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REPUBLIC OF INDONESIA

IFAD'S RESPONSE TO THE TSUNAMI

ACEH RECOVERY PROGRAMME

INFORMATION NOTE

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MAP OF THE PROGRAMME AREA

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Source: Government of Indonesia, 1980

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

REPUBLIC OF INDONESIA
ACEH RECOVERY PROGRAMME
PROGRAMME SUMMARY

INITIATING INSTITUTION:	IFAD
FINANCIER:	To be identified
EXECUTING AGENCY:	Ministry of Agriculture
TOTAL PROGRAMME COST:	USD 36.5 million
GRANT FINANCIER:	USD 30 million
GRANT FROM ITALIAN SUPPLEMENTARY FUNDS:	USD 1.5 million ¹
CONTRIBUTION OF THE COUNTRY:	USD 0.6 million
CONTRIBUTION OF BENEFICIARIES:	USD 4.4 million
APPRAISING INSTITUTION:	IFAD

¹ To be confirmed.

REPUBLIC OF INDONESIA

IFAD'S RESPONSE TO THE TSUNAMI

ACEH RECOVERY PROGRAMME

I. INTRODUCTION¹

1. The Government of Indonesia has recently finalized a master plan for recovery from the earthquake and tsunami disaster that struck the country in December 2004. The paper is an excellent piece of work highlighting the principles and values that will guide the recovery process; among other things, it places the affected communities in the driver's seat and supports Acehnese institutions in playing the lead role.
2. The principles guiding the USD 36.5 million Aceh Recovery Programme (ARP) and its design features are included in the master plan. The programme will also be listed therein for financing. The Aceh Recovery Programme was formulated by IFAD, the Ministry of Agriculture, the provincial Government of Nanggroe Aceh Darussalam and the affected communities, who met in the inland dispersed persons camps in February 2005.
3. The ARP has its roots in IFAD's most successful programme in Indonesia, the Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas (PIDRA, loan 539-ID). To expedite delivery of assistance to communities and considerably reduce start-up costs, it is proposed that the very capable management unit of PIDRA – hosted by the Agency for Food Security (AFS) of the Ministry of Agriculture – be in charge of the ARP.
4. The Government of Indonesia finds the programme to be a suitable framework to channel assistance to Aceh and has expressed the wish to see it implemented; however, it wishes to see the programme implemented on the basis of grant financing.
5. **The purpose of this document is to highlight the main features of the programme so that potential financiers may express their interest.**

II. BACKGROUND

6. The latest Government figures indicate that 265 000 people have died or are missing. Some 2.8 million people have been affected directly or indirectly and, of these, 700 000 are homeless, including approximately 450 000 who are displaced and have been housed in temporary camps. The Government, with the support of international aid, has started to establish additional formal camps for them. The people are now being moved from the temporary informal camps to these more organized and substantial facilities.
7. The damage to the productive sectors and physical infrastructure has been enormous. Prior to the disaster, Aceh was Indonesia's third poorest province, with over 30% of the population living below the poverty line, compared with the national average of 18.4%² and 15% for North Sumatra province. In Aceh province, agriculture contributes more than 56% to

¹ For general information on the earthquake and tsunami disaster and IFAD's response to it, see document **EB 2005/84/INF.4**. For detailed information on the earthquake and tsunami disaster and IFAD's response to it in Indonesia, see the introduction to document **EB 2005/84/R.17**.

² The poverty rate is higher only in Maluku (33%) and Papua (39%). Similar to Aceh, both these provinces suffer from internal conflicts.

the provincial GDP if oil and gas revenues are excluded, 31% if the latter are included. Current estimates place the overall cost for recovery in Aceh at USD 6.7 billion.

8. As of this writing, the recovery process has not yet started. The master plan highlights that the financing targets not only cover replacement costs but also, and rightly, are aimed at promoting development. The tsunami has only added to the poverty situation in which rural communities were living in the country's third poorest province: food-insecure, marginalized, powerless and immobile due to the conflict.

9. The most important step to take now is to help people move out of the camps and rebuild their villages on the old or new sites, rebuild their homes, and return to their previous occupations or undertake new ones. This needs to be done quickly, before people reach the stage of being unable to start a new life again. The dilemma of providing immediate assistance while at the same time ensuring sustainable and peaceful development is adding pressure to the Government's awesome responsibility of facing the challenge of recovery. Donors need to make their best efforts to coordinate, align with each other to minimize the transaction costs of assistance delivery, and support the Government in undertaking this enormous task.

