Progress Report
Aceh-Nias Rehabilitation and Reconstruction

I. Introduction

1. On 7 April 2005, the Asian Development Bank (ADB) approved a support package for rehabilitation and reconstruction of Aceh and North Sumatra, comprising: (i) the Earthquake and Tsunami Emergency Support Project (ETESP) for $290 million and the contribution for Multi-Donor Trust Fund (MDTF) of $10 million, both grant financed from the Asian Tsunami Fund (ATF); and (ii) the Community Water Services and Health Project (CWSHP) grant of $16.4 million.\(^1\) In addition, the Government of Luxembourg has recently signed a contribution agreement to provide $1 million through the ATF, aimed at supporting a fast-tracked irrigation subproject in North Sumatra. This Report provides an update on the steps being taken by the Government of Indonesia (the Government) and ADB to launch implementation work on rehabilitation and reconstruction, and it also reports on the implementation progress of the MDTF.

II. The Steps Taken by the Government of Indonesia

2. Over April-June 2005, the Government has progressed in developing an institutional coordination mechanism and in addressing some of the initial hurdles facing the start up of reconstruction and rehabilitation. On 29 April 2005, the President of Indonesia signed the Emergency Decree for the establishment of the Aceh-Nias Rehabilitation and Reconstruction Agency, now called the Badan Rehabilitasi dan Rekonstruksi (BRR) for Aceh and Nias. The Chairman of BRR is Dr. Kuntoro Mangkusubroto.\(^2\) The BRR currently has 58 full-time professionals handling key sectors (Attachment 1).\(^3\) BRR targets to have a lean organization with staff at the lower end of the 70-120 range, and it is relying on technical assistance from donors and outsourcing mechanisms. The chairperson of BRR and all its members are appointed by the President of Indonesia. The BRR is overseen and managed by:

(i) A 17-member Advisory Board, chaired by the Coordinating Minister for Political and Security Affairs, with Chairperson of the National Development Planning Agency (BAPPENAS) as the Secretary, and with the other two Coordinating Ministers, Ministers of Finance and Public Works (among others), Governors of North Sumatra and Aceh, and a few local government officials as members;

(ii) A 9-member Oversight Board entrusted with supervising the implementation of the rehabilitation and reconstruction activities and ensuring that public complaints are addressed; and

(iii) A 9-member Implementation Coordination Board, comprising the BRR Chairman and 8 Deputies, entrusted with the day-to-day coordination of the rehabilitation and reconstruction activities.

3. Under its mandate, BRR is responsible for a coordinated approach to planning, fundraising and implementation, to ensure that the reconstruction program is effective, duplication is minimized, and that donor funds are optimally used. BRR recognizes the important role of local community input and participation in the reconstruction effort. Government bodies, community leaders, academics, religious leaders and NGOs in Aceh and Nias will be continuously consulted and involved in shaping and implementing the reconstruction activities in the affected regions.

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\(^1\) Cofinanced by the Government of the Netherlands, the Department of Foreign and International Development (DFID) of the United Kingdom, and the Canadian International Development Agency.

\(^2\) Previously the Minister of Energy and Natural Resources in President Habibie’s cabinet (until October 1999), and in 2000-2001 the chairman of PLN, the state electricity company, under President Abdurrahman Wahid.

\(^3\) The Deputies, Directors, and staff will be compensated on the basis of comparable private sector pay-scales.
4. The BRR Chairman has signaled a strong commitment for effective management, governance of funds, and expeditious delivery of services. BRR is now operational, but has faced start-up problems due to delays in budget releases and lack of coordination with other central ministries and local governments. This has created uncertainties regarding project implementation arrangements, including procurement and funds flow mechanisms.

5. In the first few weeks of its being operational, BRR has structured and familiarized itself with different assistance programs and laid the groundwork to fast track projects. BRR has reached agreements totaling about $1.8 billion in support from bilateral donors, various international non-government organizations (INGOs) and assistance through the MDTF. Out of these commitments, BRR has thus far approved 172 projects ($585 million), and another 70 projects ($260 million) are in the pipeline for approval. The BRR has also signed agreements with International Red Cross and Red Crescent for $600 million for housing, and harbor restoration etc. and with the United States Agency for International Development (USAID) for $245 million to reconstruct the road between Banda Aceh and Meulaboh.

