

The logo of the Asian Development Bank (ADB) consists of the letters 'ADB' in a white, serif font, centered within a dark blue square.

Asian Development Bank

Status Report on the Asian Tsunami Fund

October 2005

ABBREVIATIONS AND ACRONYMS

ADB	–	Asian Development Bank
ATF	–	Asian Tsunami Fund
BRR	–	Badan Rehabilitasi dan Rekonstruksi (Rehabilitation and Reconstruction Agency)
CBO	–	community-based organizations
CTL	–	Controller's Department
ETESP	–	Earthquake and Tsunami Emergency Support Project
IFAD	–	International Fund for Agricultural Development
MDTF	–	Multi-Donor Trust Fund
MKRD	–	Mekong Department
NGO	–	nongovernment organization
OCO	–	Office of Cofinancing Operations
SARD	–	South Asia Department
SERD	–	Southeast Asia Department
TA	–	Technical Assistance
TEAP	–	Tsunami Emergency Assistance Project
UN	–	United Nations
UNDP	–	United Nations Development Programme
UNESCO	–	United Nations Educational, Scientific and Cultural Organization

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STATUS REPORT ON THE ASIAN TSUNAMI FUND
As of 31 August 2005

A. INTRODUCTION

1. In response to the special circumstances surrounding the developing member countries that were stricken by the effects of the tsunami on 26 December 2004, the Asian Development Bank (ADB) established in February 2005 a specialized fund, the Asian Tsunami Fund (ATF), with an initial amount of \$600.0 million of grant resources drawn from ADB's Ordinary Capital Resources. These grants are considered critical to the recovery of the affected countries so as not to increase their debts in relation to the gross domestic product and constrain their fiduciary positions. Furthermore, without such grants, potential loans could distort current government priorities and potentially exacerbate social and infrastructure programs.

2. Following the initial \$600.0 million contribution, contributions have been received from two Governments. The Government of Australia contributed \$3.7 million equivalent earmarked for reconstruction work in Sri Lanka. The Government of Luxembourg contributed \$1.0 million to rehabilitate irrigation schemes in the Indonesian provinces of Aceh and North Sumatra. The Office of Cofinancing Operations (OCO) has been actively engaged in exploring other opportunities to mobilize cofinancing via partnerships with countries giving assistance. Additional contributions to the ATF are expected.

3. As part of the administration arrangements for the ATF, ADB committed to circulate information regarding the amounts and recipients of grants under the Fund following every 6-month period to the contributors and to the Board for information. This report is the first of the semiannual reports and covers the period February/March to 31 August.¹ The information here supplements previous reports on the progress of ADB's assistance to tsunami-affected countries.²

B. AMOUNTS AND RECIPIENTS OF GRANTS

4. With the additional contributions, the total amount of the ATF stands at \$604.7 million. Of this, \$572.0 million has been approved and committed to date for rehabilitation and reconstruction of tsunami-affected areas. The amount covers four investment projects in India, Indonesia, Maldives, and Sri Lanka; a contribution to the Multi-Donor Trust Fund (MDTF) in Indonesia; and three technical assistance (TA) projects in Thailand. Table 1 gives details of approved tsunami-related assistance as of 31 August 2005.

5. In addition to commitments from ATF, ADB has provided tsunami-related assistance from other sources, bringing ADB's total assistance to \$835.0 million. Of this amount, \$654.6 million, or 78%, is grant. The funds are from development partners, such as Canada, European Community, Japan, Netherlands, Norway, Sweden, and United Kingdom, who have provided funds either through cofinancing or through contributions to special funds established in ADB.

¹ Quarterly Financial Statements on the ATF as of 31 March and 30 June are also included as part of the Financial Statements of ADB. In addition, the summary status of resources, grants/TA effectivity and approvals is available in the Monthly Financial Report that Controller's Department prepares and circulates.

² See the following reports: Progress Report Indonesia: Aceh-Nias Rehabilitation and Reconstruction, 30 June 2005 (IN. 156-05); Loan 2160-MLD(SF), Grant 0001-MLD: Tsunami Emergency Assistance Project Progress of Implementation, 2 August 2005 (IN. 196-05); Report on the Sri Lanka Development Forum, 17 June 2005 (IN. 133-05).

