described below, this initial IPPKH has been amended on two separate occasions and therefore, with the exception of livelihood restoration activities, no further assessment of this phase of the land acquisition process has been re-undertaken.

The SCAR confirmed that SERD has undertaken all land acquisition to date as part of a negotiated settlement process. Where negotiated settlements were not able to be achieved, SERD identified alternatives within the project design. There were no legal disputes or expropriation, and SERD has noted that there have been none arising since 2014 related to this phase of the land acquisition.

2.5.3 2014 to 2017 SERD led land acquisition

During the initial phase of this audit (ie January 2017), information presented (including within the ESIA for Phase II) stated that no additional land acquisition had been undertaken since January 2014. However, data inconsistencies were uncovered which indicated that:

- A total of 124.5ha of land had been acquired as opposed to 108.5ha covered within the 2014 SCAR
- 9.5ha of private land had been acquired, as opposed to 19.4ha covered within the 2014 SCAR
- 115ha of protection forest land had been acquired, as opposed to 89.1ha within the 2014 SCAR

SERD noted that the 9.9ha discrepancy for private lands was a function of two matters:

- During re-evaluation of the protection forest boundary for a 2015 amendment to the IPPKH (refer below), it was noted that land that SERD had acquired as private land (ie compensated using market based mechanisms) actually lay within the protection forest.
- Land was acquired, however is not being utilised for the Phase II Project footprint. This includes where SERD needed to acquire additional land as part of negotiated settlement processes which it does not plan to use for either Phase I or Phase II.

These explanations were sufficient to demonstrate that SERD had not acquired any land occupied by private citizens (either private land or forestry land).

The additional area of land acquired within the Protection Forest is a function of the Forestry Permit issued by the Ministry of Environment and Forestry (known as an Izin Pinjam Pakai Kawasan Hutan – IPPKH) which confers the right to SERD to clear and utilise land within Protection Forest for the purposes of the Project. Based upon the information reviewed by Mott MacDonald during the audit process, SERD has undertaken the following steps:

- An extension of the original IPPKH was granted on 19 March 2015 (Ref: 1/1/IPPKH-PB/PMA/2015). Within this, SERD relinquished 19ha of land deemed surplus to project requirements (composed primarily of well pad A and associated access roads) and acquired an additional area of 10ha to allow for the development of well pad I and associated new access roads. The new area was visited during the January 2017 site audit and was observed to be not utilised by any local people for agricultural purposes. This was confirmed during engagement with village leaders who stated that the higher altitude areas of the WKPB are considered unsuitable for agriculture and therefore not utilised. Mott MacDonald is satisfied that there were no private citizens affected by the 2015 revisions to the IPPKH.
- An additional extension and adjustment of the IPPKH was granted on 22 September 2017 and was based upon the final proposed Phase II Project layout. A copy of the approval and

associated map is provided within Appendix B.1. Through this, SERD secured final approval for the continued use of the 69.4ha which they had disturbed during Phase I (less than the total amount approved in 2015) and an additional 45.6ha of land comprising of 28.4ha for the development of Phase II components (including a proposed drilling team accommodation camp adjacent to well pad I, a permanent accommodation facility for SERD personnel directly adjacent to the project road, material storage area and well pads N, M, L and X) and a contingency area of 17.2ha. The total area approved within the IPPKH is 115ha. The new areas included within the IPPKH were visited during the January 2018 site visit and while the drilling camp area was observed as not being used for any agricultural or residential purposes, the SERD accommodation camp was observed to be used for coffee growing.

- Within the 28.4ha for the Phase II footprint extension, SERD has identified four private citizens who undertook agricultural activities (primarily coffee plantations) on the new SERD accommodation camp area. Compensation for both land and crops was provided through a negotiated settlement process, which concluded in December 2017. The area compensation was provided for is approximately 2.61ha.

As a result of the land acquisition process undertaken between 2011 and 2017, SERD now holds an IPPKH for 115ha within the protection forest and a 3.5ha HGB certificate for land outside the protection forest (copy provided within Appendix B.2). The land acquisition has affected 157 households (hereafter referred to as affected household - AH), with none of these being physically displaced. While SERD acquired 9.5ha of private land, the HGB certificate only covers 3.5ha as the land was either deemed surplus to project requirements or was land acquisition pertaining to the widening of public roads to facilitate access to the Project and for which SERD is legally not able to hold HGB over. Mott MacDonald is not aware of any legal provision which prevents SERD from acquiring land from private individuals over which it did not eventually attain HGB. The HGB certificate confers the right to SERD to construct and operate its Project only.

Mott MacDonald understands that SERD has commenced the development of a Biodiversity Offset Plan (BOP) which may require securing additional land in the Project WKPB as part of the offset mechanism. Based on information provided by SERD, no acquisition for any land has yet to be undertaken for this purpose. During the audit process, SERD had noted that all principles of SR2 and SR3 will be applied in implementation of the BOP, this includes putting in measures to avoid impacts where possible and undertaking consultation in a manner which ensure that any impacts associated with involuntary resettlement and indigenous peoples are identified and addressed in an appropriate manner.

2.5.4 PLN led land acquisition

The land acquisition for the TL is being undertaken by PLN. Detailed documentation regarding the process has not been provided by PLN to SERD. However, during meetings with officers from the Planning Division and Land Acquisition Division of PLN South Sumatra, it was confirmed that an alignment has been selected, land owners have been identified, measurement survey and inventory has been undertaken and an independent market valuation process has commenced. The land acquisition covers a 20m wide right of way (ROW) and 116 transmission towers with areas of either 225m² (ie 15m x 15m) or 400m² (ie 20m x 20m). Based on information provided to date, the 116 towers are spread across three sub-districts and 14 village administrative areas (names not known). A total of 38 of these towers are within the protection forest, of which 36 are within SERD's WKPB. The other two situated outside of the WKPB yet still remain within land defined as protection forest. The remaining 78 are located within private land.

The total number of AHs along the entire TL is unknown. While there a total of 116 tower pads, it is possible that some of these are situated across multiple parcels of land³. The numbers of AHs along the entire ROW is likely to be considerably higher than this number. SERD must work with PLN to determine the total number of AHs from this associated facility to allow for a determination on the extent and magnitude of impacts from involuntary resettlement.

PLN has indicated that no physical displacement is required for the construction of the TL. Further commentaries on the regulatory mechanisms being utilised by PLN are contained within Section 5 of the compliance assessment.

³ During consultation with the Rantau Dedap sub-village head and interviews with AHs impacted by land acquisition for the TL with the protection forest, it was informally noted that there were at least three cases where a tower pad was partly located over two or more parcels of land. Based on this, the number of AHs is likely to be higher than the total number of tower pads.

3 Approach

3.1 Overview

Using the information provided by SERD, ADB and the outcomes of the January 2017 and January 2018 site visits, the status of the Project (ie Phase I as defined by the ADB) has been reviewed against defined compliance standards (being the 2014 SCAR, SR2 and SR3) to make informed and evidence-based judgements as to the risks associated with the Project. The approach for this SCA has been to utilise the outcomes of the 2014 SCAR as a basis for establishing compliance (and associated actions to achieve compliance) and determine if any changes in the Project's footprint or activities since 2014 have occurred which influences the degree to which compliance with SR2 and SR3 may have changed. Mott MacDonald has also undertaken a review of documentation which has been provided by SERD for Phase 2 of the Project (the construction and operation of a 92MW geothermal power plant) to determine if any newly provided information (detailed within Section 3.2) fundamentally changes any of the conclusions reached within the SCAR.

The audit period for this SCA is defined as being from the time the SCAR fieldworks were undertaken (April 2014) until January 2018. As noted within Section 1.3, the audit period covers land acquisition works which SERD have been progressing to cover additional requirements for Phase II. The audit approach has involved a desk-based review and two site visits to obtain information and engage with key stakeholders.

3.2 Audit activities and data sources

3.2.1 Desk-based document review

The desktop review incorporated two phases of review. The first was undertaken through January to March 2017. The second phase was undertaken in conjunction with the January 2018 field work programme. The documents reviewed during these two site visits are listed in Appendix C.1.

3.2.2 Site visit consultation

Field work for preparing this report was undertaken over two separate trips to the site. The first was undertaken between 9 and 13 January 2017 and was part of overall environmental and social due diligence (ESDD) investigations which involved the Lenders. This was attended by an environmental specialist, social safeguards specialist and biodiversity specialist from Mott MacDonald. Mott MacDonald staff were accommodated in the town of Lahat approximately 90 minutes from the Project site office. The full schedules and list of stakeholders engaged with during this period are described within Appendix C.2.

The second site visit was undertaken between 2 and 8 January 2018 and was attended by two Mott MacDonald social safeguard specialists. The intention of this trip was to understand the extent of additional activities undertaken by SERD since January 2017 and identify and interview stakeholders potentially impacted by these activities. Mott MacDonald staff were accommodated at the Project's site office in the village of Talang Pisang. The full schedule and the list of stakeholders engaged with during this period are described within Appendix C.3 and included the following:

- Meeting with PLN South Sumatra Planning Division and Land Acquisition Division to discuss the TL status
- Detailed interviews with the four land owners involved in the 2017 SERD led land acquisition
- Brief interviews with approximately 13 land owners from Segamit Village involved in the initial phases of the TL land acquisition
- Focus group discussions (FGDs) with livelihood restoration beneficiaries in the villages of Tunggul Bute, Segamit and Rantau Dedap
- Discussion with Semendo customary (“*adat*”) leaders
- Meeting with the Semendo Darat Ulu Sub-District Head and staff

The interviews with land owners affected by land acquisition followed a set interview schedule, with the FGDs facilitated using a series of prompt questions and key topic areas. Samples of these are provided within Appendix C.4. The outcomes of all stakeholder engagement have been utilised to guide the audit report.

During both site visits, SERD personnel with responsibilities relating to social safeguards compliance matters facilitated the work of the Mott MacDonald social safeguard specialists prior to, during, and after the site visits. This included:

- Ismoyo Argo – Senior Manager of Business Relations, Supreme Energy
- Erwin Partisa Floris – Head of Community Relations and Affairs, Supreme Energy
- Muhammad Goerillah Tan – Field Representative/Community Liaison Officer (CLO), SERD

During the January 2017 site visit, a social and community consultant (Muhammad Zaki) from PT ECS was also present.

3.3 Compliance rating approach

Mott MacDonald has provided commentary on compliance with the applicable standards, which has been assigned on the following basis:

- **Compliance:** Considering ADB’s policies and requirements, the Project’s practices, documents reviewed and our own observations, it is considered that the status of the Project to be compliant with applicable standards. The status of the Project in a particular aspect can be compliant where systems have been developed, are being implemented and for which minor recommendations have been made for improvements based on observations during the audit process.
- **Partial compliance:** Considering ADB’s policies and requirements, the Project’s practices, documents reviewed and our own observations, it is considered that the Project is working towards full compliance through mechanisms already in place, however there is at least one area that is not being performed in a manner consistent with the applicable standards.
- **Non-compliance:** Considering ADB’s policies and requirements, the Project’s practices, documents reviewed and our own observations, it is considered that the Project is not being performed to the required standard and has no mechanism in place to achieve compliance with the applicable standards.

The findings of the SCAR have been used to identify recommendations that form the basis of the corrective action plan (CAP), which is presented in Section 7. To achieve the highest possible level of Project performance, recommendations for improvements identified throughout this report have also been integrated into the CAP.

4 Social compliance audit findings – 2014

SCAR Outcomes

4.1 Overview

The SCAR was prepared in 2014 and disclosed on the ADB website. It was undertaken to “determine whether SERD’s actions with respect to land acquisition and resettlement required for the exploratory phase of the Project were in compliance to the regulatory requirements and the requirements of the ADB Safeguard Requirements (SR) 2 on involuntary resettlement and SR3 on Indigenous Peoples” (SERD, April 2014). The primary findings of the audit were:

- Land acquisition to date has been transparent with active involvement of the affected persons, and the compensation for land and assets are at replacement costs or higher
- Expropriation of landowners/cultivators unwilling to part with lands has not occurred and SERD has identified alternate sites where a negotiated settlement was not able to be achieved
- Affected landowners are informed of the project, acquisition process, compensation rates, and are aware of the grievance mechanism
- The consultations were carried out at various stages of the project planning and design with the affected communities and were conducted in a culturally appropriate manner

Gaps were also identified and were embodied within a corrective measures and action plan (CMAP) to be implemented by SERD. Mott MacDonald has assessed the implementation of this CMAP, with the outcomes presented within Table 2 below.

Table 2: Compliance review - 2014 corrective measures and action plan

Action and deliverable	Timeline	Audit findings	Recommendations	Status
<p>Action: Establishing a socio-economic profile of the affected persons</p> <p>Deliverable: Baseline report</p>	Q4 2014	<p>In developing the integrated social development plan (ISDP), a socio-economic profile of the communities within the Project Area was established using secondary data, and primary data gathered during a survey of 122 households. The outcomes of the socio-economic profile are embedded within the ISDP. SERD selected separate secondary and primary baseline data for the preparation of the Phase II ESIA. As a good practice measure, all separate studies should be integrated into a single document to present a complete socio-economic profile of the area. The survey which was conducted in October 2015 covered 122 households, including 78 households which are defined as being affected by the land acquisition phase. There were 153 households originally impacted by the land acquisition phase. This is a low coverage level (approximately 50%), and conversations with SERD indicated that this was largely due many of the households who owned land not residing within the area, or were absent during the period of the survey.</p> <p>A more complete socio-economic profile is required, with SERD to ensure that the coverage is as close to 100% as possible. This must be undertaken through an intensification in stakeholder engagement and ISDP monitoring activities (coinciding with intensification of activities for Phase II of the Project. During this process, SERD must also update and refine its list of vulnerable affected people. The outcomes of the SCAR 2014 indicate that there were 101 affected households (AH's) with incomes less than the Sumatra provincial rates for full term employment, 5 AH's are considered vulnerable as they are headed by women without any other earning members, and a further three were considered vulnerable as they were headed by elderly or contained disabled family members. This data was collected in 2014 and may be updated. The ISDP report includes a list of 17 target households for inclusion within a vulnerable people's safety net programme; however, it is not clear if these represent AH's.</p>	<p>SERD has established a socio-economic profile of the Project Area, which includes 78 of the 153 AHs and has therefore met the requirements of this action. It has also continued to collect socio-economic baseline data for AHs affected by land acquisition since April 2014.</p> <p>The following improvements are recommended:</p> <ul style="list-style-type: none"> • Update the socio-economic profile so that the coverage of AHs is as close to 100% as possible. This must be undertaken as part of intensification of stakeholder engagement and ISDP monitoring activities • Develop a consolidated and stand-alone socio-economic baseline report which integrates the primary data presented within the ISDP, updated socio-economic profile based upon the required additional data (see above) and the profile of households to be impacted by the transmission line land acquisition. • Continually update the list of vulnerable people and households based upon monitoring data and outcomes of IDSP implementation. This information is to be used to focus the delivery of the ISDP to vulnerable households. 	Compliance

