



Progress Report

Project No. 39127
June 2008

Indonesia: Aceh–Nias Rehabilitation and Reconstruction

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 June 2008)

Currency Unit	–	rupiah (Rp)
Rp1.00	=	\$0.00010741
\$1.00	=	Rp9,310

ABBREVIATIONS

ADB	–	Asian Development Bank
BAPPENAS	–	Badan Perencanaan Pembangunan Nasional (National Planning Agency)
BPK	–	Badan Pemeriksa Keuangan (Supreme Audit Institution)
BRR	–	Badan Rehabilitasi dan Rekonstruksi (Agency for Rehabilitation and Reconstruction)
CAP	–	community action plan
CWSHP	–	Community Water Services and Health Project
EMO	–	ETESP project management office
ERM	–	external resettlement monitoring
ETESP	–	Earthquake and Tsunami Emergency Support Project
ha	–	hectare
JFPR	–	Japan Fund for Poverty Reduction
km	–	kilometer
KPK	–	Komisi Pemberantasan Korupsi (Corruption Prevention Commission)
LARAP	–	land acquisition and resettlement plan
MDF	–	Multi-Donor Fund
MIF	–	Microfinance Innovation Fund
MSEs	–	micro- and small enterprises
NGO	–	nongovernment organization
PMO	–	project management office
RWSS	–	rural water supply and sanitation
SPEM	–	spatial planning and environmental management
TA	–	technical assistance
TLM	–	teaching and learning material

NOTES

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

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I. INTRODUCTION

1. This report provides an overview of the status of the reconstruction and recovery program of Aceh and North Sumatra (including Nias) since the tsunami of December 2004 and the earthquake of March 2005. Asian Development Bank (ADB) support for the reconstruction program comprises (i) a grant of \$291 million to the Earthquake and Tsunami Emergency Support Project (ETESP) and a contribution of \$10 million to the Multi-Donor Fund (MDF), both financed by the Asian Tsunami Fund;¹ (ii) complementary grants of \$28 million;² and (iii) reprogrammed loans of up to \$33 million.³ The Government of Indonesia's Agency for Rehabilitation and Reconstruction (BRR) is the Executing Agency for ETESP. This report highlights some of the key steps taken by the Government since the last update to ADB's Board of Directors.⁴ The report also identifies major factors affecting implementation of ADB assistance, and discusses measures being taken to improve delivery of this support after 3 years.

II. RECONSTRUCTION PROGRESS

A. General Overview

2. In the 3 years since the tsunami, the Government—supported by massive financing provided by national and international sources—has achieved major results. Total commitments remain at about \$7.7 billion, exceeding the minimum required to rebuild to pre-tsunami levels (estimated at \$6.2 billion) by \$1.5 billion.⁵ The Government and donors both have committed about \$2.6 billion in grants, while nongovernment organizations (NGOs) have pledged \$2.1 billion. Multilateral and bilateral agencies will provide an additional \$0.4 billion in loans to help rebuild the affected area to a higher standard than it was before the disasters.

3. Reconstruction projects and programs have been allocated \$6.8 billion, with an additional \$0.9 billion committed but not allocated. Of the total reconstruction portfolio, an estimated \$4.2 billion (62%) was disbursed by 31 December 2007 (Figure 1). The Government provided 40% of the disbursed amount, and the donors and NGOs each contributed about 30% (Table 1).

¹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on Proposed Grants to the Republic of Indonesia for the Earthquake and Tsunami Emergency Support Project and Contribution to the Multidonor Trust Fund*. Manila. The initial Asian Tsunami Fund grant of \$290 million was approved on 7 April 2005. On 30 October 2006, the Board approved an increase of \$1 million, corresponding to the Government of Luxembourg's contribution to irrigation projects on Nias Island (R228-06 dated 17 October 2006).

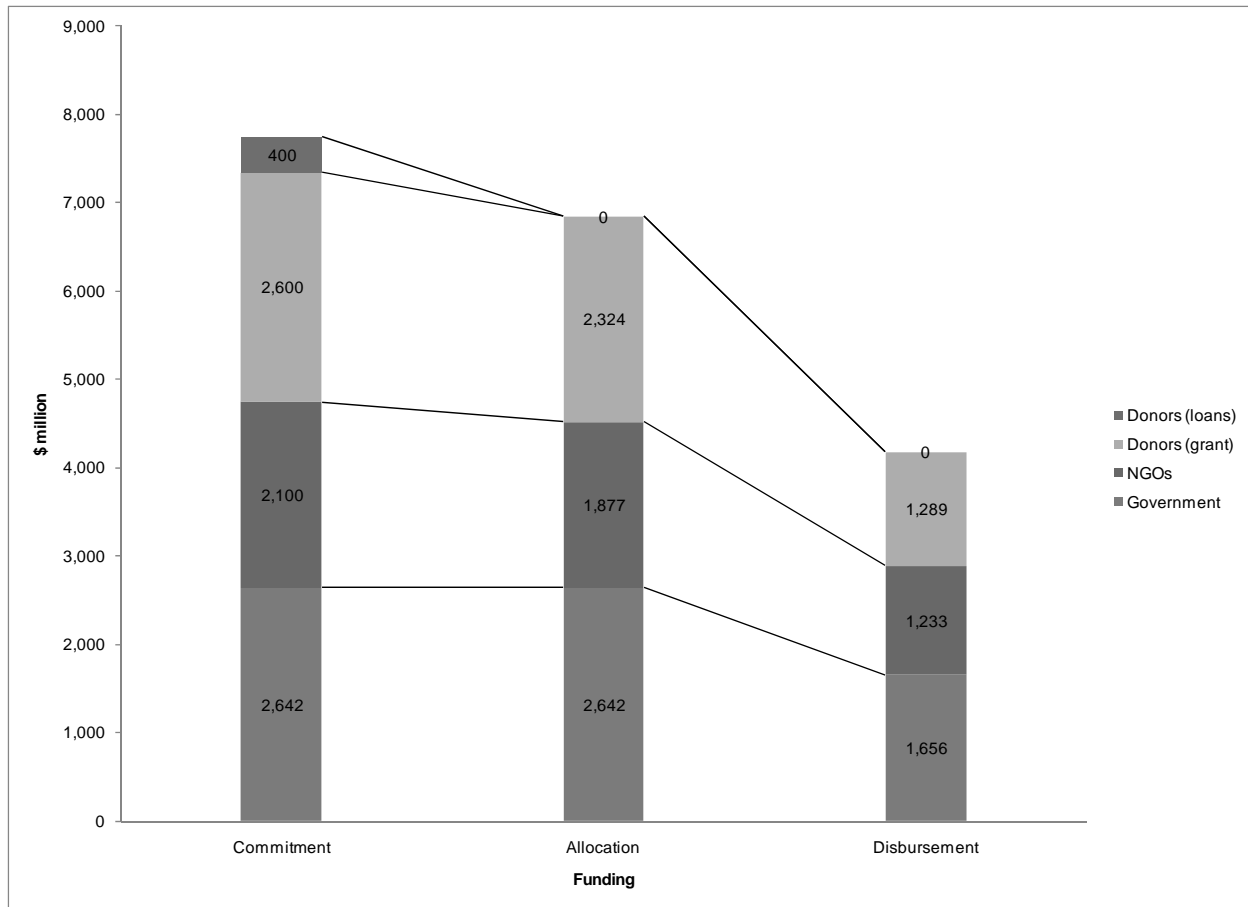
² The complementary grants comprise (i) \$16.5 million from the governments of the Netherlands, Canada, and the United Kingdom for the Community Water Services and Health Project (Grant 0003-INO)—ADB. 2005. *Report and Recommendation of the President to the Board of Directors for the Community Water Services and Health Project*. Manila; (ii) \$3.5 million from the Government of the Netherlands for strengthening fiduciary governance; and (iii) technical assistance of \$8 million from the Japan Fund for Poverty Reduction for various activities.

³ ADB originally reprogrammed about \$65 million in loan savings, but this was reduced to about \$33 million following the country portfolio review in May 2007.

⁴ The previous update on emergency assistance to Indonesia was circulated to the Board on 12 March 2007. This was followed by progress reports on the Asian Tsunami Fund, including the ETESP, in October 2007 and April 2008.

