



February 2006

Progress Report
Indonesia: Aceh-Nias Rehabilitation and
Reconstruction

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 30 January 2006)

Currency Unit	–	rupiah (Rp)
Rp1.00	=	\$0.000105
\$1.00	=	Rp9,510

ABBREVIATIONS

ADB	–	Asian Development Bank
ATF	–	Asian Tsunami Fund
BPK	–	Badan Pemeriksa Keuangan (Supreme Audit Agency)
BRR	–	Badan Rehabilitasi dan Rekonstruksi (Agency for Rehabilitation and Reconstruction)
CWSHP	–	Community Water Services and Health Project
DIPA	–	Daftar Isian Pelaksanaan Anggaran (Budget Implementation Statement)
EA	–	executing agency
EMS	–	Extended Mission in Sumatra
ETESP	–	Earthquake and Tsunami Emergency Support Project
GAM	–	Gerakan Aceh Merdeka
IA	–	implementing agency
IOM	–	International Organization for Migration
MDTF	–	Multi-Donor Trust Fund
NGO	–	nongovernmental organization
PMO	–	project management office
PMU	–	project management unit
SERD	–	Southeast Asia Department

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Asian Development Bank (ADB) approved a comprehensive support package for the rehabilitation and reconstruction of Aceh and North Sumatra (including Nias Island) after the earthquake and tsunami disasters of December 2004 (Appendix 1). The package comprises a grant of \$290 million for the Earthquake and Tsunami Emergency Support Project (ETESP) and a contribution of \$10 million to the Multi-Donor Trust Fund (MTDF), both grant financed from the Asian Tsunami Fund and approved in April 2005.¹ In addition, ADB has approved \$30 million in complementary cofinanced grants and has reprogrammed loan savings.² This Report gives a brief overview of the status of the reconstruction and recovery program in Aceh and Nias and highlights some of the key steps taken by the Government of Indonesia (the Government) since the last Board Update. The Report advises on the implementation status of ETESP and the cofinanced grants.³ It highlights major factors affecting implementation of ADB assistance, and discusses measures being taken to improve delivery of this support.

II. RECONSTRUCTION PROGRESS

A. General Overview⁴

2. The reconstruction and recovery efforts are being supported by massive grant financing from national and international sources. To date, over \$8.8 billion⁵ has been committed by donors and the Government. The Rehabilitation and Reconstruction Agency (BRR) has approved \$4.4 billion for over 650 projects. This is notable progress since June 2005 when only \$585 million for 172 projects had been approved by BRR. Of this \$4.4 billion committed to specific projects, nongovernmental organizations (NGOs) account for \$1.5 billion, while the Government and the multilateral donors each account for \$1.1 billion, and bilateral donors account for \$695 million. Appendix 2 summarizes reconstruction needs and progress.

3. Almost half of the total \$4.4 billion in funds – \$2 billion – is allocated to infrastructure and housing, while nearly one third – \$1.3 billion – is allocated to health, education, and other social needs. Livelihood projects, including support for revival of the agriculture and fisheries sectors, have been allocated \$581 million (13%), with the remaining \$482 million (11%) allocated to cross-sectoral activities including environment, governance, and finance. Disbursement levels have picked up considerably since end-September 2005 when only \$450 million had been disbursed. As of end-November 2005, \$775 million or about 17% of the \$4.4 billion allocated program was disbursed, funding nearly 1,000 reconstruction projects. NGOs were responsible for nearly half of this disbursement, or \$370 million, while multilateral and bilateral donors disbursed \$295 million (38%), and the Government accounted for the remaining \$110 million (14%). Table A3 in Appendix 2 highlights some examples of progress.

¹ ADB. 2005. *Report and Recommendation of the President on Proposed Grants to Indonesia for the Earthquake and Tsunami Emergency Support Project and Contribution to the Multidonor Trust Fund*. Manila.

² ADB reprogrammed about \$65 million in loan savings, but the Government will likely avail of less than \$54 million owing to the availability of alternative grant funding.

³ A previous update on emergency assistance to Indonesia was circulated to the Board in June 2005 (IN.156-05).

⁴ See Badan Rehabilitasi dan Rekonstruksi. December 2005. *Aceh and Nias One Year after the Tsunami: The Recovery Effort and Way Forward* (a joint report of the BRR and international partners, including ADB). Jakarta.

⁵ Donor funds, including NGOs, comprise \$6.1 billion of this amount.

B. Steps Taken by the Government since June 2005

4. Indonesia continues to demonstrate its strong commitment to ensuring a strong foundation for reconstruction in Aceh-Nias. The cornerstones of this foundation include (i) establishing peace and security; (ii) creating BRR as a credible, ministerial-level agency-- based in Aceh-- to lead the recovery effort; (iii) committing in its Master Plan to participatory planning processes to help ensure broad-based community support for reconstruction; and (iv) setting high standards for accountability, transparency, and fiduciary control. Underpinning all of this is the vision to “build Aceh-Nias back better”.

5. There has been progress in several areas, the most important being the signing of the historic peace accord between the Government and the Gerakan Aceh Merdeka (GAM) in August 2005 after 30 years of conflict. Following the signing of the peace agreement, the Government has tasked BRR to assist in the rehabilitation of conflict-affected areas and the reintegration of the GAM fighters. The peace agreement is expected to help speed-up reconstruction efforts, particularly in GAM-affected areas. After a slow start, BRR has emerged from its formative period and has established a strong presence as overall coordinator for the reconstruction. BRR has been proactive in standard setting, particularly with respect to fiduciary controls, and in identifying gaps and bottlenecks in delivering assistance; its system of a common project concept approval process continues, as does its core activity in matching donor programs to community needs and gaps in assistance. Another essential step taken by Government includes a direct intervention by President Yudhoyono to secure critical budget releases, delayed first due to transition to a new budget classification system in January 2005 and then to protracted processing of spending authorities at ministry level.⁶ To help compensate for the initial delays, the Government has extended the utilization period for the Government-financed share of the 2005 budget until end-April 2006 and for the donor-financed budget share until end-December 2006, providing implementing agencies more time to use the 2005 budget allocation for reconstruction.⁷ It has also authorized BRR to directly implement projects in select areas and directly procure services of civil works contractors and consultants until end-June 2006 to further expedite the reconstruction program and accelerate disbursements.