Action and deliverable	Timeline	Audit findings	Recommendations	Status
		<p>Data gathered and presented within the SCAR 2014 presents the details of all land holdings of the surveyed holdings and is coupled with their initial vulnerability status. This is considered an appropriate level of information to assess the true magnitude of impacts. It is noted that the list of vulnerable people must be utilised to provide targeted livelihood restoration measures to vulnerable households and those considered to be most severely impacted.</p>		
<p>Action: Documentation and record maintenance of consultations</p> <p>Deliverable: Standardised formats and training of staff</p>	<p>Q4 2014</p>	<p>The stakeholder engagement log has been provided for review. The SE log is provided in an Excel format as recommended from the social audit in January 2017. The log itself captures information such as date, location, theme, number of participants, information disseminated and key issues raised. However, some key items in the SE log are missing including: (i) stakeholder contact; (ii) suggestions; (iii) responsibility for follow-up actions; (iv) deadlines for follow-up action; and (iv) confirmation of close-out.</p> <p>It appears the stakeholder engagement activities are logged regularly and during the field work for the audit Mott MacDonald noted that SERD are actively noting engagement key points from meetings using standardised templates. However, some of the stakeholder engagement activities mentioned in a list of 2017 stakeholder engagement activities of the SEP appear not to have been logged. Applying the developed documentation and logging procedure that SERD has developed must be a focus for future improvements. Mott MacDonald notes that SERD is in the process of recruiting additional community liaison officers (CLO's) to provide an appropriate level of support for the existing on-site CLO, with these roles including an increased focus on appropriate record keeping.</p> <p>Training records provided by SERD show that its personnel attended a "Communication and Community Relations Procedure" training course in Supreme Energy's head office in Jakarta. This was conducted in March 2017 and was attended by SERD community liaison officer (CLO).</p>	<p>SERD has in place a Stakeholder Engagement Log and is actively taking notes of all stakeholder engagement activities. Minor actions are required to secure full compliance with this action item</p> <ul style="list-style-type: none"> SERD to add other key items in the stakeholder engagement log including: (i) stakeholder contact; (ii) suggestions; (iii) responsibility for follow-up actions; (iv) deadlines for follow-up action; and (iv) confirmation of close-out SERD to require the CLO (and any other staff undertaking stakeholder engagement activities) to log all stakeholder meetings within the Stakeholder Engagement Log 	<p>Partial-compliance</p>

Action and deliverable	Timeline	Audit findings	Recommendations	Status
<p>Action: Strengthening of record keeping of grievance redress</p> <p>Deliverable: Standardised formats and training of staff</p>	Q4 2014	<p>The Project has been operating a grievance mechanism (GM) since exploration activities commenced in 2011. The disclosure of SEP and grievance redress mechanism were publicly conducted in different affected communities in 2017. However, these activities were not logged in the Stakeholder Engagement Log. It is recommended that SERD must log all informal and formal engagement and disclosure activities in the SE Log. In addition, during stakeholder engagement activities, grievance contact detail cards were distributed to participants which is considered an effective means of increasing awareness of both means to contact the Project and how to lodge a grievance. A high level of awareness of the GM contact within the SERD was noted during all stakeholder engagement during the site visits.</p> <p>A grievance log has been developed and is considered an appropriate format to receive and track grievances. The review of the Grievance Log and completed grievance forms shows to be effective in receiving and addressing grievance. However, it is recommended that the grievance log be revised to include more details of the grievant, including contact and address.</p> <p>As noted above, training records provided by SERD show that its personnel attended a "Communication and Community Relations Procedure" training course in Supreme Energy's head office in Jakarta in March 2017.</p>	<p>SERD has in place a grievance log and is using an improved documentation system to capture grievances in the field and log them</p> <p>The following improvements are recommended to further strengthen the processes already in place:</p> <ul style="list-style-type: none"> • Provide grievant details in the grievance log, including name, contact, and address. • Log all disclosure activities, including grievance mechanism in the SE log. 	Compliant
<p>Action: Prioritisation of employment opportunities to affected persons, especially vulnerable households</p> <p>Deliverables: Revised guidance to presidium members</p>	Q2 2014	<p>At the time of the site visit, there were a total of 87 workers on site. It is reported that 35 workers were local people. A list of local workers employed was provided. However, there is no precise breakdown on whether workers on site are classed as either "local" or "affected" persons (ie people affected by land acquisition for the Project).</p> <p>Workforce figures during the peak of Phase I in 2015 (including EPC contractors) was approximately 400 people. SERD has noted that large numbers of local people were employed in various low-skilled roles (eg construction labourer, camp maintenance and drivers). Interviews conducted during the first site audit in 2017 showed that many of the affected people (or their family</p>	<p>SERD has provided employment opportunities for local people, including those who are considered as affected by the land acquisition process. Therefore, in this regard, SERD has achieved compliance with this action. However, Mott MacDonald notes that a mechanism should be put in place to ensure that SERD is able to more effectively monitor and report against this requirement. It is recommended that the following be undertaken prior to the construction phase commencing:</p> <ul style="list-style-type: none"> • Develop a mechanism track the participation of affected persons (particularly members of vulnerable households) as employees of SERD, contractors (to both SERD and EPC contractors) 	Compliance

Action and deliverable	Timeline	Audit findings	Recommendations	Status
<p>Action: Comply with the disclosure requirements of ADB SPS</p> <p>Deliverable: Disclosure of safeguard documents in the ADB website</p>	Q2 2014	<p>members) had worked on short term roles during Phase I, with one of those interviewed being employed on a full-time basis as a driver. In the second social audit in 2018, one interviewed participant mentioned that he worked as a Project security guard for 5 months.</p> <p>SERD has demonstrated its stated commitment to prioritising the employment opportunities to affected persons, however there is no mechanism to track and report upon this commitment. The bi-annual Environmental and Social Monitoring Reports have not provided any workforce figures during Phase I, nor were any such figures made available during the audit period. While the ISDP does not place a heavy reliance on Project related job opportunities as livelihood restoration measures, the Employment Provision element outlined within Section 5.2 will require focused tracking of affected people either working directly with the Project or who provide services.</p> <p>The Forum Desa (which was the name adopted for the Presidium, a multi-stakeholder group approach to engagement utilised by Supreme Energy across all its assets to facilitate its stakeholder engagement programmes) has not been in place since 2015. SERD have advised that the level of project activity since the conclusion of exploration activities has not required the Forum Desa members to meet. SERD has advised that revised guidance was provided to Presidium detailing how employment opportunities for affected people can be maximised during Phase I.</p>	<p>and service providers. This must also be integrated within the ISDP</p> <ul style="list-style-type: none"> ● Incorporate workforce reporting (including breakdown by status as affected and vulnerable) into the bi-annual environmental and social monitoring reports 	Compliance

Action and deliverable	Timeline	Audit findings	Recommendations	Status
<p>Action: Comply with monitoring requirements of ADB SPS</p> <p>Deliverable: Standardization of internal and external monitoring reports</p> <p>Note – SCAR notes that this relates to the need for an external expert to monitor the progress and effectiveness of the implementation of the resettlement and livelihood improvement measures, in addition to internal monitoring</p>	Q4 2014	<p>document is not available on the ADB website for disclosure purposes.</p> <p>A standardised bi-annual report has been developed and is disclosed on the ADB website. This report is prepared by SERD using internal resources.</p> <p>An external service provider was engaged to develop the ISDP. As discussed in further detail in the below Action Item, this document requires improvements in relation to the monitoring and reporting schedule (as detailed in Table 7).</p> <p>SERD has been actively implementing aspects of the ISDP throughout Phase I. An implementation report prepared by IHS titled “Final Report – Training Implementation for Skill Development Plan and Livelihood Opportunities Development Programme” describes performance of implementation, however must be improved, and standardised to form part of impact monitoring with regards to affected people.</p>	<p>SERD is undertaking internal monitoring and disclosing these reports on the ADB website.</p> <p>Improvements to how this must be undertaken in the context of revisions to the ISDP are discussed below within Table 7.</p>	Compliance
<p>Action: Development of a skill development and livelihood improvement program</p> <p>Deliverable: Action plan for skill development and livelihood improvement</p>	Q1 2015	<p>SERD engaged an external consultant (PT Inti Hexa Semesta –IHS) to develop a socio-economic profile of affected people, undertake engagement which could be utilised to identify community preferences for livelihood restoration measures, and develop a strategy (including identification of appropriate partner institutions) which were all embodied within the ISDP.</p> <p>The ISDP is based on the two key components, including: (i) community capacity building; and (ii) livelihood development. Based on the ISDP report, the community capacity building program aims to develop the capacity for the most affected communities through the building of life skills based on the employment needs of the local economy and the availability of local skills. On the other hand, the livelihood development aims to improve the livelihood of the most economically-unfortunate and vulnerable people. The livelihood development programs will be determined based on the proposals of different target groups.</p> <p>Implementation of the ISDP commenced in February 2016. Based on the IHS implementation report (covering the first half of 2016), SERD</p>	<p>SERD has submitted a skill development and livelihood improvement programme in the ISDP. However, the ISDP report must be renamed as a “plan” and restructured. It is noted this ISDP plan must be updated annually.</p> <p>The ISDP plan must include, but not limited to the following items:</p> <ul style="list-style-type: none"> • Definitions of DPAP and IPAP must be clearly defined (see the action-item recommendations in Section 5.3.4). • Beneficiaries must be clearly defined under different components of the ISDP plan. Mott MacDonald suggests setting up different priorities for beneficiaries under the ISDP and CSR programs as follow: <ul style="list-style-type: none"> – Priority 1 (P1): those who are directly impacted by the Project land acquisition and having their impact extent above 10% based on the 2017 SERD land procurement documentation. – Priority 2 (P2): those who are directly impacted by the Project land acquisition and having their impact extent less than 10% 	Partial - Compliance

Action and deliverable	Timeline	Audit findings	Recommendations	Status
		<p>provided agricultural extension services relating to enhanced coffee cultivation techniques, introduction of new potato types and improved vegetable cultivation techniques. These training programs were carried out by agricultural experts from UNSRI. The training programs were divided into 2 stages with stage 1 for in-class training and stage 2 for on-field training organised in February and March 2016 respectively.</p> <p>Integrating lessons learnt from the 2016 coffee training programs, SERD organised a series of coffee growing and maintenance technique training sessions for affected people in December 2017. A markedly higher participation rate of affected people was noted within this period. There were reportedly 87 participants in the 2017 coffee training. Different from the previous training, the 2017 coffee training program targeted at directly affected people and vulnerable people</p> <p>The review of ISDP report shows that it is primarily consistent with the expectations of SR2, excepting the absence of a key provision on monitoring and reporting. In the ISDP report, there is no description of how performance of the various programmes proposed will be monitored and success measured. This is considered critical in enabling future assessment of whether land acquisition impacts have been mitigated such that people's livelihoods have been restored to pre-impact levels or better.</p> <p>It is recommended that SERD must rename this report as an ISDP plan and restructure it accordingly. This plan must be updated annually. detailed time</p>	<p>based on the 2017 SERD land procurement documentation.</p> <ul style="list-style-type: none"> – Priority 3 (P3): those who are indirectly impacted by the Project (eg people living close to the Project fence-line, access roads and within the WKPB more generally), and are indirectly impacted due to the construction of associated facilities within the Project footprint which owned by different parities (eg transmission line people within the Project footprint). ● Provide an overview of applicable standard requirements and commitments from SERD ● Provide eligibility criteria and entitlement for participating in the ISDP programs ● Provide a proposal procedure for requesting a specific ISDP programs ● Provide stakeholder engagement strategies for ISDP programs ● Role and responsibility description ● Providing monitoring, evaluation, and reporting procedures ● Provide budgets required to implement the project on a year by year basis ● Provide time bound implementation schedule 	

Source: Mott MacDonald, 2017 & SERD, 2014

5 Safeguard Requirement Two: Involuntary Resettlement Compliance Review

5.1 Overview

This Section presents the key findings of the audit relating to compliance with SR2 based upon the land acquisition processes that have occurred for the Project since 2011. It has been structured to reflect the core requirement of SR2 and the staged nature of the land acquisition. This Section includes the following:

- Description of the scope and nature of all land acquisition undertaken for the Project to date.
- Detailed assessment and commentary on all SERD led activities undertaken since April 2014⁴, including asset and land evaluation methodology, negotiation and consultation processes, compensation payment, grievance management and redress, livelihood restoration activities, consideration and vulnerable households and monitoring, evaluation and reporting mechanisms being implemented by SERD.
- Overview of non-SERD led land acquisition for associated facilities (eg PLN led land acquisition for 39km transmission line). This includes description of the regulatory framework being utilised, the status of the land acquisition, and any material gaps between this process and SR2 which SERD can be reasonably expected to address.
- Summary of overall compliance of the Project with SR2 and prevailing regulation and recommendations (if necessary) for SR2 categorisation.

All actions arising from the findings within this Section are integrated into the CAP in Section 7.

5.2 SERD led land acquisition compliance review

5.2.1 2017 land acquisition activities

As noted within Section 2, SERD's land acquisition activities between 2014 and 2017 have primarily been related to modifications to its IPPKH. While the majority of land secured through this process was not occupied by any land owners, a small area in the vicinity of the proposed permanent accommodation facility was owned and farmed (primarily coffee plantations) by four AHs. Those affected are summarised in Table 3 below.

⁴ For review of all activities prior to April 2014 refer to the April 2014 SCAR and associated CMAP as described within Section Four

Table 3: Summary of land owners involved in 2017 land acquisition

Land owner ref	Area acquired	Land use	Land classification	Area of holding remaining
Land owner one	7,775m ²	Coffee plantation	Inherited land within protection forest	20,000m ²
Land owner two	6,668m ²	Coffee plantation	Inherited land within protection forest	13,332m ²
Land owner three	6,602m ²	Coffee plantation	Inherited land within protection forest	13,398m ²
Land owner four	5,135m ²	Coffee plantation	Inherited land within protection forest	14,865m ²

Source: SERD 2018

5.2.2 Asset valuation and replacement cost

The four AHs involved within land acquisition process in 2017 (refer to Table 3 above) all occupied land within the designated protection forest area and in accordance with Paragraph 7 of SR2 are defined as “persons who lost the land they occupy in its entirety or in part who have neither formal legal rights nor recognizable claims to such land”. Accordingly, SERD’s obligation to ensure compliance with SR2 as it relates to such land owners who are economically displaced only (as are all of the four AHs) is to provide compensation for lost assets, such as crops, irrigation infrastructure, and other improvements made to the land at full replacement cost. SERD has stated that they consider the process to be a negotiated settlement process which incorporates principles of replacement value for both land and assets. Mott MacDonald has, therefore, assessed both compliance with SR2 and the validity of SERD’s claim.

As the land is within protection forest, there is no legal mechanism which conferred SERD the right to provide compensation for the value of the land or the assets and crops that are located on the land. There was, therefore, no independent market evaluation undertaken on the parcels of land by a registered public appraisal party. SERD has stated that it used the Governor of South Sumatra Decree No. 25 of 2009 (hereafter referred to as “Decree 25/2009”), which provides a pricing guide for land and crop valuations. SERD has stated that as this document was not applicable to Protection Forest land, it was utilised as a guiding mechanism for the 2017 land acquisition, as well as that undertaken between 2011 and 2014. A new Governor of South Sumatra Decree (Decree No 19 of 2014 – Decree 19/2014) has since replaced Decree 25/2009 and should provide the appropriate reference point in assessing the asset valuation methodology utilised for the 2017 land acquisition process.

All the acquired land was primarily utilised for coffee plantations. Table 5 below provides a comparison between the flat compensation rate of 45,000 IDR/tree regardless of age adopted by SERD for the purposes of negotiations, and the official prices contained within Decree 25/2009 and Decree 19/2014 (both of which are provided within Appendix D.1). SERD adopted the compensation rate of 45,000 IDR/tree the 2017 land acquisition.

Table 4: Comparative compensation rates

Land owner	Coffee plant (age)	Coffee plant (total)	Agreed price (IDR)	Decree 25/2009 price	Decree 19/2014 price
One	All eight years	1,943	45,000	35,250	90,559
Two	One to eight years	1,667	45,000	19,125 to 35,250	13,500 to 90,559

Land owner	Coffee plant (age)	Coffee plant (total)	Agreed price (IDR)	Decree 25/2009 price	Decree 19/2014 price
Three	One to three years	435	45,000	19,125 to 33,280	13,500 to 30,237
Four	Three to four years	1,097	45,000	33,780 to 39,180	30,237 to 77,748

1. Land Owner Three also received compensation for approximately 5,000 small trees and shrubs which were of a similar total value to that received for the 435 coffee trees

Source: SERD 2018, Mott MacDonald 2018, Governor of South Sumatra Decree 23/2009, Governor of South Sumatra Decree 19/2014

SERD stated that it utilised the 45,000 IDR per tree price for the 2017 land acquisition as it was consistent with that used for land acquisition undertaken between 2011 and 2014, and it resulted in a compensation price that was higher than Decree 25/2009. As shown within the below table, based on Decree 25/2009 this is an accurate claim, however the revised pricing structure contained within Decree 19/2014 provides for lower prices for trees aged one to three years before applying a much higher price for trees four years and older.