6. Support from other donors is also being fast-tracked. For instance, the Government of Japan disbursed $146 million to the budget as early as in January 2005, earmarked for various reconstruction projects. The implementation of these initiatives has recently started. In addition, Japan has contributed about $110 million through the UN system for rehabilitation and reconstruction. Besides, Japan has also earmarked $20 million each in its trust funds for ADB (JFPR) and World Bank, respectively. Technical assistance for various assessments and planning is underway in several areas, most notably the Japan International Cooperation Agency (JICA) is developing a Master Plan for Banda Aceh city rehabilitation and reconstruction. The Government of Netherlands has committed $100 million to the MDTF. The European Commission is in the process of securing commitments of about Euro200 million to be channeled through the MDTF. Other donors have pledged support through MDTF and bilateral sources. Australia, through the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD), is channeling significant resources, estimated at close to AUS$1 billion. Out of this, over $175 million worth of funding has already been allocated and work has started on several major activities. This includes $50 million for the Aceh Rehabilitation Program to restore health, hospital and education services, a $50 million program of support for governance reform, a $62 million postgraduate scholarship scheme for 600 new students, and $15 million for disaster preparedness and responses to other recent disasters in Indonesia.

7. In Indonesia, ADB has been among the first to respond by committing and approving significant resources for the rehabilitation and reconstruction process through the ATF and the ETESP. As the ETESP was approved prior to the formal establishment of BRR, all subprojects will be designed and implemented in close coordination with BRR as the executing agency for the overall project. In doing so, ADB is working closely with BRR in a number of areas, providing technical support in project and financial management and formulation of guidelines and standard operating procedures.

8. Table 1 provides official estimates for donor funded commitments and planned disbursements. However, the utilization of loans is appearing increasingly difficult in view of heavy flows of grant commitments. The drawdown from grants has been slow to take off and is likely to be below projections because of the delays in start up.

9. The Ministry of Finance released about $12 million to meet BRR’s initial operational expenditure requirements in 2005 and the Government of Australia also provided grant support to meet the immediate start-up needs. An independent procurement advisor (Crown Agents) has been appointed on a 6-month trial basis, through a grant from DFID. ADB has helped the Ministry
of Finance establish a special treasury office in Banda Aceh to deal with all on-budget payments for expenses related to Aceh and Nias rehabilitation and reconstruction. Upright capacity development and advisory support is being provided under ETESP to the Supreme Audit Institution (BPK), to enhance its oversight on the use of the substantial aid flows. Given the emergency needs, in May 2005 the Government submitted to Parliament amendments to the 2005 budget, which were approved by the Finance Committee in early June 2005 and full approval is expected shortly.

Table 1: Aceh-Nias Rehabilitation and Reconstruction Commitments for 2005-09 and Planned Disbursements in 2005 (Amended Budget for 2005)\textsuperscript{a}

<table>
<thead>
<tr>
<th>Type of Support</th>
<th>2005-09 Commitments</th>
<th>2005 Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>4,089.0</td>
<td>414.7</td>
</tr>
<tr>
<td>Of which: ADB\textsuperscript{b}</td>
<td>334.4</td>
<td>65.3</td>
</tr>
<tr>
<td>Foreign Loans</td>
<td>590.7</td>
<td>46.6</td>
</tr>
<tr>
<td>Of which: ADB\textsuperscript{b}</td>
<td>64.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Debt Moratorium\textsuperscript{c}</td>
<td>2,022.0</td>
<td>445.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,701.7</td>
<td>907.0</td>
</tr>
</tbody>
</table>

\textsuperscript{a} The budgetary amendments have adopted an exchange rate of Rp.8,900/$.  
\textsuperscript{b} ADB disbursement projections include support through ETESP, reprogrammed loans and retroactive financing.  
\textsuperscript{c} Debt moratorium applies only for one-year deferred repayment of principal and interest. The Government is to formulate an expenditure plan for the remainder of the resources released.

Source: Ministry of Finance.

10. The Government lifted the status of civilian emergency in mid-May 2005, symbolically a welcome move, though troops will continue to be present on the ground for the foreseeable future. Peace talks are reported to have progressed well, currently in their final stages in Helsinki, but the domestic position on the autonomy issue remains divided and quite controversial.

II. ADB's Emergency Assistance Programs

11. ADB and the Government signed the grant agreements for the ETESP and CWSHP on 29 April 2005. In the interim, a number of coordinating and sector missions have been fielded to discuss the role and functions of BRR, prepare concept papers for subproject appraisals and develop initial understandings on project implementation arrangements.

12. In line with the framework outlined for ETESP, substantive technical assessments and appraisal of the needs have been undertaken by the missions. Based on this work, conceptual frameworks have been formulated for a number of subprojects. Out of these, 8 subprojects providing support in the equivalent of about $25 million in agriculture, fisheries, irrigation, education, and housing have been submitted to BRR for approval. Attachment 2 presents the sector details of the ETESP and a progress update as of the 6-month anniversary of the tsunami.