⁵ Damages and losses from the tsunami account for \$4.5 billion in Aceh and \$400 million on Nias Island, while accelerating inflation since 2005 accounts for \$1.3 billion.

Figure 1: Allocation and Disbursement of Reconstruction Funds



NGO = Nongovernment organization

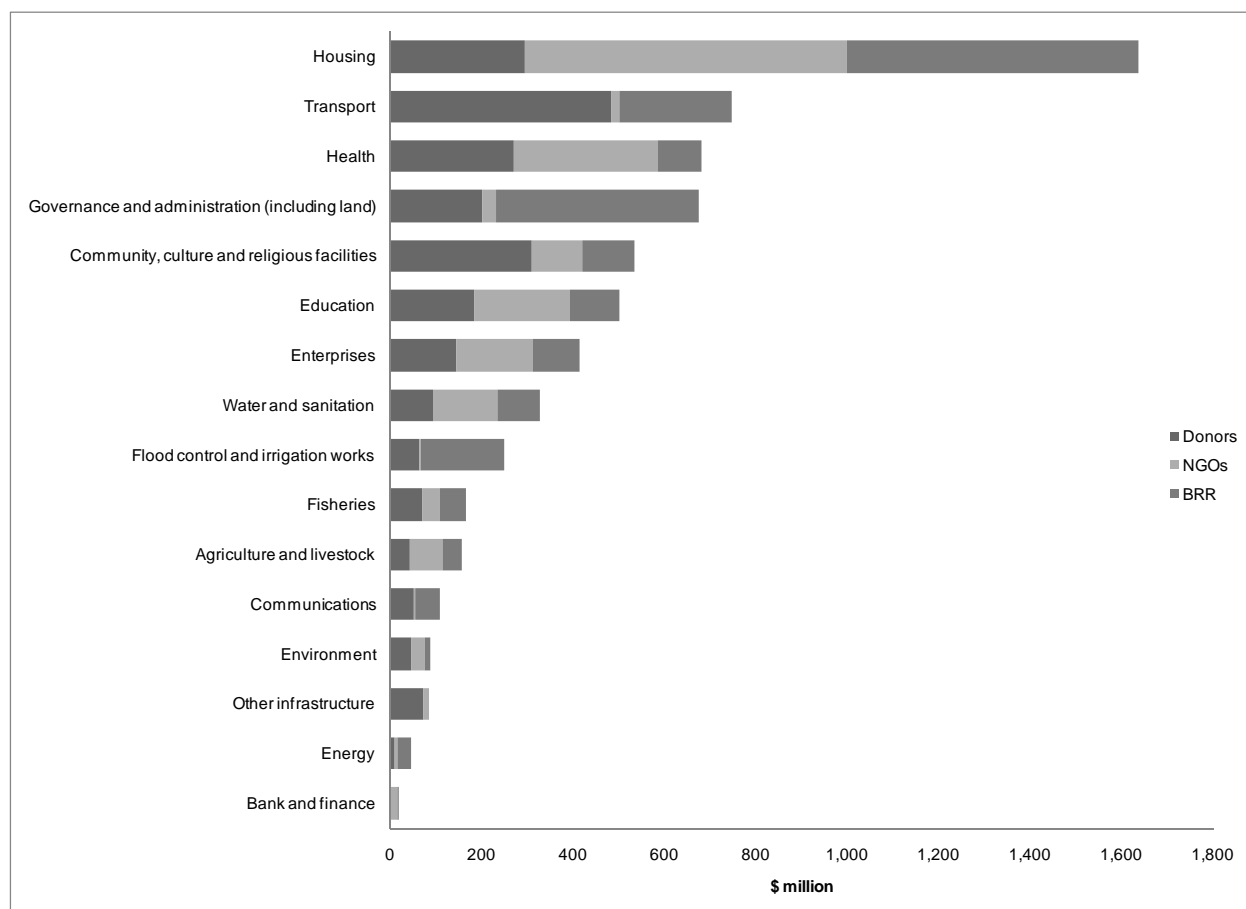
Source: World Bank, the Government's Rehabilitation and Reconstruction Agency.

4. Housing and transport have attracted the most funds (\$2.4 billion as of December 2007), followed by health, education, and other social sectors and community-based development⁶ (\$1.7 billion), as shown in Figure 2. Environment, energy, and flood control remain underfunded. The diverse preferences of the different reconstruction stakeholders have led to mixed sectoral priorities. Financial disbursements across sectors vary significantly, reflecting the differing initial commitments by the funding sources and their performance.

⁶ Community-based development activities include subdistrict and urban development programs, religious and culture support activities, and family planning.

5. Assessing the physical progress of reconstruction is complex because of the large number of agencies implementing a large number of projects. Appendix 1 summarizes the major reconstruction progress during 2005–2007 and compares it with the tsunami and earthquake damages sustained in Aceh in 2004 and on Nias in 2005. Some key outcome indicators are in Table 2.

Figure 2: Sectoral Allocation of Reconstruction Funds



Source: World Bank, the Government's Rehabilitation and Reconstruction Agency.

Table 2: Reconstruction Progress and Outcomes

	Cost of damages (Rp billion)	Needs	Completed (February 2008)
Houses	Rp13,365.0	120,000 units	104,630 unit
Agricultural land	Rp375.0	60,000 ha	63,923 ha
Road	Rp4,697.0	3,000 km	2,475 km
Seaports	Rp259.0	14 units	17 units
Airports/airstrips	Rp46.0	11 units	10 units
Teachers	Rp4.8 (retraining)	2,500 died	25,256 trained and/or retrained
Schools	Rp1,031	2,006 units	893 units
Health facilities	Rp767.4	127 units	757 units

Source: the Government's Rehabilitation and Reconstruction Agency 2008.

6. The end of a decades-old conflict in 2005 and the large reconstruction effort helped to reduce the incidence of poverty. Poverty incidence in Aceh rose from 28.4% of the population in 2004 to 32.6% in 2005, a relatively small increase given the scale of the destruction caused by the tsunami.⁷ By 2006, poverty incidence had declined to 26.5%, below pre-tsunami levels. Poverty levels in 2007 were similar to those in 2006. In 2005, families in tsunami- and conflict-affected areas were more likely to be poor than families in areas not affected by the tsunami or the conflict. This disparity had disappeared by 2006, suggesting a relatively short-lived rise in tsunami-related poverty. Poverty in Aceh, as in other parts of Indonesia, is predominantly rural—more than 30% of the people in rural areas live below the poverty line, compared with less than 15% in urban areas. On Nias Island, 67% of the population has been living in poverty since the tsunami, an increase from 62% in 2003. The predominantly rural economy highlights the importance of enhanced support for livelihood projects to reduce poverty.

B. Steps Taken by the Government in 2007

7. Reconstruction efforts during 2005 and 2006 were hampered by institutional weaknesses, particularly of BRR in the initial phase; the Government's complex and changing budget procedures; and delays in finalizing the implementation arrangements. These factors, which affected in particular the on-budget projects financed by bilateral and multilateral donors, were mostly addressed by the end of 2006. By that time, a more flexible budgeting mechanism was in place, and coordination among the project implementing and monitoring agencies was more streamlined. However, the underutilization of the annual budgets continued during 2006 and 2007 because of the poor performance of contractors and logistical challenges for remote areas, particularly on Nias and Simeulue and along the west coast of Aceh Province. In addition, BRR has been unable to expedite the appointment or reappointment of implementing units, which would allow a seamless transition from one unit to the next.

8. The decentralized program approach adopted by BRR in 2006 has aimed to sustain the reconstruction program with stakeholder participation and local government support. In 2007, BRR also undertook project implementation on a wider scale than in 2005–2006, which underscored the importance of achieving the reconstruction targets and goals. This helped expedite implementation and achieve substantial results in some areas. By keeping the local government agencies informed about the reconstruction programs and their planning, BRR was also able to better take into account the local and regional needs and priorities when formulating projects or allocating resources, and prepare the local agencies for BRR's exit in 2009.