6. While important steps have been taken by the Government and donors, overall progress in reconstruction has been slower than expected. The reasons for this include the magnitude of devastation; the scale and complexity of the reconstruction program; challenges inherent in establishing a new institution to coordinate reconstruction, particularly its relationship with the sectoral line agencies responsible for project implementation; commitment to more time consuming participatory planning processes; and the Government’s complex budget procedures. However, the Government has addressed these initial constraints, in coordination with development partners, to fast-track implementation. The pace of reconstruction is gaining momentum and BRR estimates that resource flows to reconstruction projects, now running at \$150 million per month, will grow to \$200 million per month in 2006.

⁶ The new budget classification system was long-planned and aims to increase transparency and accountability.

⁷ This applies to the Aceh and Nias recovery program under BRR supervision.

III. ASIAN DEVELOPMENT BANK EMERGENCY ASSISTANCE

A. Operationalizing the Extended Mission in Sumatra

7. The Extended Mission in Sumatra (EMS) became fully operational in July 2005, with the Head of the EMS assuming post and with establishment of an extension facility in Banda Aceh. The Medan office in North Sumatra Province remains a hub and back-up for supporting ADB missions and coordinating ADB support with BRR and other agencies. Head, EMS leads a team of international and domestic consultants that comprises the core Project Management Office (EMS-PMO), and works under the supervision of IRM, with guidance from the SERD Regional Management Team. The EMS-PMO is responsible for day-to-day implementation, coordination and monitoring of ETESP, and particularly to ensure fiduciary governance of ETESP, in close coordination with SERD sector divisions. IRM remains the focal point for coordination with government and donor agencies based in Jakarta.

8. The transfer of project administration for sector components from SERD sector divisions to EMS-PMO began in October 2005, and EMS-PMO is now responsible for the project administration for ETESP components in roads and power. Additional responsibility for project administration will shift to EMS-PMO during 2006. The EMS-PMO is being appropriately strengthened. A major activity of the EMS-PMO has been to facilitate processing of government approvals, particularly those relating to budget for ETESP components. EMS-PMO is also assisting BRR's management in strengthening its project management capabilities to facilitate timely processing of the required government approvals, and to expedite implementation of ETESP components.

B. Implementation Status of ETESP and Other Grants

1. Subproject Design, Approval and Implementation

9. Subprojects requiring ADB grant funding of up to \$177.2 million have passed through the BRR's approval process, and support recovery efforts in agriculture, fisheries, micro and small enterprises, irrigation, housing, and community and rural water supply (Table 1). ADB has initiated the planning and design process in all sectors covered in the ETESP. Progress with tangible outcomes is evident in some sectors such as agriculture and microfinance. The status of implementation under the various components is summarized in Appendix 3. In most cases, design and implementation teams have been mobilized and sector consultants are at work designing subprojects, including conducting field surveys, community consultations and mobilization, and consultations with the BRR, line ministries, and local government authorities. In-depth needs assessment for livelihood activities, and field surveys and investigations for rural infrastructure are also underway. Preparations for procurement for construction activities are well-advanced under some components such as irrigation and housing.

**Table 1: ETESP Subproject Approvals by BRR
(\$ million)**

Component	Allocation	Concept Note/Design Framework		Total
		Approved/ Not Required ^a	Under Preparation	
1. Agriculture	30.0	30.0	0.0	30.0
2. Fisheries	30.0	11.8	18.2	30.0
3. Micro and Small Enterprises	21.0	21.0	0.0	21.0
4. Health ^b	23.0	0.0	23.0	23.0
5. Education	21.0	2.8	18.2	21.0
6. Community and Rural Water Supply ^c	10.5	10.5	0.0	10.5
7. Irrigation	30.5	6.1	24.4	30.5
8. Housing	72.5	72.5	0.0	72.5
9. Spatial Planning	15.0	15.0	0.0	15.0
10. Roads	19.5	0.0	19.5	19.5
11. Power	9.5	0.0	9.5	9.5
12. Fiduciary Governance ^d	7.5	7.5	0.0	7.5
Total	290.0	177.2	112.8	290.0

ETESP = Earthquake and Tsunami Emergency Support Project; BRR = Badan Rehabilitasi dan Rekonstruksi

^a Concept notes are not required for the spatial planning and fiduciary governance components.

^b ADB and concerned government agencies signed an outline memorandum of understanding for the health component in July 2005.

^c Does not include \$16.5 million approved under Grant No. 0003-INO: Community Water Services and Health Aceh-Nias/North Sumatra Project financed by the Government of Canada, the Government of the Netherlands and the Government of the United Kingdom, for which concept clearance by BRR has been obtained together with this ETESP component.

^d Does not include \$3.5 million in cofinancing from the Government of the Netherlands.

Source: ADB

10. Subprojects are being designed and will be implemented in close coordination with BRR, as the Executing Agency (EA) for ETESP, and with respective sectoral line ministries as Implementing Agencies (IAs). Substantive technical assistance for project preparation, capacity building, advisory support, and implementation supervision is included within the ETESP framework to accomplish this. The Government and ADB share a strong commitment to effective management and governance of funds, and adherence to social and environmental safeguards. Procedures and guidelines developed by BRR are followed in conjunction with applicable ADB procedures in delivering the ETESP support. Environment assessment procedures have been developed for ETESP components to ensure compliance with ADB's policy, and in November 2005, BRR confirmed its endorsement of ETESP's Land Acquisition and Resettlement Policy Framework and Procedural Guidelines.