13. At the sector level, progress includes:

(i) **Housing**: In addition to the 2 subprojects that have been submitted to BRR, 5 other subprojects are being appraised and finalized. Community consultations and preliminary area assessments have been undertaken to provide about 4,000 housing units. Three consulting packages are being finalized to provide design and implementation support, and 3 follow-up batches of communities will be identified and design work completed over August-December 2005.

(ii) **Livelihood Restoration through Microfinance Support**: Design work is underway on the framework for three types of funds – (i) a Livelihood Support Fund, which will
provide grants for community or institution-based livelihood restoration training; restoration of income-generating assets; and creation of new businesses; (ii) a Microfinance Fund, which will function as a wholesale mechanism to support micro and small enterprises through viable retail financial institutions; and (iii) an Innovation Fund, to provide risk-capital aimed at providing new products and services to micro and small enterprises. ADB, through a JFPR grant, will work through international non-governmental organizations to promote community-based microfinance in the affected districts. Advanced discussions are underway with large INGOs to fast track support.

(iii) **Education:** ADB’s support will focus on three of the five most affected districts, namely Aceh Besar, Aceh Barat, Aceh Jaya, Banda Aceh and Simelue. Scope will cover junior secondary and senior secondary education, including madrasah schools, as there is adequate funding available from other development partners for primary education. The ETESP will finance civil works (repair and reconstruction), and teaching instruction and student learning material. ADB will also provide skills training to out-of-school youth, as well as to adults who need retraining to restore livelihood.

(iv) **Health:** The ETESP will finance reconstruction of health facilities on a selective basis, while focusing on revamping the strategic planning process in Aceh, aimed at improving the allocation of health resources. ADB will also support the provision of healthcare equipment. Private sector participation will be catalyzed, and provision of mental healthcare services will be strengthened, particularly to deal with the trauma associated with the tsunami. Maternal and child health will receive priority attention as well.

(v) **Fisheries:** Initial support over June-December 2005 will cover six districts (about 16 sub-districts) in Aceh and North Sumatra, including Pidie, Aceh Utara, Aceh Besar, and Aceh Jaya districts of NAD province, and Nias and Nias Selatan districts of North Sumatra province. In addition to the 3 subprojects submitted, 3 other subprojects for Aceh Jaya, Nias and Nias Selatan have been appraised. Two proposed JFPR-financed projects will support the fisheries component of ETESP in coastal natural resource rehabilitation and livelihood development in Aceh Besar, Banda Aceh and Aceh Utara.

14. Work on spatial planning, environment and resettlement, has been slow to start. The ETESP spatial planning and environmental management component will provide technical support for an integrated approach incorporating dimensions of both environmental management and disaster mitigation into the spatial planning process for reconstruction and rehabilitation. The Government has now decided that the spatial planning process will give residents the “freedom for settlement”, and the zoning maps that are mentioned in the Master Plan are likely to be only advisory in nature, to support the planning process to be done by district governments. It is at this interface the ETESP component will provide valuable technical inputs, building on current advisory support.

15. BRR has requested ADB flexibility in sector allocation and procedures under ETESP financing package to effectively and expeditiously deliver assistance. In addition, BRR has requested urgent support from ADB to rehabilitate and reconstruct sections of the Sumatra East Coast Road and the road network in Nias Islands, and to rehabilitate the power transmission systems in Aceh and Nias. Given the size of ADB’s assistance package and sector expertise in a number of areas, BRR would also like ADB to provide comprehensive support for overall economic development in areas where ADB subprojects are located.

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4 Raised by Chairman of BRR with DG, SERD, during a Policy Consultation Mission on 6-7 June 2005.
16. BRR is gaining experience and momentum and exploring effective ways to resolve institutional and coordination arrangements with the implementing agencies. As a new body, the BRR also has to familiarize itself with the Government’s own administrative and procurement procedures and those of the official development assistance (ODA) and bilateral partners. BRR has requested ADB and other development partners to fast-track the submission and implementation of projects. At ground level, problems remain in mapping out fully the priorities of the other development partners and in identifying appropriate national and international consultants, given the high demand from all donors.

17. In view of these delays, disbursements of ETESP funds in 2005 are projected to be slower at around $50 million, though expected to gain momentum in the subsequent months. Delays in budgetary approval and ready availability of bilateral grants render funding from ADB’s reprogrammed loans less attractive. However, the June 2005 amended budget (see Table 1) includes provisions for the use of reprogrammed loan funds as well as retroactive financing. Progress has been made under L1792-INO: Technical and Professional Skills Development Project, and scoping of support is underway in other sectors. SERD will focus its immediate efforts on committing resources to clearly defined subprojects and on retroactive financing.

