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ACEH TECHNICAL ASSISTANCE RECOVERY PROJECT (A-TARP)

QUARTERLY REPORT #2: OCTOBER 1 – DECEMBER 31, 2005

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A. INTRODUCTION

A-TARP is a twofold project that focuses on issues relating to the reconstruction of Aceh and Nias, and the creation and implementation of growth-oriented policies by Jakarta ministries. The unique challenge of the project is to implement activities in both areas in a way that connects them and results in interventions in Jakarta helping achieve objectives in Aceh and Nias, and vice versa.

In the fourth quarter of 2005 A-TARP worked towards these goals with activities and successes in both Aceh and Jakarta. Our work builds upon the past two quarters to continue the process of assisting our counterpart agencies in building back better in Aceh and Nias and encouraging transparency, accountability and efficiency from national ministries. In this third quarterly report of the A-TARP project, the activities and results described are broken down by Indonesian government counterpart agency.

B. A-TARP ADVISORS AND STAFF

A-TARP advisors and staff have been expanding and changing to fit the evolving needs of the project. Please see an updated list of A-TARP staff below including short term consultants providing assistance during the fourth quarter.

| Jakarta-based Personnel | Aceh-based personnel |
|---|--|
| Project Management Office, located at BPK <ul style="list-style-type: none"> ▪ Chief of Party Jonathan Simon ▪ Operations Manager Amanda Righi ▪ Program Manager Nyanita Noviantina ▪ Finance Manager Vita Siregar ▪ Communications & M&E Manager TBD ▪ Program & IT Assistant Rio Harie ▪ Administrative Assistant TBD ▪ Drivers Suminto, Machmud | Project Management Office, located in Banda Aceh <ul style="list-style-type: none"> ▪ Deputy Chief of Party Ernie Leonardo ▪ Program Manager Safrul Muluk ▪ Accountant TBD ▪ Program Assistant/Cashier Rizki Baihaqi Halim ▪ Interpreter & Program Assistant Firmansyah ▪ Drivers Iin, Usman, others TBD ▪ Guards Fauzi, M. Amin, Muliadi |
| BPK Advisory Team <ul style="list-style-type: none"> ▪ Senior Advisor Luke Tatnell ▪ Senior Advisor Craig Anderson (long-term in Jan 06) ▪ ST Advisor to the Board of Directors Vic Rezendes ▪ Communications Manager Sorta Nainggolan ▪ Program Administrator Ahmad Fajarpana ▪ Office Assistant Hartono | BRR Advisory Team <ul style="list-style-type: none"> ▪ DCOP Ernie Leonardo, part-time as appropriate ▪ COP Jonathan Simon, part-time as appropriate ▪ Executive Assistant & Institutional Advisor Maggy Horhoruw (LT starting in Nov 05) ▪ Senior Logistics Advisor John Brady ▪ Senior Planning Advisor Owen Podger ▪ ST Communications Advisor to BRR Barbara Zadina ▪ ST Media Relations Advisor Rosie Ollier |
| Ministry of Finance <ul style="list-style-type: none"> ▪ Senior Advisor Ed Gustely ▪ Driver Tata | Aceh Governor's Office <ul style="list-style-type: none"> ▪ Senior Advisor LeRoy Hollenbeck |
| Menko Kesra <ul style="list-style-type: none"> ▪ Senior Advisor Maurice Knight ▪ SOAg Secretariat Assistant, BHS, Mauliyati Slamet ▪ SOAg Secretariat Assistant, EDU, TBD ▪ SOAg Secretariat Office Manager Lissa Ingkiriwang ▪ SOAg Secretariat Admin. Assistant Rosmi Agustinah ▪ Driver Iding | |
| Bappenas <ul style="list-style-type: none"> ▪ ST labor economist Vivian Chen | |

C. ESTIMATED BUDGET

Attached with this Status Report is an estimated A-TARP budget showing expenditures to date and estimated costs through December 31, 2005. These costs parallel the interventions described in this report, all of which are at various stages of approval or implementation.

Chemonics is aware that some items in the estimated budget have not yet been approved by USAID, and thus they may not go forward. However, we include them here to illustrate what monetary resources are being considered for use under possible upcoming project activities.