Table 1: Asian Tsunami Fund (ATF) Approved Grant Projects

Investment and TA Projects	Amount (\$ million)	Approval Date (2005)
GR0001-MLD: Tsunami Emergency Assistance Project	20.000	31 March
GR0002-INO: Earthquake and Tsunami Emergency Support Project	290.000 ^{a/}	7 April
GR0014-INO: Contribution to the Multi-Donor Trust Fund	10.000	7 April
GR0005-IND: Tsunami Emergency Assistance (Sector) Project	100.000	14 April
GR0006-SRI: Tsunami-Affected Areas Rebuilding Project	150.000	14 April
TA 4564-THA: Development Plan for the Tsunami-Affected Andaman Region	0.150	9 February ^{c/}
TA 4595-THA: Supporting Post-Tsunami Activities and Coastal Zone Management	0.150	10 June
TA 4613-THA: Subregional Development Plan for the Tsunami-Affected Andaman Region – Phase II	1.700	6 July
Total	572.000 ^{b/}	

^{a/} The \$1.0 million contribution of Luxembourg will be reflected upon approval of the change in scope.

^{b/} The estimated uncommitted balance, net of the 2% service fee, as of 31 August 2005 is \$20.9 million. The service fee (to cover ADB's costs) will be based on actual amounts disbursed.

^{c/} Initially approved funding was TASF; transfer of funding source from TASF to ATF approved by the President on 4 April 2005.

C. STATUS OF THE ASSISTANCE

6. As of 31 August 2005, approximately \$15.7 million (including advances) has been disbursed for the investment projects in Indonesia, Maldives, and Sri Lanka and for the three TA projects in Thailand. Details are in Table 2.³

Table 2: Disbursements

Country/ Grant and TA No.	Committed	Disbursed	Advances	Disbursements To Date	Undisbursed
MLD (GR0001)	20,000,000	1,477,665	6,234,950	7,712,615	12,287,385
INO (GR0002)	290,000,000	324,954	117,700	442,654	289,557,346
INO (GR0014) ^{a/}	10,000,000				10,000,000
IND (GR0005)	100,000,000				100,000,000
SRI (GR0006)	150,000,000		7,414,750	7,414,750	142,585,250
THA (TA 4564)	150,000	83,440	6,000	89,440	60,560
THA (TA 4595)	150,000	13,884		13,884	136,116
THA (TA 4613)	1,700,000	501		501	1,699,499
Total	572,000,000	1,900,444	13,773,400	15,673,844	556,326,156

^{a/} Not yet effective as of 31 August 2005.

³ On 30 September 2005, an additional \$30.0 million was disbursed to Indonesia bringing the total disbursement to Indonesia to \$30.4 million and total overall disbursement to the five tsunami-affected countries to \$45.7 million.

7. Periodic review missions are undertaken by South Asia Department, Southeast Asia Department, and Mekong Department for each of the approved four investment projects and three TAs. In addition, disbursement missions also have been fielded by Controller's Department to resolve general and specific financial and disbursement problems related to each of the projects. The following summary description of progress on the ground summarizes the main findings of the missions.

8. Upon the effectivity of the Tsunami Emergency Assistance Project (TEAP) in the Maldives, \$9.4 million⁴ was disbursed to three imprest accounts established by the Executing Agency. Progress has been made in the following:

- (i) water supply, sanitation, and solid waste management: the design for the two selected islands (Kuludufushi and Guradhoo) is to be completed in November 2005, and tendering is to be initiated after that;
- (ii) transport: preparation of detailed design and tender documents for harbor subprojects;
- (iii) power: a survey and detailed design have been completed, and bidding documents for seven most affected islands are under preparation;
- (iv) agriculture and fisheries: preparation of a detailed needs assessment, identification of community-based organizations (CBOs) on 26 selected islands, and guidelines for CBO operations have been initiated; and
- (v) quick-disbursing component: the quick-disbursing component of the TEAP amounting to \$4.7 million ATF grant funds and \$1.8 million Asian Development Fund (loan savings) were already liquidated/used by the Government to (retroactively) finance immediate imports needed for rehabilitation and reconstruction.