Table 5: Overall comparison of Decree pricing structures

Tree Age	Price in Decree 25/2009	Price in Decree 19/2014
One year	19,125	13,500
Two years	30,221	20,637
Three years	33,780	30,237
Four years	39,180	77,748
Five years	37,500	83,352
Six years	37,500	86,528
Seven years	27,600	88,750
Eight years	35,250	90,559

Source: SERD 2018, Mott MacDonald 2018, Governor of South Sumatra Decree 23/2009, Governor of South Sumatra Decree 19/2014

Table 4 and Table 5 demonstrate that the flat rate of 45,000 IDR/tree has resulted in compensation being provided at a rate higher than Decree 25/2009, in which the maximum price is 39,180 for a four-year old tree. However, based upon the most current price schedule (i.e. Decree 19/2014) the maximum price for a tree of an age held by the affected land owners is 90,559 IDR. Mott MacDonald has not been able determine if the utilising the agreed 45,000 IDR/tree compensation rate has also resulted in compensation outcomes consistent with the application of Decree 19/2014 for each land owner. Calculation methodologies contained within the Decree are based on an assumed density (1,600 trees/hectare) and accounts for the age of each individual tree. The data gathered by SERD during the inventory process for each land owner only provided for the total number of trees, with ages of the plants being ranges based on estimates provided by the land owner rather than a detailed tree by tree count. This has made undertaking comparative calculations non-informative⁵.

During the audit process, SERD has provided justification for retaining the 45,000 IDR/tree for the 2017 land acquisition process. This includes the following:

- Neither Decree 25/2009 nor 19/2014 are directly applicable to the land acquisition process followed by SERD. This is based upon its internal legal opinion that the decrees only apply to land held under Law No 5 of 1960 (relating to Core Agrarian Principles), which does not

⁵ For example, on a per tree calculation the compensation range for Land Owner Four would have been between approximately 33,000,000 IDR and 85,000,000 IDR depending on the ratio of trees aged three years and four years. For Land Owner Two (noted as owning trees between one and eight years) the compensation range would fall between 9,000,000 IDR and 150,000,000 IDR.

cover protection forest land. SERD has therefore referred to the Decrees for guidance rather than being utilised as a pricing mechanism

- Increasing the price per tree for land within the protection forest to levels contained within Decree 19/2014 from the 45,000 IDR/tree figure used for the 2011 to 2014 land acquisition may induce more clearing within the protection forest. SERD has legal obligations within its IPPKH to prevent further encroachment into the protection forest.
- Having regard for context specific concepts of fairness within the local community, the 45,000 IDR/tree figure should be applied for all land users.
- A detailed inventory of trees based on age were not undertaken as the farmers have commenced implementation of grafting techniques which in many cases would make it difficult to determine the precise age. The breakdown of age was provided based on statements from the land owners and an agreed average age of three years was to be used. Detailed minutes of meeting in which this was agreed upon were not developed by SERD and therefore Mott MacDonald cannot confirm how this agreement was reached. This is further discussed within Section 5.2.3 below.
- Decree 19/2014 provides that compensation can only be provided at the rate of 1,600 trees per hectare (i.e. assumes a density of one tree per 6.25m²). In calculating compensation rates, SERD has accounted for every tree, even though the actual density of trees was higher than the maximum provided for within the Decree⁶.

Mott MacDonald concurs with SERD's position that increasing the compensation values being provided for trees within the protection forest area may provide an added inducement for speculative clearing within naturally vegetated areas. Increasing payments in line with the latest decree can lead to further erosion of the biodiversity values of the area, which may require integration into the biodiversity offset plan presently being developed by SERD.

Based on SERD's internal legal advice that Decree 19/2014 is not directly applicable to the land acquisition process, Mott MacDonald is satisfied that continuing to use the 45,000 IDR/tree value, and providing compensation for every tree rather than on a set density, was an appropriate mechanism for utilisation within the land acquisition negotiations during 2017. As a **corrective action**, SERD must use Decree 19/2014 as the appropriate reference point for any future land acquisition activities.

The degree to which the land acquisition process achieved outcomes consistent with the concepts of replacement value is further assessed below, with comments on the nature of the consultation process detailed within Section 5.2.3.

During interviews with the heads of the four AHs (being the male head of household who actively farmed the land), all reported that they were satisfied with the nature and value of the compensation provided by SERD. Mott MacDonald discussed how AHs had utilised the compensation as a measure to assess replacement values. Three out of four AHs reported that they had utilised all or part of compensation amount to purchase new land. The below illustrates how the land owners had spent their compensation money on land purchase:

- AH One had utilised all received compensation to purchase approximately 2ha of empty land suitable for coffee plantation near the village of Segamit. While the land owner noted that this land was vacant, it is nearly three times larger than the land acquired by the Project and he planned to utilise the recently received training (refer to Section 5.4 below) to plant arabica

⁶ The density of trees for Land Owner One and Land Owner Two was in order of one tree per 4m². However, the lack of tree age inventory (refer above), means that Mott MacDonald was unable to calculate the overall impact that this had on compensation packages provided by SERD in comparison to those that would have resulted from application of Decree 19/2014

coffee. This land is private land outside of the protection forest and was accompanied by a letter of land ownership from village level officials⁷.

- AH Three had utilised all received compensation to purchase approximately 7,500m² of land near the town of Lahat. This is an established coffee plantation containing approximately 2,000 mature and producing trees. This is larger than the piece of land initially acquired (6,602m²), contains more trees and is closer to the larger town of Lahat. The land was also noted as being private land outside of the protection forest and was accompanied by a letter of land ownership from village level officials.

These two cases demonstrate that the compensation process followed by SERD has allowed AHs to buy land of at least equal area outside of protection forest where formal private ownership is able to be secured and thus consistent with the principles of full replacement cost. Based on this, and the fact that all interviewed land owners noted that they were satisfied with the counts of affected crops and pricing mechanisms used, it is considered that the asset evaluation methodology is consistent with the requirements of SR2.

5.2.3 Land acquisition negotiation process and consultation

SERD has noted that it actively sought to implement a land acquisition process which was based upon the principles of achieving a negotiated settlement (ie willing buyer-willing seller model) with the four land owners.

Interviewed AHs noted that they had all participated in consultation regarding various Project activities in the past, and they had all participated in at least two rounds of face-to-face consultation during the land acquisition process. Based on the information provided by SERD, this included a group meeting near the site involving all four land owners on 7 November 2017 and follow-up consultation regarding outcomes of land measurement and price negotiations. While SERD did not prepare detailed minutes of meetings for this negotiation process, Mott MacDonald notes that all interviewed land owners stated that they felt the process was honest, open, and smooth. The land measurement surveys have also been signed by the land owners (sample provided in Appendix D.2) which provides further evidence that land owners have been appropriately engaged throughout the negotiation process. SERD has provided photographs of negotiation meetings held with each of the land owners, however, no minutes of meetings have been provided. Signed minutes of meetings are required as a matter of best practice such that visibility is provided as to how all agreements were reached (eg SERD's statement that an average age of three years for each coffee plant was agreed to with all land-owners). As a formal **corrective action**, SERD must ensure that any future land acquisition activities (such as for implementation of the biodiversity offset plan and any future exploration activities associated with expansion of the Project) include development of minutes of all meetings to be signed by both SERD and the land owners involved.

All interviewed land owners noted that they were aware of the ISDP being implemented by SERD, however, with the exception of one AH representative (who had already participated in the training by virtue of being involved in land acquisition transactions prior to 2014). This information was attained indirectly through discussions within the community rather than directly from SERD through the consultation process. As the ISDP forms part of the overall livelihood restoration strategy being pursued by SERD, it is recommended that these land owners be directly engaged in any future stakeholder engagement relating to ISDP implementation. None of the interviewed land owners noted that they were aware of the formal grievance mechanism. However, all stated that they felt comfortable being able to raise any concerns regarding the

⁷ This refers to a Surat Keterangan Tanah (SKT) which is issued by the Village Head as a form of recognition of occupancy and private ownership claims to a piece of land. It can serve as an initial step to securing SHM from the BPN.

process with the SERD CLO (who's contact details had been provided) and that none had raised any grievances at any stage. This reinforces the need for ongoing disclosure of the formal grievance mechanism that SERD is implementing, as discussed further within Section 5.2.6 below.

The negotiation and consultation processes followed are considered consistent with the requirements of SR2. As a formal **corrective action**, it is required that SERD must formally engage with the AH's who had not yet been formally introduced to the livelihood restoration measures within the ISDP to ensure they are able to actively participate in all offered activities.

5.2.4 Compensation payment process and documentation

All interviewed AHs reported that they had received all payments in accordance with the agreements reached with SERD during the negotiation process. They reported receiving all relevant information which included signed copies of the land measurement and survey form, evidence of bank transfer, and signed copy of the receipt of payment. The documentation also included a letter of statement releasing any rights for arable land and crops (called a "*Surat Pernyataan Pelepasan Hak atas Lahan Garapan dan Tanam Tumbuhan*") which is the mechanism SERD has put in place for AH's within the protection forest to sign in recognition that they are releasing any claims to the land and assets on it for an agreed sum. This is used as the AHs cannot claim any formal rights to the land and therefore a legal land transfer instrument cannot be used. Samples of each of these documents are provided within Appendix D.3.

SERD has provided copies of all the above documentation for each of the four AHs involved in this land acquisition process. Mott MacDonald has reviewed these documents and as outlined within Table 5 below, all documentation appears complete and has been signed by the AH.

Table 6: Review of land acquisition documentation

Land Owner	Measurement survey	Letter releasing rights to land	Receipt of payment	Evidence of bank transfer
Land owner one	Complete and signed	Complete and signed	Complete and signed	Provided
Land owner two	Complete and signed	Complete and signed	Complete and signed	Provided
Land owner three	Complete and signed	Complete and signed	Complete and signed	Provided
Land owner four	Complete and signed	Complete and signed	Complete and signed	Provided

Source: Mott MacDonald 2018

Mott MacDonald notes that the documentation provided by SERD to the land owners (specifically the land measurement survey and letter releasing rights to land) specifically shows that the land is state-owned land and that no compensation is being provided for the value of the land, only for any crops and assets on the land. This demonstrates an appropriate level of transparency within the negotiation and land acquisition process.

Based on the documentation provided by SERD and outcomes of the interviews with AHs, Mott MacDonald is satisfied that all payments have been made in accordance with the outcomes of negotiations and compliance with SR2 has been achieved.

5.2.5 Consultation and participation

The review of the updated SEP (2017) and stakeholder engagement log shows that SERD has demonstrated a commitment to continual and meaningful stakeholder engagement with the local community and AHs in the development and implementation of the ISDP. For example, prior to implementing the 2nd round of coffee cultivation training program in December 2017 (described

in detail below within Section 5.2.7), SERD conducted several consultation activities with different stakeholder groups, including village leaders and beneficiaries from AHs and the broader community with the WKPB. Topics covered during these meetings included ISDP monitoring and evaluation, needs from beneficiaries, and concerns of AHs. Other engagement topics included the disclosure of environmental social impact assessment, project activities and schedules, and information relating to the protection forest land.

Outcomes of Mott MacDonald's fieldwork, primarily through FGDs with three beneficiary groups from Tunggul Bute and Segamit Villages and Rantau Dedap Hamlet, demonstrate a high level of awareness of the ISDP programs offered by SERD. Many participants attended the coffee training program. For example, 16 out of 25 participants in Tunggul Bute FGD participated in the coffee training. This demonstrates effective use of engagement, which based upon outcomes of document review and interviews was shown to integrate a range of formal and informal meetings and focus group discussions. Mott MacDonald notes that communication channels which could be utilised to support these main methods (such as information hand-outs and booklets) are not being utilised by SERD. Several participants in the FGD with Segamit Village's beneficiaries suggested SERD use phone messages to affected people, which indicates that in the future SERD should seek to make better usage of mass media methods such as social media or phone messages (eg WhatsApp or traditional text message).

The audit findings further show that there is a two-way feedback mechanism in place for affected people to raise their concerns associated with ISDP program and project-related information and activities. Feedback is provided through meetings, SERD's CLO, and village/sub-village heads. All participants during the three FGDs expressed that they were satisfied with the Project's feedback mechanism. In addition, the audit findings show that the meetings were organised within close proximity to where stakeholders lived and worked and allowed them to easily participate the meeting. An example of this is conducting separate meetings in the village of Segamit and its sub-village of Rantau Dedap. Whilst they are in the same village administrative unit, access between the two requires a one-hour motorbike journey on a poor-quality road and can thus limit the participation of residents of Rantau Dedap should meetings be held in Segamit. This has been identified as a factor encouraging stakeholders to participate in engagement activities.

Overall, SERD's ongoing stakeholder engagement activities with the local community and AHs are being undertaken in a culturally appropriate manner. However, the review of the SEP, stakeholder engagement log, and audit findings shows that some aspects are required to be improved. Therefore, SERD must undertake the following as an **action item**:

- Define directly and indirectly Project affected people (DPAP and IPAP) in the ISDP and SEP. For example, DPAPs would be defined as members of AHs. Further detailed discussion on recommended definitions is provided within Section 5.2.7.
- Update engagement methods and strategies for DPAP and IPAP in the ISDP and SEP to ensure that they are targeted for engaging through appropriate mechanisms. This will help to continue maximising the awareness and participation of livelihood restoration programs and other Project-activities under the ISDP.
- Update the list of Project stakeholders to reflect the fact that additional land acquisition for worker accommodation and for transmission line has been undertaken.
- Update the stakeholder engagement log to incorporate: (i) stakeholder contact and preferred contact method; (ii) suggestions; (iii) responsibility for follow-up actions; (iv) deadlines for follow-up action; and (iv) confirmation of close-out.
- Adopt other communication channels, such as written publications, social media, and phone texting.

5.2.6 Grievance management and redress

A Project grievance redress mechanism is established and detailed in the SEP. The SEP describes grievance resolution procedures, the key point of contacts, community committees, and the disclosure of grievance mechanism. The review of the grievance log and completed grievance forms shows to be effective in receiving and addressing grievance. However, the grievance log should include more details of the grievant, including contact details, preferred contact method, timing and address.

At the time of auditing, there were 13 grievances logged and closed. The last grievance received in relation to land acquisition and compensation process was closed in October 2014. There were no grievances regarding the implementation of the livelihood restoration measures which was also confirmed during the three FGDs with beneficiaries from Tunggul Bute and Segamit Villages and Rantau Dedap Hamlet. The four AHs involved in the recent land acquisition also noted they had no grievances relating to the process or outcomes.

The review of the 2017 updated SEP shows that the disclosure of SEP and grievance redress mechanism were conducted in different affected communities during 2017. However, these activities were not logged in the stakeholder engagement log. It is recommended that SERD log all informal and formal engagement and disclosure activities in SE log. During the FGDs and interviews, all participants expressed that they were aware of the project grievance redress mechanism and had the Project's grievance contact number. It is noted that through consultation activities, grievance contact detail cards were provided to participants (see Figure 3 for the snapshot of the card).

Figure 3: Grievance contact detail card



Source: SERD 2017

The Project grievance redress mechanism has shown to be widely accessible within the community and thus complies with SR2, however, continual improvement of documentation is required and the following have been provided as correction action items:

- Provide grievant details in the grievance log, including name, contact details, preferred contact method and timing, and address.
- Log all disclosure activities, including grievance mechanism in the SE log.