10. The international community should support the Government in fulfilling its vision. The latter, as expressed in the master plan, depicts a reconstruction process that pursues a new development model, based on community ownership and empowerment. The model recognizes the fundamental value of institutional underpinnings created by restored social capital. Peace, on the other hand, is recognized as a sine qua non for development and is being pursued through ongoing reconciliation efforts. Equitable development can nurture peace and the Aceh Recovery Programme is designed to contribute to it.

III. THE PROGRAMME

A. Programme Area and Target Group

11. The programme will focus its support on 250 villages in five of the most severely affected districts of Aceh province: Aceh Besar, Aceh Jaya, Pidie, Aceh Barat and Nagan Raya.³ In each, the programme will support the rehabilitation and strengthening of the livelihoods systems that the inhabitants of the village had or wish to have.

12. The inhabitants of most of the villages affected by the disaster are very small and medium-scale farmers, fishers, carpenters, tailors, traders, domestic helpers, shop owners, food producers and sellers (producing cakes, crackers and other foodstuffs). Before the tsunami, local residents engaged in more than one job either at the same time or at different times of the year, according to the production cycle (six months in agriculture, six months in fishing, trading or other off-farm activities in parallel) in some communities. These people would be glad to adopt livelihood systems different from their previous ones. In other communities, individuals were born into a job: they inherited their occupation from their ancestors and would not be ready to change it. Consequently, a recovery programme would need to respond to the livelihood opportunities and preferences of each member of this

³ The number of villages proposed to receive assistance will be refined following detailed field investigations. However, the design of the programme to date is based on establishing a management structure capable of servicing five districts and a total of 250 villages within those districts. IFAD has proposed that the programme run for six years; depending on the availability of funds, the situation could be reassessed after 18 months to determine if it was feasible to expand the programme to additional villages.

category, seeking not to be divisive or targeting some specific categories only (for example, only farmers or only fishers).

13. While, in some areas, farming and fishing provided communities with sufficient incomes to enable them to trade and buy food and non-food items, other areas were not food self-sufficient and were unable – even through trading – to meet their consumption needs. Hence, they sought to generate supplementary income through off-farm occupations. The tsunami completely disrupted the livelihoods of the majority, who cannot go back to their occupation without initial financial help. The food self-sufficient communities would be ready to receive credit to start their jobs again on appropriate terms and conditions. The most vulnerable and poor communities, however, could start again only through grant assistance.

14. Whereas a few better-off communities had familiarity with banks and credit management, the majority are poor (a third of the population lived below the poverty line prior to the tsunami), have no access to credit and do not yet have sufficient confidence in order to work with a bank. Communities point to several deficiencies in the banking system, such as the difficulty of access for people who are approaching a bank for the first time, collateral requirements (which they cannot meet since the vast majority of the people do not possess ownership certificates for their houses or land), and the unsuitability of lending products for their agricultural and fishing production. However, all are interested in receiving help to access formal credit. This would enable them to plan their production and choose their buyers without being in need of cash. The majority of community members face the problem of a monopoly from the demand side. Often they have no choice but to sell to traders who pay prices considerably lower than prevailing market rates.⁴

15. Agricultural extension (including all agricultural sub-sectors, animal husbandry and fishing) seems not to be forthcoming. Some communities have received extension messages from the village leader only, and the advice they are receiving is rated as not being sufficient to meet their production needs.

16. The availability of functioning community infrastructure, such as small-scale irrigation schemes, farm roads and access roads, is another of the priorities identified by the communities, together with the availability of a community health centre and a clean water source in their village. The education system was well-functioning prior to the tsunami, and needs to be restored: schools need to be rebuilt, and new teachers trained and mobilized to replace those who died.

B. Scope of Work

17. **Goal.** The overall goal of the programme is to achieve increased and steadily better incomes and livelihood conditions for rural poor communities that were hit the worst by the tsunami disaster.

18. **Objective.** The short/medium-term objective of the programme is to assist the above communities to fulfil their three basic aspirations: (i) to return to their villages and rehabilitate them; (ii) to rebuild their houses; and (iii) to resume their previous occupations or engage in new ones. The long-term objective is to enable them not only to manage the rehabilitation and

⁴ For example, patchouli oil costs 1 million Indonesian rupiahs per litre. It is utilized in the perfume production industry and is in great demand. Communities are selling it at 200 000 rupiahs because they cannot reach the market and sell it themselves. Transportation is difficult and so they accept the considerably lower prices offered by the traders coming from the province's main cities.

reconstruction process but also their own livelihoods systems and development in a sustainable manner.