11. ADB disbursed \$33.4 million⁸ under ETESP as of end-January 2006, primarily for subcomponent preparatory activities (e.g., community mobilization, planning and needs assessment, detailed engineering, and procurement of equipment and materials), and targets to disburse at least \$80 million in 2006. Some 93 contracts totaling about \$23.3 million have been awarded, with disbursements of \$4.4 million against them at end-January 2006. Retroactive financing anticipated to have boosted disbursements in 2005 did not exceed \$1 million largely

⁸ Includes an initial withdrawal of \$29 million deposited in the Special Account of Bank Indonesia at the end-September 2005 as the initial advance to the ETESP Imprest Account.

because of lack of priority accorded by BRR, and limited capacity and other difficulties in BRR and other government agencies in arranging required documentation.⁹

3. ETESP Reallocation

12. ADB has adopted a flexible approach in sector allocation and implementation procedures under the ETESP financing package to help accelerate delivery of support, and ensure continued consistency with government priorities. The design of several ETESP components will require periodic review and adjustment based on new information, emerging needs and priorities. In October 2005, BRR requested ADB to refocus ETESP support in certain sectors, with a possible reallocation of ADB resources to areas that now appear to have limited support, and to support immediate infrastructure needs, especially roads, to facilitate the logistics of large-scale reconstruction. A review of the scope and allocation for ETESP sector components is ongoing to confirm their continued priority and identify possible areas for reallocation. The scope and allocation for six of the ETESP components will be unaffected. Adjustments are expected in others, and there may be some changes in geographical focus as a result after identification of gaps in assistance.

4. Support for Sound Fiduciary Governance

13. An overriding concern of both the Government and ADB has been the need to ensure sound fiduciary governance in the utilization of donor support. Recognizing this, ETESP includes specific support for sound fiduciary oversight arrangements. These are progressing well, with notable effect in the establishment of internal control and audit systems in BRR and capacity building for the Supreme Audit Institution (BPK). ETESP has also supported the establishment of a branch of the Ministry of Finance in Aceh to assist BRR in effectively disbursing funds. This component also includes extensive capacity building for the internal audit departments of local governments in Aceh, support to establish an office for the anticorruption commission in Aceh, and support for improved financial management capacities of local Acehese NGOs using an international accounting firm to “train the trainers”.

5. Japan Fund for Poverty Reduction

14. ADB has approved five proposals totaling \$10 million providing tsunami-related support under the Japan Fund for Poverty Reduction (JFPR).¹⁰ These JFPR projects will help (i) improve livelihoods, (ii) rehabilitate natural resources, (iii) provide earthquake-resistant housing, (iv) restore microenterprise and microfinance, and (v) support community health care initiatives. Three grant agreements have been signed between ADB and the Government, with the others expected shortly.

⁹ ETESP Grant Agreement provided for 30% of funds to be disbursed through retroactive financing.

¹⁰ *Sustainable Livelihood Development for Coastal Development in the Special Province of Nanggroe Aceh Darussalam (INO-JFPR 9072)*, for \$2.0 million, approved on 6 September 2005; *Rehabilitation of Coral Reef and Mangrove Resources in the Special Province of Nanggroe Aceh Darussalam (INO-JFPR 9073)* for \$1.5 million approved on 6 September 2005; *Seismically Upgraded Housing in Nanggroe Aceh Darussalam and North Sumatera (INO-JFPR 9074)*, for \$2.0 million approved on 6 September 2005; *Assistance for Restoration of Microenterprise and Microfinance in Aceh (INO-JFPR 9079)*, for \$2.0 million, approved on 28 November 2005; and *Supporting Community Health Care Initiatives in Nanggroe Aceh Darussalam (INO-JFPR 9080)*, for \$2.0 million, approved on 18 January 2006.

6. Multi-Donor Trust Fund

15. As part of its emergency assistance package, ADB approved and has disbursed \$10 million to the MDTF, a facility that combines contributions from a number of donors to support the recovery in Aceh and Nias. The MDTF seeks to ensure that the assistance pledged by the international community is managed effectively and in a coordinated manner. ADB is a member of the MDTF Steering Committee and participates regularly in its activities. ADB's contribution of \$10 million to the MDTF was made available in September 2005 after the Board endorsed a proposal for ADB contributions to be utilized in accordance with the procurement procedures of the World Bank, the MDTF Trustee. To date, 15 donors have joined the MDTF with initial pledges of \$525 million. About \$296 million in funding is earmarked for specific activities, while \$229 million is as yet uncommitted. The MDTF has disbursed about \$76 million to project accounts. As in the case of ETESP, delays in preparation of detailed work plans by IAs and in the Government's approval and issuance of budget execution documents have hampered MDTF disbursement.

7. Development Partner Coordination

16. For the reconstruction and rehabilitation of Aceh and Nias, the primary mechanism for donor coordination is the MDTF and sector meetings conducted both in Banda Aceh and Jakarta. In addition, BRR has recently committed to organizing monthly donor coordination meetings on Aceh and Nias in Jakarta; the first one is scheduled in February 2006. ADB regularly participates in these meetings, and has maintained close coordination with key development partners, including NGOs, to help ensure that the various support programs are complementary. There is also close coordination at sector and project level. For example, ADB coordinates ETESP support for community-based water supply and sanitation with that provided by the Governments of Canada, the Netherlands and the United Kingdom under a complementary project. There is cooperation between ADB-funded activities under ETESP and other community-driven development projects, such as the World Bank's Kecamatan Development Project (KDP). KDP-supported communities requesting water and sanitation projects will be referred to the ETESP component for support, and community facilitators, funded under ETESP, will be added to the existing KDP teams upon request. In addition, KDP monitoring teams in Nias and Nias Selatan will share office space with monitoring teams under ETESP to ensure synergy of approach and implementation.

