



PT PLN (Persero)

**INDONESIA SECOND POWER TRANSMISSION
DEVELOPMENT PROJECT (IPTD-2)
AND
CAPACITY BUILDING FOR SMART GRID INVESTMENT FOR
TRANSMISSION AND DISTRIBUTION**

**LAND ACQUISITION AND RESETTLEMENT
POLICY FRAMEWORK (LARPF)**

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1. Project Description

The development objective of the proposed project is to meet growing electricity demand and increase access to electricity in project areas in sustainable manner. It will achieve this objective by strengthening and expanding the capacity of the power transmission networks in Java-Bali and other islands in East and West Indonesia and improving the PLN's capacity to plan and operate the transmission and distribution network in an efficient and transparent way through introduction of smart grid technologies.

The proposed project would consist of four components: 1) Extension, rehabilitation and construction of 150 kV substations in Java-Bali system; 2) Extension, rehabilitation and construction of 150 kV substations in East Indonesia; 3) Extension, rehabilitation and construction of 150 kV substations in West Indonesia; 4) Technical assistance for capacity building for planning and implementation of smart grid technologies for PLN transmission and distribution systems.

Subprojects will be prepared and implemented in two groups. For the subprojects in the first groups, none of them involves land acquisition. While for the subprojects in second group, as the sites and impacts are still not defined yet, this Land Acquisition and Resettlement Policy Framework will apply. LARAP for each subproject requiring land acquisition will be developed during project implementation, when the subprojects are proposed for financing.

2. Objectives

The objective of the Land Acquisition and Resettlement Policy Framework (LARPF) is to provide a policy framework for the land acquisition implementation for Indonesia Power Transmission Development Project II (IPTD II).

The resettlement principles underpinning this resettlement framework are that persons affected by the project will be left better, or at least no worse off than before resettlement; that their assets or element of livelihood affected by the project will be compensated at full replacement cost, and that affected persons will receive assistance if required to relocate and re-establish their livelihoods.

The LARPF will be publicly disclosed in media in Indonesia and is officially submitted and endorsed by BAPPENAS to World Bank for approval and disclosure on PLN's website.

3. Law and Regulation

3.1 The World Bank Policy on Involuntary Resettlement

Since this World Bank-financed project will involve acquisition particularly for the construction of new substations, the World Bank Operational Policy (OP) 4.12 would be triggered, for which PLN has prepared this Land Acquisition and Resettlement Policy Framework. OP 4.12 includes safeguards to address and to mitigation against impoverishment risks associated with any land acquisition or involuntary resettlement under development projects. This Framework is prepared as a means to demonstrate compliance with both national laws and regulations and international best practice as exemplified by WB OP 4.12.

3.2 Indonesian Law and Regulation

Law in Indonesia comprises three strands; *adat* (customary) law that predates the colonial period, Dutch colonial law, and National Law codified since 1945. In the context of social safeguard planning, *adat* is often influential, and is generally location and site-specific. Indonesian courts do not apply the principle of precedent, and regional autonomy legislation enacted in 2000¹ allows some flexibility for Provincial Governors, who are appointed by the President, to adapt for local conditions and custom in development projects.

The key legal instruments currently in force in Indonesia that are most relevant to involuntary resettlement are Presidential Regulation No. 65/2006 (Perpres 65/2006) on Land Acquisition for Development Activities in the Public Interest, which supersedes the previous Presidential Regulation No. 36/2005 (Perpres 36/2005), and National Land Agency (BPN) Regulation No. 3/2007 on Land Acquisition Guidance for Presidential Regulation No. 65/2006 and No. 36/2005.²

Under Perpres 65/2006, the proposed project is categorized as a development activity in the public interest. The Regulation provides for various forms of compensation including cash, replacement land and resettlement to pursue public development projects. The compensation payment covers lost land, plants, and buildings. The regulation also emphasizes the importance of community consultation for reaching agreement with the affected people on compensation, and specifies grievance procedures.

PLN is the state electricity company. As a state-owned company it normally adheres to the legal provision for compulsory acquisition under Perpres 65/2006 for land over one hectare in area. For smaller areas it may negotiate privately through an Appraisal Agency.