18. ADB has established the Extended Mission for Sumatra (EMS), with an office in Medan. The Head of the EMS is expected to assume office in July; in the interim, EMS is being managed on a part-time basis by a staff from the Indonesia Resident Mission, with a team of SERD staff at HQ developing subprojects for appraisal and overseeing their implementation. A team of international consultants has joined EMS in mid-June to coordinate overall project management. SERD is also to establish an office in Banda Aceh to coordinate field activities. However, given that security and housing conditions are problematic in Banda Aceh, the EMS office in Medan will serve as a hub and back-up for coordinating ADB support.

19. Japan Special Poverty Reduction Fund (JFPR): SERD has also processed five JFPRs, totaling $10 million, of which one has been submitted to the Board and the other four will be submitted within July 2005, pending the Government of Japan’s endorsement of the proposals. The projects are:

(i) Sustainable Livelihood Development of Coastal Fishing Community in Aceh and Nias
(ii) Rehabilitation of Damaged Mangrove and Coral Reef Resources in Aceh and Nias
(iii) Assistance for Restoration of Microenterprise and Microfinance in Aceh
(iv) Supporting Community Health Care Initiatives
(v) Seismically Upgraded Housing Development in Aceh

20. To facilitate delivery of rehabilitation and reconstruction assistance, SERD has supported a wide-range of activities, including:

- An International Conference on Enhancing Transparency and Accountability to Tsunami Support, on 25-27 April 2005, co-hosted by the Supreme Audit Institution (BPK) of Indonesia. Participants from 12 countries, including the other Tsunami affected countries, and a number of bilateral and multilateral institutions attended the Conference. The Conference explored common approaches and sound practices for ensuring that the billions of dollars of donor support is effectively delivered.

- On 3 May 2005, IRM organized a Workshop on ADB Earthquake and Tsunami Support in Banda Aceh for provincial and district government officials and NGOs. The objective of the Workshop was to fully familiarize local government officials with the subproject modalities and implementation arrangements for dealing with BRR. It was inaugurated by Chairman of
BRR, who stressed the need for ensuring sound fiduciary governance and eliminating corruption in the delivery of aid.

- SERD has launched subproject appraisal missions in several sectors, including: housing; livelihood restoration through microfinance; health; water supply and sanitation; irrigation; agriculture; coastal resources and fisheries; and spatial planning and environmental management; and

- SERD has provided regular briefings to donors through various fora, including the MDTF and other meetings.

IV. The Multi-Donor Trust Fund

21. The Board of Directors of the World Bank approved the establishment of the MDTF on 12 April 2005, along with a contribution of $25 million from the World Bank. Based on preliminary estimates available, total commitments stand at around $435 million as of mid-May 2005. The timing of actual payments into the Fund will be determined by Parliamentary and executive-level approvals within the European Commission and the other contributing countries. The MDTF Steering Committee has met formally twice since its establishment, with its three co-chairs (Chairman of BRR, Country Director of the World Bank, and Chief Representative of the European Commission) conducting the meeting. The meetings have focused on overall implementation progress of rehabilitation and reconstruction, policy issues as well as logistics and other constraints.

22. MDTF has made considerable progress in preparing the operational guidelines and manuals for the effective implementation of the emergency projects it implements. MDTF has submitted 4 proposals, which have been approved by the MDTF Steering Committee for funding, with support intended for restoration of property rights, community development, housing, and urban poverty alleviation. The property rights and community development projects have been appraised, with procurement and project administration arrangements to be defined alongside of project implementation. These proposals constitute over half of the total MDTF commitments. Attachment 2 presents further details on the proposals.

23. Legal documents for ADB’s contribution to MDTF are being finalized; however, the European Commission is requesting for ADB contributions and funds to be drawn down in accordance with the procedures of MDTF. The World Bank policies and procedures are to govern the utilization of MDTF.

V. Progress in Tracking Donor Support

24. In Indonesia, the tracking of donor support has thus far been coordinated by BAPPENAS, the National Development Planning Agency, given its lead role in formulating the Aceh-Nias Recovery Blue Print. With a vision that there ought to be a unitary database for sharing information on Aceh and North Sumatra rehabilitation and reconstruction, the Government, with technical assistance from the World Bank and the United States Agency for International Development, has established a comprehensive website (www.e-aceh.org). This donor-support tracking system has the potential to track and monitor commitments and actual expenditures by donor by location (down to village level) and sector (down to sub-sector level). It tracks both on- and off-budget support, from the Government’s own resources, on-budget official development assistance as well as off-budget fund flows. E-aceh.org is designed to eventually link the fund flows from various sources to information on disbursements, outputs and outcomes to enable effective and efficient

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5 On 10 May 2005 and 15 June 2005.
delivery of rehabilitation and reconstruction support on the ground. Box 1 presents the type of information that can eventually be mobilized and generated through e-aceh.org.