C. Key Factors Affecting Implementation and Response

1. Challenges to ETESP Implementation

17. Faster implementation and disbursement has been hampered in the first instance by the sheer magnitude of the devastation, then the institutional and political challenge of administering complex emergency assistance across multiple sectors and ministries in Indonesia, and delays in the Government's 2005 budget allocation for emergency activities. ETESP implementation faced initial delays since BRR required time to establish itself institutionally as the overall coordinator for the recovery and as EA for ETESP. Effective coordination between BRR and ETESP implementing ministries was made more difficult by the lack of clarity in financing authority, rigidity in Indonesia's budget procedures, and some reluctance by implementing units to adopt BRR's enhanced fiduciary controls. This process of establishing requisite government budget allocations for the respective sectors was completed in late 2005 for most of the implementing ministries. BRR, being a new body, has required time to fit in with the rest of the bureaucracy both in terms of coordination as well as communication on its role and functions.

An overriding concern on BRR's part has been the need to ensure sound fiduciary governance in the utilization of donor support. This, together with the lack of clarity on BRR's role in reconstruction program coordination versus execution, has caused delay in the establishment and identification of the project management units (PMUs) and day-to-day implementing authorities. Without project-level implementing authorities in place in many ETESP subprojects, detailed scope of work and contracts could not be finalized, and procurement could not be initiated.

18. ETESP implementation has also been challenged by its complex design and multi-sector approach. However, ADB's emergency procedures have proved effective in supporting faster processing of ETESP and also its more flexible implementation. In particular, streamlined procedures for engaging consultants have helped in their timely mobilization.

2. Joint Actions Being Taken in Response

19. ADB is working closely with BRR to address constraints on implementation, which are common to other multilateral and bilateral donors, and a number of these initial problems have been addressed in the last six months. In particular, Government has recently taken steps to expedite the establishment of PMUs and clarify the day-to-day implementing authorities. The significant delays due to the protracted budget allocation process are being addressed with the timely passage by Parliament of the 2006 budget having allocations for donor financed reconstruction. However, more needs to be done to ensure that the budget allocation process flows more smoothly in 2006 with further clarification of roles and authority between Government units. Further flexibility and improved coordination between BRR and the implementing Ministries is essential to keep the funds flow on track.

20. To further address these and other concerns, ADB and the Government have agreed to provide BRR greater flexibility in the design and implementation of subprojects under ETESP, including consideration of changes in scope and implementation arrangements to, among others, channel reconstruction support through NGOs and the private sector, appoint independent procurement agents, and allow direct payment from ADB to the suppliers of goods and services, and civil works providers. With the concurrence of the Government, ADB has already adopted a flexible approach to ETESP implementation, and has selectively employed NGOs to accelerate and enhance delivery of support. In October 2005, ADB channeled about \$1 million under ETESP's microfinance and microenterprise component through an NGO for grant funding of damaged micro and small enterprises. In November 2005, ADB engaged an NGO to support the agriculture, fisheries, and irrigation components through community participation and revival of existing self-help groups in 400 villages. This capacity building to 2,000 self-help groups focuses on community-level microfinance services, including linking communities with existing sources of rural finance and livelihood training, and profiling land ownership records. ADB is also considering partnering with NGOs for the construction of housing and for rural water supply and sanitation facilities.

3. Widened Functions of Rehabilitation and Reconstruction Agency

21. BRR's initial strategy was to coordinate reconstruction efforts, provide general oversight, and approve, but not implement, projects. However, slow progress in the overall recovery activities has prompted the Government to widen BRR's functions to expedite the pace, including implementing construction projects on a selective basis. To effectively undertake these broader functions, BRR is restructuring its operations and plans to decentralize to facilitate closer work with local governments and help accelerate the housing and infrastructure

programs. BRR is also strengthening its technical capability by recruiting more sector specialists financed through donor assistance, including ETESP. Beginning in 2006, BRR plans to gradually shift staff from Banda Aceh and Jakarta to several regional offices to develop closer links with local officials and other stakeholders for more effective project implementation. The ultimate aim is a gradual shift of decision-making authority and management responsibility from BRR to district and city authorities, reducing BRR's role to monitoring, problem-solving, gap-filling, countering corruption and donor relations.

IV. CONCLUSION

22. Progress in the implementation of the reconstruction program in Aceh and Nias, including that of ETESP, underscores the magnitude of the tasks and the huge challenge faced in the recovery effort. ADB, other international donors and the Government have worked closely over the past several months to address many of the start-up difficulties and streamline the procedures to fast-track the utilization of ETESP funding and related grants. Over this period of time, essential preparatory work has been launched and design frameworks for most subcomponents under the ETESP have been cleared or endorsed in principle. Financing of \$177.2 million, 61% of the ETESP support, has received initial endorsement. The Government is fully supportive of ETESP, its flexible sector approach and its positive impact on Aceh and Nias, and the stage is set for accelerating implementation of the subprojects in 2006. ADB and BRR have agreed in principle to reprioritize the remaining resources to meet the priority reconstruction needs, in close coordination with other donors. Moving forward, ADB and BRR will work closely to fast-track disbursements and delivery of support on the ground, by addressing priority needs and strengthening implementation and monitoring.