9. BRR has started preparing an exit strategy when its 4-year mandate expires in 2009. The major challenge is to ensure that provincial and local governments carry forward the many recovery initiatives. In the second half of 2007, BRR consulted extensively with stakeholders, including the donor agencies, on its transition strategy. Following that process, BRR outlined its approach for transferring the assets from its reconstruction program and those of other stakeholders to various government entities. BRR is now focusing on managing the transition to the national, provincial, and local governments to establish continuity between reconstruction and the longer-term development of the regions. BRR expects that most of the reconstruction programs will be completed by December 2008. BRR's transition program includes substantial capacity development of the local governments to enable them to receive and manage reconstruction outputs in a sustainable manner.

⁷ World Bank. 2008. *The Impact of the Conflict, the Tsunami and Reconstruction on Poverty in Aceh*. Jakarta

10. The Government has decided that the funds committed for the reconstruction of Aceh and Nias that remain unutilized or unallocated at the end of FY2008 will be transferred from BRR to eight line ministries for FY2009. BRR will prepare the budget design, which will be completed by the line ministries. Project designs for donor-funded projects will not change, particularly those funded by the MDF and ADB. The National Development Planning Agency (BAPPENAS) will assume the coordinating role. The procedures for implementing these arrangements are being formulated by the BAPPENAS and the Ministry of Finance, and will be finalized in consultation with the donor agencies and the respective provincial governments.

III. ASIAN DEVELOPMENT BANK EMERGENCY ASSISTANCE

A. Implementation Status of ETESP

1. Overall Progress

11. ETESP has made considerable progress in the 3 years since implementation began. Preparation of subprojects under all 12 components has essentially been completed. Extensive consultations with local government agencies and other stakeholders have helped to ensure the formulation of sustainable projects, and will facilitate their transfer to the concerned agencies. ADB continued to approach component allocation and subproject execution flexibly, taking into account lessons learned during implementation, real-time feedback from the field, and economic factors including inflation. ADB maintained extensive dialogue with key government officials to address these issues and overcome implementation difficulties. Component progress was reviewed with BRR in February, June, and August 2007. This resulted in (i) adjustments in the allocation of several components and categories, (ii) changes in the scope and geographical focus to redirect assistance to needed areas, and (iii) confirmation of the focus and emphasis of the current program for the 12 components.

12. ETESP's magnitude, complex design, multisector approach, and emphasis on environmental and social safeguards have created implementation challenges. Preparation of subprojects consistent with ADB's environmental and social safeguard policies took considerable time. In September 2007, ADB approved a Government request to extend the completion date from 30 June 2008 to 31 December 2008, and the grant closing date from 30 December 2008 to 30 June 2009. The extensions reflected the need for more time to complete the subprojects that have been prepared and designed under ETESP, and the difficulties in designing and implementing a large number of subprojects in a wide range of sectors

13. The major issues that have affected the implementation of ETESP, and thereby the disbursement levels, include (i) the need to prepare designs for numerous subprojects, (ii) limited capacity within the BRR and implementing agencies, (iii) complex budgeting process and delays in the annual budget approvals, (iv) delays in the annual appointment or reappointment of implementing units, (v) lack of familiarity with safeguard requirements and procurement procedures of newly appointed implementation units, and (vi) delays in the submission of procurement documentation required for processing of withdrawal applications. Other factors that contribute to the lower level of disbursements are changing priorities of the implementing units, slow progress of contractors, scarcity of materials, and logistical problems.

14. The magnitude of the reconstruction program funded by donors, NGOs, and government resources, as well as the limited resources of BRR, also hindered the resolution of operational issues. ADB addressed these constraints by (i) strengthening the project preparation and

implementation capabilities of BRR and its implementing units, and (ii) providing greater flexibility in the design and implementation of subprojects under ETESP.

15. Consistent with the BRR guidelines, physical investments under most ETESP components will be completed by the end of 2008, except for three components whose implementation may extend until the middle of 2009. The performance of the different components is summarized as follows:

- (i) **Agriculture, fisheries, housing, and spatial planning and environmental management (SPEM).** These components have shown good progress in awarding contracts and utilizing grant allocations. Most investment activities under the agriculture and fisheries component will be completed by September 2008, with capacity development completed by December 2008. Most housing subprojects will be completed by December 2008. However, some recent subprojects in Aceh and Nias will be continued until April 2009. Most SPEM activities will be finished by December 2008, but spatial planning programs for Nias and for natural resources management in Aceh will continue until June 2009.
- (ii) **Microfinance Innovation Fund (MIF).** The \$8.5 million fund is now operational, and funds are being disbursed to participating financing institutions. An exit strategy that will allow the fund to continue after ETESP operations are completed is being developed.
- (iii) **Irrigation, health, education, and power.** These components have progressed significantly, with most contracts awarded and construction scheduled for completion by December 2008. Procurement of laboratory and information technology equipment for the education component may be completed by April 2009.
- (iv) **Roads and bridges.** The construction of most subprojects will be completed by December 2008, but one is scheduled for completion by June 2009.
- (v) **Rural water supply and sanitation.** The implementation of this component will continue in 2009 concurrently with the complementary grant for the Community Water Services and Health Project.⁸
- (vi) **Fiduciary governance.** This component is progressing well, supporting the operations of the Special Treasury Office in Banda Aceh, the Supreme Audit Agency, the Anticorruption Commission, and ETESP management activities that will be completed by June 2009.

16. With all components moving towards completion, significant outcomes have been realized. More than 23,000 hectares (ha) of damaged farmland have been cleared and farming restored. Farming on more than 5,700 ha of moderately and severely affected land has been resumed. Nearly 2,800 ha of fish ponds have been rehabilitated, 52 medium and large boats with engines and fishing gear have been delivered, and livelihoods have resumed in 252 fisheries-dependent villages through the provision of livelihood grants. Nearly 6,000 micro- and small enterprises (MSEs) have been restored or started new operations using cash grants provided under ETESP. About 4,000 women clients have received microcredits for businesses.

17. The main challenge for the remainder of 2008 will be the completion of the ETESP subprojects, with the aim of optimizing the delivery of ADB assistance within the framework of

⁸ The rural water supply and sanitation component is being implemented jointly with the Community Water Services and Health — Aceh-Nias/North Sumatra — Project, Grant 0003-INO, for \$16.5 million, financed by the governments of Canada, the Netherlands, and United Kingdom (footnote 2).

the overall reconstruction program. This is particularly important in view of the transition from BRR to line ministries of subprojects that cannot be completed by 2008. Capacity development and related activities would be continued in coordination with BRR until its mandate ends in April 2009.

2. Commitments and Disbursements

18. Table 3 provides a summary of the performance of each component in terms of contract commitments and utilization of current allocation. The trend in contract awards and utilization since 2005 is shown in Figure 3, which also shows the projected scenario up to grant closure in June 2009. As of April 2008, nearly 5,000 contracts with a gross value of \$243.4 million had been awarded (82.7% of the total ETESP grant funds), with gross utilization of \$166.5 million (56.5% of the total). All of the uncommitted funds (\$51.1 million) will be contracted during 2008, while the balance of funds (\$127.9 million) may be fully utilized by the extended closing date of 30 June 2009.⁹

Table 3: Performance of ETESP Components^a

Component	Allocation (\$ Million)	Contracts (\$ million)	Utilization (\$ million)	Contracts (%)	Utilization (%)
Agriculture	36.00	29.47	25.95	81.87	72.08
Fisheries	32.00	28.06	23.30	87.69	72.80
Micro and Small Enterprises	15.00	13.88	4.54	92.51	30.23
Health	12.00	8.61	6.28	71.79	52.30
Education	16.00	10.22	5.86	63.87	36.63
Rural Water Supply and Sanitation	7.00	4.84	2.93	69.10	41.89
Housing	70.00	58.59	35.34	83.70	50.48
Irrigation ^b	29.00	27.44	23.25	94.60	80.17
Spatial Planning and Environmental Management	15.00	12.06	8.50	80.37	56.64
Roads and Bridges	38.50	30.86	13.62	80.15	35.39
Power	9.50	8.78	8.19	92.47	86.17
Fiduciary Oversight (ATF)	11.00	8.28	6.67	75.27	60.64
Total (ETESP)	291.00	241.09	164.41	82.85	56.50
Fiduciary Oversight (The Netherlands)	3.50	2.30	2.10	65.71	60.00
Total	294.50	243.39	166.51	82.65	56.54

ATF = Asian Tsunami Fund

^a As of end April 2008

^b Includes the Luxembourg contribution of \$1 million to the ATF

Source: Asian Development Bank estimates

19. The commitment and utilization against grant allocation categories are in Table 4. The initial allocation of grant funds for most categories appears adequate. However, the provision for consulting and auditing services was increased substantially through adjustments among the categories resulting from the limited capacity of BRR's project implementing units; and reflecting the emphasis on proper project preparation, monitoring, and capacity building to ensure sustainability.