**Box 1. On- and Off-Budget Aid Tracking under e-aceh.org**

- E-aceh.org is designed to track on-budget support under the following categories: (i) Government’s own sources channeled through the central and local government budgets; general transfers; earmarked transfers; and revenue sharing; (ii) on-budget ODA support from multi-lateral and bilateral institutions; and (iii) off-budget support provided by various institutions.
- Project and Program support from donors can be tracked and monitored along the following categories:
  - Allocation of amounts by donor
  - Projects by donor
  - Project expenditure commitments
  - Expenditure commitments by sector
  - Projects by location (district; sub-district; and village)
  - Expenditure commitments by location (district; sub-district; and village)
  - Total spending by location (district; sub-district; and village)
  - Total spending by donor by sector
- As of end-May 2005, full donor commitments have not been completely reported to e-aceh.org
- Government’s budgetary allocations for 2005, as tracked in e-aceh.org, are presented in Table 3

25. In line with the commitments made at the 18 March 2005 High Level Tsunami Summit, the United Nations Development Program (UNDP) launched a consultation Mission in June to Indonesia and the other affected countries, to discuss tracking mechanisms. ADB has closely collaborated with this Mission to share information and discuss coordination in this area. As work has progressed well under e-aceh, the Government will assess effective ways of integrating the design features of the UNDP aid-tracking mechanism designed for post-conflict, post-disaster environments. ADB will follow up and work closely with the Government and other development partners in strengthening the tracking process, and report to the Board periodically.

VI. Conclusion

26. Given the large scale of devastation in Indonesia and the history of conflicts in Aceh, the formulation of the Reconstruction Blue Print has taken longer than originally envisaged. While the relief phase for the 26 December 2004 tsunami was officially over on 26 March 2005, the second round of earthquakes on 28 March 2005 in the Nias Islands, believed to have been caused by the earlier earthquake, has posed fresh challenges and led to immediate mobilization of relief efforts by the Government, the United Nations and the NGO community. The rehabilitation and reconstruction process has begun with the establishment of the BRR, and it will take further time to gain momentum.

27. With regard to the conflict situation in Aceh, the Government is continuing its negotiations with the GAM (Free Aceh Movement), and has lifted the civil emergency, though Indonesian Armed Forces are likely to remain in the province. Moving forward, the disaster presents a unique opportunity to rebuild the conflict-affected regions, to regain the lost trust in central level institutions, and to develop the capacity of local institutions. At the same time, continued delays in the delivery of support are likely to lead to frustration in local communities, which should be avoided at all cost.

28. Immediate attention needs to be paid, and constrains unblocked, in several areas, including:

- Balancing between the mounting public frustration and the need for expediting delivery of support. As the sixth-month anniversary has just passed, field reports from various parts of
Aceh indicate a sense of frustration building up within communities. Delay in reconstructing houses and lack of progress in providing livelihood support are topmost concerns. Yet, complex legal and spatial issues need to be dealt with regard to the former, and reliable delivery and monitoring mechanisms ought to be established for the latter. Nonetheless, fast and flexible options need to be explored by all concerned to deliver support on the ground. ADB is proceeding on a fast-track basis to deliver support as well as to pilot grant-funded on-budget transactions, to learn effective ways of designing subprojects.

• Striking a balance between rebuilding of public infrastructure and compensating for loss of private assets. Both the January 2005 damage and loss assessment and the Master Plan released by the Government in March 2005 estimate the reconstruction needs at about $5 billion. About 70% of these were estimated to be arising from private losses. However, the Master Plan, as a policy decision, has allocated significantly less to compensate for private losses, reflecting the Government’s desire to enhance the quality of public infrastructure as compared to before the tsunami. This approach will need to be evaluated periodically to ensure that there is adequate livelihood support. Moreover, sustainable livelihood restoration is far more challenging than rebuilding physical and public infrastructure. ADB’s support, as envisaged in ETESP, will allocate at least half the overall resources for supporting the restoration of private assets. ADB teams will assess the situation and needs on an ongoing basis and suggest reallocations of resources between sectors as appropriate.

• The availability of resources of large magnitude, coupled with the urgency to spend, calls for extreme caution and sound oversight on the utilization of funds. ADB will be providing overall financial management support to BRR, besides strengthening the capacity of the Supreme Audit Institution, local government institutions and internal control arms of line ministries. NGOs and communities need to play a vital role in this process.

• Streamlining of the mechanisms for financing flows through the Budget. While preliminary approvals have been obtained for the budgetary allocations for Aceh rehabilitation and reconstruction, smooth procedures need to be established. ADB is moving ahead with subprojects in selected sectors on a pilot basis to introduce sound and transparent procedures.