Other relevant laws and regulations are:

¹ Law 32/2004 Regarding Regional Autonomy, and Government Regulation 38/2007 Regarding Distribution of Power among the Central Government, the Provincial Government and the Regency/Municipal Government

² During this Framework preparation, Law on land Acquisition (RUU Pengadaan Tanah) is being discussed in Parliament for enactment

- Act No. 5/1960 concerning Basic Agrarian Affairs – acknowledges customary rights of IPs
- The Law of Republic Indonesia No.15/1985 on development of high and very high voltage transmission lines in Indonesia – umbrella instrument covering the compensation and method of implementation for the land affected by towers
- Government Regulation No. 40/1988 '*Hak Guna Usaha*', '*Hak Guna Bangunan*', 'and '*Hak Pakai*' and Act No. 4/1992 on Housing and Settlements – states that buildings constructed illegally on state-owned land should not be compensated
- Ministry of Mining and Energy Regulation No. 01.P/47/MPE/92 – provides for compensation for restrictions to land use in the ROW
- Act no. 41/1999 Law on Forestry – regulates land acquisition in forests, requiring compensation land to be acquired for a forestation in a ratio of 2:1
- Ministry of Mining and Energy Decree No.975 K/47/MPE/1999 – specifies details about compensation for land and buildings in the ROW prior to construction, and specifies compensation for lost or damaged crops according to the relevant local government rules and procedures
- Act No. 26/2007 concerning Spatial Arrangement – provides that compensation may be based upon a permitted land use rather than current land use
- Decree of the Head of the National Land Agency No. 3/2007 — provides detail on how land acquisition and compensation is to be carried out. Land less than one hectare can be acquired by the project developer in direct negotiation with the owners. The *Bupati* (Regent) or *Walikota* (Mayor) or the Governor is to set up a Land Acquisition Committee (LAC) for acquiring land more than 1 hectare in area. Land appraisal for compulsory land acquisition is facilitated by a BPN-registered Appraisal Agency appointed in agreement with PAPs by the LAC.
- Act No. 30/2009 on Electricity – S.31 specifies that compensation will not be provided for structures or assets placed in the ROW after the project determination letter or location permit has been granted for a TL
- BPN Decree No. 3127/15.1-300/VII/2009 – allows the compensation rate to be fixed even if the agreement has only been reached with 75% of land owners.
- BPN Decree No. 1/2010 – regulates the time frame for certification of the remaining land after compensation payment.

4. General Principles on the Implementation of Land Acquisition and Resettlement

- a. Involuntary resettlement should be avoided where feasible, or minimized to the extent possible. During the sub project preparation process, consideration of technical options shall involve a concurrent assessment of potential associated land acquisition impacts, so that, where feasible, design alternatives to minimize such impacts can be identified as early as possible.

- b. Where it is not feasible to avoid resettlement, Project Affected Persons (PAPs) will be assisted in their efforts to improve their livelihoods and standards of living or at least equal to those with their previous living situation.
- c. PAPs will receive proper compensation based on a calculation of the real replacement cost of the assets they lose as a result of the sub-project. Any affected assets and all eligible persons will be compensated.
- d. PAPs will be fully consulted and should receive proper information of their rights and be provided with opportunities to participate in the planning and implementation of land acquisition and resettlement.
- e. This Policy Framework provides guidelines and a set of procedures of Land Acquisition and Resettlement for PAPs appropriate to their social and economic conditions.

5. LAND ACQUISITION AND RESETTLEMENT ACTION PLAN (LARAP)

- 5.1 If the PAPs number less than 200 people (40 households), or if less than 10 % of productive assets are lost and no people are physically displaced, an abbreviated Land Acquisition and Resettlement Action Plan (LARAP) can be done. A full LARAP is required when land acquisition affects more than 200 people, takes more than 10% of household productive assets, and involves physical relocation. For both types of resettlement plan, preliminary notification that the land is needed for public purposed will be required.
- 5.2 An abbreviated LARAP will contain, at a minimum, the following elements:
 - a. Census survey of PAPs, assets lost, and valuation of assets
 - b. Compensation and rehabilitation assistance description;
 - c. Consultation with PAPs about compensation alternatives;
 - d. Institutional responsibility for implementation and procedures for grievance redress;
 - e. Arrangements for monitoring and implementation; and
 - f. Schedule and budget.
- 5.3 In the case that number of PAPs more than 200 persons and lose more than 10% of their productive assets or require physical relocation, a full Land Acquisition and Resettlement Action Plan (LARAP) is required. The plan also covers **a socioeconomic survey and income restoration measures**. A sample of twenty five percent of local households must be surveyed to determine baseline household composition and socio-economic status in terms of health, education, livelihood, income, expenditure and vulnerability to improvement risks.
- 5.4 The scope and level of detail of the full LARAP vary with the magnitude and complexity of resettlement. The plan covers the elements below as relevant:
 - a. A description of the project;
 - b. Identification of potential project impacts;