19. **Scope.** In partnership with other donor-funded programmes, this six-year programme is designed to assist the reconstruction of approximately 250 rural villages in the five most severely damaged districts of Aceh. The implementation arrangements envisage a partnership between the Government, local and international NGOs, and the communities. This reflects the concerns of the communities, who wish to participate in the planning of their future by managing the funds to rebuild their villages and their lives. Similar to PIDRA, this programme is designed in such a way as to ensure that the communities are in the driver's seat in deciding on the recovery process and the allocation and management of resources. Therefore, it focuses particular attention on the process adopted and on the initiating institutions, so as to ensure that all members of the community will have equitable access to resources through a completely transparent delivery system.

20. **Output.** Although specific deliverables of the programme will be identified after the recovery plans are formulated by communities, on the basis of preliminary assessments and field consultations it is estimated that the programme will deliver the following:

- 1 250 sustainable self-help groups (SHGs), with members coming from 25 000 households of the worst affected communities
- 250 sustainable village development associations and 250 village community organizers
- 70 functioning representative institutions at the *mukim*⁵ level
- 320 trained government and non-governmental field staff, 250 barefoot village veterinarians
- nearly USD 500 000 in grants to match the group common fund created by the SHGs
- roughly USD 3.7 million in grants to rehabilitate livelihoods through the SHG federations providing support in the establishment or restoration of microenterprises
- approximately USD 1 million for crop and livestock development through farmer-led research and agricultural extension
- 1 000 hectares of land cleared from debris, through over USD 500 000 in cash-for-work for the communities
- 1 500 hectares of land covered by drainage systems built by the communities, through USD 1.2 million
- over 2 000 units of water-drop structures and gully plugs for a value of over USD 1 million
- 100 nurseries and tree seedlings for a value of USD 50 000
- 310 km of village access roads, 300 wells, 22 km of village water supply systems, 500 rain-water storage tanks, 180 village schools and 180 village clinics (repaired or replaced)
- 2 500 hectares of drained agricultural land
- 2 500 hectares covered by functioning irrigation systems
- 35 fishing jetties rehabilitated

⁵ A *mukim* is a traditional institution that comprises representatives of several villages.

- 25 markets built
- facilities, equipment, transportation and operational support provided to the staff of the national programme office, the provincial coordination office, five district management offices and 70 *mukim*-level coordinating units to manage, coordinate, monitor, supervise, audit and report progress on activities at the field level, for a total value of about USD 6.4 million

C. Programme Components and Implementation Arrangements

21. The above objectives and outputs will be achieved through the implementation of three interlinked components: (i) sustainable livelihoods development; (ii) community infrastructure development; and (iii) institutional strengthening and programme management.

22. The **first component** envisages the restoration and strengthening of existing community institutions and the formation and training of village development associations and self-help groups (SHGs), based on affinity and homogeneity among members.⁶ A major thrust is the development of resource management capacity, vision-building and plan formulation. These institutions will be the tools through which the community will interact with public- and private-sector organizations that are planning and mobilizing resources to help them rebuild their villages. They will also ensure that all segments of society have an institutional platform on the basis of which all categories of livelihoods systems can be established, and inclusive social organization culture promoted. They will be the locus where members will receive grants and training to resume productive activities, mobilize savings for internal lending and, after appropriate training, receive support in borrowing from banks and non-banking financial institutions, and organize collective actions in support of their own economic development and that of their village. The component will support the restoration of damaged areas and the establishment of environmental management practices that will ensure sustainability in the future. There will be a comprehensive skills development programme supporting each of these initiatives, which will include training to expand income-generating opportunities and the development of microenterprises, as well as assistance in creating linkages with markets and with public- and private-sector organizations.

23. The **second component** provides for community infrastructure funds to be managed by the village development associations (VDAs), mainly comprising representatives of the SHGs but also including other community institution representatives. This institutional system will ensure that the concerns of all segments of society are listened to, and democratic decision-making will provide space for the urgent needs of the most vulnerable groups to receive priority. The VDAs will ensure that the construction works provide cash sources and job opportunities for villagers and that transparent financial management systems be established and followed. This will be supervised by the community institutions placed at the *mukim* level.