⁹ A further extension of up to six month might be required to complete the disbursement process.

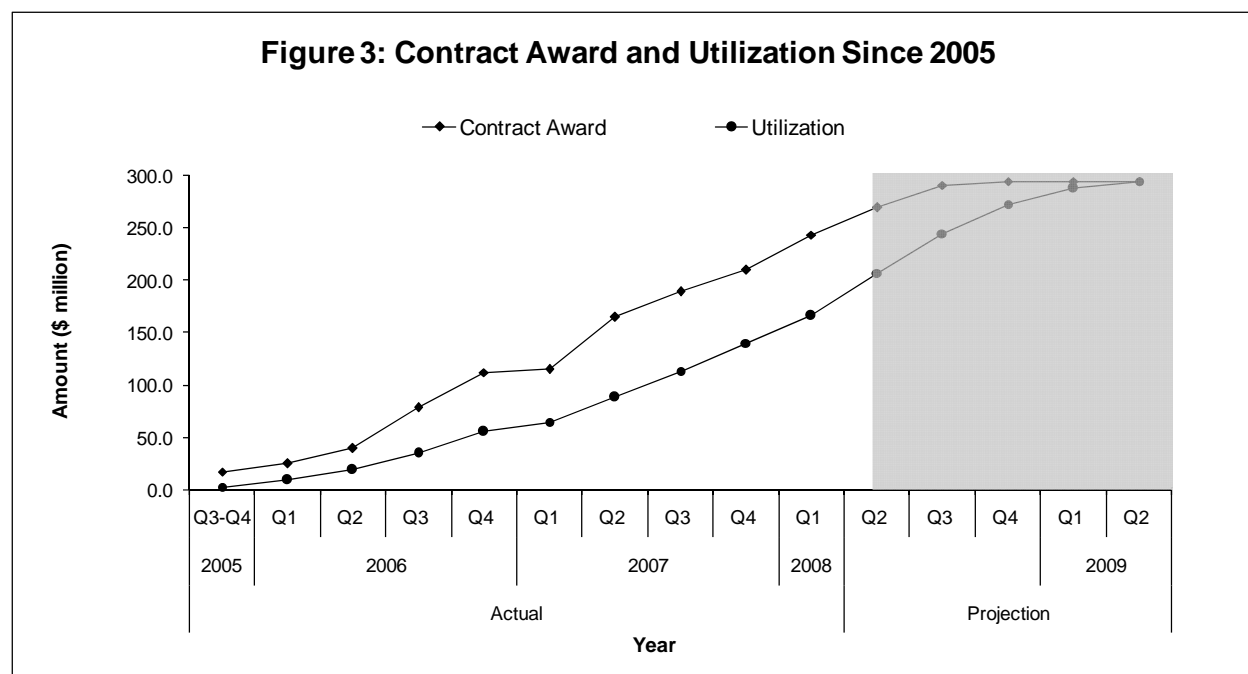


Table 4: Utilization of Grant Proceeds Against Allocation^a

Reallocated Grant Categories	Allocation ^b (\$)	Contract Award (Cumulative)		Utilization (Cumulative)	
		Amount (\$)	Percent	Amount (\$)	Percent
Civil Works	165,443,000	126,408,400	76.41	81,084,100	49.01
Equipment, Materials and Vehicles	33,291,000	26,368,800	79.21	24,665,700	74.09
Microfinance Funds ^c	9,500,000	9,500,000	100.00	2,198,200	23.14
Studies, Surveys, Community, Mobilization, Workshop and Training, NGO Services	16,160,200	15,519,700	96.04	13,844,800	85.67
Consulting and Auditing Services	50,911,000	53,167,000	104.43	34,129,300	67.04
Microcredit for House Expansion ^d					
Project Management (ATF)	15,694,800	10,129,800	64.54	8,494,600	54.12
Total (ETESP)	291,000,000	241,093,700	82.85	164,416,700	56.50
Project Management (The Netherlands)	3,500,000	2,300,000	65.71	2,100,000	60.00
Total	294,500,000	243,393,700	82.65	166,516,700	56.54

ATF = Asian Tsunami Fund; ETESP = Earthquake and Tsunami Emergency Support Project

^a As of end April 2008

^b After reallocation resulting from program review in September 2007.

^c Includes Microfinance Innovation Fund

^d A separate microcredit facility for housing expansion has not been pursued because of limited demand and complexities in implementation.

Source: Asian Development Bank estimates

20. During the review of the procurement and disbursement documents by ADB, some instances of misprocurement were identified, comprising about \$7 million of items that would not be eligible for ETESP financing. BRR and the implementing agencies have been advised to arrange funds from other sources to finance expenditures against such procurement.

3. Environmental Aspects

21. ETESP is committed to implementing the reconstruction and rehabilitation process in an environmentally sustainable manner, in compliance with ADB's environmental policies and procedures. As of 31 March 2008, 162 environmental assessments had been prepared, covering 244 subprojects. IEEs generally indicate that the subprojects will generate positive social, economic, and environmental benefits. The evaluations also identified modest potential negative environmental impacts, which can be adequately mitigated.

22. During subproject implementation, environmental monitoring and reporting will also be needed to ensure that mitigation measures are implemented effectively. To this effect, ADB is working closely with the BRR's implementing agencies and provincial environmental authorities. As capacity is limited, ETESP is providing consulting services for environmental monitoring of several components. Monitoring and reporting are now under way in most components that include subprojects with physical works.

23. In November 2007, the environmental agency of Aceh Province began independent environmental monitoring of ETESP subprojects. It was the first time that the agency had carried out such a monitoring program for tsunami and earthquake reconstruction and rehabilitation projects in Aceh. This represents a positive engagement by the environmental agency with ETESP.

24. Environmental sustainability has also been incorporated into ETESP components and subprojects. For example, the fisheries component includes rehabilitation of the coastal green zone, mangrove planting, promotion of environmentally sustainable aquaculture and capture fisheries methods, and better management of fish landing sites and fuel depots. The agriculture component includes rehabilitation of tsunami-affected agricultural land. The housing component has emphasized that houses are equipped with sanitation systems in compliance with national building codes and BRR sustainable sanitation guidelines. The SPEM component has implemented a comprehensive program of spatial planning in districts, subdistricts, and villages across Aceh and Nias. The spatial frameworks and action plans are assisting BRR, provincial and local governments, and other stakeholders to better direct the reconstruction and longer-term development of Aceh and Nias. An environmental sensitivity map for Aceh and Nias Island has also been prepared. Other ETESP components, BRR, and others are using this map. A more detailed map is being prepared, and local government agencies will be trained to update it.

4. Social Dimensions

25. By the end of March 2008, 182 subprojects had been reviewed by ETESP project management office (PMO). Of these, 79 have confirmed land acquisition or resettlement impacts. Land acquisition and resettlement action plans (LARAPs) and community action plans (CAPs) have been prepared for most subprojects with land acquisition or resettlement dimensions. LARAPs and summaries of CAPs have been posted on the ADB website for public disclosure.

26. External resettlement monitoring (ERM) started in July 2007 with the mobilization of the ERM team. While 40 subprojects initially were identified for monitoring, this was increased to 72 based on updated assessment. As of the end of March 2008, field monitoring had been conducted for 3 road subprojects, 6 irrigation subprojects, and 7 housing subprojects. Findings from the field monitoring are presented to the concerned BRR units for remedial actions where needed. The first ERM report has been posted on the ADB website. Other ERM reports will be posted once they have been completed and reviewed.