SUMMARY OF ADB ASSISTANCE FOR RECONSTRUCTION IN ACEH - NIAS

ADB assistance for Aceh-Nias rehabilitation and reconstruction includes:

- (i) ETESP for \$290 million in grant financing from the Asian Tsunami Fund (ATF) to finance investments for community infrastructure, livelihood support, social sector restoration and infrastructure rehabilitation.
- (ii) The contribution to the Multi-Donor Trust Fund (MDTF) of \$10 million in ATF grant to support community projects endorsed by its Steering Committee and Government.
- (iii) Mobilization and administration of cofinanced grants amounting to \$20.9 million from the United Kingdom's Department for International Development, Canadian International Development Agency, and the Netherlands and the Luxembourg Governments for
 - \$16.5 million from the Netherlands, Canadian and British Governments for community water service and health projects;¹
 - \$3.5 million from the Netherlands Government for strengthening fiduciary governance; and
 - \$0.9 million from the Luxembourg Government for the agriculture sector in North Sumatra.
- (iv) Complementary grants of \$10 million from the Japan Fund for Poverty Reduction for sustainable livelihood development of coastal fishing community, rehabilitation of damaged mangrove and coral reef resources, restoration of micro-enterprises and microfinance, community health care and seismically upgraded housing.
- (v) Reprogramming of savings, amounting to \$64.6 million from 12 loans, was approved and subsequently revised to \$53.6 million.

¹ ADB. 2005. *Report and Recommendation of the President on Proposed Loan to Indonesia for the Community Water Services and Health Project*. Manila.

DAMAGE, RECOVERY AND RECONSTRUCTION

1. Following the earthquake and tsunami, the Government, in collaboration with its development partners, conducted a damage and loss assessment, and formulated its recovery and reconstruction plan (the master plan), and a strategy to manage the reconstruction process. The principal focus of the master plan is to expedite the reconstruction of the worst affected and vulnerable regions in a holistic, integrated and community-oriented, and sustainable manner. Both the master plan and the strategy also stress the need for better rebuilding the entire Province of Aceh and the Nias Islands. ADB, with other development partners, has been closely involved in their formulation.

2. The Government's master plan estimated total reconstruction needs at \$5.1 billion (excluding the Nias earthquake damage). Latest official estimates, taking into account rising inflation with the increasing demand for reconstruction-related goods and services, indicate that the reconstruction will require at least \$6.5 billion, including about \$400 million for Nias and \$785 million for project preparation and implementation (Table A1). In addition to the reconstruction program, Aceh and Nias would require about \$3.5 billion to meet continuing emergency needs for additional temporary shelters – not originally envisaged – and to upgrade facilities in all tsunami affected areas, particularly in sectors such as education, health, transport and electricity. The revised estimates of the reconstruction and development needs in Aceh and Nias are about \$8-10 billion over the 2005-2009 period.¹

Table A1: Reconstruction Needs for Aceh and Nias

Item	Source	Estimated cost (in \$ million)	Comments and assumptions
Tsunami	Damage and loss assessment	4,450	Initial assessment remains broadly valid; trends confirmed by IOM damage assessment.
Adjusting for inflation	Financial assessment	890	At least 20% should be added to reflect true cost.
Nias Earthquake	BRR/IOM	375	
Project preparation and implementation	Averages from World Bank projects in Indonesia	785	15% for all project costs (e.g. local facilitation of community-driven development programs; investigations, surveys and designs; implementation supervision; and monitoring and evaluation).
Total (Tsunami and Earthquake)		6,500	

BRR = Badan Rehabilitasi dan Rekonstruksi; IOM = International Organization for Migration.
Source: BRR

¹ Badan Rehabilitasi dan Rekonstruksi. 2005. *Aceh and Nias One Year after The Tsunami: The Recovery Effort and Way Forward*. Jakarta.

3. According to BRR estimates, this financing need over the period 2005-2009 can be met through the Government's expected mobilization of about \$3 billion, including bilateral and multilateral commitments totaling \$3.6 billion, and financing from NGOs projected at \$2.5 billion. The latter includes some \$200 million in multilateral and bilateral donor funds channeled through NGOs for reconstruction projects (Table A2).

**Table A2: Financing Plan for Reconstruction and Development of Aceh and Nias
(\$ million, end-November 2005)**

Item	Domestic Funds		Donors ^a		Private Sector	Total
	BRR	Other	Multilateral incl. MDTF	Bilateral	NGOs	
Total reconstruction and development program (2005-2009)	2,100	> 650	2,000	1,600	2,500	> 8,850
Allocated to specific projects and programs by BRR	980	155	1,074	695	1,532	4,436
Disbursed	19	91	168	127	370	775

BRR = Badan Rehabilitasi dan Rekonstruksi; MDTF = Multi-Donor Trust Fund; NGO = nongovernmental organization.

Source: BRR. 2005. *Aceh and Nias One Year after the Tsunami: The Recovery Effort and Way Forward*. Jakarta.

^a Excludes \$200 million channeled by donors through NGOs, and the Paris Club donations.