• Aceh and Nias will have their monsoon season in August-September – unless reconstruction starts soon, construction of housing and other vital infrastructure will be seriously delayed.

• Availability of raw materials, labor and skilled contractors is likely to pose major challenges as well. BRR needs to coordinate the logistics-side of support effectively.

29. The entire Sumatra region remains vulnerable to future disasters of the scale seen in December 2004-March 2005. ADB must remain flexible in supporting the needs in Aceh and Nias, and assisting national and international efforts to strengthen disaster management.
Attachment 1

The Agency for Rehabilitation and Reconstruction of Aceh and Nias

I. Mission

1. The Rehabilitation and Reconstruction Agency (BRR – Badan Rehabilitasi dan Rekonstruksi) for Aceh and Nias was established on 16 April 2005. BRR’s mandate is defined by Regulation in Lieu of a Law (Perpu) No. 2/2005 issued by the President of the Republic of Indonesia. On 29 April 2005, President of Indonesia signed Presidential Regulation (Perpres) No. 34/2005 detailing the organizational structure and mechanism of the Agency.

2. The Agency, which will operate for a four-year period, will be based in Banda Aceh, with a branch office in Nias and a representative office in Jakarta.

3. BRR’s mission is to restore livelihoods and strengthen communities in Aceh and Nias by designing and overseeing a coordinated, community-driven reconstruction and development program implemented according to the highest professional standards.

4. The BRR will adhere to the highest professional standards in fulfilling its mission. This includes providing full transparency to the flow of funds and project prioritization process, instituting effective governance procedures for the Agency’s operations, and establishing clear project implementation guidelines.

II. Highlights of PERPU

5. The Emergency Regulation in Lieu of a Law (Perpu No.2/2005) emphasizes:

   - Rehabilitation and reconstruction activities will be implemented based on the principles of transparency, accountability, participation and responsibility by prioritizing public interest and remaining free of corruption, collusion, and nepotism
   - All the activities of BRR must:
     - Work within the framework of the master plan
     - Work within the existing legal framework on regional autonomy
     - Take into account the interests of the affected communities
   - BRR has the authority to coordinate, collaborate, and monitor rehabilitation and reconstruction activities, including those funded directly by foreign donors
   - BRR’s coordination functions are made retroactive from the end of the emergency phase (26 March 2005)
   - The flow of any Government budget funds for rehabilitation and reconstruction activities will be facilitated by the special Treasury Office
   - Financial reporting by BRR will be in accordance with the Government’s existing accounting and reporting standards. The Agency will be audited by the Supreme Audit Agency (BPK), or independent auditors if necessary
   - The public will have access to the financial reports, performance reports and audit reports of the Agency
   - BRR will act upon the input of the communities and will abide by special regional autonomy laws

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1 All the information in this attachment is derived from www.e-aceh.org.
6. BRR can request information and technical support necessary to execute its duties from the central government, regional governments, and related parties.

III. Role of BRR

7. The BRR has been established as a coordinating agency to ensure transparency, accountability, and speed in the reconstruction of Aceh and Nias. It has not been designed to directly manage projects currently being carried out by government agencies, donor institutions, non-governmental organizations, and the private sector. BRR’s core role is to match donor funds with specific community needs in Aceh and Nias through a process that is rigorous, sensitive to local concerns and priorities, and well-monitored.

8. As part of its mandate for transparency, BRR will track and make publicly available the project demands submitted by affected regions, the use of donor funding, and the status of project execution.

9. BRR will also determine criteria for prioritizing projects and optimizing the use of funds. The Agency will actively compile input from government agencies and local communities to determine priorities for reconstruction and rehabilitation.

10. BRR will expedite the disbursement of funds to priority areas and resolve logistics bottlenecks and other project delays. In matching donors to projects, the Agency will verify that the reconstruction activities are aligned with the Government’s Master Plan for Rehabilitation and Reconstruction.

11. BRR will make use of a team of experts and advisers with extensive knowledge and experience in disaster recovery programs. Each employee and contractor will be held to the highest standards of personal integrity and professionalism. Local government agencies in Aceh and Nias, as well as line ministries, will continue to play key roles in project development and implementation.

12. In order to ensure continuity in the long-term reconstruction of the tsunami-affected areas, BRR will place an immediate emphasis on capacity-building so that local communities can continue the development program after the four-year mandate of the Agency is complete.