27. ETESP has also provided support to BRR to improve the grievance mechanism for the reconstruction program. A grievance facilitation unit was set up at BRR's oversight body to forward and follow up on complaints and/or queries on ETESP from the public. The unit works closely with BRR's ETESP implementation units, consultants, and village facilitators to address concerns raised by beneficiaries and the public on ETESP. The existence and contact details of the facilitation unit have been advertised in local newspapers. Orientation programs on the ETESP grievance mechanism were also undertaken in some districts.

28. As of March 2008, the ETESP grievance facilitation unit had received 97 queries or complaints that it helped address by coordinating with the concerned BRR departments or units and ETESP consultants. These have been logged into a grievance database for proper tracking and reporting.

5. Fiduciary Governance

29. An overriding concern of the Government and ADB has been the need to ensure sound fiduciary governance in the utilization of donor support for reconstruction. Recognizing this need, ETESP includes support for fiduciary oversight arrangements. This support, which began with the start of ETESP, includes the establishment of internal control and audit systems in BRR, implemented in early 2006, and capacity building for the Supreme Audit Institution (BPK). ETESP continues to support the Aceh office of the Anticorruption Commission and the branch of the Ministry of Finance Treasury Office set up in Aceh for the reconstruction program to facilitate the disbursement of all on-budget Government and donor funds. The support includes capacity development for the internal audit departments of local governments in Aceh.

6. Covenants

30. The grant agreement provides for wide-ranging covenants on (i) subproject selection and approval; (ii) environmental and social safeguards, including resettlement; (iii) governance and transparency in the utilization of grant proceeds; (iv) overall project and component management; (v) progress reporting; and (vi) auditing. These covenants have been largely complied with. The grant transactions, together with those on reconstruction funded by other stakeholders, are regularly uploaded to the website of the Special Treasury Office established in Banda Aceh with ETESP support. The agreed-upon procedural approach to subproject approval and implementation has been followed. Regular community consultation is a major feature of most activities under ETESP components. A grievance review and resolution mechanism has been put in place and is functioning.

31. The audited statements on expenditures funded from grant proceeds were available in February 2007 for FY2005 and in December 2007 for FY2006. The submission of the audit reports was delayed because of the need to consolidate the grant expenditures by BRR and its implementing units, and also by ADB on behalf of BRR for consultants engaged by ADB and payments for off-budget contracts. Given the difficulties in having a consolidated audit report on

all expenditures, the grant agreement was amended in January 2008 to clarify that the recipient will furnish audit reports only on on-budget expenditures made by its agencies, while ADB will furnish audit reports on off-budget expenditures made by ADB.

7. Japan Fund for Poverty Reduction

32. ADB in conjunction with ETESP approved five tsunami-related technical assistance (TA) projects funded by the Japan Fund for Poverty Reduction (JFPR) at a total cost of \$10 million. These TA projects were designed to help (i) improve livelihoods, (ii) rehabilitate natural resources, (iii) provide earthquake-resistant housing, (iv) restore microenterprises and microfinance, and (v) support community health care initiatives. The TA on community health care initiatives was canceled in early 2007 because of changes in the priorities of the recipient, which reduced the JFPR grant amount to \$8 million. The execution of the remaining four projects has been delayed considerably by the need to change the implementation arrangements and by procedural difficulties. Implementation started in earnest in June 2007. The designs of earthquake-resistant demonstration houses have been completed and construction will begin in June 2008. Several pilot programs have been initiated under the microfinance TA. For the livelihood and natural resources TA projects, the lead NGO responsible for implementation was contracted in December 2007.

8. Multi-Donor Fund

33. To complement its support for mitigation of the tsunami and earthquake disasters, ADB joined the MDF soon after it was formally established in May 2005, and participates regularly in its activities. Bilateral and multilateral donors have pledged \$679 million, of which \$439 million had been paid in as of December 2007. The current MDF portfolio comprises 17 projects valued at \$721 million, and these are financed with \$492 million from the MDF and \$229 million from BRR. These projects are spread across four sectors: (i) recovery of communities (43%), (ii) infrastructure and transport (37%), (iii) capacity building and governance (13%), and (iv) sustainable management of the environment (7%).

34. About \$126 million of MDF funds have not been committed. However, six new projects with a total cost of \$107 million are being prepared. One of these new projects will help the Aceh provincial government to develop the capacity to lead and coordinate reconstruction works during and following the closure of BRR in 2009. The MDF has disbursed \$278 million to the respective project accounts, of which \$221 million has been spent. As with ETESP, the implementation of several MDF projects has been affected by delays in the preparation of detailed work plans by the implementing agencies, the Government's complex budget process, and delays in contract execution. Because the MDF project portfolio cannot be completed by June 2010—the original closing date of the MDF mandate—an extension of 2.5 years is being considered.

9. Development Partner Coordination

35. MDF technical review and steering committee meetings provide the institutionalized framework for coordination among donor agencies. BRR also organizes regular coordination forums for Aceh and Nias to apprise development partners of progress in the implementation of the reconstruction activities, and to outline major policy initiatives, approaches, and strategies. The local governance working group in Banda Aceh, established in late 2006, provides for informal consultations among the major development partners. ADB regularly participates in

these meetings, and has coordinated closely with the major development partners, including NGOs, to help ensure that support programs complement each other.

36. ADB has also used NGOs and the United Nations Human Settlements Programme in channeling assistance for financing micro- and small enterprises, and for housing subprojects. ADB coordinates ETESP support for community-based water supply and sanitation with assistance provided by the governments of Canada, the Netherlands, and the United Kingdom under a complementary project (footnote 2). ETESP activities for subdistrict and village spatial planning have served as broad guidelines for local development activities supported by other donors and NGOs. Under ETESP, ADB and the MDF are working together to plan and design infrastructure projects along Aceh's east coast for financing and implementation under the MDF's infrastructure reconstruction financing facility.

37. In microfinance, ADB has forged strategic alliances with BRR's Aceh Microfinance Program, and with other international and national agencies, to discuss joint projects and to exchange information on their respective microfinance-development programs. This forum aims for consistent program implementation that will help enhance the delivery of responsive and sustainable microfinance services in Aceh and Nias over the long term. In fisheries, ADB also cooperates with other donors, NGOs, and government agencies in an effective network to coordinate assistance to aquaculture and to share lessons learned. This will also help to ensure the sustainability of ETESP fisheries results into the future. The information system for the management of Aceh's forest resources—a recent initiative under the SPEM component—was designed in consultation with the MDF and other stakeholders.

38. In late 2007, several development partners consulted with stakeholders on establishing a new Multi-Donor Fund for Peace and Development in Aceh to support the equitable, peaceful, and sustainable development of Aceh. As envisaged, this fund would link the reconstruction currently funded by the MDF with longer-term post-reconstruction and post-conflict development. It may be modeled on the MDF to (i) support policy dialogue among stakeholders to help in the development of strategies, policies, and programs; (ii) provide analytical and diagnostic work to assess post-conflict and post-reconstruction needs, and to assist in the design of regional development strategies and policies; (iii) provide cofinancing and TA to assist local governments in allocating and investing their own resources effectively; and (iv) provide funding for projects promoting regional development and consolidating peace. ADB will monitor subsequent developments in this regard for formulating an appropriate strategy.

10. Reprogrammed Loans

39. When ETESP was approved in April 2005, ADB and the Government reprogrammed \$64.6 million in loan savings from 12 ongoing loans to support tsunami-related reconstruction activities in Aceh. As noted in the progress report circulated to the Board in March 2007 (footnote 4), the loan savings have not been fully utilized because of weak coordination between the project executing agencies and the BRR. Some of the 12 loans were closed by June 2007, and up to \$33 million of loan savings are expected to be utilized for tsunami-related activities.

B. Project Management

1. Role of the Extended Mission to Sumatra and Indonesia Resident Mission

40. The Extended Mission to Sumatra has been operational since July 2005 under the Indonesia Resident Mission, with the head of the extended mission reporting to the country

director. In February 2008, ADB extended the mission from 31 January 2007 to 31 December 2008. The ETESP's project management office (EMO) attached to the extended mission will continue to operate out of its office in Banda Aceh, while the Medan office was closed by the end of May 2008. Its head now operates out of the resident mission. As currently envisaged, the EMO office in Banda Aceh will need to continue until grant closure in June 2009.