- c. The objective of resettlement program;
 - d. A description of socio-economic studies (both a baseline survey and an asset census survey)
 - e. The legal framework;
 - f. The institutional framework and organisational responsibilities;
 - g. Eligibility and entitlement matrix;
 - h. Methodologies for valuation of losses and compensation for losses;
 - i. A description of compensation packages/resettlement measures;
 - j. Site selection, site preparation and relocation;
 - k. Environmental protection and management;
 - l. PAP participation, consultation and disclosure;
 - m. Measures to mitigate the impact of resettlement on any host communities;
 - n. Grievance procedure mechanism;
 - o. Organisational responsibilities;
 - p. Implementation schedule and budget; and
 - q. Monitoring and evaluation activities.
- 5.5 The LARAP will be prepared by the project implementing unit (PLN regional project offices in the respective region/UIP) and delivered to the PLN HQ, which, after review, will submit the LARAP to the World Bank for review and get approval.
- 5.6 The World Bank will issue a NOL to proceed the land acquisition works.
- 5.7 During implementation of the LARAP each project implementing unit at PLN regional project office (*UIP/Unit Induk Pembangunan*) will provide quarterly progress reports to PLN HQ which will forward those reports to the World Bank.

6. Preparation, Approval and Implementation of LARAP

- 6.1 PLN, with consultation with the Bank, will do the screening of each subproject to be proposed for financing for the involvement of land acquisition. For any subprojects need land acquisition, Land Acquisition and Resettlement Action Plan (LARAP) will be prepared. PLN (through its relevant regional offices (*UIP/Unit Induk Pembangunan*)) will prepare a LARAP or an abbreviated LARAP, depending on the anticipated impacts of land acquisition.
- 6.2 PLN will ensure that these documents are consistent with this Land Acquisition and Resettlement Policy Framework (LARPF) of Indonesia Government before submitting it to the World Bank for approval.
- 6.3 During the implementation of the LARAP or abbreviated LARAP, PLN will provide quarterly reports on the progress to the World Bank.

7. SOCIO-ECONOMIC SURVEY AND INVENTORY OF PERSONS AND ASSETS AFFECTED

- 7.1 In addition an asset census (inventory) for those who will be directly affected, **a full LARAP requires a socio-economic baseline** measurement of the PAPs pre-project standard of living with a sample of twenty percent of local household composition and socio-economic status in terms of health, education, livelihood, income, expenditure and vulnerability to impoverishment risk.
- 7.2 The socio economic survey will include such information as:
- Aggregate number of individuals and households;
 - Social characteristics of all PAPs and households: numbers, age, gender, education, job, standard of living, time of stay;
 - Ownership of personal property including structures, land, crops on land, other assets such as livestock, wells, trees, fishing equipment;
 - Income sources including farm and natural environment-based income, off-farm labor employment, informal sector activities, remuneration from other family members;
 - Information about vulnerable groups, such as low-income groups, female-headed households, elderly, orphans, minorities, and handicapped, those without legally protected title to land, and other marginal groups;
 - Land tenure and transfer systems including patterns of authority over land;
 - Sub-Project impacts on the PAPs' patterns of economic and social activity, including impacts on social networks and social support systems;
 - Where resettlement is taking place and PAPs are relocated to new locations, the capacity of services (schools, medical) in the host community to accommodate the resettlers will be assessed.
- 7.3 The inventory of assets lost, which apply to both abbreviated LARAP and full LARAP, will record for each PAP (or affected household), as necessary: (i) the total size of plot affected, the area to be acquired for the sub-project, the area of the residual land, and the legal status of lands to be acquired; (ii) structures affected indicating the percentage of the structure to be affected by sub-project; (iii) description of land use on the lot affected, i.e. residential, commercial, agricultural; (iv) number of other affected assets (crops, trees, well, etc); and (v) any other relevant information, such as whether the PAPs will be displaced, etc.
- 7.4 The date of the socio-economic survey will be the latest **cut-off date** at which to record the persons in the Project area who will receive compensation, resettlement and resettlement assistance.
- 7.5 The results of the survey and the affected asset inventory will be announced in publicly accessible places, such as the village (*desa*) or urban ward (*kelurahan*) office or the Project office to provide opportunities for PAPs to submit any and all objections.