- Ensure that appropriate support is provided to the existing field representative (ie in the form of additional CLO resources) to ensure that all required documentation is continually updated

5.2.7 Livelihood improvement activities

5.2.7.1 Integrated social development program and implementation

SERD initially engaged IHS in 2015 to develop the ISDP. This acts as a mechanism to improve the livelihoods of project-affected people, as well as to provide broader project benefits to the surrounding communities. In addition to the ISDP, since 2013, SERD has been annually developing and carrying out their corporate social responsibility (CSR) programs for affected communities. SERD's CSR programs focus on providing donations for schools and mosques, agricultural equipment, and seeds, and developing local roads systems (see Appendix E for a list of CSR activities). The current version of the ISDP document is based on the two key components,

- Community capacity building which aims to develop the capacity for the most affected communities through the building of life skills based on the employment needs of the local economy and availability of local skills
- Livelihood development which aims to improve the livelihoods of economically disadvantaged and those identified as vulnerable⁸

These programmes were targeted at the broader community with the WKPB in general rather than being specifically targeted at AHs and were based upon inputs collected from participants during a socio-economic and need surveys which was undertaken in 2015. The results of this survey demonstrated that in many cases, AHs had made ineffective use of their land compensation payments and recommended a range of partner institutions to assist in the implementation of agricultural, vocational and services based livelihood assistance programmes. It also includes a safety net programme to allow vulnerable people to participate.

Implementation of the ISDP commenced in February 2016. Based on the IHS implementation report (covering the first half of 2016), SERD provided agricultural extension services relating to enhanced coffee cultivation techniques, introduction of new potato types and improved vegetable cultivation techniques. These training programs were carried out by agricultural experts from the Sriwijaya University (UNSRI). The training programs were divided into 2 stages with stage 1 for in-class training and stage 2 for on-field training organised in February and March 2016 respectively.

Socio-economic evaluation and impact monitoring of ISDP was conducted by IHS in June 2017. The report noted that out of 112 invited participants, only 14 affected people (approximately 12.5%) participated in the training. This low participation rate of AHs was also noted by Mott MacDonald during the January 2017 field work. Reasons for the low participation rates were identified as a lack of targeted engagement, a short notice period and an initial lack of interest in the programs. This provided a strong indication of the need for more effective and targeted engagement for the ISDP programme to maximise participation of AHs, especially those including vulnerable people. The IHS monitoring report noted that the training was assessed to be beneficial to the participants and that there was an increase in coffee yields after trainees employed coffee plantation techniques learnt in their coffee farms. Given the training has been noted to be beneficial, it is important that it is targeted towards AHs as a matter of first priority.

⁸ Definitions of vulnerable for the project was established within the 2014 SCAR and include (i) households with income less than the South Sumatra provincial rates for full term employment, (ii) Women headed households without any other earning members, (iii) households headed by elderly and (iv) households containing disabled children

Taking lessons learnt from outcomes of June ISH monitoring report, SERD organised a series of coffee cultivation technique training sessions specifically for AHs in December 2017. There were reportedly 87 participants in the 2017 sessions, which is a greatly increased participation rate from 2016 (see Appendix F for the list of participants). Different from the previous training, the 2017 program was targeted at directly AHs and vulnerable people. However, the training documentation does not record the status of the people participated within the programs, ie if they are defined as households affected by the land acquisition, or if they are vulnerable. Since the 2017 ISDP programmes have just recently undertaken in December 2017, no monitoring and evaluation of the programs has been provided during this social audit. In the absence of formal monitoring and evaluation, Mott MacDonald has provided some comments of the efficacy of these programmes based on data gathered during its January 2018 fieldwork. This is described within Section 5.2.7.2 below.

5.2.7.2 Feedback from affected people on ISDP efficacy

Most respondents through the FGDs and interviews noted that their livelihood has improved since the initial project land acquisition phase (2011 to 2014). For example, during the FGD with beneficiaries from Rantau Dedap sub-village, several participants articulated that their livelihood types have been diversified. In addition to coffee farming, they have invested in vegetable farming (eg potato and strawberry cultivation) and in small business (eg car repair workshop, and coffee packaging and processing). The different livelihood options have increased their incomes and provide a buffer against any external shocks, such as adverse weather impacting upon coffee yields. The main reason stated for enabling the affected people to diversify their livelihood types was the compensation amount received from the Project's land acquisition.

Participants also articulated that the development of Project access roads was proving to be largely beneficial to local people in pursuit of their livelihoods as it was providing them with easy access to their farms, markets to sell their produce, and surrounding areas. Previously, gaining access to and from their farms and the wider area (ie the larger town of Lahat) was complex and difficult due to the narrow and poor-quality paths. The respondents mentioned that time spent travelling and transporting harvested crops from these sites had been substantially reduced. Some participants during both the 2017 and 2018 field works stated that selling coffee products is now undertaken more easily and directly to suppliers, instead of renting transportation services or utilising the services of agents and middle-men as had occurred previously. All participants expressed that better road access has positive impacts on their livelihood. Mott MacDonald notes that only a small percentage of stakeholders interviewed mentioned that their livelihood situation has not been changed, with none expressing that their livelihood was worse than before.

The interview data show that all participants were aware of the ISDP and CSR programs offered by SERD. Participants could list the programs and were aware of the SERD CLO's contact details to seek further information. None of participants expressed that they had difficulties or faced any obstacles in participating in the December 2017 ISDP programs.

The interview findings also indicate that participants highly valued the benefits of the ISDP programmes, such as trainings on advanced and modern coffee cultivation techniques (eg grafting, stem cleaning and fungicide use), the introduction of new potato types and improved vegetable cultivation techniques. The coffee training, for example, has provided useful knowledge and techniques for coffee farmers. All coffee farmers have been using traditional techniques for planting and cultivating coffee trees, referring to themselves as basic farmers ("*petani kasar*"). Since receiving the 2016 training, interviewed participants have employed the new and modern coffee farming techniques and in some cases noted that yields have doubled on a per hectare basis. Utilising newer coffee growing techniques was also noted as providing a

buffer against impacts of unfavourable weather. As one participant within the Rantau Dedap FGD stated, the new learnt techniques were implemented and meant that despite the adverse weather conditions during 2017 (ie larger than usual amounts of rain and later in the season) a harvest was still able to be achieved as opposed to similar situations in previous years where there would be an almost total failure of the crop.

One participant from Segamit FGD expressed that he employed the new coffee cultivation techniques and invested in processing, packing, and marketing his coffee products. His coffee products were sold outside the area. It is noted that some coffee trainees have not yet applied the coffee training techniques in their farms because either they have just recently joined the training program, are lacking the initial capital to purchase materials such as fungicide or were observing how successful these techniques were when implemented by other farmers.

The interview data also indicate that while SERD is willing to receive proposals from groups within the community for training programmes not included within the ISDP, the procedure and documentation requirements for making such was not clear to many participants during the interviews. Although some respondents were aware of this procedure, Mott MacDonald notes that there were primarily individuals involved within the village administrative structure. Most notable was the fact that female FGD participants noted that they were unaware of the proper procedure to follow. SERD's approach for this appears to be similar to many other community driven development programmes implemented within Indonesia (such as the World Bank Groups Kecamatan Development Programme), in which affected people will be required to form a small structured group on a specific occupation/skill-set (eg coffee, vegetable, potato, or cooking groups). The group is required to develop a proposal to SERD for consideration, evaluation and provision of feedback. The review of ISDP report shows that the proposal procedure is not provided in the ISDP report. As a **corrective action item**, SERD must describe the proposal procedure in the ISDP and disclose this information to AHs. This disclosure should also be targeted towards female participants throughout the WKPB.

5.2.7.3 General stakeholder feedback

In addition to providing feedback on the impacts of the ISDP on livelihoods, many participants in the FGD provided suggestions for improvements to SERD's ISDP and CSR. The suggestions are summarised as below:

- Provide more training programs for both AHs and the wider community including:
 - Agriculture-related training: Coffee packaging and processing class and potato and vegetable training
 - Skill training: English class, cooking class, marketing, and vocational training
 - Community health program training (eg drug avoidance education)
- Invest further into public infrastructure (eg sealing and widening access roads; providing piped water and sewerage systems), education (eg schools), community sharing areas (eg community playing grounds), others (eg internet and phone coverage)
- Provide job opportunities: SERD should give priority for affected people to access to job opportunities

There were two specific feedback items raised during the meetings, including:

- Influx matters: in the Segamit FGD, participants mentioned that there were around 25 people from other sub-districts who had migrated to the village seeking employment opportunities during the exploration phase of the Project. Aside from placing an increased pressure on limited public health services (during the January 2017 field work local public health workers

noted an increased treatment demand for general health checks and ailments), it was stated that as these in-migrants were from the same district and were Semendo people and therefore shared similar cultural, social, and religious values. FGD participants noted that there had been no social or religious conflicts to date, however it was suggested that in anticipation of increased influx during the construction phase that SERD hold events or develop channels to ensure that in-migrants and construction work-force have the opportunity to learn about the local cultural, religious and social values systems.

- Disclosure of ISDP program: As suggested by two participants during the interviews, invitations to join ISDP programs should be provided to affected people at least a week earlier so that invitees could arrange their time to join. For example, one farmer affected by land acquisition for the Project worker accommodation expressed that he could not join the coffee training in December 2017 because the invitation was sent to him only two days prior the training date. Hence, he could not arrange his time to join the training.

5.2.7.4 Key outcomes from assessment of livelihood improvement programmes

Based on the results from the social audit, it appears that the livelihood of affected people has been improved (or at the very least unchanged) after the land acquisition and compensation process. SERD has effectively conducted several activities on livelihood restoration and community development under their ISDP and CSR programs. However, the review of ISDP and findings of the two social audits conducted by Mott MacDonald in January 2017 and January 2018 show that there are areas of improvement to ensure clarity of documentation and effectiveness of implementation and monitoring of the ISDP. In these regards, SERD must update the ISDP report so that it is a concise plan (presently it includes outcomes and details of socio-economic baseline assessments and outcomes of consultation) which is focused in a manner that can address impacts to AHs and distribute Project benefits to the broader community in the most effective manner possible. The revisions to the ISDP must be undertaken as a **corrective action item** as are to include:

- Beneficiaries must be clearly defined under different components of the ISDP plan to allow for separation of aspects targeted at AHs for livelihood restoration measures and what comprises of general CSR initiatives and distribution of positive project benefits to the broader community. A recommended definition and eligibility is as follows:
 - Priority 1 (P1): those who are members of AHs directly impacted by the Project land acquisition and having above 10% of total productive land acquired (and thus significantly impacted by land acquisition) based on the 2017 SERD land procurement documentation, or are defined as vulnerable AHs regardless of the extent of impacts.
 - Priority 2 (P2): those who are members of AHs directly impacted by the Project land acquisition and having than 10% of total productive land (and thus not significantly impacted by land acquisition) based on the 2017 SERD land procurement documentation, or are defined as vulnerable households residing in the WKPB.
 - Priority 3 (P3): those who are indirectly impacted by the Project (ie residing within the WKPB).
- Provide an overview of applicable standard requirements and commitments from SERD
- Provide a proposal procedure for requesting a specific ISDP programs
- Provide stakeholder engagement and disclosure strategies for ISDP programs based upon the required amendments to the SEP
- Role and responsibility description
- Providing monitoring, evaluation, and reporting procedures
- Provide budgets required to implement the project on a year by year basis

- Provide time bound implementation schedule

5.2.8 Monitoring, evaluation, and reporting

During the socio-economic baseline survey undertaken in October 2016 SERD sought feedback from all participants to feed into livelihood restoration and community development programmes. This information guided the development of the programmes which have since been integrated into the ISDP. As evidenced by the stakeholder engagement log, SERD has undertaken continual engagement with affected communities in implementing the ISDP (which commenced in February 2016). This has included training and extension services throughout Rantau Dedap Hamlet, an evaluation session with the Rantau Dedap Farmers Group to assess the impacts of the coffee and vegetable cultivation advanced programmes, and the annual stakeholder meeting which assessed various components of the ISDP among other matters. As described above in Section 5.2.7.1 above the outcomes of this monitoring have increased participation of AHs within ISDP training programmes.

There is presently no documentation provided which demonstrates that SERD has specifically included affected people (particularly those defined as vulnerable) within the monitoring of the ISDP implementation. The Inti Hexta Semesta (IHS) implementation and monitoring report provides a useful overview of how the ISDP has been developed, how aspects of training programmes have been refined and the performance of these programmes expressed broadly as a function of increased agricultural yields. The monitoring report was conducted to cover the first half of 2016 and included consultation with ISDP programme participants and farmer's representative groups. However, as the ISDP is directed at the broader community, the monitoring approach presently being taken does not provide certainty that affected people have been included in the monitoring process. Amendments to the ISDP (and SEP) are considered necessary to capture this requirement fully.

5.3 PLN led land acquisition

5.3.1 Regulatory overview

PLN as a state-owned entity is bound by the prevailing legal system within Indonesia to guide the way it will undertake all aspects of the land acquisition for the TL. It is not afforded the same discretion that SERD could implement to achieve a full negotiated. Based upon document review and outcomes of meetings with PLN, Mott MacDonald understands that the compliance framework that PLN will be implementing is dependent upon the nature of the land type (ie Protection Forest or Private Land) and the TL component (ie tower pad or corridor for lines), and comprises the following:

- Tower pads situated on private land are subject to the provisions of Law Number 2 of 2012 regarding Land Acquisition for Development in the Public Interest (Law 2/2012) and the accompany Presidential Regulation Number 71 of 2014 regarding the Facilitation of Land Acquisition for Projects in the Public Interest (Regulation 71/2014)
- The Right of Way (ROW) corridor situated within private land is subject primarily to the provisions of Minister of Energy and Mineral Resource Regulation Number 38 of 2013 regarding Compensation for Land, Building and Plant Located Below Free Space of High Voltage Aerial Network and Extra High-Voltage Aerial Network (Regulation 38/2013)
- All land acquisition within the Protection Forest area will be undertaken in accordance with the same legal framework through which SERD has acquired its IPPKH (primarily Presidential Regulations 42/2010, 61/2012 and 105/2015). PLN has noted that while these laws technically prohibit it from providing any forms of compensation to individuals occupying

Protection Forest Land, the provisions of Minister of Energy and Mineral Resources Regulation 33 of 2016 regarding the Technical Settlement of Community Owned Land, Buildings and Plants in Forest Areas to Facilitate Development of Electricity Infrastructure (Regulation 33/2016), which have conferred upon it the rights to provide compensation in certain circumstances.

To date, limited primary data (such as minutes of meetings, topographic surveys, land measurements, crop inventories, and any documentation signed by land owners) has been provided to SERD by PLN. Therefore, Mott MacDonald has assessed this section based on the following:

- Initial list of land owners within the sub-district of Semendo Darat Ulu to have land acquired for the TL. This is one of three sub-districts the TL traverses.
- Limited samples of land measurement and crop survey documents (photographs only)
- Information and opinions provided by PLN South Sumatra during a meeting on 2 January 2018
- Interviews with 13 individuals from the administrative area of Segamit Village (within Semendo Darat Ulu sub-district) who occupied land within the Protection Forest to be acquired for the purposes of TL tower pads⁹.

PLN has noted that land measurements and inventories have concluded; however, the full identification of ownership, land valuation and payments have not yet occurred. This information must be attained by SERD to allow the ADB to develop an understanding of the total number AHs impacted by land acquisition for all aspects of the TL (ie tower pads and the ROW) and thus extent and possible magnitude of the impacts. Mott MacDonald has provided a high-level assessment of compliance to date, as well as providing commentary on any potential risks based on the information gathered at the time of audit and preliminary review of the regulatory framework¹⁰. This however must not be construed as any confirmation of compliance or non-compliance. Where appropriate, Mott MacDonald has recommended actions for inclusion within the CAP to allow for ongoing monitoring of the TL land acquisition process.