41. The extended mission has remained responsible for the administration of 11 of the 12 ETESP components, with the resident mission responsible for the administration of the rural water supply and sanitation component because of its link with the Community Water Services and Health Project. By the end of April 2008, EMO comprised eight international and seven national advisors. These advisors will be phased out beginning in the latter part of 2008, consistent with the completion of the respective components.

2. BRR Project Management Office

42. The BRR established its project management office in August 2005 to (i) provide guidance on project concept and design as the Executing Agency, (ii) ensure design and implementation meet ADB's operational guidelines and safeguard requirements, (iii) advise on the inclusion of the project concept and design in the government budgetary system, (iv) manage implementing units, and (v) submit progress reports to ADB. Since May 2007, the project management office has been assisted by ETESP-dedicated full-time advisors funded under the fiduciary governance component. In addition, support for several other advisors to BRR management has been provided under this component for overall reconstruction coordination, disaster management, housing coordination, and transition strategy formulation.

IV. CONCLUSION

43. In the 3 years since the tsunami of 26 December 2004, much recovery, rehabilitation, and reconstruction work has been accomplished. The Government, supported by a massive flow of reconstruction funds, has made considerable progress in restoring livelihoods, housing, roads, bridges, and other infrastructure. In 2007, ADB and BRR continued to work closely to expedite the utilization of ETESP and other grants during the remaining period of its mandate, which ends in April 2009. With ETESP moving into the final implementation phase, cumulative contract awards by the end of April 2008 reached \$243 million (83% of the total ETESP grant funds), and cumulative utilization reached \$166 million (57% of the total). After overcoming most implementation problems and issues, the pace of reconstruction accelerated during 2007. ADB is coordinating with BRR to address the main challenge during 2008, i.e., ensuring that the remaining procurement activities are undertaken expeditiously, and that physical investments under all but three components are completed by the end of December 2008. The ETESP grant amounts are expected to be substantially utilized by the extended grant closing date of 30 June 2009. However, taking into account some recent initiatives in housing and the implementation period of some roads and bridges subprojects, an extension in the grant implementation period and the closing date of up to 6 months might be necessary.

ACEH AND NIAS RECONSTRUCTION PROGRESS

Table A1.1: Aceh

2004 Damage	2008 Progress ^a
A. Meeting Vital Needs	
167,000 dead or missing from the tsunami in December 2004	92,863 permanent houses built ^b
500,000 displaced from homes	More than 14,737 households moved out of barrack
80,000–110,000 new houses needed	19,889 transitional houses provided
	121,723 land titles issued and almost 211,650 parcels measured
B. Social Services	
More than 2,000 school buildings damaged	788 permanent schools built and/or repaired
About 2,500 teachers dead	More than 24,968 teachers trained
More than eight hospitals damaged or destroyed	731 health facilities built and/or rehabilitated
114 health centers and subcenters damaged or destroyed	
C. Disaster Risk Reduction and Environment	
5,765,000 cubic meters of waste created by the tsunami	More than 99 km of coastal protection and more than 87,571 ha of flood control built
	Tsunami early warning system installed
D. Infrastructure	
3,000 km of roads impassable	More than 1,851 km of roads built and/or repaired
14 of 19 seaports badly damaged	198 bridges repaired
8 of 10 airports damaged	All seaports operational; 13 ferry terminals and harbors built or under development
120 arterial bridges and 1,500 minor bridges destroyed	All airports operational; seven airports and eight airstrips built or under development
E. Livelihoods	
\$1.2 billion damage to productive sector	100,725 micro, small, and medium businesses are supported to develop
Projected economic decline of 5%	1,230 traditional markets rehabilitated
Livelihoods of 100,000 small business persons lost	5,068 fishing vessels constructed
4,717 coastal fishing boats lost	14,589 ha of fishponds rehabilitated
More than 20,000 ha of fishponds destroyed or out of action	More than 96,756 ha of agricultural land rehabilitated
60,000 farmers displaced	
More than 60,000 ha of agricultural land damaged	

ha = hectare, km = kilometer.

^a as of 29 February 2008.

^b as of 31 March 2008.

Source: The Government's Rehabilitation and Reconstruction Agency.

Table A1.2: Nias

2004 and 2005 Damage	2008 Progress^a
A. Vital Needs	
900 dead, 6,000 injured, and 13,500 families displaced after March 2005 earthquake	13,870 permanent houses built and/or repaired
B. Social Services	
755 of 879 schools damaged or destroyed	105 permanent schools built and/or repaired
2 hospitals and more than 170 facilities damaged	288 teachers trained
	2 hospitals and 24 health facilities built and/or repaired
C. Infrastructure	
Nearly all water distribution networks in subdistricts and district capitals damaged	99 km of water pipes replaced and constructed
3 bridges, 800 km of district roads, and 266 km of provincial roads damaged	450 km of road built and/or repaired
12 ports and/or jetties destroyed	56 bridges built and/or repaired
	5 ports and/or jetties and 2 airports built or under development
D. Livelihoods	
Irrigation networks damaged, affecting 90% of people's livelihoods	1,123 micro, small, and medium businesses are supported to develop
219 markets, shops, and kiosks destroyed	361 fishing vessels replaced
	Irrigation projects underway in 13 villages
	501 food stalls and temporary markets established

ha = hectare, km = kilometer.

^a = as of 31 March 2008

Source: The Government's Rehabilitation and Reconstruction Agency.

**IMPLEMENTATION STATUS OF COMPONENTS OF
THE EARTHQUAKE AND TSUNAMI EMERGENCY SUPPORT PROJECT**

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
<p>1. Component: Agriculture</p> <p>2. Grant provision: \$36 million</p> <p>3. Contract awards: \$29.5 million</p> <p>4. Utilization: \$26 million</p> <p>5. Geographic coverage: Aceh: Pidie, Aceh Utara and Aceh Timur, Bireuen, Aceh Besar, Aceh Jaya, Nagan Raya, Aceh Barat Daya, Simeulue districts.</p> <p>6. Purpose: Agricultural production in the affected areas restored</p>	<p>1. Restoring agricultural enterprises:</p> <p>(i) Soil and land rehabilitation and management</p> <p>(ii) Planting stock</p> <p>(iii) Mechanization</p> <p>(iv) Processing and marketing</p> <p>(v) Agribusiness development</p> <p>2. Rehabilitating agricultural support services:</p> <p>(i) Capacity building for extension services</p> <p>(ii) Applied research</p> <p>(iii) Information systems</p> <p>(iv) Coordination</p> <p>(v) Community empowerment</p> <p>(vi) Self-help groups</p> <p>(vii) Community information service centers</p> <p>3. Microfinance</p>	<p>1. Farming and estate crops restored on 20,000 ha of less-affected land</p> <p>2. Farming resumed on 6,000 ha of moderately and 5,000 ha of severely affected land</p> <p>3. Support services (seed or breeding centers, nurseries, extension services, distribution systems) developed for four main food crops, three main estate crops, and small ruminants, and providing quality seeds and/or planting stock and/or breeding stock for 50,000 farming families</p> <p>4. Equipment and materials provided for 200 villages to serve as demonstration sites for the main commodities</p>	<p>1. More than 23,000 ha of damaged farmlands have been cleared, inputs have been provided, and farming has been restored.</p> <p>2. Tertiary canals (90,000 meters) have been rehabilitated for more than 1,000 ha of damaged irrigation lands. Drainage improvements and equipment (hand tractors, threshers, etc) and water pumps for 18,500 ha have been provided.</p> <p>3. Support services and community empowerment activities include rehabilitation of livelihoods centers, seed production, and other facilities.</p> <p>4. Equipment and material support provided for restoration of farming on 13,186 ha of farmland (food crops), and the rehabilitation or development of 4,848 ha of estate crops.</p> <p>5. Through cash-for-work, community contracting, and provision of inputs with participation of farmer groups, 5,739 ha of moderately and severely affected land have been restored to farming on the west coast, including the island of Simeulue.</p>
<p>1. Component: Fisheries</p> <p>2. Grant provision: \$32 million</p> <p>3. Contract awards: \$28.1 million</p> <p>4. Utilization: \$23.3 million</p> <p>5. Geographic coverage: Districts of Aceh Barat, Aceh Besar, Aceh</p>	<p>1. Community development</p> <p>2. Empowerment of fisher and fish farming groups, and provision for 232 coastal communities</p> <p>3. Capture fisheries</p> <p>4. Provision of medium to</p>	<p>1. Fish and shrimp ponds of 3,000 ha restored to pre-tsunami levels</p>	<p>1. More than 22,000 fishers, aquaculture farmers, traders, fish sellers, including men and women, have been assisted to resume livelihoods by 31 December 2007.</p> <p>2. In aquaculture, 2,793 ha of fish ponds have been rehabilitated and 38 hatcheries have been rebuilt with 9 under construction; 2 marine fish hatcheries have advanced.</p>