8. Information, Awareness and Consultation

8.1 PLN will conduct intensive awareness campaigns among PAPs to provide information about planned sub-Project activities, possible sub-Project impacts, and compensation and resettlement options.

8.2 Awareness and consultation will be conducted through open discussions, Focus Group Discussions (FGDs), dialogue, or other ways appropriate to local condition. PLN will ensure consultations include vulnerable and marginal groups.

The consultation purpose is to understand and reflect the opinions, aspirations, and suggestions of PAPs and related stakeholders in the land acquisition and resettlement policy and strategies.

The consultation process will be recorded and the consultation dates, locations, participants and the major concerns of PAPs summarized in LARAP.

9. Compensation and Other Assistance and Categories of PAPs

9.1 Compensation

1. PAPs will receive fair compensation calculated at real replacement cost. Replacement costs cover: (i) *Land*, which is determined on the basis of negotiated with PAP. The costs of any registration and transfer taxes borne by PLN; (ii) *Housing and other affected buildings*, with replacement costs determined by market prices.

2. Compensation for trees, plants and other assets are to be negotiated based on the prevailing established price local standards issued by respective local government (usually Office of Agriculture/Plantation) for various kinds of trees and cash crops.

3. Follow up independent monitoring and evaluation of the implementation of the compensation process will be conducted to make sure that PAPs receive their compensation as described in the LARAP.

9.2 Relocation Assistance

PAPs who are physically displaced will be assisted with regard to:

- a. the costs of moving from their previous location to a new location;
- b. Assistance, during a transition period in a new location.

9.3 Rehabilitation Assistance

In addition to the compensation for land, buildings, and fixed assets, PAPs who have suffered an income or welfare loss due to the physical displacement caused by the sub-Project will receive rehabilitation assistance to assist them in re-establishing or improving their livelihoods in the new environment. Rehabilitation assistance can be provided in parallel with sub-project construction and implementation.

9.4 Livelihood Restoration Assistance

Types of Assistance

1. PAPs whose their income and living are disturbed by the Project or are physically displaced will receive assistance to recovery their standard of living or at least to maintain it at the level before the implementation of the sub-Project.
2. The assistance program will give priority to the most severely affected people, and to vulnerable community members and groups, including those below the poverty line and women headed households.
3. In implementing the assistance care will be taken to smoothly integrate the newly resettled people with the host community in the resettlement area, by involving host community in the planning.
4. The assistance can be linked to existing programs and resources. The LARAP will confirm the suitability and adequacy of those resources and programs, and document the commitment to cover PAPs.
5. Resettlement/rehabilitation assistance may include one or more of the following allowances;
 - motivation development;
 - skill and vocational training;
 - health training about the environment,
 - re-production, and HIV/AIDS.

9.5 Categories of Project Affected People

1. Those possessing legal land certificates and have documentation proving ownership by Head of village. This includes persons holding *girik* documentation (land transfer documents or other legitimate proof), or persons with proof that they are recipient of Islamic public social land (*natzir*) or are holders of *adat* (local customary law) rights (individual or communal);
 - These PAPs will receive compensation for the land, building, and fixed assets appropriate with ownership status and its environmental condition;
 - PAPs will receive transport allowance to move themselves and their belongings.
 - PAPs who suffer an income decline due to resettlement will also receive rehabilitation assistance to increase their ability to improve their lives.
2. Those who occupy land in a residential, commercial, or industrial zones in the Project area, but do not hold a certificate or legal title;
 - PAPs who are recorded in the baseline survey and who occupy land in a residential, commercial, or industrial zone in the Project area, but do not hold a land certificate, *girik*, or *hak adat*, will receive compensation for land, buildings, and fixed asset affected by the sub-Project according to the length of their stay and the replacement value of the assets.

- PAPs who should move will receive transport allowance sufficient to move their belongings.
 - PAPs who suffer an income decline due to resettlement will also receive rehabilitation assistance to increase their ability to improve their lives.
3. Those who occupy public land on sites such as rivers, roads, parks, or other public facilities in the Project area and recorded in the socio-economic survey will receive assistance or compensation based on the recommendation of the socio-economic survey.
 4. Those who are renters and are recorded in the socio-economic survey will be assisted in finding a rental house, or a housing site of similar value to the one lost.