9. In Indonesia, ADB was among the first to respond by committing and approving significant resources for rehabilitation and reconstruction through the ATF and the Earthquake and Tsunami Emergency Support Project (ETESP). ADB is working closely with the Badan Rehabilitasi dan Rekonstruksi (BRR) — the Aceh-Nias rehabilitation and reconstruction agency — in a number of areas. Nine sector subproject proposals passed the BRR review process, providing support of about \$108.0 million equivalent in agriculture, fisheries, irrigation, education, microfinance, housing, rural water supply and sanitation, health, and fiduciary governance. Project implementation consultants have been mobilized for almost all sectors. It is expected that on-the-ground implementation under the ETESP will pick up by December 2005 when implementation of the first batch of subprojects will be in full swing. Additionally, ADB is now in discussion with BRR to restrategize and reprogram use of remaining funds.

10. In India, there has been a major change in the relending arrangements, from the Ministry of Finance to the states, which also applies to the ATF. The new procedures are expected to be in place by November 2005. Modest disbursements under the TEAP for India are expected for the first 12 months because most of the retroactive financing is under the tsunami loan account, and state and district governments are very much focused on the replacement of housing which is being financed from other sources. In both the affected states — Tamil Nadu and Kerala — the main focus has been on providing new and repaired boats and gear to the fishing communities, as fishing is the main livelihood. This phase is now almost complete and fisherfolk are back at work. The longer-term programs targeted under TEAP will focus on sustainable

⁴ Of this amount, \$7.7 million was from ATF and the remainder was from other sources.

value-added livelihood activities for the fish catch to enable access to the higher value domestic and international markets for these products. In addition, public consultation, education, and sensitization programs have been initiated to try to convince women and the youth to get involved in nonfishing livelihoods. This is an important exercise as there is too much reliance on fish, and the stock in the Bay of Bengal is declining. A joint review mission comprising ADB, World Bank, International Fund for Agricultural Development (IFAD), and United Nations Development Programme (UNDP) for the Tamil Nadu program was expected to take place in September 2005.⁵

11. In Sri Lanka, rehabilitation and reconstruction work for water distribution lines, water treatment and community wells is ongoing, and the Government's Owner-Driven Housing Program, to be reimbursed by ADB and other agencies on a grant basis once documentation is submitted, is under way. Consulting services contracts for preparing a road rehabilitation program are being implemented, and the award of major contract packages for reconstruction and rehabilitation of roads is expected by early 2006. Additional cofinancing in support of the housing and local infrastructure programs has been mobilized from the Netherlands and France.

12. In Thailand, an initial TA assisted the country in developing for the affected areas a preliminary regional recovery and reconstruction plan that reflects more effective approaches to planning than those adopted in the past. A follow-up TA is now helping Thailand to prepare a long-term (15-year) subregional development plan and a medium-term (3-year) action plan for priority activities and projects covering land use, population distribution, settlement patterns, economic activity, social infrastructure, and major utility and transport infrastructure. Another TA under implementation intends to have a direct positive impact on the government's objective to promote sustainable coastal zone management by improving the relevant legal and regulatory framework and by ensuring adequate field-level coordination of government agencies and nongovernment organizations (NGOs) involved in post-tsunami rehabilitation.

13. Overall, the drawdown from the ATF has been somewhat slower than expected mainly because of delays in start-up activities, which in turn were due largely to the magnitude of devastation and the low level of local capacity. Approximately \$91.2 million is expected to be disbursed (including advances) by the end of 2005 under the approved investment and TA projects in the five tsunami-affected countries (Table 3), but this estimate is subject to change.

D. ADB'S CAPACITY TO SUPERVISE, CONTROL, OR MONITOR THE USE OF RESOURCES

14. The projects financed by the ATF were designed and are being implemented in accordance with applicable ADB policies, procedures, and guidelines relating to procurement, consulting services, social and environmental safeguards, financial management, and reporting. Arrangements for project accounting, auditing, and close monitoring and reporting are in place for each of the projects. To ensure timely implementation and quality control, the following extended missions have been established: Extended Mission in Sumatra (with a Project Management Office in Banda Aceh), Extended Mission in Tamil Nadu and Kerala, and ADB-World Bank Extended Mission in the Maldives.⁶ Nonetheless, speeding up recovery while ensuring fiduciary oversight remains a major challenge facing the development community and the governments in virtually all the tsunami-affected areas.

⁵ The Mission was fielded on 9-16 September 2005.

⁶ The Extended Mission in Sumatra has been operational since July 2005, while those in Tamil Nadu and Kerala, and in the Maldives, became operational in early September 2005.