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
<p>Utara, Pidie, Aceh Jaya, and Simeulue. Cities of Banda Aceh, Bireuen, and Lhokseumawe. Districts of Nias and Nias Selatan</p> <p>6. Purpose: Fisheries production in the affected areas restored</p>	<p>large boats</p> <p>5. Aquaculture</p> <p>6. Fish ponds rehabilitation and restoration</p> <p>7. Capacity building</p> <p>8. Fisheries infrastructure</p> <p>9. Ecosystem rehabilitation</p> <p>10. Support to local government fisheries services</p>	<p>2. 13,000 small-scale fishers resume fishing</p> <p>3. 27 fisheries infrastructure sites rebuilt, benefiting up to 30,000 fishers, traders, and workers</p> <p>4. 152 medium and large boats handed over to communities by the end of 2008</p> <p>5. Six fisheries service offices and one nongovernment (Panglima Laut) office restored</p> <p>6. Fishing and hazard marine charts provided at three Panglima Laut offices on the west and east coasts of Aceh</p>	<p>3. Livelihoods grants have enabled 4,800 small scale fish farmers to resume aquaculture with cage farming, crabs, and others.</p> <p>4. Grants have been disbursed in 252 fisheries-dependent villages, providing equipment and other inputs to enable 16,404 small-scale fishers to restart their livelihoods.</p> <p>5. Six fish landings, one fish market, one packing shed, and two ice plants were delivered by early 2008.</p> <p>6. Up to 1,000 fishers have resumed their sea fishing livelihoods and employment after 52 medium and large boats with engines and fishing gear were delivered. Another 100 boats are under construction or being delivered.</p> <p>7. Services of provincial and district fishery offices have been rehabilitated and strengthened through the provision of training, equipment, and rehabilitation of offices.</p> <p>8. Sonar mapping—fishing and hazard charts—is being undertaken to benefit 3,000 fishers.</p>
<p>1. Component: Micro- and small enterprise (MSE) development</p> <p>2. Grant provision: \$15 million</p> <p>3. Contract awards: \$13.9 million</p> <p>4. Utilization: \$4.5 million</p> <p>5. Geographic coverage: Aceh and Nias</p> <p>6. Purpose: Commercial and community-based financial institutions provide financing needs of micro-, small, and medium enterprises</p>	<p>1. Livelihood Fund (Emergency support): Affected MSEs provided with improved livelihoods or developed new livelihoods through support programs</p> <p>2. Support to commercial microfinance system: Licensed depository financial institutions strengthened in operations, product design, financial management, accounting, and auditing</p>	<p>1. Cash grants provided to affected MSEs for restoring or starting new operations</p> <p>2. All 20 rural banks in Aceh Province, (8 private and 12 provincial government-owned) strengthened in operations, product design, financial management, and accounting</p>	<p>1. In Q2 2007, Mercy Corps, partner international NGO, completed the disbursement of \$1 million among 6,000 MSEs.</p> <p>2. All 8 private banks have been trained and are being provided mentoring services in adopting proven microfinance technology (Grameen variant) from mid-2006. As of Q1 2008, these banks collectively financed about 4,000 all women clients.</p>

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
	<p>3. MIF to provide funding, including deposits, loans, or equity to new or existing licensed depository financial institutions targeting MSEs</p>	<p>3. Other financing institutions, including community-based institutions, strengthened for sustainable expansion of microfinance operations</p> <p>4. MIF established and providing participating financial institutions market-based funds to expand their MSE portfolios</p>	<p>3. The installation of integrated software for microfinance institutions was completed in one bank; installation to be initiated in 5–6 other banks by the second quarter of 2008.</p> <p>4. The merger of the 12 Aceh provincial government-owned rural banks into a single bank with 12 branches is in process: (i) merger license was filed and is due for approval by Bank Indonesia; (ii) recruitment of staff, procurement of equipment, and office renovation are ongoing; (iii) training and opening is planned before the end of the second quarter of 2008.</p> <p>5. One bank in North Sumatera has trained and adopted microfinance technology in Nias; the organizing of 800 women clients for microfinance operations has started.</p> <p>6. MIF for \$8.5 million was established in April 2006, but became operational in April 2007. As of the end of Q1 2008, about \$1.15 million was disbursed to participating banks; and \$4 million worth of applications were in the pipeline for processing.</p> <p>7. An exit strategy for continued operation of MIF after ETESP is completed is being prepared for approval by ADB, MOF, and BRR by mid-2008.</p>
<p>1. Component: Health</p> <p>2. Grant provision: \$12 million</p> <p>3. Contract awards: \$8.6 million</p> <p>4. Utilization: \$6.3 million</p> <p>5. Geographic coverage: Aceh and Nias</p> <p>6. Purpose: Restored and improved health care</p>	<p>1. Restored and improved basic health care</p> <p>2. Enhanced capacity for district health management</p>	<p>1. Eleven primary health care facilities restored</p> <p>2. Enhanced capacity for delivery of health care services</p>	<p>1. Construction of five health centers in Aceh is under way and expected to be completed by early Q3 2008.</p> <p>2. Misprocurement occurred for the rehabilitation of six health centers in Nias. Project implementing unit has initiated the retendering process.</p> <p>3. Skill enhancement is under way for 419 nurses in tuberculosis care, clinical nursing (including maternal and child care, and surgery), management of maternal care, and utilization of teaching aids for nurses and midwives.</p> <p>4. Basic mental health nursing skill training was received by 329 nurses and 90 doctors trained, with 62 medical staff at the intermediate level.</p>

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
		<ul style="list-style-type: none"> 3. Medical waste management 4. Enhanced capacity for planning public health programs 	<ul style="list-style-type: none"> 5. Incinerators will be installed in early Q3 2008, which will be followed by professional training. 6. Construction of the Center for Health Management Services is ongoing with expected completion by the end of Q3 2008. 7. Tender for services related to preparation of curricula and content of training courses is under way
<ul style="list-style-type: none"> 1. Component: Education 2. Grant provision: \$16 million 3. Contract awards: \$10.2 million 4. Utilization: \$5.9 million 5. Geographic coverage: All districts in Aceh and Nias 6. Purpose: Rehabilitation and reconstruction of physical facilities and skills development of education staff and managers 	<p>The quality of the teaching and learning environment in junior and secondary schools restored and improved</p>	<ul style="list-style-type: none"> 1. Completion and rehabilitation of the Sabang model senior secondary school 2. Replenished supplies of teaching and learning materials (TLMs) and upgraded library facilities and automated systems at 395 senior secondary schools 3. School library staff trained on operating automated library systems and the storage and care of TLMs in 395 senior secondary schools 4. 50 senior secondary schools with upgraded practical science and computing facilities able to meet mandatory provincial development requirements 	<ul style="list-style-type: none"> 1. Construction of new works was completed, with more than 25% of civil works completed by Q1 2008. 2. Small community contracts are under way for rehabilitation works using block grants provided during Q1 2008. 3. TLMs, furniture, and computers were procured by schools using block grants provided to all 395 schools in Q4 2007. Verification was completed in most schools. Delivery to 43 schools will be completed by Q2 2008. 4. Procurement of training provider and revisions to library training course and automated library system software were completed in Q1 2008. 5. Construction of 32 schools ongoing and will be completed during Q1 2008. 6. Block grant proposals for construction of science and multimedia laboratories by school committees at 10 schools are expected to be completed during Q2 2008.
<ul style="list-style-type: none"> 1. Component: Rural water supply and sanitation 2. Grant provision: \$23.5 million (\$7 million from ETESP and \$16.5 million from CWSHP)^a 3. Contract awards: \$4.8 million (ETESP only) 4. Utilization: \$2.9 million 5. Geographic coverage: Pidie, Bireuen, Aceh Utara, Aceh Jaya, Nagan Raya, Nias, and Nias Selatan 6. Purpose: RWSS systems with repairable 	<ul style="list-style-type: none"> 1. Rehabilitation of community water supply and sanitation facilities (rehabilitation phase) 2. Capacity development and training of water and sanitation and hygiene staff at local government (rehabilitation phase) 3. Reestablishing local government and community capacity to ensure participatory planning for facilities built 	<p>About 400 systems with secure water supply and sanitation facilities (200 under ETESP and 200 under CWSHP)</p>	<ul style="list-style-type: none"> 1. Initial training for community facilitators on participatory assessment, facilitation, and water supply technology has been completed, 2. Until March 2008, communities in Aceh and Nias prepared 130 community action plans with assistance from the facilitators. 3. Sanitation and hygiene behavioral change was initiated with the community-led total sanitation method.