4. Table A3 highlights physical progress in key sectors, viewed against damages and losses.

Table A3: Damage and Progress – One Year On

Category	Damage	Progress
People	<ul style="list-style-type: none"> • 167,000 dead or missing from tsunami • 500,000 displaced from homes in Aceh • 900 dead from the March earthquake, 13,500 families displaced from homes in Nias 	<ul style="list-style-type: none"> • In Aceh, over 300,000 able to return to homes • About 75,000 given shelter by relatives and neighbors
Housing^a	<ul style="list-style-type: none"> • 80,000 – 110,000 new houses needed • About 50,000 are housed in barracks • About 65,000 remain in tents 	<ul style="list-style-type: none"> • 16,200 new houses completed • 13,200 new houses underway • 5,000/month new houses being built
Infrastructure	<ul style="list-style-type: none"> • 3,000 km of roads impassable • 14 of 19 seaports badly damaged • 8 of 10 airports damaged • 120 arterial bridges destroyed; 1,500 minor bridges 	<ul style="list-style-type: none"> • 235 km roads restored • West coast road project started • Major road projects underway • 5 major ports being rebuilt • 35 arterial bridges rebuilt
Education	<ul style="list-style-type: none"> • More than 2,000 school buildings damaged • Approximately 2,500 teachers died 	<ul style="list-style-type: none"> • 331 new schools built or under construction • Over 1,100 new or temporary teachers trained • 1.7 million textbooks distributed
Health	<ul style="list-style-type: none"> • More than 8 hospitals damaged or destroyed • 114 health centers and sub-centers damaged or destroyed 	<ul style="list-style-type: none"> • 38 hospitals, clinics and health centers rehabilitated or rebuilt • 51 health facilities under reconstruction
Economy	<ul style="list-style-type: none"> • \$1.2 billion damage to productive sector • Projected economic decline of 5% in Aceh; 20% in Nias 	<ul style="list-style-type: none"> • Construction boom stimulating the economy
Fisheries	<ul style="list-style-type: none"> • 4,717 coastal fishing boats lost • 20,000 ha fish ponds destroyed or out of action 	<ul style="list-style-type: none"> • 3,122 boats replaced or being built • 5,000 ha fish ponds repaired, back in use
Agriculture	<ul style="list-style-type: none"> • 60,000 farmers displaced • Over 60,000 ha agricultural land damaged 	<ul style="list-style-type: none"> • 40,000 farmers assisted to return • 13,000 ha farmland restored
Enterprise	<ul style="list-style-type: none"> • 100,000 small business persons lost their livelihoods 	<ul style="list-style-type: none"> • 7,000 workers given skills training • Over 120,000 benefited from cash-for-work schemes

^a Range of housing issues based on these sources: IOM damage assessment of houses destroyed adjusted to account for loss of villagers (March 2005); Podes 2005 village survey (August 2005); BRR survey of Camats and Village Heads (November 2005); 2005 BPS census shows 192,055 internally displaced persons, including 12,353 in tents on own land.

Source: Badan Rehabilitasi dan Rekonstruksi. 2005. *Aceh and Nias One Year after the Tsunami: The Recovery Effort and Way Forward*. Jakarta.

IMPLEMENTATION STATUS OF ETESP COMPONENTS

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Agriculture	- Grant Provision: \$30.0 mn - Concept note approval by BRR: \$30 mn ^a	<ol style="list-style-type: none"> 1. Restoring agricultural enterprises <ul style="list-style-type: none"> • Soil/land rehabilitation and management • Planting stock • Mechanization • Processing and marketing • Agribusiness development 2. Rehabilitating agricultural support services <ul style="list-style-type: none"> • Capacity building for extension services • Applied research • Information systems • Coordination 3. Community empowerment <ul style="list-style-type: none"> • Self-help groups • Community information service centers • Microfinance 	<ul style="list-style-type: none"> • Aceh: Pidie, Aceh Utara and Aceh Timur, Bireuen, Aceh Besar, Aceh Jaya, Nagan Raya, Aceh Barat Daya, Simeulue districts. • Affected districts in Nias Island. 	<ul style="list-style-type: none"> - Project preparation consultant: mobilized - Project implementation/oversight consultant: mobilized - CMU in Jakarta established an operational office and steering committee; - PCMU is established in Dinas Pertanian Banda Aceh. - DIUs have been established and capacity development of DIUs initiated. - Training needs assessments completed and modules prepared for training of trainers for district extension workers. - Training of 40 Trainers in participatory agricultural methodologies conducted through Agricultural Training Centre. - Participatory planning workshops for RKAKL 2006 conducted for 12 districts. - Community information folders developed to facilitate integrated, demand driven activities in 5 sub districts. - Coordination mechanism among agriculture, fisheries and irrigation initiatives established through Bina Swadaya, a national NGO contracted under ETESP. - Carried out reviews on salinization; technical guidelines for rehabilitation of paddy fields in east coast districts prepared. - Farmers have planted ETESP procured seeds and inputs on 500 hectares of affected paddy rice field. - Overall SPAR and safeguard documents prepared for some subprojects.

^a Excludes portion of the component to be funded out of reprogrammed loans.

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Fisheries	- Grant Provision: \$30.0 mn - Concept note approval by BRR: \$11.8 mn	<ol style="list-style-type: none"> Community development <ul style="list-style-type: none"> Participatory planning and construction of village infrastructure supporting livelihoods Capture fisheries <ul style="list-style-type: none"> Medium to large-sized boats Aquaculture <ul style="list-style-type: none"> Fish ponds rehabilitation and restoration. Capacity building Fisheries infrastructure Ecosystem rehabilitation Support to local government fisheries services 	<ul style="list-style-type: none"> Aceh: Districts of Aceh Barat, Aceh Besar, Aceh Utara, Pidie, Aceh Jaya, Simeulue. Cities of Banda Aceh, Bireuen, Lhokseum ae. Nias and Nias Selatan districts 	<ul style="list-style-type: none"> Project preparation consultant mobilized. Implementation/oversight consultant mobilized. Concept notes for all districts covering the entire allocation submitted. PMU established. DIPA for 2005 finalized and released. 2006 RKA-KL details and SPARs for 5 priority districts being prepared. Detailed design studies for fishponds, hatcheries, seaweed are underway. Coordination of fisheries-related Bina Swadaya activities initiated.
Micro and Small Enterprises	- Grant Provision: \$21.0 mn - Concept note approval by BRR: \$21.0 mn	<ol style="list-style-type: none"> Support restoration of livelihoods and development of new livelihood opportunities, through a livelihood fund Provide financial support to licensed depository financial institutions to rebuild capital, and expand credit outreach to micro, small and medium scale enterprises through Microfinance Innovation Fund Provide ongoing technical assistance to financial institutions to improve operations, provide better service, and substantially deepen outreach to microenterprises, while assisting BRR to coordinate microfinance donor support activities 	<ul style="list-style-type: none"> Aceh Province Nias and Nias Selatan districts 	<ul style="list-style-type: none"> Project preparation completed. Implementation/oversight consultant mobilized. \$1 mn released to a NGO to be disbursed as grants to micro and small enterprises for income-generating asset replacement. Plans formulated for the merger of 12 small rural banks (owned by the provincial government) into one large rural bank to develop this institution as a microfinance bank. Due diligence of 5 private rural banks completed. Conducted workshops with BRR in Aceh to promote financial cooperatives and establish conditions for support. Coordination with other donor agencies (including international NGOs) to ensure systematic approach to developing sustainable microfinance systems in Aceh and Nias.