Table 3: Estimated Disbursements by End-2005

Investment and TA Projects	Estimated Disbursements By End-2005 (\$ million)
GR0001-MLD: Tsunami Emergency Assistance Project	9.500
GR0002-INO: Earthquake and Tsunami Emergency Support Project and GR0014: Contribution to the Multidonor Trust Fund	40.000 ^{a/}
GR0005-IND: Tsunami Emergency Assistance (Sector) Project	20.000
GR0006-SRI: Tsunami-Affected Areas Rebuilding Project	20.700
TA 4564-THA: Development Plan for the Tsunami-Affected Andaman Region	0.130
TA 4595-THA: Supporting Post-Tsunami Activities and Coastal Zone Management	0.061
TA 4613-THA: Subregional Development Plan for the Tsunami-Affected Andaman Region – Phase II	0.800
Total	91.191

^{a/} Including advances to MDTF.

15. The most prominent recommendation emerging from the High Level Coordination Meeting on Rehabilitation and Reconstruction Assistance to Tsunami-Affected Countries, hosted by ADB on 18 March 2005, was to develop a tracking matrix to facilitate the monitoring of funds provided to the tsunami-affected countries and to ensure transparency and accountability in the use of the funds. It was agreed that UNDP and ADB, together with other development partners, and especially the concerned countries, would develop a tracking system. UNDP modified the tracking matrix used for donations to Afghanistan — the Donor Assistance Database (DAD). DAD and similar mechanisms have been designed and some are now functioning but with varying levels of data quality and disclosure, which will need further work.⁷

16. ADB has also created a website to report on tsunami-related activities. The site is regularly updated and can be accessed at <http://www.adb.org/tsunami>.

17. In addition, ADB has been working closely with governments and the aid community at the international level to ensure effective monitoring. Specifically, ADB has been part of the

⁷ Websites using DAD or similar databases can be found at the following uniform resource locators (URLs) for the affected countries (though some are occasionally offline): India - <http://www.undp.org.in/dmweb/Tsunami/default.htm>; Indonesia - <http://www.e-aceh.org>; Maldives - <http://mirror.undp.org/maldives/drtf/six.htm>; Sri Lanka - <http://dad.tafren.gov.lk/dad/>; and Thailand - <http://dad.synisys.com/dadthailand/>. In Sri Lanka, efforts are under way to coordinate Government and development partners resources in the production of a single year-end report on the progress and challenges in addressing post-tsunami reconstruction.

Global Consortium for Tsunami-Affected Countries, led by the United Nations (UN) Special Envoy for Tsunami Recovery.⁸

18. In administering the investment and TA projects in the five tsunami-affected countries, ADB is faced with the major challenge of ensuring that the quality of supervision is not compromised in light of ADB's overall need for a more flexible and prioritized allocation of resources to contain increasing administrative budgets, particularly with respect to professional staff strength. The implications of implementing the tsunami program vis-à-vis available professional staff will, therefore, have to be seriously examined. Given the many small-sized subprojects in emergency assistance packages, administration of such programs is very resource intensive.

E. OTHER MAJOR ISSUES AND ACTIVITIES

19. A number of obstacles continue to inhibit effective assistance to those who were affected by the tsunami. The major obstacles/issues (summarized in paras. 20-25) tend to be common to most of the affected countries to a greater or lesser degree. ADB will continue working with the affected communities, governments, and development partners in finding ways to overcome these obstacles.

20. More than 8 months after the tsunami struck, governments and aid agencies continue to experience problems with shelters. While temporary shelters and accommodations with host families were quickly provided during the relief phase, construction of permanent shelters has been delayed. The situation is generating increasing frustration on the part of the affected people. Urgent attention is required.

21. A closely related issue is that of land allocation. Land titling in many ways is proving to be a constraint in relocating those who lost their homes. A \$28.5 million MDTF-financed project is providing assistance in this regard in the tsunami-affected areas in Indonesia.

22. While the level of international assistance for tsunami victims is unprecedented and approximately \$11.0 billion has been raised for this purpose, financing gaps can still be found. Most notably, a review of the recovery plan for the Maldives indicates a financing gap. In addition, the Maldives is facing a widening budget deficit due to the slow recovery in tourism and the adverse impact of high oil prices. The financing gap is currently estimated at \$95.0 million in 2005 and a similar amount in 2006. The UN Special Envoy has called for mobilization of additional resources to fill this gap. ADB and World Bank are already in consultation with the Government of the Maldives regarding the possible provision of additional support to help finance the budget deficit.