IV. Implementation Board

13. The Chairman of BRR is Dr. Kuntoro Mangkusubroto, previously the Minister of Energy and Natural Resources in President Habibie’s cabinet and chairman of the state electricity company PLN under President Abdurrahman Wahid. The Governor of Aceh will act as the vice-chair of BRR, in ex-officio capacity. The Chairman of BRR will be assisted by 8 deputies, each at the rank of a director general in the central ministries. The officials named in the Presidential Regulation No.34/2005 of 29 April 2005 are:

- Secretary of BRR: Ramli Ibrahim (of Acehenese origin)
- Planning and Programming: Junius Hutabarat (formerly with the Ministry of Public Works)
- Institutional Development and Empowerment: Bima Wibisina (formerly with BAPPENAS)
- Housing, Infrastructure and Spatial Planning: Eddy Purwonto (formerly with Coordinating Ministry of Economic Affairs)
• Economy and Business Empowerment: Iskandar (of Acehenese origin, and formerly a director in the provincial planning agency)
• Education and Health: Said Faisal (of Acehenese origin, formerly with International Finance Corporation)
• Finance: Fuad Rahmani (of Acehnese origin, formerly director of debt management at the central Ministry of Finance)
• Religion, Social and Cultural Affairs: Fuad Mardhatillah (of Achenese origin)
• Communication and Stakeholder Consultations: Sudirman Said

V. Oversight Boards

14. To ensure full accountability and transparency, two independent oversight boards, which report directly to the President, have been established to oversee BRR’s governance, operations and disbursement of funds. An Advisory Board has been formed, consisting of 17 members appointed by the President, including representatives from central and regional governments, religious and adat (local custom) institutions, prominent citizens, and academicians. The Advisory Board may:

• Give direction to the Agency in formulating, planning, and implementing the rehabilitation and reconstruction process
• Request information and clarification from the Supervisory Board and the Agency on any matters related to rehabilitation and reconstruction
• Engage the services of experts, professionals, and consultants as well as staff from Government institutions as necessary

15. A Supervisory Board, appointed by the President, consists of 9 members made up of community representatives and technical advisers, including representatives of donor organizations. The Supervisory Board has the right to request clarification from the Agency and other related parties regarding the reconstruction process. The Supervisory Board is responsible for:

• Supervising and monitoring the implementation of rehabilitation and reconstruction activities
• Receiving and handling public complaints
Table A1: Progress Update on Implementation of Earthquake and Tsunami Emergency Support Project (ETESP)

| Initiatives|^ | Allocation | Objectives & Key Activities | Districts covered | Progress as of the 6-month anniversary |
|-------------|-----------|-----------------------------|-------------------|----------------------------------------|
| Community Infrastructure Revival (Housing; Rural Water and Sanitation; and Irrigation) | $133 million | • Rehabilitate and reconstruct about 24,000 housing units  
• Rehabilitate water and sanitation facilities  
• Rehabilitate high-priority tsunami and earthquake damaged infrastructure | Housing focus on Aceh Barat; Aceh Besar; Aceh Jaya; Banda Aceh; and Kota Meulaboh. Other sectors in affected regions. | Subprojects for $8.1 million appraised for:  
• Constructing about 440 houses on a pilot basis in 2 villages – procurement is underway  
• Rehabilitating about 10,500 hectares of irrigated agriculture land in Aceh and 1,600 hectares in Nias |

| Livelihood Support (Agriculture; Fisheries and Microenterprises) | $87 million | • Rehabilitate farming and fisheries sectors  
• Restore tree crops; capture fisheries; and related infrastructure  
• Support community empowerment  
• Provide livelihood and business revival support | All affected regions, with microfinance support for all of Aceh and Nias | Subprojects prepared for $15 million, covering:  
• Rehabilitation of 2,250 hectares of fishponds; 400 hectares of mangroves; 3,700 hectares of farmland in 80-100 villages |

| Social Sector Restoration | $46 million | • Strengthen health service delivery and planning capacities  
• Rehabilitate and reconstruct selected facilities  
• Support life-skills development | Focus in the near future on Aceh Barat; Aceh Jaya and Banda Aceh. Capacity development for all of Aceh. Other districts to be identified in due course | Appraisal undertaken to provide support for:  
• Provide teaching and learning materials to regular and madrasah schools benefiting about 42,000 students and 3,700 teachers in 133 schools  
• Health care equipment on emergency basis |

| Physical Infrastructure Rehabilitation (Roads and Bridges; and Power Sector) | $29 million | • Rehabilitate Aceh East Coast Road  
• Reconstruct about 1,325 circuit-kilometers of low-medium voltage distribution lines | Eastern Coast of Aceh; Banda Aceh; Meulaboh, and Sigli | Assessments underway |

^ Note that the Earthquake and Tsunami Emergency Support Project and other grants from ADB are subdivided into various Sector Level Initiatives. Individual subprojects are under preparation in each sector. The table presents the identification of key activities and geographic areas so far.
### Cross Cutting Support
(Spatial Planning, Environmental Management, and Fiduciary Governance)

- $26 million
- Support spatial planning, environmental assessments and waste disposal
- Enhance the capacity of Supreme Audit Institution (BPK) and other bodies in overseeing utilization of funds
- Establish financial management and internal control systems within BRR
- Establish the Special Treasury Office in Banda Aceh (KPKN – Khusus)

**Districts covered**: Aceh and Nias

**Progress as of the 6-month anniversary**
- Special Treasury Office established; BPK hosted a major international conference on auditing tsunami aid flows.
- Support to establish sound financial management systems within BRR is being finalized.
- A subproject aimed at capacity building of NGOs in project financial management is being finalized, to ensure the substantial aid flows through NGOs are effectively utilized.