In accordance with initial discussions with both SERD and the ADB, as the TL is an associated facility to be developed by a third party (ie PLN), the audit is to describe how compliance will be secured with the Indonesian regulatory framework for the entire TL length, supplemented with recommended additional actions to be undertaken by SERD in coordination with PLN to comply with SR2 where considered reasonably practical. This primarily includes for TL within the WKP.B.

5.3.2 Asset valuation and replacement cost

5.3.2.1 Tower pads (private land)

PLN has advised that compensation will be provided for land, assets, and crops for the 78 land owners impacted by land acquisition for tower pads within private land. This is to be undertaken in accordance with Law 2/2012 and Regulation 71/2012, supplemented by Governor of South

⁹ The village of Segamit was chosen for the interviews due to the fact that; (1) it is located within SERD's WKP.B and SERD, therefore, has an established relationship with village and sub-village level authorities, thus making it easier to arrange interviews within the short notice period; (2) the other 13 village administrative areas are all outside of the SERD WKP, requiring excessive travel time within the short audit period, and (3) Segamit is partly located within the Protection Forest, the area of the TL land acquisition area for which greater clarity regarding the process being followed was required.

¹⁰ For a full assessment of the equivalence with the land acquisition process for the tower pads on private land against SR2, please refer to the detailed assessment at https://countrysafeguardsystems.net/sites/default/files/INO_IR_equivalence%20assessment_draft%20as%20of%20October%202014.pdf. Copies of Permen ESDM 38/2013 (unofficial English translation) and Permen ESDM 33/2016 (Bahasa Indonesia only) are provided within Appendix G.2.

Sumatra Decree 14/2014 (Decree 25/2009). As noted within the country safeguards equivalence assessment for Indonesia, the ADB generally considers the mechanisms incorporated within this regulatory framework for secure outcomes consistent with those of SR2, such as valuation of land and assets at true replacement cost.

It was advised that PLN have recently engaged an independent and registered public valuation company (known as a *Kantor Jasa Penilai Publik – KJPP*) to undertake an evaluation of appropriate market rates to utilise within the negotiation processes with affected land owners. This report has not yet been finalised; however, during a meeting with the Head of Semendo Darat Ulu Sub-District (who had met with the appointed KJPP as part of their ongoing valuation process) indicated an initial range of 40,000 to 50,000 IDR/m² for dry agricultural land and 70,000 to 80,000 IDR/m² for rice fields was likely to be used for the negotiations for land prices, with Decree 19/2014 to be used as the mechanism to evaluate crops and assets. It is recommended that a copy of this report be secured by SERD once all land acquisition has been completed to allow a conclusion to be made as to whether asset valuation has been undertaken in a manner consistent with the prevailing regulations.

5.3.2.2 Right of way (private land)

Compensation for the 20m wide ROW within private land is to be provided in accordance with Regulation 38/2013. As noted by PLN and contained within Article One of the Decree, *“compensation shall be the granting of a certain amount of money to holder of land title along with building, plant and/or other material above a land plot because the land is used indirectly for the development of electricity without relinquishing or transferring land title”*. PLN will therefore not attain title over the land, however compensation is provided to allow it to secure a form of easement and for any restrictions placed on the use of the land. These restrictions are described within Decree 38/2013 and primarily relate to the imposition of a 6m height limit for structures and plants. Implications of this are discussed further in relation to livelihood impacts below.

Methodologies for calculating compensation are contained within this decree and include the following formulas:

- Compensation for land to be 15% of the product of the total area of land within the ROW and the assessed market value
- Compensation for buildings within the ROW will be 15% of the product of the total floor space of the building within the ROW and the assessed market value
- Compensation for plants is to be the total assessed market value of all plants within the ROW
- Compensation for any damages during the installation of the TL is to be determined through a process of deliberation and consultation with the land owner

All payments are to be provided once only, with Part One Article Two describing a clear and robust methodology for undertaking land measurements, inventory of plants and buildings and confirmation of ownership of the land. It also provides that the market valuation should be undertaken by an appropriately certified appraisal institution. Mott MacDonald understands that this forms part of the appraisal process presently being conducted by the KJPP.

As above, no documentation has been provided with regards to the ongoing market valuation process. Mott MacDonald, therefore, cannot make any comments on compliance at this stage. It is recommended that SERD secure a copy of the valuation report once all ROW compensation has been completed to allow for a conclusion to be made as to whether asset valuation has been undertaken in a manner consistent with Decree 38/2013.

5.3.2.3 Protection forest land

PLN has stated that for the 36 towers and ROW within the protection forest will only receive compensation in accordance with Decree 33/2016 in that compensation will be provided for crops and structures only. No compensation will be provided for the value of the land. The valuation of crops and structures was noted by PLN as being incorporated within the valuation process by the KJPP, with valuation of crops likely to be based upon the same Decree 25/2009 or 19/2014 that SERD has utilised as a basis for its compensation calculations. This process of providing market value compensation for crops and structures only is unlikely to result in replacement values for land, assets and crops¹¹; however, this approach is consistent with Decree 33/2016 and also consistent with the obligations of SR2 which for non-titled land-users only requires crops and assets be compensated at replacement rates.

The interviewed land owners also stated that they were generally afforded the opportunity to participate in the land survey and crop inventory process undertaken by PLN. Although not all land owners participated in the survey, all stated that they agreed with the outcomes of the survey and had signed the count form during meetings with the Segamit Village Head house. Those that did not participate in the surveys noted that they trusted the counts undertaken by village, sub-district, and PLN authorities. Mott MacDonald understands that a re-measurement of land and assets within the protection forest is likely to occur during 2018 (described in detailed within Section 5.3.4 below) and it is strongly recommended that SERD work with the local community to ensure that as many as possible participate.

5.3.3 Land acquisition negotiation and consultation

5.3.3.1 Tower pads (private land)

PLN has advised that land acquisition negotiations will only commence once the valuation report has been completed. As this has not yet been undertaken, Mott MacDonald is unable to provide any commentary of the negotiation process to date. PLN has powers under Law 2/2012 to compulsorily acquire land, which is undertaken through vesting the assessed compensation amount within the district-level court system and formally taking ownership of the land in question. This process allows PLN to commence construction of the TL while the court system resolves the matter of the compensation claim, which relates to conflicting claims of owners of the land and not to the compensation value which is determined by the valuation report. PLN has stated that it intends to utilise this power to ensure that its obligations under the PPA are met and therefore, the TL land acquisition process is not a true negotiated resettlement. As part of the scheduled monthly meetings that SERD holds with PLN South Sumatra, it is recommended that information be provided pertaining to how many cases of land acquisition have been referred to the court system.

While the land is private, PLN noted that much of it is not held under formal SHM or SKT, but by extended families within the Semendo system known as “Tunggu Tubang”¹². Any decisions relating to the sale or use of land held under the Tunggu Tubang inheritance system must be

¹¹ For example, a land owner within the Protection Forest who has 400m² acquired for the construction of a tower pad may not be able to use the compensation provided for plants and crops only to purchase an equivalent area of land containing an equivalent number and type of trees and crops.

¹² Tunggu Tubang is a traditional inheritance system used by the ethnic Semendo people within the area. Through this system, the right of inheritance in the family is through the oldest daughter who upon marriage is given the right to use, occupy, preserve and manage the estate of her parents and ancestors. However, the property is still considered the property of the extended family and the oldest daughter therefore has no right to make any decisions regarding selling of any portion of the land without seeking permission from the broader family. As a general concept, the full parcel of land cannot be sold even in cases where consent is attained from the extended family, and land can only be swapped. Further details on the Tunggu Tubang system and other responsibilities, it entails (such as economic management, care for extended family and social functions) is contained within the Indigenous Peoples Screening Report provided in Appendix H.2.

made involving the broader family group. PLN has noted the majority of the 78 tower pads within private land were under held under Tunggu Tubang and that prior to any compensation being paid, formal agreements would be reached with each family. However, PLN also intends to be able to use the abovementioned powers under Law 2/2012 to initially acquire the land and allow the court system to resolve the matter of consent from the broader family groups. The Tunggu Tubang system does not ordinarily allow for direct sale of land through a normal market style transaction as the land is intended to be retained in perpetuity for use of the extended family group. Consultation with customary (“adat”) leaders within the Semendo community during the audit process indicated that permission could be granted for the sale of small parcels of land (generally less than 1000m²) for important local infrastructure. As all tower pads fit within this definition, the adat leaders noted that negotiations were permissible under the Tunggu Tubang system.

PLN has advised that consultation for the land acquisition process (including the grievance resolution mechanism) will be undertaken in accordance with Law 2/2012. While no minutes of meetings or the extent of consultation undertaken to date have been provided, as noted within the country safeguards equivalence assessment for Indonesia, the ADB considers the consultation measures contained within this regulatory framework equivalent to the requirements of SR2.

5.3.3.2 Right of way corridor (private land)

As with the tower pads, PLN has advised that it will only commence negotiations to secure the ROW once the valuation report has been completed. As this has not yet been undertaken, Mott MacDonald is unable to provide any commentary on the negotiation process to date. Similar with Law 2/2012, Decree 38/2013 affords PLN the authority to compulsorily acquire land for the ROW if required. This is specifically described within Part Four Article Five which states that “*In the case of prospective recipients of compensation being not found or rejection the compensation, holders of business license to supply electricity and holders of operational license shall consign the payment of compensation in local district office in accordance with the provision of legislation and holders of business license to supply electricity and holders of operational license may install SUTT or SUTET*”¹³. PLN has stated that it intends to use these regulatory powers to ensure it meets its obligations under the PPA. Part 4 Article 5(2) also states that the outcomes of the valuation are final, indicating limited space for any form of negotiation. Based on these two factors, the land acquisition for the ROW is not a negotiated settlement type.

The land also traverses areas held under the Tunggu Tubang system, which PLN intends to approach in the same manner as that described above for the tower pads.

PLN have advised that consultation for the ROW will be undertaken in accordance with Decree 38/2013, however, no minutes of meeting or attendance lists or stakeholder engagement logs have been provided to demonstrate the consultation that has occurred to date. It is understood from PLN that public meetings have been held with affected villages. Decree 38/2013 requires consultation occur at the following points:

- Socialisation of the plan for development of the TL to communities to be impacted through local regency and municipal government offices. It is understood from PLN that these meetings have already occurred.

¹³ SUTT (*Saluran Udara Tegangan Tinggi*) refer to High Voltage Suspended Power Lines between 35kV and 245kV, which is the category for the TL being developed for the Project. SUTET (*Saluran Udara Tegangan Ekstra Tinggi*) refer to Extra High Voltage Suspended Power Line with a voltage over 245kV.

- The outcomes of the inventory and identification of land owners will be undertaken through meetings in the village, sub-district, or district office
- As noted above, consultation is not required as part of negotiations as the decree provides that the assessed compensation offers shall be final and become the basis for granting of compensation.

As part of its monthly meetings with PLN South Sumatra, it is recommended that SERD require updates of all consultation events led by PLN.

5.3.3.3 Protection forest

PLN have advised that they will only commence negotiations to secure land within the protection forest once the valuation report has been completed. Both SERD and PLN also stated that as land within the protection forest could only be secured through the IPPKH mechanism, an additional round of inventory of assets on the land is likely to be undertaken as part of final measurements for the IPPKH permit prior to any offers of compensation being made. AHs within the protection forest are untitled land users and therefore, PLN's only obligation is to provide compensation for crops and assets in accordance with the pricing mechanism contained within Decree 25/2009 and supplemented by Decree 33/2016. No provisions are made for negotiation and therefore, it is not a negotiated settlement type.

The interviewed land holders mentioned that they had already attended two consultation events within the Segamit Village Heads office, one being for the initial disclosure of the requirement to acquire land for the TL, and the next to require AHs to sign the land survey and inventory documents. As discussed further below, future consultation with these AHs must be facilitated by SERD to ensure that they are provided with appropriate levels of information regarding the status and schedule of the land acquisition process. Consideration must also be given to holding separate consultation events within the village of Segamit and sub-village of Rantau Dedap, rather than a single location in Segamit. As demonstrated by SERD within its own consultation activities, participation of AHs increased when considerations of distance (travel time between Segamit and Rantau Dedap can be up to one hour or more) were overcome by holding separate meetings.

5.3.4 Compensation payment process and documentation

5.3.4.1 Tower pads (private land)

As valuations and negotiations have not yet occurred, Mott MacDonald is not able to provide any commentary on compensation payment processes for the tower pads.

During meetings PLN stated that they had identified individuals within local communities and village level administrative functions that may pose a risk to future compensation processes and possibly result in land owners receiving less than the agreed amount. The relevant district level legal officers (ie District Attorney) have been engaged by PLN to proactively manage these matters and thus reduce the likelihood of any irregularities occurring during final compensation payment process. To determine the extent to which PLNs proactive strategy results in all AHs receiving compensation in accordance with the agreed amounts, it is recommended that SERD and PLN cooperate to undertake a confirmatory audit once the compensation process has concluded. This should include an appropriate sampling effort (drawing samples from across all 14 village administrative areas) and be focused upon confirming if the compensation payment and documentation process is consistent with the prevailing regulations.

5.3.4.2 Right of way corridor (private land)

As valuations and negotiations have not yet occurred, Mott MacDonald is unable to provide any commentary on compensation payment processes for the ROW.

As with the tower pads, during meetings PLN stated that they had identified individuals within local communities and village level administrative functions that may pose a risk to future compensation processes and possibly result in land owners receiving less than the agreed amount. The relevant district level legal officers (ie District Attorney) have been engaged by PLN to proactively manage these matters and thus reduce the likelihood of any irregularities occurring during final compensation payment process. To determine the extent to which PLNs proactive strategy results in all AHs receiving compensation in accordance with the agreed amounts, it is recommended that SERD and PLN cooperate to undertake a confirmatory audit once the compensation process has concluded. This should include an appropriate sampling effort (drawing samples from across all 14 village administrative areas) and be focused upon confirming if the compensation payment and documentation process is consistent with the prevailing regulations.

5.3.4.3 Protection forest

As valuations of the crops and structures for land within the protection forest has not yet occurred, Mott MacDonald is unable to provide any commentary on compensation processes for land within the protection forest.

As an outcome of interviews with affected land owners, it was noted that PLN have not provided any information pertaining to the next steps within the land acquisition process. Many interviewed individuals did not have signed copies of the land measurement and crop inventory survey (even though they had noted they had signed it previously), not had any information been provided as to when valuation would commence and what the negotiation process would entail. PLN noted that the compensation payments would be made only after a number of additional steps had been completed, namely:

- The regulatory EIA (known as an *Analisis Mengenai Dampak Lingkungan – AMDAL*) for the TL had been approved
- The environment permit associated with the AMDAL has been received
- SERD provides PLN with its 'notice of intention to develop' (NOID) for the Project
- Re-measurement of the ROW within the protection forest has been undertaken as part of the IPPKH approval process
- The IPPKH has been approved and issued

With PLN anticipating submission of the AMDAL in March 2018 at the earliest, SERD has indicated that it is doubtful that this process will be completed until the second half of 2018. Given this time period, SERD through its CLOs must provide monthly updates to the Segamit Village Head which can then be communicated to the relevant affected people.

5.3.5 Livelihood impacts and restoration support

5.3.5.1 Tower pads (private land)

As land acquisition has not yet been undertaken, there have been no livelihood impacts. PLN has noted that it intends to provide cash compensation only for the tower pads. This is consistent with the provisions of Law 2/2012, which does not provide specifically for any livelihood restoration support. Regardless of the above, impacts to livelihoods are anticipated to be minimal given the fact that the methodology being followed will likely ensure that land

acquisition for the small amounts of land (either 225m² or 400m² depending on tower type) is undertaken having regards for the concept of replacement value. During meetings with the Semendo Darat Ulu sub-district head and an agricultural training officer (a position funded by the South Sumatra Provincial Government), it was noted that any AHs could access agricultural extension services (primarily training in coffee and rice growing) as a means to improve farming practices and potentially offset any longer-term income losses associated with the land acquisition. It is recommended that SERD work with PLN to ensure that this matter is raised during future consultation activities.