23. It is essential to continue and strengthen capacity-building assistance to local authorities in implementing their respective recovery plans. Weak local capacity continues to inhibit more efficient recovery efforts in the delivery of both official development assistance as well as assistance from NGOs, who continue to have difficulty in delivering the assistance they have pledged. In some countries, there have been delays in recruiting government staff to assist in local administration of programs, and consultants may need to be brought in. In Indonesia,

⁸ ADB's President Kuroda met with former U.S. President Bill Clinton, currently serving as Special Envoy, during the UN Millennium+5 Summit and the Clinton Global Initiative held in New York on 13-16 September and then in Washington, D.C. on 22 September during a meeting of the Global Consortium on Tsunami Recovery. President Clinton publicly acknowledged ADB's contributions to the international assistance effort.

aside from local government capacities, the crucial issue is to develop the capacity of BRR to manage and complement the overall rehabilitation and reconstruction process in Aceh.

24. While the World Bank and ADB have had good cooperation, the challenge of achieving significant and operational cooperation in the field between aid agencies (including NGOs) and governments remains. Greater strides need to be made to ensure all aid activities are government-led and that the aid community provides the necessary technical and capacity-building assistance to accelerate progress. Effective inter-ministerial and inter-agency coordination and timely availability of budget are additional issues.

25. The importance of establishing an effective early warning system cannot be overstated. Additional and concerted efforts will need to be provided in this area. It is much cheaper to have preventive measures in place than to have to provide large volumes of resources for post-disaster recovery. During a meeting of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Mauritius in April, donor nations agreed and committed to set up a \$5.5 million early warning system for 27 Indian Ocean countries. An intergovernmental coordination group for the Indian Ocean tsunami warning and mitigation system subsequently met in Perth, Australia, 3-5 August 2005, to develop a strategic plan to implement the early warning system. It is expected that before 31 December this year, 23 real-time sea-level stations will be established in countries of the Indian Ocean, completing the upgrading of the sea-level network. Six stations are already operational in the region. Regional efforts will serve to strengthen international cooperation in creating a global alert system for different natural catastrophe risks. The main challenge will then be to ensure that the system works in practice at the community level.

F. CONCLUSION

26. The tsunami brought an unprecedented level of devastation to countries along the Indian Ocean. More than 230,000 persons are dead or missing. Hundreds of thousands were left homeless and without livelihoods. Equally unprecedented was the international humanitarian response to ensure that affected people were able to meet at least basic needs. Now the countries and their development partners are beginning a long reconstruction and rehabilitation phase.⁹ Unlike the relief phase, the reconstruction and rehabilitation phase is characterized by the need to address large and complex issues such as restoring and, in many cases, creating new livelihood opportunities for thousands of people, and rebuilding lost or damaged infrastructure.

27. The challenges are profound: local capacity was severely hit in most places and completely decimated in others; logistical systems were destroyed; homes and livelihoods for hundreds of thousands of people were lost. The magnitude of support required levels of cooperation among development partners that is rarely achieved.

28. But in the face of these challenges, 8 months after the tsunami, progress is being made. Local capacity is being reestablished. Roads, water supplies, and sanitation systems are being rehabilitated. Livelihood activities are being restored. Communities are coalescing.

⁹ It is widely recognized that this phase will be a long-term effort requiring not less than 4-5 years to complete major programs. As a point of comparison, Kobe, Japan, is still implementing the final stages of its rehabilitation program 10 years after the great earthquake.

29. Importantly, cooperation among development partners has strengthened. It was recognized early on that for reconstruction and rehabilitation efforts to succeed and be sustainable, governments would have to take the lead. In each of the tsunami-affected countries we are seeing that happen. Institutions and procedures are being established to help ensure efficiency, accountability, and transparency, including web-based tracking mechanisms. We are also seeing governments and aid agencies working closely with the affected communities so that the latter are intimately involved in rebuilding their future.

30. While considerable progress has been made, neither ADB nor our partners are completely satisfied with progress to date. The pace of housing and livelihood restoration remain of particular concern. The challenges and issues mentioned earlier continue to be addressed through support for capacity building, on-the-ground presence of staff, increased cooperation among all development partners, and a genuine commitment of governments to efficiency, accountability, and transparency in the recovery effort.