### Table A2: Subprojects Submitted to BRR under ETESP

<table>
<thead>
<tr>
<th>Subprojects</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisheries Sector Support (Pidie District, Aceh Utara District and Aceh Besar District) – $11.8 million</td>
<td>Three sub-projects to cover:&lt;br&gt;• Economic rehabilitation of about 80 villages dependent on fishing&lt;br&gt;• Repair or replacement of 600 boats, and rehabilitation of 9 fish-landing sites and other facilities&lt;br&gt;• Rehabilitation of 2,250 hectares of fishponds, benefiting over 2,100 small-scale farmers&lt;br&gt;• Revival of 400 hectares of mangroves</td>
</tr>
<tr>
<td>Aceh West Coast Irrigation Improvement (Aceh Besar; Aceh Selatan; Aceh Utara; Bireun; Nias; and Nias Selatan) – $6.1 million</td>
<td>Rehabilitation of civil works for irrigation systems and drainage covering:&lt;br&gt;• 10,500 hectares of irrigated agriculture land in Aceh Province and over 1,600 hectares in North Sumatra.&lt;br&gt;• 21,000 farm families (about 125,000 people) are expected to benefit from this subproject.</td>
</tr>
<tr>
<td>Housing Pilot Project (2 Communities near Banda Aceh) – $2 million</td>
<td>Support to cover:&lt;br&gt;• Over 400 new houses and 40 houses repaired on a fast-track basis in 2 devastated communities near Banda Aceh, benefiting about 1,700 people.&lt;br&gt;• Community infrastructure support, covering drainage and road laying.</td>
</tr>
<tr>
<td>Education Project (Aceh Barat; Aceh Jaya; and Banda Aceh) - $2.8 million</td>
<td>Support to cover:&lt;br&gt;• Provision of teaching and learning materials to regular and madrasah schools in the affected regions, with the overall aim of restoring teaching and student-learning environments&lt;br&gt;• About 42,000 students and 3,700 teachers in 133 schools.</td>
</tr>
<tr>
<td>Agriculture Sector Subproject (Aceh Besar and Bireun) - $3.1 million</td>
<td>Support to cover:&lt;br&gt;• Rehabilitation of about 3,700 hectares of farmland in 101 villages, benefiting about 5,000 farming families&lt;br&gt;• An integrated farming approach focused on tree-crops, field crops and small livestock.</td>
</tr>
</tbody>
</table>
### Table A3: Project Concepts Approved by the Steering Committee of the Multidonor Trust Fund (MDTF)

<table>
<thead>
<tr>
<th></th>
<th>Project Name</th>
<th>Description</th>
<th>Cost</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Recovery of Property Rights and Reconstruction of the Land Administration System.</strong></td>
<td>This project aims to restore land records and issue replacement as well as new titles based on surveys to be conducted and will cost $28.5 million. Land agency, BPN, will implement this project.</td>
<td>$28.5M</td>
<td>BPN</td>
</tr>
<tr>
<td>2.</td>
<td><strong>Community Recovery through Kecamatan Development Project</strong></td>
<td>will focus on rehabilitation of small-scale infrastructure and restoring livelihoods through provision of block grants to villages. This project will cost $64.5 million and be implemented by the Ministry of Home Affairs;</td>
<td>$64.5M</td>
<td>Ministry of Home Affairs</td>
</tr>
<tr>
<td>3.</td>
<td><strong>Housing and Settlement Program for 1,000 Desas and Kelurahans in Tsunami Affected Areas.</strong></td>
<td>This project will provide for grants for about 1000 communities for construction of 20,000 new houses; rehabilitation of 30,000 houses; and rehabilitation of community infrastructure. Total cost of this project will be $150 million and the project will be implemented by the Ministry of Public Works</td>
<td>$150M</td>
<td>Ministry of Public Works</td>
</tr>
<tr>
<td>4.</td>
<td><strong>The Urban Poverty Program (UPP).</strong></td>
<td>The project will support urban revival through grant provision for about 350 communities involving total cost of $18 million.</td>
<td>$18M</td>
<td></td>
</tr>
</tbody>
</table>