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Health	<ul style="list-style-type: none"> - Grant Provision: \$23.0 mn - Concept note submitted for BRR approval. 	<ol style="list-style-type: none"> 1. Strengthening capacity for provincial and district planning, management and budgeting 2. Strengthening health service delivery through rehabilitation of clinics and district hospitals, and through training of key health personnel (such as midwives and nurses), and the strengthening of the community-based mental health program 3. Strengthening community health care through an activity support fund, details of which will be identified after gap analysis 4. Strengthening project management and monitoring. 	<ul style="list-style-type: none"> • Aceh Province 	<ul style="list-style-type: none"> - Project preparation consultant mobilized. - Implementation/oversight consultant: under recruitment. - Project for \$23 mn was prepared in April-May 2005; MOU signed in July 2005. - In October 2005, BRR requested for refocus, considering the recent mapping of activities, and the need to identify the areas/sub-sectors in need. - Preparation team arrived in November 2005 and a refocused health project prepared and submitted to BRR.
Education	<ul style="list-style-type: none"> - Grant Provision: \$21.0 mn - Concept note approval by BRR: \$2.8 mn 	<ol style="list-style-type: none"> 1. Upgrading and restoring the teaching and learning environment in senior secondary schools 2. Rehabilitating and improving school sanitation and water supply facilities 3. Building laboratories, supplying equipment and materials, deploying and training science and mathematics teachers in the teaching of practical science. 	<ul style="list-style-type: none"> • Aceh Province and Nias 	<ul style="list-style-type: none"> - Project preparation consultant mobilized. - Implementation/oversight consultant to be mobilized. - DIPA for teaching and learning materials for FY2006 approved. - Project for \$18 mn covering junior secondary education in 8 districts prepared in Sept-Nov 2005; will need modification in line with BRR request of November 2005 to refocus to senior secondary level and expand geographic coverage to all of Aceh and Nias. - Additional consultants will be mobilized after agreement on the scope and coverage has been reached.

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Community and Rural Water Supply	- Grant Provision: \$10.5 mn - Concept note approval by BRR: \$10.5 mn ^b	<ol style="list-style-type: none"> 1. Rehabilitation of community water supply and sanitation facilities (rehabilitation phase) 2. Capacity building and training of water and sanitation and hygiene staff at local government (rehabilitation phase) 3. Re-establishing local government and community capacity to ensure participatory planning for facilities built 4. Expansion and new developments of water supply and sanitation facilities 5. Sanitation and hygiene behavioral change program 	<ul style="list-style-type: none"> • Nagan Raya district in Aceh and Nias and Nias Selatan districts in North Sumatra (ETESP Grant) • Aceh Jaya, Pidie, Bireuen, Aceh Utara districts (CWSHP Grant) 	<ul style="list-style-type: none"> - Implementation and oversight consultants appointed and mobilized. - MOU on implementation arrangements signed by BRR, BAPPENAS, Ministry of Finance, Ministry of Health, and ADB. - Provincial Health Office set up implementing unit, district health offices to follow.
Irrigation	- Grant Provision: \$30.5 mn ^c - Concept note approval by BRR: \$6.1 mn	<ol style="list-style-type: none"> 1. Emergency repair of key structures 2. Rehabilitation of schemes without major structure damage 3. Restoration of irrigation facilities 4. Reconstruction of tsunami damaged infrastructure, and rehabilitation and upgrading works in Aceh province 5. Strengthening of water user organization 6. Strengthening of implementation and coordination facilities 7. Capacity building and training 	<ul style="list-style-type: none"> • Aceh Besar, Aceh Barat, Nagan Raya, Aceh Barat Daya, Aceh Singkil, Aceh Selatan, Pidie, Aceh Utara, Aceh Tenggara, Aceh Timur, Bireuen, Bener Meriah, Aceh Jaya districts 	<ul style="list-style-type: none"> - Project preparation consultant mobilized. - Implementation consultant mobilized. - Tender drawings for 24 irrigation systems in Aceh and 5 in Nias completed. - 3 brief subproject reports drafted. - Coordinators of the village mobilization facilitators mobilized in each of the 10 districts. - Coordination with ETESP agriculture component ongoing to ensure that irrigation and drainage system can be used for soil rehabilitation. - 2005 DIPA nears finalization and release. - Agreement reached to submit new draft Concept Note to BRR in Feb for entire allocation, which will supersede and replace existing Concept Notes.

^b Does not include \$16.5 million approved under Grant No. 0003-INO: Community Water Services and Health Aceh-Nias/North Sumatra Project financed by the Government of Canada, the Government of the Netherlands and the Government of the United Kingdom, for which concept clearance by BRR has been obtained together with this ETESP component.

^c Does not include additional \$1.0 mn grant for Nias from the Government of Luxemburg, which supplements this ETESP component.