5.3.5.2 Right of way (private land)

As land acquisition has not yet been undertaken, there have been no livelihood impacts.

Decree 38/2013 provides only for a single cash payment based on the calculation for land, crops and assets (as discussed above), and PLN has noted that it does not intend to provide any specific livelihood support. Impacts to livelihood are anticipated to be minimal given that no land is being permanently acquired, and the only restriction within the ROW being that no plants with a height of over 6m can be grown. As Mott MacDonald has not had access to the inventory, it is not known whether this height limit will materially change the agricultural activities of any land holders. Based on observations in the field, much of the TL appears to traverse areas used for coffee and rice farming which would not be changed due to imposition of height restriction. However, towards the Lumut Balai substation, the land use appears to change and include higher trees such as rubber. The 6m height restriction in this area may lead to some livelihood impacts as the types of crops planted will need to change. As noted above, at sub-district level, there are a range of agricultural extension programmes available which may be used to assist AHs transitioning from one type of crop to another within the ROW. It is recommended that SERD work with PLN to ensure that this matter is raised during future consultation activities.

5.3.5.3 Protection forest

As land acquisition has not yet been undertaken, there have been no livelihood impacts. There is no legal mechanism for PLN to provide any forms of livelihood restoration assistance to any AHs undertaking farming activities within the Protection Forest. PLN has noted that it intends only to provide cash compensation for the price of any crops on the land, including any natural timber species. As compensation is only being provided for crops and assets on the land, the principles of full replacement costs are not being adhered to and the likelihood of livelihood impacts associated with loss of land (tower pads) and limitations on heights of trees (ROW) is considered to have increased in comparison to that within private land.

During interviews with 13 AHs who occupy land being acquired for the purposes of tower pads within the Protection Forest, a number provided information on the amount of land to be acquired, their estimated total holding and the primary use of the holding. This information is primarily provided within Table 7 below for eight interviewed land owners who provided information pertaining to their land holdings.

Table 7: Summary of land acquisition impacts on livelihoods

Land owner	Land to be acquired (m ²)	Estimated total land holding (m ²)	Use of land holding	% of estimated total land holding acquired
Land owner one	400m ²	25,000m ²	Primarily timber species (some natural and planted) and banana	1.6%

Land owner	Land to be acquired (m ²)	Estimated total land holding (m ²)	Use of land holding	% of estimated total land holding acquired
Land owner two	225m ²	12,500m ²	Primarily timber species (some natural and planted) and bamboo	1.8%
Land owner three	225m ²	10,000m ²	Primarily timber within natural forest	2.25%
Land owner four	225m ²	25,000m ²	Potential rice fields, coffee trees and fish ponds	1%
Land owner five	225m ²	20,000m ²	Primarily coffee and fruit	1.1%
Land owner six	225m ²	10,000m ²	Cassava	2.25%
Land owner seven	225m ²	30,000m ²	Coffee, fruits and cinnamon	0.75%
Land owner eight	400m ²	10,000m ²	Coffee, jackfruit and pineapple	4%

Source: Mott MacDonald 2018

All of the land to be acquired is considered to be income generating, however, as a percentage of overall land holdings the amounts are minimal (no greater than 4%) for those AHs interviewed. It is likely that livelihood impacts will be minimal. However, further information should be gathered to reflect the following current information gaps:

- The interviews only represent 13 of the 38 AHs within the protection forest losing land for the installation of tower pads.
- Information is not known as to how many AHs will be affected by the ROW and thus have crop height restrictions placed upon them.
- Some of the AHs may have been impacted by land acquisition for both the TL and the Project and thus subject to cumulative impacts. At least three of the AHs interviewed fell into this category.

This information must be gathered at the conclusion of the land acquisition process by PLN (ie after all payments have been made) as part of a combined audit and socio-economic survey which covers at a minimum the 36 AHs within the SERD WKPB and is required as a **corrective action** item. The audit component must cover procedural and administrative aspects of the land acquisition process (eg if AHs have signed and received all relevant documentation from PLN; if payments have been completed; and if the total payment values reflect agreed amounts). The socio-economic survey must gather basic census style information, income levels and precisely define the nature of impacts from the TL land acquisition. Consistent with the recommended changes to the ISDP made previously, it is recommended that AHs losing more than 10% of their productive land (measured cumulatively) should be defined as Priority One (P1) for the purpose of livelihood restoration training provision. Any corrective actions as a result of this audit should be discussed and agreed upon with the ADB and PLN such that implementation is undertaken in a coordinated manner to the extent possible.

5.4 Compliance review

Table 8 below provides an assessment of the compliance of SERD led land acquisition activities against the provisions of SR2. It is based upon the outcomes of the assessments described above and includes recommendations to secure compliance where non-compliance or partial

compliance's have been identified. These recommendations have been carried forward into the CAP provided within Section 7.

Table 9 provides an assessment of the compliance of PLN led land acquisition activities against the provision of SR2. It is based upon the outcomes of the assessments described above. Given that PLN led land acquisition for the TL is considered as an associated facility, recommendations to secure compliance have been made on the reasonable degree of influence that SERD can have over the process. This is primarily focused on actions within the SERD WKPB.

5.5 Categorisation review and recommendations

Following the review of Project documentation, consultation with relevant stakeholders and having regards for the categorisation provided within previous reports, it is considered that the Project falls under Category B for the purposes of ADB Safeguard Requirement 2 (Involuntary Resettlement). This defines a Category B project as follows:

“Category B: A proposed project includes involuntary resettlement impacts that are not deemed significant. A resettlement plan, which includes assessment of social impacts, is required.”

This categorisation is based upon the following:

- The 2011 to 2014 land acquisition (covered within the 2014 SCAR), resulted in 94 of 153 AHs losing more than 10% of their total productive farming land¹⁴. However, the 2014 SCAR concludes that the process that SERD implemented was consistent with the principles of a negotiated settlement, with findings of the current SCAR concluding that livelihood impacts are minimal. This component of the Projects land acquisition is likely Category C¹⁵, rather than the initial Category A which was based on insufficient information regarding the negotiated settlement process
- The 2017 land acquisition for the four AHs resulted in all losing more than 10% of their total productive farming land. However, based upon the outcomes of the January 2018 Mott MacDonald considers that the process utilised by SERD is consistent with the principles of a negotiated settlement and resulted in compensation being provided at above replacement cost. This aspect of the Project therefore a Category C
- The PLN land acquisition for the associated facility (ie part of the Project) is not considered to be negotiated settlement and thus is not able to be considered as Category C. PLN has expropriation powers available to it which it has noted that it intends to use. While full information regarding the number of AHs impacted or the extent of land lost, based on information gathered during the January 2018 site visit Mott MacDonald considers it unlikely that the impacts will be significant. For AHs within the protection forest, all were noted as having less than 10% of their total productive owned land acquired by PLN. Based upon this, Category B is considered appropriate, subject to final confirmation that no more than 200 persons lose 10% or more of their productive land as a result of the PLN led land acquisition.

While aspects of the Projects land acquisition may be defined as Category C, the fact that the PLN led land acquisition will be Category B means that this Category must be applied across the entire Project. Applying such a categorisation is also suitable as it will require the

¹⁴ Involuntary resettlement impacts are considered significant if more than 200 or more persons will be physically displaced or lose 10% or more of their productive or income generating assets (<https://www.adb.org/site/safeguards/safeguard-categories>)

¹⁵ The term “likely” is used in this instance as the AHs in protection forest were aware that they had no formal claims to legal title and thus SERD was able to resort to expropriation of assets and crops without resorting to (or threatening to resort to) the extensive expropriation process for privately held land. This aspect may have impacted the possibility of achieving a true negotiated settlement as it establishes a fundamental asymmetry in negotiating position between the two parties. There are no minutes of meetings available to confirm that all of the 153 AHs had an even negotiating position.

implementation and monitoring of livelihood restoration measures (through SERDs ISDP) which addresses the minor residual concern that a true negotiated settlement may not have been achieved for all 2011 to 2014 SERD led land acquisition.

Table 8: SERD-led land acquisition compliance review – ADB Safeguard Requirement 2: Involuntary Resettlement

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
1 Involuntary resettlement should be avoided wherever possible	The land acquisition undertaken by SERD has been on a negotiated settlement basis and takes into account replacement cost principles. This is evidenced by the fact that interviewed AHs could find productive land of equal or greater size in an area where they could secure formal legal title.	Compliance – none of the SERD led land acquisition has been undertaken through the application of any expropriation laws, nor have SERD used the threat of such during the negotiations.	N/A
2 Minimize involuntary resettlement by exploring project and design alternatives	SERD’s land acquisition activities between 2014 and 2017 have primarily been related to modifications to its IPPKH. While the majority of land secured through this process was not occupied by any land owners, a small area in the vicinity of the proposed permanent accommodation facility was acquired. The land acquisition undertaken by SERD has been on a negotiated settlement basis and takes into account replacement cost principles for both land and associated assets.	Compliance – SERD has minimised the scope of involuntary impacts by selecting a small land area for the proposed permanent accommodation in which only four farmers were economically affected. All land acquisition undertaken to date complies with this principle.	N/A
3 Conducting census and socioeconomic profiles of displaced persons and resettlement planning	SERD has involved the AHs within all aspects of the land survey and crop and asset inventory process. Additionally, it gathered some basic baseline data (such as age of household head, number of household members, primary income source, yearly income and total land holdings) which can be used in livelihood restoration planning.	Compliance – it is recommended that this data be used to determine the appropriate level of livelihood support to be afforded to these AHs (further discussion provided within Item 6 below).	N/A
4 Carry out meaningful consultation with displaced persons and ensure their participation in planning, implementation, and monitoring of resettlement program	SERD has demonstrated a commitment to continual and meaningful stakeholder engagement with the local community and AHs in the development and implementation of the ISDP. Changes to consultation processes followed for ISDP implementation have shown an increase in participation of AHs within recent training programmes offered in December 2017. This all demonstrates effective engagement, however improvements are required to ensure appropriate documentation and utilisation of different disclosure and communication techniques (such as social media or phone).	Partial compliance - Overall, SERD’s ongoing stakeholder engagement activities with the local community and AHs are being undertaken in a culturally appropriate manner. However, the review of the SEP, stakeholder engagement log, and audit findings shows that some aspects are required to be improved. To secure full compliance, SERD must better define ISDP and SEP stakeholders so that the targeted stakeholder engagement techniques can be integrated into formal processes, continually update the list of stakeholders to include all AHs impacted by land acquisition in 2017 and into 2018 (particularly for the TL), improve logging and tracking of all stakeholder engagement activity, and making effective use of communication channels such as written publications, social media and phone messaging/texting.	CAP Item # 1 CAP Item # 6
5 Establish grievance redress mechanism	A Project grievance redress mechanism is established and detailed in the SEP. The SEP describes grievance resolution procedures, the key point of contacts, community committees, and the disclosure of grievance mechanism. The review of the grievance log and completed grievance forms shows to be effective in receiving and addressing grievance. However, the	Compliance - The Project grievance redress mechanism has shown to be widely accessible within the community and thus complies with this principle; however, SERD must seek continual improvement of its documentation processes. To support this (and improvements to the SEP documentation) , it	CAP Item # 2 CAP Item # 3

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
	<p>grievance log should include more details of the grievant, including contact details, contact preference and address.</p> <p>During the FGDs and interviews, all participants expressed that they were aware of the project grievance redress mechanism and had the Project's grievance contact number. It is noted that through consultation activities, grievance contact detail cards were provided to participants.</p> <p>The audit findings further show that there is a two-way feedback mechanism in place for affected people to raise their concerns associated with ISDP program and project-related information and activities: feedback through meetings, SERD's field relation officer, and village/sub-village heads. All participants during the three FGDs expressed that they were satisfied with the Project's feedback mechanism.</p>	<p>is recommended that support (ie in the form of an additional CLO resource) be engaged by SERD.</p>	

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
6 Improve or at least restore the livelihoods of all displaced persons	<p>The audit findings show that the livelihood of affected people has been improved or unchanged. Most respondents through the FGDs and interviews noted that their livelihood has been improved since the project land acquisition. For example, during the FGD with beneficiaries from Rantau Dedap Hamlet, several participants articulated that their livelihood types have been diversified. In addition to coffee farming, they have invested in vegetable farming (eg potato and strawberry cultivation) and in business (eg car repair workshop, and coffee packaging and processing). The different livelihood options have been helping them to increase their incomes. The main reason for enabling the affected people to diversify their livelihood types is due to the compensation amount received from the Project's land acquisition. Another improvement often cited was the fact that the road upgrades undertaken by the Project have greatly increased accessibility within and outside of the Project area.</p> <p>The interview data also indicate that the SERD procedure for making a request on a specific training program is not clear to some participants during the interviews. Although some respondents (most are village heads) were aware of this procedure, several participants during the meetings did not know this process.</p> <p>SERD has shown a strong commitment to implementing livelihood restoration and improvement training to not only AHs, but also to communities throughout it WKPB. It is recommended that beneficiaries be more appropriately defined such that the ISDP is targeted firstly towards AHs and vulnerable people, before being used as part of SERD's general CSR activities. This will require that the current ISDP layout be restructured.</p>	<p>Partial compliance – based on the results from the social audit, it appears that the livelihood of affected people has been improved/unchanged after the land acquisition and compensation process. SERD has effectively conducted several activities on livelihood restoration and community development under their ISDP and CSR programs.</p> <p>The current version of the ISDP does not accurately reflect the commitments made by SERD. As noted previously, improvements to the ISDP are required to capture the need for targeted implementation (which SERD have recently commenced), monitoring of the different beneficiary groups, and providing better definition around monitoring and evaluation methods, budgets and schedules.</p>	CAP Item # 4
7 Land-based resettlement strategy	<p>As noted previously, the ISDP put in place by SERD has a strong focus on providing agricultural extension services to improve outputs from the remaining land holdings of affected people rather than providing land-based resettlement options. Monitoring data presented and evidence gathered during consultation as part of the site audits indicates that this approach can be successful and therefore reduce the impacts associated with not being able to provide land for land replacement.</p>	<p>Compliance - All land acquisition undertaken to date complies with this principle.</p>	N/A
8 All compensation should be based on the principle of replacement cost	<p>The asset valuation procedure is assessed to be a negotiated settlement process which incorporates principles of replacement value for both land and assets. SERD has achieved this for land within the protection forest and within private land. All interviewed</p>	<p>Compliance - The land acquisition undertaken by SERD has been on a negotiated settlement basis and takes into account replacement cost principles. Based on the fact that all interviewed land owners noted that they were satisfied with the counts of affected crops and pricing mechanisms</p>	N/A