10. Institutions and Implementation Process

10.1 The land acquisition activities described above will be implemented by the Land Acquisition Committee (LAC) set up by each local government.

10.2 The Land Acquisition Committee (LAC) will be established as stipulated by Presidential Decree (Perpres 36/2005 jo 65/2006) to manage all aspects of the land acquisition process in an open, transparent and participatory manner. The LAC will comprise of:

- Bupati/walikota (head of district administration) who will chair the LAC;
- District administration land agency representatives (secretary);
- Project affected village head;
- PAP representatives: a minimum of two representatives;

10.3 The tasks of the LAC include are to:

- Consult with PAPs on the proposed subproject;
- Appoint licensed land appraisers or institutions or to form Land Appraisal Team to appraise land price for compensation if necessary;
- Conduct an inventory of assets to be acquired;
- Research on the legal status of the plots of land;
- Disclose the inventory of affected assets in locations easily accessible to PAPs;
- Facilitate of negotiation between PLN and PAPs and reach agreement on type and amount of compensation;
- Prepare and issue official monitoring reports with regards to the payment of compensation;
- Administer and document all files on the land acquisition process and provide legalized copies of the original documents to the district/city land office.

10.4 The LAC can establish a local assessment group or acquire the services of an appraising agency that has obtained the required license from the National Land Agency (BPN) to act as **an independent**

land assessor. Whether a local assessment group is established or an appraising agency is used, the valuation process is to be guided by the principle that the livelihood of the PAPs shall be better off or at least equal to their condition before the land acquisition. Valuation methods need to reflect use of replacement cost as the main basis for appraisal of physical and economic displacement.

11. Monitoring and Evaluation

11.1 Monitoring and reporting on the preparation and implementation of LARAPs will be undertaken by respective PLN regional project offices. The reporting will include, as needed:

- a. Actual dates of proposal submission, safeguard screening, census, inventory of assets, approval of mitigation plan, local disclosure of plans and public meetings, actual date of loss of assets, date of compensation payment, start of civil works;
- b. Dates, locations, names of participants and the views expressed on consultations held during LARAP preparation and implementation.
- c. Planned and actual land acquisition implementation costs;
- d. Names and total number of PAPs: those losing land, losing houses, losing shops, etc., and total number of PAPs (separate number physically displaced and those only losing land or income without displacement);
- e. Number of ha of land acquired, number of houses acquired, number of shops acquired;
- f. Names and total number of PAPs paid compensation for land, for houses, for business shops, for other structures and dates when each were paid;
- g. Total amount of compensation paid for land, for houses, for business shops, for other structures;
- h. Total number of complaints, grievances, and court cases, average time to resolve, and total number not resolved yet (identify types of issues or reasons for complaints)

11.2 Quarterly project report will include consolidated information on the status of each LARAP implementation prepared by the PLN and submitted to the World Bank.

11.3 If required, with consultation with the World Bank, upon completion of the project, PLN undertakes an evaluation to determine whether the objectives of the resettlement instrument have been achieved. The assessment takes into account the baseline conditions and the results of resettlement monitoring. If the assessment reveals that these objectives may not be realized, PLN will propose follow-up measures.

11.4 Budget for monitoring and evaluation will be borne by PLN.

12. Grievance Redress Mechanism

Grievance redress mechanism means to provide opportunity for PAPs to express their dissatisfaction and complaint. Complaints may express the discontentment against all aspect of LARAP preparation and implementation. The mechanism will follow stages below:

- PAPs can submit any complaints on LARAP preparation and implementation to the respective PLN regional office, which are *Unit Induk Pembangunan (UIP)* Java Bali, UIP Sumatera I, UIP Sumatera II, UIP Kalimantan and UIP Sulawesi, Maluku Papua or to the project offices (*UPK/Unit Pembangunan Konstruksi*) where the subprojects are located. PLN will assign contact person in each UIP and UPK to receive and record complaints from PAPs;
- Based on the complaints, objections and proposal addressed by the affected people, PLN in coordination with the LAC will conduct investigation and verification;
- The result of the verification will be informed to project-affected people no later than 15 days for discussion with the affected people to look for solution and agreement;
- If the PAPs are not happy with the compensation outcome, PLN will try to seek alternative to do realignment.
- If realignment is not possible and the PAPs do not agree with the compensation, they must submit their grievance to the District Court no later than 14 days after the decision. The District Court's decision is final.