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Housing	<ul style="list-style-type: none"> - Grant Provision: \$72.5 mn - Concept note approval by BRR for entire scope. 	<ol style="list-style-type: none"> 1. Construction of houses, including for ex-renters (approximately 8,500 units, as per current unit prices) 2. Rehabilitation of houses (approximately 2,500, as per current unit prices) 3. Village planning (Contract Variation I, Package 7) 4. Microcredit for house expansion 	<ul style="list-style-type: none"> • Banda Aceh, Sabang, Aceh Jaya, Nias 	<ul style="list-style-type: none"> - Project preparation consultant mobilized. - Oversight consultant mobilized. - Project Implementation Consultants mobilized. - DIPA for 2005 is released and implementing unit is established; IA revising DIPA 2005. - DIPA 2006 processed and being administered by BRR. - Tendering for Gampong Pande project is planned for February; signing of contract March 2006. - Tender for Lamdingin planned in parallel with Gampong Pande. - Close coordination with BRR and NGOs/UN-Habitat is ongoing to identify possible implementation sites for 2006.
Spatial Planning	<ul style="list-style-type: none"> - Grant Provision: \$15 mn - Concept note approval by BRR not required. 	<ol style="list-style-type: none"> 1. Sub-District spatial planning 2. Village planning 3. Support services to other ETESP sectors <ul style="list-style-type: none"> • Environmental assessment • Ecological assessment • Geographic Information System • mapping • Environmental safeguard design 	<ul style="list-style-type: none"> • 60 sub-districts in Aceh 	<ul style="list-style-type: none"> - First stage consultant mobilized. - Second stage consultant to be engaged. - Approach to Sub-district reconstruction and rehabilitation planning initiative developed and pilot tested in Baitussalam sub-district; result expected to assist in production of model for other sub-districts. - Developed draft MOU between NGO and communities to improve coordination in reconstruction activities. - Reviewed and provided inputs to environmental safeguard measures in ETESP components. - Geographic information system unit established in Regional Planning Office. - Preparation of Province level mapping program is underway, including provincial environmental sensitivity mapping.

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Roads	<ul style="list-style-type: none"> - Grant Provision: \$19.5 mn - Concept note approval by BRR under preparation. 	<ol style="list-style-type: none"> 1. Krueng Raya Roads and Culverts, 5.3 km <ul style="list-style-type: none"> • Pavement rehabilitations • Culverts protection • Repair and widening of roads • Waterways clearance • Drainage and pedestrian access improvements 2. Bridges Repair, Rehabilitation and Widening <ul style="list-style-type: none"> • Bridges on the East Coast Road • Bridges on the Krueng Raya Road • Bridges on the Ule Lheue Road 3. Simple Road Works on East Coast Road, 23 km <ul style="list-style-type: none"> • Routine maintenance and betterment works, Climbing lane 4. Complex Road Works on East Coast Road, 12.3 km 5. Ule Lheue Road, 9.1 km 	<ul style="list-style-type: none"> • All coastal districts on the east coast 	<ul style="list-style-type: none"> - Project preparation consultant mobilized. - Implementation/oversight consultant to be appointed. - Inception report submitted to and reviewed by BRR. - BRR has identified additional funding needs for road component.
Power	<ul style="list-style-type: none"> - Grant Provision: \$9.5 mn - Concept note approval by BRR under preparation. 	<ol style="list-style-type: none"> 1. Electricity connection to newly constructed houses 2. Rehabilitation of low voltage distribution 3. Distribution transformer 	<ul style="list-style-type: none"> • Priority to rural areas in the affected parts of Aceh. 	<ul style="list-style-type: none"> - Implementation/oversight consultant to be appointed. - PLN authorities currently reviewing scope of components; concept note will be prepared upon completion of the review.

Initiatives	Allocation	Objectives and Key Activities	Districts Covered	Implementation Updates
Fiduciary Governance	- Grant Allocation: \$7.5 mn ^d - Concept note approval by BRR: not required.	<ol style="list-style-type: none"> 1. Support to BRR to establish Internal Control Systems covering internal BRR activities and BRR's control of Aceh Recovery funds 2. Capacity building for Badan Pemeriksa Keuangan (BPK – Supreme Audit Agency) 3. Restoration of internal control and funds channeling systems in the Directorate General of Treasury 4. Restoring capacity of Local Government Internal Audit Structures 5. Support the Commission for the Eradication of Corruption in Indonesia and for an Aceh Coordinator 6. Support for financial management capacity of local NGOs 	<ul style="list-style-type: none"> • Aceh and Nias 	<ul style="list-style-type: none"> - Consultant submitted final report; workshop to be organized to present report and recommendations. - BPK submitted retroactive claim of about \$400,000; future claim estimated at \$1.8 mn. - Retroactive claim being prepared; plans for spending the remainder being prepared. - Spending plans for 2005 funds being prepared by local government units in Aceh. - Preparation of TOR underway. - TOR for lead NGO and service provider being finalized in coordination with BRR.
Total Grant Provision: \$290.0 mn				
Amount under Concept Notes endorsed by BRR: \$177.2 mn^e				

BRR = Rehabilitation and Reconstruction Agency (Badan Rehabilitasi dan Rekonstruksi), CMU = coordination and monitoring unit, DIPA = Issuance of spending authority (Daftar Isian Proyek Anggaran), DIU = district implementation units, FAO = Food and Agriculture Organization, MOU = memorandum of understanding, mn = million, NGO = nongovernmental organization, PCMU = Provincial Coordination and Monitoring Unit IPISA = Initial Poverty and Social Assessment, km = kilometer, REA = Rapid Environmental Assessment, RKA-KL = Ministry Work Plan and Budget (Rencana Kerja dan Anggaran Kementerian/Lembaga), SPAR = Subproject Appraisal Report

Source: ADB

^d Does not include \$3.5 million in cofinancing by the Government of the Netherlands for fiduciary governance.

^e Includes amounts under Spatial and Fiduciary components not requiring BRR Concept Note clearance; excludes components or portions of ETESP in the agriculture sector to be financed under reprogrammed loans.