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
	land owners during the January 2018 field work reported that they were satisfied with the nature and value of the compensation provided by SERD. Three of the four interviewed farmers reported that they had used the compensation payments to buy land of at least equal area outside of Protection Forest where formal private ownership is able to be secured and thus consistent with the principles of full replacement cost and the requirements of SR2.	used, it is considered that the asset evaluation methodology is consistent with SR2 compliance requirements. This is subject to the receipt of independent legal advice providing that Decree 19/2014 does not apply to land within the protection forest.	
9 Provide relocation assistance to displaced persons	There is no relocation of physically displaced people	N/A	N/A
10 Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of non-land assets.	All four AHs occupied land within the protection forest for which they had no recognisable title. SERD has recognised these AHs as users and occupiers of the land and provided them with compensation for loss of all non-land assets. These assets were primarily composed of productive coffee plants. The valuation mechanism SERD utilised through the negotiation process provided for prices much higher than normal market value for these plants. Three out of four interviewed AHs noted that they were able to utilise all/part of this compensation money to secure new land of equal or larger area which was suitable for growing coffee. This land was outside of the Protection Forest and came with SKT, the first step in attaining formal legal title.	Compliance – The crop valuation mechanism utilised by SERD has meant that AHs have been compensated for non-land assets at a level which allows them to purchase similar areas of land elsewhere even though they held no formal title over the Protection Forest land	N/A
11 Disclose the resettlement plan, including documentation of the consultation in an accessible place and a form and language(s) understandable to affected persons and other stakeholders.	Refer to Item 4 of this Table.	Refer to Item 4 of this Table.	N/A
12 Conceive and execute involuntary resettlement as part of a development project or program. Include the full costs of resettlement in the presentation of project's costs and benefits.	Refer to Item 6 of this Table.	Refer to Item 6 of this Table.	N/A
13 Pay compensation and provide other resettlement entitlements before physical or economic displacement.	Interviewed AHs stated that they all received payment in accordance with the negotiated compensation value. While SERD have not yet commenced activity on these sites, all AHs have signed documentation noting that they have received compensation and have relinquished any future claims to the land or the crops on the land.	Compliance – SERD has ensured that all affected people received compensation payment before economic displacement. All affected people received all relevant information which included signed copies of the land measurement and survey form, evidence of bank transfer, and signed copy of the receipt of payment.	N/A

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
14 Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons.	During the socio-economic baseline survey undertaken in October 2016, SERD sought feedback from all participants to feed into livelihood restoration and community development programmes. This information guided the development of the programmes which have since been integrated into the ISDP. As evidenced by the stakeholder engagement log, SERD has undertaken continual engagement with affected communities in implementing the ISDP (which commenced in February 2016). The monitoring process SERD have in place was able to evaluate the 2016 livelihood restoration programme and identify changes necessary to ensure a greater engagement with AHs. The monitoring does not cover the most recent implementation of training programmes in December 2017. SERD has stated that it intends to develop and submit its monitoring reports on a semester basis.	<p>Partial compliance – As the ISDP is directed at the broader community, the monitoring approach presently being taken does not provide certainty that affected people have been included in the monitoring process. Amendments to the ISDP (and SEP) are considered necessary to capture this requirement fully. These amendments must capture the reporting and monitoring schedule.</p> <p>Refer to action item in Items 4 and 6 of this Table.</p>	CAP Item # 5

Source: Mott MacDonald, 2018

Table 9: PLN led land acquisition compliance Review – ADB Safeguard Requirement 2: Involuntary Resettlement

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
1 Involuntary resettlement should be avoided wherever possible	Land acquisition being led by PLN is following separate regulatory frameworks for tower pads in private land, ROW in private land and all land within the protection forest. Under each regulatory aspect PLN has the power to compulsorily acquire land through a process of vesting the assessed compensation amount within the district-level court system and formally taking ownership of the land. This process allows PLN to commence construction of the TL while the court system resolves any matters of conflicting claims of owners of the land. The court system does not determine compensation values, but is determined by an independent valuation report. In order to meet its obligations under the PPA, PLN has stated that it intends to use these powers where negotiated settlements cannot be reached. Based on this, the land acquisition process for the TL is considered to be involuntary resettlement.	Non-compliance: The regulatory process being used PLN allows for expropriation. As PLN is required to follow the relevant regulations, SERD cannot require it to avoid all involuntary resettlement. It is recommended that within the scheduled monthly meetings with PLN that SERD seek notification of any cases of land acquisition being resolved through the expropriation.	N/A
2 Minimize involuntary resettlement by exploring project and design alternatives	PLN has advised that the selected alignment avoids any physical involuntary resettlement. Based upon the legal framework being used (described above) PLN has expropriation powers it can use in lieu of changing project design or alignment.	Non-compliance: While physical involuntary resettlement has been avoided, PLN will use expropriation powers in lieu of changes in TL design or alignment. As PLN is required to follow the relevant regulations, SERD cannot require it to avoid all involuntary resettlement. It is recommended that within the scheduled monthly meetings with PLN that SERD seek notification of any cases of land acquisition being resolved through the expropriation.	CAP Item # 8
3 Conducting census and socioeconomic profiles of displaced persons and resettlement planning	Information presented by PLN during a meeting in Palembang indicate that while it has undertaken a detailed inventory and measurement of land and assets for each AH, there has been no census or socio-economic profile developed. Mott MacDonald understands that development of a socio-economic profile is not required by the regulatory framework being used by PLN.	Non-compliance: The regulatory process being used by PLN does not require a socio-economic profile be developed. Given the anticipated minor nature of impacts for AHs within private land (those who are being compensated at replacement cost) such a survey is not considered necessary. As an action item, SERD must develop a basic socio-economic profile of the 38 AHs within the Protection Forest to determine the magnitude of uncompensated impacts and develop appropriate livelihood restoration measures as part of the ISDP.	CAP Item # 7
4 Carry out meaningful consultation with displaced persons and ensure their participation in planning, implementation and monitoring of resettlement program	Information regarding consultation to date has not been provided by PLN, however it is understood that at least two rounds of consultation have been undertaken with all AHs. This includes initial disclosure of the TL project and land acquisition requirements, and a second meeting to announce the outcomes of the land measurement and crop inventory survey. AHs within the Protection Forest when interviewed were able to confirm this level of consultation.	Compliance: Based on representation from PLN and outcomes of interviews with AHs in the Protection Forest indicate that consultation undertaken to date has been carried out in accordance with the requirements of Indonesian regulations and SR2. It is recommended that within the scheduled monthly meetings with PLN that SERD seek notification of any planned and recently undertaken consultation.	CAP Item # 8

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
5 Establish grievance redress mechanism	PLN has not noted how it has disclosed the regulatory grievance mechanism or if any grievances regarding the land acquisition process have been lodged to date.	Compliance – the grievance mechanisms put in place by the Indonesian regulations applicable to the TL land acquisition are consistent with the requirements of SR2. It is recommended that as part of the monthly meeting with PLN, that SERD seek an update on the number and status of any grievances lodged.	N/A
6 Improve or at least restore the livelihoods of all displaced persons	The regulatory framework that PLN is using does not require any livelihood restoration assistance to be provided, nor is there any measure requiring it to improve or at least restore the livelihoods of AHs. PLN has stated that it does not intend to provide any such compensation. Based on the information provided to Mott MacDonald by SERD, and data gathered during interviews with AHs within the Protection Forest area, livelihood impacts are anticipated to be minor however this will require additional data be gathered.	Non-compliance: the regulatory process being used by PLN does not require any form of livelihood restoration. While impacts are anticipated to be minor, as an action item and as an outcome of the aforementioned socio-economic survey of the 38 AHs within the protection forest area, SERD must assess livelihood impacts and determine the degree of access these AHs must be provided to the ISDP.	Action # 7
7 Land-based resettlement strategy	There is no relocation of physically displaced people.	Not applicable.	N/A
8 All compensation should be based on the principle of replacement cost	Based on outcomes of meetings with PLN and review of the regulatory framework that it intends to utilise for the land acquisition within Private Land, PLN will utilise an independent market valuation which will be based on the principles of replacement cost for land, assets and crops. However, for AHs in the Protection Forest this principle will only apply to crops and assets and not land due to the fact that they are considered non-titled land-users and there is no legal mechanism available for PLN to provide compensate for land.	Partial compliance: the regulatory process being used by PLN is anticipated to result in compensation at replacement cost for all land, assets and crops within private land. It is recommended that SERD attain a copy of the independent valuation report from the KJPP and PLN once it has been completed. For AHs within the protection forest area, SERD must as an action item provide livelihood restoration assistance where deemed necessary.	CAP Item # 7 CAP Item # 8
9 Provide relocation assistance to displaced persons	There is no relocation of physically displaced people for the TL based on information provided by PLN to date.	Not applicable.	N/A
10 Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of non-land assets.	For AHs within Private Land areas, PLN has noted that it will recognise all as having formal legal title to the land parcel. This is regardless of whether they hold a formal SHM, or if it is held under SKT or the traditional Tunggu Tubang system utilised by many Semendo families. AHs within the Protection Forest do not have, nor are they able to have, any formal recognizable legal rights to the land they occupy. However, PLN is able to provide compensation at replacement cost for assets and crops.	Compliance: PLN is appropriately recognising all AHs without formal legal title	N/A
11 Disclose the resettlement plan, including documentation of the consultation in an accessible place and a form and language(s) understandable to affected persons and other stakeholders.	Refer to Item 4.	Refer to Item 4	N/A

ADB SR 2 principles	Implementation context	Comment on compliance	CAP reference
12 Conceive and execute involuntary resettlement as part of a development project or program. Include the full costs of resettlement in the presentation of project's costs and benefits.	Refer to Item 6	Refer to Item 6	CAP Item #7
13 Pay compensation and provide other resettlement entitlements before physical or economic displacement.	PLN has advised that as compensation amounts have not been calculated as yet, no compensation has been provided to AHs.	Compliance still to be determined: This matter must be determined following completion of the full land acquisition process. To confirm the compensation payment process has been completed in accordance with prevailing regulations SERD must include within the socio-economic baseline survey for AHs in the Protection Forest a basic set of questions to determine if all agreed compensation has been paid and written evidence/documentation provided.	CAP Item #7
14 Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons.	Resettlement has not yet occurred, however as livelihood restoration support is not being provided then it is unlikely that such monitoring will be undertaken by PLN.	Compliance still to be determined: As an action item SERD must incorporate AHs from the Protection Forest into the ISDP and its monitoring programmes.	CAP Item #7

Source: Mott MacDonald, 2018

6 Safeguard Requirement 3: Indigenous People's Compliance Review

As noted within Section 4 above, the SCAR 2014 assessed the compliance of the Project's land acquisition activities up until April 2014 with the requirements of SR3. The core conclusions from this document were that:

- The majority of the persons affected by land acquisition, and the general population in the Project area are Semendo¹⁶, and are considered Indigenous Peoples (IP) by ADB as per the criteria in SPS identifying IPs
- The ISDP programmes being implemented in 2016 were effectively addressing the adverse impacts on the affected Semendo communities and the potential benefits to the overall project area, including social upliftment and development of communities
- While Semendo communities were classed as IPs, the key requirement of an IPP was to be integrated into the ISDP and therefore preparation of a separate plan not required

As noted within Section 4, there were no actions arising from the SCAR related to SR3 which needed to be specifically implemented and tracked by SERD.

At the commencement of the first audit period (ie January 2017), SERD provided additional information within the draft ESIA for Phase II which drew the conclusion that the Semendo people should not be considered as IP. Mott MacDonald's initial assessment of these conflicting positions from SERD is provided within Appendix H.1, which concluded that there was insufficient information to justify a change in the classification of the Semendo communities from Indigenous to non-Indigenous people.

As an outcome of consultation between SERD, the ADB and Mott MacDonald, SERD engaged PT Inti Hexta Semesta (IHS) to facilitate a detailed IP screening exercise to produce a definitive conclusion based upon document review, consultation with members of the local community, engagement with recognised government and academic experts with a background in IP matters within South Sumatra and final assessment against the provisions of paragraph 6 of SR3. A copy of the final report is provided as Appendix H.2 and is based upon the following activities:

- Field research conducted within the villages/sub-villages of Segamit, Rantau Dedap, Tunggul Bute and Karang Endah from 6 to 12 July 2017. This include observations, interviews, and in-depth interviews with a range of community members
- A focus group discussion style meeting on 26 July 2017 held in Palembang. This include IP experts and academics, government officials, community leaders and other representatives from the local community (attendance list provided in Appendix H.3)

This report concludes that while the Semendo people within the area have a strong societal tradition in many aspects, it does not meet the definition of IP as contained with SR3 as applied to the Indonesian context (ie having regard for cultural and regulatory perceptions as to what constitutes an IP).

¹⁶ Documentation provided to Mott MacDonald has used two variations on spelling – Semendo and Semende. Both are referring to the same group and are used interchangeably. Mott MacDonald has utilised the spelling Semendo in developing this report

As further described within Table 10 below, IHS notes that they are not a remote or isolated community as defined by the Ministry of Social Affairs within Indonesian regulations¹⁷ or a customary law (known as “adat” in Bahasa Indonesia) or traditional community¹⁸.

Based on this information, Mott MacDonald considers a robust case has been put forward to conclude that the Semendo people within the local area do not meet the definitions of IP as contained within SR3 and the prevailing regulations within Indonesia. As a result, it is recommended that the initial SR3 classification of the Project (Category B for Indigenous People) be amended to Category C. Based upon this change in classification the provisions of SR3 will no longer apply and no further assessment of compliance has been undertaken.

Table 10: Summary of outcomes of IP screening report

Criteria	IHS conclusion	Mott MacDonald commentary
Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others	<p>The local community in the area identifies as belonging to the Semendo ethnic group; however, it is not recognised as an isolated community or customary law community for the purposes of the Indonesian regulatory system.</p> <p>The report specifically notes the following:</p> <ul style="list-style-type: none"> • Semendo society is not a closed society, let alone backward. They are quite open to interactions with the outside world. • There is a tradition of wanderers also exist in Semendo community, both in search of knowledge and making a living. • Outcomes of field work indicates that Semendo refuse to be categorized as an isolated tribe or a remote indigenous community. 	<p>While the local people identify as a separate ethnic group, the outcomes of the screening report indicate that they do not identify as an indigenous cultural group as the concept applies within Indonesia. During discussions with community leaders as part of its field work for the audit, Mott MacDonald noted that they did not refer to themselves as an IP, which is generally applied to isolated communities – the example of Orang Rimba, an isolated group in Sumatra, was provided as such a group.</p> <p>As also noted within the report, the Semendo people are also not identified as an isolated traditional community, or as a customary law community by the Indonesian regulations.</p> <p>Both of the above matters are indicative that the Semende people while identifying as a separate ethnic group are not a distinct indigenous cultural group as applied with the local context.</p>
Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories	<p>The report concludes that while Semendo people are identified as living within a particular area within South Sumatra, their collective attachment to land is not absolute due to the following:</p> <ul style="list-style-type: none"> • The community within the SERD WKPB has historically sought to migrate out of the area to study or seek livelihood opportunities throughout Indonesia • Semendo community representatives noted that land within the SERD WKPB is private land owned by the people themselves or managed in accordance with the Tunggu Tubang system • Semendo communities living within the SERD WKPB and surrounding regions have no land that they recognise as communal or customary (“tanah/hutan ulayat”) 	<p>Mott MacDonald agrees with these conclusions which were further reinforced during a meeting with adat leaders held in Segamit during the second social audit. Members of this group noted that they did not recognise Tunggu Tubang land ownership claims within the Protection Forest area.</p>
Customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture	<p>For the matters of being separate from the dominant society and culture of the local area (ie South Sumatra), the report provides two conclusions:</p> <ul style="list-style-type: none"> • The local Semendo does have a unique identity in some respects; however, in aspects 	<p>Mott MacDonald concurs with this assessment which indicates that while Semendo people have some distinctive cultural practices, these form a small part of managing and resolving family land ownership claims as well as providing a basic moral code. All other aspects of customary,</p>

¹⁷ Known as a Komunitas Adat Terpencil (KAT) as defined within Presidential Decree No. 186 of 2014. It defines KAT as “remote/isolated Indigenous Communities are a certain set of people bound by geographical, economic and/or socio-cultural unity, and poor, isolated and socio-economically vulnerable”. Criteria include limited access to basic social services, closed, homogenous and dependent on natural resources.

¹⁸ As described within the Indonesian Constitution of 1945 and the Minister of Home Affairs Decree 52/2014 on Guidelines for the Recognition and Protection of Indigenous and Tribal Peoples. Criteria include history of tribal customs, customary territory and law, separate customary and/or property objects and a separate institutional governance system.