24. The **third component** provides for support facilities and training, and covers the operating costs for the functioning of the national programme office, the provincial coordination office, five district management offices as staffed through government,

⁶ Affinity is based mainly on **relationships** of trust, relations that are non-exploitative, on certain **social features** (like a degree of homogeneity among the members, of voluntarism and self-reliance and willingness to support one another in need), on certain **structural features** like a common origin (blood or ancestral village) or the same livelihood base (all daily wage earners, landless or marginal farmers, even though from different social statuses, religions or communities), on **gender bonds** (all women, or all men, although in a small percentage of cases mixed groups may emerge). In a few cases they may be based on **similar activities undertaken by each member**.

international and Acehese NGOs hosted in the Ministry of Agriculture in Jakarta and its counterpart offices at the local level. This reflects an organizational and structural integration of the programme with PIDRA. The National Programme Office (NPO) of PIDRA will recruit five additional staff to provide support to management of this programme at the provincial and district levels. Two representatives of the provincial NGO recruited to co-manage the programme in Aceh would also work within the NPO to facilitate coordination at the national level. Similarly, joint programme offices will be established at the provincial and district levels. Provincial and district NGOs will be recruited by the programme to implement field-level operations in association with the Department of Agriculture, with the coordination support of the local development planning agency and the task forces established for recovery from the tsunami disaster.

25. A special feature of the ARP will be the involvement of community and traditional organizations at the *mukim* level to promote community discussion, compile plans and budgets, and report on progress of the implementation of programme activities, while providing supervision and oversight to the reconstruction work. The district NGOs will recruit supervisory staff to be placed at the *mukim* level and 250 facilitators to be placed in each programme village and work directly with the communities. A field extension worker from the local department of agriculture will be placed in each *mukim* to collaborate with community facilitators and their supervisors and, as a team, serve three to five villages.

26. During the initial two-year rehabilitation period, the programme's focus will be on assisting affected communities to plan and organize their return to their villages, rebuild those villages and start productive activities for income generation. As a cross-cutting issue, the programme pays special attention to the weakest and most vulnerable members of these communities, including the poorest households, women and woman-headed households, ensuring that they are part of community decision-making and that they receive an equitable share of the benefits resulting from reconstruction. After two years, the programme will continue to invest in the restoration of productive activities through financial assistance, social and productive infrastructure investments, training and skills development as part of a sustainable livelihoods development approach. However, it will also place greater importance on empowering communities to manage their own natural resources, further social and economic development, and be capable of inclusive and transparent decision-making processes. The different intensity of focus at the various stages is geared towards bridging a potential gap between the emergency, rehabilitation and reconstruction stages. Integrated within the same conceptual framework, the programme plants the seeds for sustainable development right from the start, creating the institutional underpinnings in the rehabilitation phase that will help trigger a virtuous cycle of development in the later stage. This strategy is found appropriate in order to enable the survivors of the tsunami to create a life of dignity and without poverty.

D. Programme Duration, Costs and Financing

27. The programme will have an implementation period of six years, from 2005 to 2011. Its cost has been estimated at USD 36.47 million. As Table 2 shows, the largest component is the sustainable livelihoods development, accounting for 42% of the base cost: skills development for income generation, and enterprise development and integrated natural resource management are the major subcomponents, accounting for 16% and 15% respectively. Community infrastructure is the second largest component, accounting for 39% of the base cost, with the social and productive infrastructure subcomponents absorbing 30% of total costs. The institutional support and programme management component accounts for 19% of the base cost.

28. The amount of USD 30 million will fund 82% of the programme costs. A grant from Italian supplementary funds will cover 4% of the costs, while 2% of those costs will be covered by the Central Government, the provincial Government of Nanggroe Aceh Darussalam and the five district governments. The beneficiaries' contribution amounts to USD 4.4 million or 12% of the total programme costs. This latter percentage reflects an expected minimum contribution by the people of approximately 30% to the infrastructure investments.

E. M&E and Supervision

29. The programme will establish a monitoring and evaluation (M&E) system integrated within that of PIDRA and will adopt impact and results indicators similar to those identified by that programme. It is expected that, in the first two years, these will be integrated with indicators reflecting progress in terms of return and reconstruction of villages, as well as rehabilitation of livelihoods. Supervision will be undertaken by the financier or by an organization chosen by the financier. As additional support from IFAD, the Fund is willing to provide assistance during implementation.