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
damage restored	<ol style="list-style-type: none"> 4. Expansion and new developments of water supply and sanitation facilities 5. Sanitation and hygiene behavioral change program 		
<ol style="list-style-type: none"> 1. Component: Irrigation 2. Grant provision: \$29.0 million¹⁰ 3. Contract Awards: \$27.4 million 4. Utilization: \$23.3 million 5. Geographic coverage: Aceh Besar, Aceh Jaya, Aceh Barat, Nagan Raya, Aceh Barat Daya, Aceh Selatan, Simeulue, Pidie, Bireuen, Aceh Utara, Aceh Timur, Aceh Tenggara, Aceh Singkil, Nias, Nias Selatan. 	<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 	<ol style="list-style-type: none"> 1. Irrigated agricultural farming systems restored 2. Farm output at pre-tsunami levels on 20,600 ha irrigated farmland by mid 2008. 3. Farm activities resumed on 12,000 ha of tsunami-affected irrigated farmland by mid-2008. 	<ol style="list-style-type: none"> 1. Sub-projects covering more than 60,000 ha of irrigated farmland were firmed up together with the BRR. District working groups have been formed and have started coordination. Construction work on local competitive bidding and community contracts is progressing.
<ol style="list-style-type: none"> 1. Component: Housing 2. Grant provision: \$70 million 3. Contract awards: \$58.6 million 4. Utilization: \$35.3 million 5. Geographic coverage: Banda Aceh, Aceh Besar, Aceh Barat, Nias, Simeulue, Sabang, Pidie, Lhokseumawe, Nias, and Nias Selatan 6. Purpose: Affordable housing facilities for communities, and households restored and updated 	Construction of new houses and rehabilitation of damaged houses for displaced persons, including for ex-renters	<ol style="list-style-type: none"> 1. 6,500 housing units constructed 2. 1,500 housing facilities rehabilitated 3. Community-related infrastructure, such as access roads, electricity, water supply, and waste treatment, developed in all areas by the end of 2008 	<ol style="list-style-type: none"> 1. Due to inflation, ETESP will finance about 6,000 housing units instead of 6,500. 2. About 4,000 houses will be occupied by beneficiaries by mid-2008. 3. New housing area of Labuy with 300 houses started in April 2008. 4. About 80 houses were rehabilitated using community contracts by the end of 2007. 5. About 660 houses in four villages in Nias and in five villages in Simeulue will be rehabilitated by the end of 2008. 6. About 500 traditional houses will be rehabilitated in selected Nias villages and another 250 houses will be rehabilitated in Nias Selatan by the end of 2008. 7. Design and planning of infrastructure has been completed.

¹⁰ Includes \$1.0 million grant for Nias from the Government of Luxemburg, which supplements this ETESP component.

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
		border with North Sumatra, which is the main road transportation of goods brought in through Belawan Port in North Sumatra	
<ol style="list-style-type: none"> 1. Component: Power 2. Grant provision: \$9.5 million 3. Contract awards: \$8.8 million 4. Utilization: \$8.2 million 5. Geographic coverage: Priority for rural areas in the affected parts of Aceh 6. Purpose: Restoration of power distribution networks in affected areas 	Power distribution networks and connection in Banda Aceh, Meulaboh, Sigli, and Bireuen regions rehabilitated	31 km of medium-voltage lines; 1,294 km of low-voltage lines; and 35 megavolt-ampere medium- and low-voltage distribution stations rehabilitated	<ol style="list-style-type: none"> 1. Rehabilitation of low- and medium-voltage distribution has been completed. 2. Procurement of all tools will be completed by early Q2 2008. 3. Rehabilitation of Banda Aceh service building will be completed in Q4 2008.
<ol style="list-style-type: none"> 1. Component: Fiduciary governance 2. Grant provision: \$14.5 million^b 3. Contract awards: \$10.6 million 4. Utilization: \$8.8 million 5. Geographic coverage: Aceh and Nias 6. Purpose: Supporting fiduciary management of rehabilitation and reconstruction program 	<ol style="list-style-type: none"> 1. Support to BRR to establish internal control systems covering its activities and monitoring of Aceh and Nias recovery funds 2. Capacity building for the BPK 3. Restoration of internal control and funds channeling systems in the Directorate General of Treasury 4. Restoration of capacity of local government internal audit structures 5. Support for KPK 	<ol style="list-style-type: none"> 1. BRR's internal control systems established and operational 2. Capacity development of BPK 3. Provincial treasuries and audit systems reestablished and enhanced 4. Effectiveness of KPK enhanced 	<ol style="list-style-type: none"> 1. The design of the internal control systems, completed in early 2006, has been operational since then. 2. Besides supporting institutional strengthening of BPK's headquarters staff and Banda Aceh office, BPK's audit of BRR's on-budget reconstruction program has been partially financed through ETESP since 2005. 3. International workshops on audit practices for severe disaster events have been funded. 4. The establishment of the Special Treasury Office in Banda Aceh and Nias was financed through ETESP. The office won the excellence award in 2006 for being the most efficient and transparent government office in Indonesia. The Government plans to replicate its operations throughout Indonesia. 5. Funds and equipment were provided to the Regional Supervisory Agency to restart operations at the province and district levels. 6. ETESP is providing capacity building support to KPK's Aceh office. A great deal of socialization work with government, NGO, academia, and the private sector has been carried out to establish the office as a permanent

COMPONENTS	PROGRAMS	MAIN SCOPE	UPDATES
	6. Support for financial management capacity of local NGOs	5. Effective project management, supervision and monitoring in place.	institution. 7. ETESP PMO was established within the Extended Mission to Sumatra in mid-2005. BRR's ETESP PMO has been strengthened since May 2007. 8. The support program for improving the financial management capacity of local NGOs has been canceled as other donors are providing this support.

ADB = Asian Development Bank, BPK = Badan Pemeriksa Keuangan (Supreme Audit Agency), BRR = Badan Rehabilitasi dan Rekonstruksi (Rehabilitation and Reconstruction Agency), CWSHP = Community Water Supply and Health Project, ETESP = Earthquake and Tsunami Emergency Support Project, ha = hectare, km = kilometer, KPK = Komisi Pemberantasan Korupsi (Corruption Prevention Commission), MIF = Microfinance Innovation Fund, MSE = micro- and small enterprises, NGO = nongovernment organization, PMO = project management office, Q = quarter, RWSS = rural water supply and sanitation, TLM = teaching and learning materials.

^a ADB is administering complementary funding of \$16.5 million approved under Grant No. 0003-INO: Community Water Services and Health Aceh-Nias/North Sumatra Project financed by the governments of Canada, the Netherlands, and the United Kingdom in conjunction with an ADB loan of \$65 million.

^b Includes \$3.5 million in cofinancing by the Government of the Netherlands for fiduciary governance.

Source: Asian Development Bank estimates.