Criteria	IHS conclusion	Mott MacDonald commentary
A distinct language, often different from the official language of the country or region	<p>The everyday language used by Semendo communities in the Project language is used by Semendo communities in general and there are very little differences with the languages of communities in the nearby larger towns of Pagar Alam and Lahat (Besemah). All are derived from the Malay language family and hence is readily understood by other people who are speakers of language derived from the Malay Family. This includes the national language of Indonesia (Bahasa Indonesia) in which Semendo people are also proficient.</p>	<p>cultural, economic, social and political institutions which guide everyday life are not separate from those encountered elsewhere within South Sumarta Province or throughout Indonesia. In many aspects, the Semendo are the dominant group throughout the Project WKPB with all interviewed village heads identifying as Semendo. Given this dominance at village and sub-district village, there is no evidence that they would be differentially impacted by the Project, nor is ethnicity a marker of vulnerability.</p> <p>The language utilised by Semendo people is similar to that used elsewhere within the surrounding areas. Additionally, all interviewed stakeholders during the second site audit were fully conversant in the national language (Bahasa Indonesia) and are not linguistically isolated from the mainstream society throughout South Sumatra and Indonesia.</p>

Source: PT IHS Indigenous Peoples Screening Report 2018, Page 18 and Mott MacDonald 2018

7 Conclusions and corrective actions

7.1 Overview

This Section presents a corrective action plan (CAP) which details the actions required by SERD within Phase I to meet their obligations set out within the SCAR, SR2 and SR3.

7.2 Summary of compliance

Table 11 provides a summary of the overall finding and compliance rating for each component of the CMAP, SR2, and SR3 assessed. This table presents only the compliance findings against ADB SPS for SERD led activities. The land acquisition for the Transmission Line being undertaken by PLN is considered as an associated facility and it is recommended that the prevailing regulatory framework be used for the purposes of this element. This should be supplemented by additional monitoring of the entire process by SERD (through consultation with PLN) and assessment of uncompensated livelihood impacts for those households residing within the protection forest area.

The summary below demonstrates that there are not items arising from the 2014 SCAR or assessment against SR2 and SR3 which have been assessed and non-compliant. A rating of compliant has been achieved for the majority of the safeguard requirements. Mott MacDonald has assessed matters pertaining to stakeholder engagement and livelihood restoration as partially compliant. The rationale behind the findings of partially compliant for these aspects is as follows:

- SERD has a demonstrated commitment to transparent, ongoing and meaningful consultation with all stakeholders. In order to secure and demonstrate ongoing and complete compliance with the safeguard requirements, Mott MacDonald have identified the need for improvements in how data is captured and reported.
- Since the 2014 SCAR, SERD have undertaken a range of activities to develop and implement its ISDP. The manner in which the ISDP is being implemented has been informed by outcomes of internal and external monitoring (including communications from the ADB and Mott MacDonald at the conclusion of the January 2017 site visit) and resulting in programme design appropriately targeted towards impacted people. These changes in approach have not yet been incorporated into the ISDP and SEP and therefore SERD is not readily able to clearly disclose these programmes, or have the appropriate framework in place to monitor and report on implementation outcomes.

Moving from a rating of partially compliant to compliant for these matters is considered readily achievable by SERD using its existing internal resources (for stakeholder engagement) and through working with consultants it has already engaged to make the appropriate amendments to its ISDP and SEP (for livelihood restoration matters).

Table 11: Summary of audit findings

Safeguard requirement	Compliance rating	Overall findings
SCAR (2014) corrective measures and action plan		

Safeguard requirement	Compliance rating	Overall findings
Socio-economic profile	Compliant	SERD has developed a socio-economic profile of the affected people which can be used for Phase I and Phase II
Documentation and record maintenance of consultation	Partially compliant	Minor improvements have been recommended to ensure that SERD is tracking all necessary data it is gathering as part of its stakeholder engagement activities
Record keeping of grievances	Compliant	A robust grievance record taking system is in place. Recommendations have been made to strengthen the grievance log
Prioritisation of employment opportunities	Compliant	SERD has noted that it is prioritising affected people for employment opportunities at the site. To provide for reporting, Mott MacDonald has recommended to develop a dedicated tracking and monitoring mechanism
ADB SPS disclosure requirements	Compliant	All key project documents to date have been disclosed on the ADB website
Monitoring requirements of ADB SPS	Compliant	SERD has commenced development of twice annual socio-economic monitoring reports. Improvements are recommended to capture how future monitoring will be integrated into updated documentation
Development of a skill development and livelihood improvement programme	Partially compliant	The ISDP which SERD has developed adequately captures the development of livelihood restoration measures. As a result of the audit a number of minor improvements have been recommended to ensure full compliance

Safeguard Requirement 2: Involuntary Resettlement

Avoidance of involuntary resettlement where possible	Compliant	All land acquisition to date complies with this principle
Minimise involuntary resettlement	Compliant	All land acquisition was through a negotiated settlement process, and therefore no involuntary resettlement has occurred.
Census and socio-economic profiles of displaced persons	Compliant	A census and socio-economic profile was developed
Carry out meaningful consultation with displaced persons	Partially - compliant	SERD has a demonstrated commitment to ongoing and meaningful consultation with affected people. To secure full compliance, minor amendments are required to ensure target engagement is undertaken and appropriately document
Establish grievance redress mechanism	Compliant	A grievance mechanism was established and implemented for the land acquisition phase
Improve or at least restore the livelihoods of all displaced people	Partially – Compliant	<p>Based on the results from the social audit, it appears that the livelihood of affected people has either been improved or at the least remained unchanged after the land acquisition and compensation process. SERD has effectively conducted several activities on livelihood restoration and community development under their ISDP and CSR programs and has integrated findings from external monitoring and lessons learned to improve processes and outcomes.</p> <p>The current version of the ISDP does not accurately reflect the commitments made by SERD, nor does it capture some of the recent amendments it has made to the manner in which it undertakes livelihood restoration activities. As noted previously, improvements to the ISDP are required to capture the need for targeted implementation (which SERD have recently commenced), monitoring of the different beneficiary groups, and providing better definition around monitoring and evaluation methods, budgets and schedules.</p>

Safeguard requirement	Compliance rating	Overall findings
Land based resettlement strategy	Compliant	All land acquisition undertaken to date complies with this principle.
Compensation based on the principle of replacement cost	Compliant	All land acquisition by SERD undertaken in accordance with this principle
Compensation provided for non-land assets to displaced persons without titles to land or any recognisable legal rights to land	Compliant	The crop valuation mechanism utilised by SERD has meant that AHs have been compensated for non-land assets at a level which allows them to purchase similar areas of land elsewhere even though they held no formal title over the Protection Forest land.
Disclose the resettlement plan,	Compliant	Consultation undertaken in accordance with these principles
Conceive and execute involuntary resettlement as part of a development project or program.	Compliant	Land acquisition has integrated the ISDP
Pay compensation and provide other resettlement entitlements before physical or economic displacement.	Compliant	All land acquisition has been completed by SERD and payments provided prior to economic displacement
Monitor and assess resettlement outcomes	Partially compliant	As the ISDP is directed at the broader community, the monitoring approach presently being taken does not provide certainty that affected people have been included in the monitoring process.
Safeguard Requirement 3: Indigenous Peoples		
Early screening	Compliant	SERD has undertaken a detailed screening of the Semendo ethnic people against the requirements of SR3. This has demonstrated that they are not classed as Indigenous Peoples for the purpose of SR3 and further actions by SERD are not considered necessary

Source: Mott MacDonald

7.3 Summary of categorisation recommendations

Based upon review of the documentation, Mott MacDonald recommends that Category B be applied for the purposes of Safeguard Requirement 2 (Involuntary Resettlement) and Category C for the purposes of Safeguard Requirement 3 (Indigenous People).

7.4 Corrective action plan

Based upon the outcomes of the audit, Mott MacDonald has created a Corrective Action Plan (CAP) which provides a consolidated point of reference to measure future compliance and sets out:

- The corrective actions based on the findings of the compliance audit and recommendations to achieve compliance with the CMAP, SR2 and SR3
- The deliverable or key performance indicator (KPI) that demonstrates the corrective action has been completed
- Responsibility for implementing the corrective action
- Timeline to resolve the corrective action, usually referencing financial close, commencement of construction or operation
- Estimated budget to achieve the deliverable or KPI, stated as a range or estimated limit.

The CAP is presented in Table 12 below. As a note, all estimated budgets within Table 12 are indicative and should be clarified with SERD's internal resources and consultants. It must be

noted that this CAP will provide the single reference point for ongoing compliance monitoring. Any outstanding matters from the 2014 CMAP have been integrated into this CAP and as such it should not be referenced in future monitoring and assessment. Given the compliance assessment did not identify any non-compliances, none of the proposed corrective actions are required to be closed prior to financial close. SERD must provide updates on the implementation of the CAP as part of its monthly report, with detailed updates to be provided as part of its required bi-annual safeguards reporting obligations to the ADB.

Table 12: Corrective action plan

Topic	CAP ref.	Corrective action	Deliverable/KPI	Responsibility	Timeline to resolve	Estimated budget
Stakeholder engagement	1	<p>The stakeholder engagement plan must be updated to incorporate the following:</p> <ul style="list-style-type: none"> Amended definitions of directly Project affected people (DPAP) and indirectly Project affected people (IPAP) as required within Action 4 Update engagement methods and strategies for DPAP and IPAP in the ISDP and SEP to ensure that they are targeted for engaging through appropriate mechanisms. This will help to continue maximising the awareness and participation of livelihood restoration programs and other Project-activities under the ISDP Update the list of Project stakeholders to reflect the fact that additional land acquisition for worker accommodation and for transmission line has been undertaken. Update the stakeholder engagement log to incorporate: (i) stakeholder contact and preferred contact method; (ii) suggestions; (iii) responsibility for follow-up actions; (iv) deadlines for follow-up action; and (iv) confirmation of close-out. Adopt other communication channels, such as written publications, social media, and phone texting 	Revised stakeholder engagement plan	SERD & Consultants	Co90 days after financial close	5,000 USD
Stakeholder engagement	2	Revised the grievance log such that it includes the name, contact details, preferred contact method, contact timing and address of the individual logging the grievance	Revised grievance log	SERD	90 days after financial close	Internal resources
Stakeholder engagement	3	Hire additional CLO resources as support to the existing field representative/CLO to assist in stakeholder engagement activities and management of documentation and administrative matters	Updated resourcing plan	SERD	Complete prior to the first drawn down	Internal resourcing budget
Livelihood restoration	4	<p>The ISDP is to be updated so that it is a concise plan that is focused in a manner that allows it to both address impacts to affected households and distribute Project benefits to the broader community. At a minimum, this is to include:</p> <ul style="list-style-type: none"> Beneficiaries must be clearly defined under different components of the ISDP plan to allow for separation of aspects targeted at AHs for livelihood restoration measures and what comprises of general 	Revised ISDP	SERD & Consultants	90 days after financial close	10,000 USD

Topic	CAP ref.	Corrective action	Deliverable/KPI	Responsibility	Timeline to resolve	Estimated budget
		<p>CSR initiatives and distribution of positive project benefits to the broader community. A recommended definition and eligibility is as follows:</p> <ul style="list-style-type: none"> – Priority 1 (P1): those who are members of AHs directly impacted by the Project land acquisition and having above 10% of total productive land acquired (and thus significantly impacted by land acquisition) based on the 2017 SERD land procurement documentation, or are defined as vulnerable AHs regardless of the extent of impacts – Priority 2 (P2): those who are members of AHs directly impacted by the Project land acquisition and having than 10% of total productive land (and thus not significantly impacted by land acquisition) based on the 2017 SERD land procurement documentation, or are defined as vulnerable households residing in the WKPB – Priority 3 (P3): those who are indirectly impacted by the Project (ie residing within the WKPB) <ul style="list-style-type: none"> ● Provide an overview of applicable standard requirements and commitments from SERD ● Provide a proposal procedure for requesting a specific ISDP programs ● Provide stakeholder engagement and disclosure strategies for ISDP programs based upon the required amendments to the SEP ● Role and responsibility description ● Providing monitoring, evaluation, and reporting procedures ● Provide budgets required to implement the project on a year by year basis ● Provide time bound implementation schedule 				
Livelihood restoration	5	<p>A stand-alone socio-economic impact and ISDP monitoring and evaluation report is to be provided on twice annually (June and December) and integrated the following:</p> <ul style="list-style-type: none"> ● The performance of the ISDP and impacts to participant's livelihoods ● Monitoring to be differentiated based on ISDP participants according to their status as affected, non-affected, and vulnerable people ● Monitoring methods to engage better directly with affected people 	Social monitoring report	SERD & Consultants	Bi-annually	Internal resources

Topic	CAP ref.	Corrective action	Deliverable/KPI	Responsibility	Timeline to resolve	Estimated budget
		<ul style="list-style-type: none"> Tracking and reporting on the participation of affected people within the Project workforce, as sub-contractors and as service providers 				
Disclosure activities	6	<p>Disclosure of the following as part of already planned SEP activities:</p> <ul style="list-style-type: none"> Revised ISDP/SEP to the affected community Revised ISDP/SEP on the ADB Rantau Dedap Project website Environmental and social monitoring reports 	Evidence of disclosure	SERD/ADB	As provided in the annually-updated SEP's disclosure activities	Internal resources
Land acquisition	7	<p>For the land acquisition activities for the transmission line within the Protection Forest (both tower pads and right-of-way) SERD is to undertake the following:</p> <ul style="list-style-type: none"> Develop a basic socio-economic profile of the AHs within the Protection Forest to determine the magnitude of uncompensated impacts and develop appropriate livelihood restoration measures as part of the ISDP. As part of the socio-economic survey undertake a basic audit to determine if all affected households have been provided compensation in accordance with the regulations implemented by PLN and the independent valuation Incorporate AHs from the Protection Forest into the ISDP and its monitoring programmes based upon the assessed level of impacts 	<ul style="list-style-type: none"> Socio-economic profile Audit report Revisions to ISDP 	SERD & Consultants	Upon the PLN-led land acquisition and compensation process completed (i.e. upon receipt of the IPPKH)	15,000 USD
Land acquisition	8	<ul style="list-style-type: none"> Attain a copy of the independent valuation report from the KJPP and PLN once it has been completed. Collaborate with PLN to seek notification of any cases of land acquisition being resolved through the expropriation during the scheduled monthly meetings, or any planned and recently undertaken consultation Seek an update on the number and status of any grievances lodged. 	<ul style="list-style-type: none"> Monthly reports updating status of TL land acquisition process, including grievances and expropriation cases Independent valuation report 	SERD	Monthly from financial close	Internal resources
Land acquisition	9	<p>For land acquisition activities for the transmission line within private land (both tower pads and right-of-way) SERD is to cooperate with PLN to undertake a limited scope audit to confirm that the proactive measures being implemented by PLN have resulted in the compensation payment and documentation process being conducted in accordance with the prevailing regulations. This is to include an appropriate sample of households from all 14 villages along the transmission line and make clear and concise recommendations as to any additional investigations or corrective actions are considered necessary. The Corrective Action Plan is to be agreed to by SERD,</p>	<ul style="list-style-type: none"> Audit report 	SERD & Consultants PLN	Upon the PLN-led land acquisition and compensation process being completed (ie receipt of all land use rights certificates)	15,000 USD

Topic	CAP ref.	Corrective action	Deliverable/KPI	Responsibility	Timeline to resolve	Estimated budget
		PLN and the ADB and agreement be sought between all parties prior to its implementation commencing				
Land acquisition	11	For any future land acquisition (ie for the biodiversity offset plan implementation or to facilitate future geothermal exploration and exploitation activities), SERDs procedures are to be amended such that Governor of South Sumatra Decree 19/2014 is to be the appropriate point of reference. These procedures are also to include development of minutes for all meetings held during the negotiation process.	<ul style="list-style-type: none"> Land acquisition documentation 	SERD	Ongoing	Internal resource

Source: Mott MacDonald 2018