F. Procurement, Disbursement, Accounts and Audit

30. Procurement procedures will be those agreed on by the financier and the Government. An independent auditing firm may be recruited to support the Government's procurement activities and oversee procedural compliance at all levels. Alternatively, the financier may want to adopt procurement and audit procedures as agreed on by the international donor community and the Government for utilization of the Multi-Donor Trust Fund established for the tsunami recovery effort.

31. The financing will be disbursed over six years. The actual rate of disbursement will depend on the increased capacities of beneficiaries and their responsiveness to the opportunities being made available.

32. The Ministry of Finance will open and maintain a special account for financing the financier's share of eligible expenditures with an authorized allocation of USD 2.0 million. Disbursements from the special account will be made on the basis of withdrawal applications prepared by the National Programme Office and submitted through the Ministry of Finance. The ceiling for retroactive financing should be up to 30% of total programme costs.

33. In order to respond to the urgency of the situation, start-up activities may be financed by USD 1.5 million in grant funding, provided through IFAD from the Italian supplementary funds.⁷ This amount would be used through an international NGO currently operating in Aceh and be earmarked to recruit and train local NGOs and community facilitators to start immediate work with the communities. They would also support the initial start-up activities of PIDRA staff assigned to the Aceh Recovery Programme and the recruitment of a management team to operate in Aceh. As soon as additional grant funds from the financier become available, the organization and management arrangements will fall into line with the existing management practices of PIDRA.

⁷ To be confirmed.

TABLE 1: SUMMARY OF PROGRAMME COSTS
(USD '000)

Component	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Sustainable livelihoods development					
• Community empowerment	3 251	361	3 612	10	11
• Integrated natural resource management	4 465	496	4 961	10	15
• Skills development for income generation and enterprise development, linkage with the private sector and the market	4 793	532	5 325	10	16
Subtotal	12 509	1 389	13 898	10	42
Community infrastructure development					
• Housing	2 850	150	3 000	5	9
• Productive infrastructure	3 330	370	3 700	10	11
• Social infrastructure	5 520	613	6 133	10	19
Subtotal	11 700	1 133	12 833	9	39
Institutional support and programme management					
• Capacity-building of Government and the private sector	1 814	320	2 134	15	6
• Increased extension services for livelihood development	1 365	585	1 950	30	6
• Programme coordination and management	1 763	587	2 350	25	7
Subtotal	4 942	1 492	6 434	19	19
Total base cost	29 151	4 014	33 165	12	100
Physical contingencies	1 842	251	2 093	12	6
Price contingencies	1 206	10	1 216	1	4
Total programme cost	32 199	4 275	36 474	12	110

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN
(USD '000)

Component	Grant Financier		Grant from Italian Suppl. Funds		Government		Beneficiaries		Total		Foreign	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Exchange		
Sustainable livelihoods development													
• Community empowerment	2112	58	1,500	42	-				3,612	11	361	3,251	
• Integrated natural resource management	4,2	85			-			738	15	496	4,465		
• Skills development for income generation and enterprise development	4,841	91			-			484	9	532	4,793		
Subtotal	11,176	89	1,500	11				1,222	9	1,389	12,509		
Community infrastructure development													
• Housing	2,000	67						1,000	33	150	2,850		
• Productive infrastructure	3,000	81			-			700	19	370	3,330		
• Social infrastructure	5,023	82			-			1,110	18	613	5,520		
Subtotal	10,023	78						2,810	22	1,133	11,700		
Institutional support and programme management													
• Capacity-building of Government and the private sector	2,134	100							2,134	6	320	1,814	
• Increased extension services for livelihood development	1,750	90			200	10			1,950	6	585	1,365	
• Programme coordination and management	1,997	85			353	15			2,350	7	587	1,482	281
Subtotal	5,881	91			553	9			6,434	19	1,492	4,661	281
Total base cost	27,080	81	1,500	5	553	2	4,032	12	33,165	100	4,014	28,870	281
Physical contingencies	1816				36		241		2,093	6	251	1,842	
Price contingencies	1104				22		90		1,216	4	10	1,206	
Total programme cost	30,000	82	1,500	4	611	2	4363	12	36,474	110	4,275	31,918	281