D. ACTIVITIES AND KEY ACCOMPLISHMENTS

D1. Aceh and Nias Rehabilitation and Reconstruction Agency (BRR), Banda Aceh

BRR was created in April 2005 to facilitate the implementation of the \$7 billion Aceh and Nias Reconstruction Program. More specifically, BRR's mandate is to oversee, manage, coordinate, integrate, monitor, approve, and ensure the accountability of all activities that will make up the rehabilitation and reconstruction of Aceh and Nias. A-TARP's assistance to this agency focuses on enabling and strengthening the core BRR roles and functions with an emphasis on building BRR's capacity to undertake its challenging work program. A-TARP helps BRR fulfill its mandate by providing targeted technical assistance to priority initiatives – sets of activities that must happen first in a strategic sequence of rehabilitation and reconstruction for the disaster-affected region and its people.

BRR core functions operational and effective. In Quarter #4, A-TARP has helped BRR with several packages of timely and critical technical assistance.

Communications Strategy and Media Center Coordination for the Tsunami Anniversary Events technologies and systems. A-TARP funded two short-term technical assistance advisors who developed and implemented the “Remember, Rebuild” anniversary communications strategy. In addition, A-TARP contracted with PT Maverick Komunikasi to set up systems and operate the Remember, Rebuild Media Center over the month of December. In all, nearly 1,000 journalists from Indonesia and overseas used the Media Center and took part in the numerous commemoration events. A compilation of products, information and feedback from media related to the Media Center and commemoration activities is available from the A-TARP office.

Procurement and contracting procedures and compliance. Long term advisor Owen Podger has helped BRR coordinate and implement procurement and contract procedures, guidelines and mechanisms for reconstruction projects through the creation of the BRR Project Management Consulting Services (PMCS) group, which advises the sectoral divisions of the BRR:

- Coordination and oversight of over 40 consultants assisting BRR in implementation of its programs.
- Advising on organizational matters, including preparing recommendations for the regionalization of BRR with the head of the Nias office, Willy Sabandar. The first draft proposal is to be submitted on January 18, and proposes significant changes to BRR's practices.
- Review of BRR's programs through project digests which outline the purpose of each package, target beneficiaries, and an assessment of bottlenecks that may slow down or block implementation.

- Development of information systems for BRR including the RAND system and mapping to improve the reporting of BRR's program budget and office information systems.
- Preparation and facilitation of two Nias Islands Stakeholder Meetings, one in early December, and one to come in mid January in order to build a forum for discussing and resolving problems that the construction industry will face with the coming construction boom. In Nias, the A-TARP project has negotiated with 12 of 15 industry associations to form a working group to discuss these issues with BRR.

Basic service delivery investments being implemented through BRR. A key activity of ATARP has been to help establish BRR as a model of how to properly plan and implement development and sustain that capacity over time by transitioning lessons learned to various levels of local government.

Village spatial planning. ATARP has funded a contract with PT Wastuwidyawan to prepare prototype village spatial/site plans to develop and then promulgate an appropriate, field tested methodology. Upon completion of 16 village spatial plans in December, PT Wastuwidyawan's contract has been extended to include 10 additional village spatial plans and a prototype district plan, among other new investments. A full progress report from PT Wastuwidyawan is available from the A-TARP office.

Logistical support for housing and infrastructure construction. ATARP is funding long term Logistics Advisor John Brady to identify and resolve supply-chain issues related to the provision of construction materials. This work has included close coordination with United Nations World Food Program, UNDP, Catholic Relief Services, and private sector interests in Aceh and Nias:

- Assisted in the development and implementation of the United Nations World Food Program Special Operation, resulting in the issuance of a special operations plan to provide a shipping methodology to move recovery cargo into Aceh and Nias.
- Collaborated with UNDP to finalize requirements for temporary facilities at ports in Aceh and Nias and to begin design for permanent infrastructure.
- Worked with Catholic Relief Services to develop an emergency road repair program for the Lamno – Calang segment as well as repairs to the road and bridges immediately south of Calang.
- Coordinated the visit of the CEO of P&O Maritime (Australia) to Banda Aceh and Sabang, intended to illustrate the long-term potential of Sabang as a major port.

Housing Development. A-TARP has delivered computer hardware for the new BRR Division of Housing and Settlements which will include large-scale project management software to be used by the DHS in its work to implement its ambitious schedule of building 40,000 new permanent houses in 2006. In addition, DCOP Ernie Leonardo has advised the DHS on policies and programs required to implement this schedule.

Improved program management, monitoring and evaluation, and program formulation. The long-term viability of BRR performance is heavily dependent on the transparency and accountability of its activities. ATARP continues to fund world recognized anti-corruption advisor Bertrand de Speville to train the BRR anti-corruption team in education, prevention and enforcement requirements for an effective anti-corruption program.

D2. Governor's Office, Aceh

The Governor of Aceh is formally also the Vice Chairman of BRR, and as such is involved in planning, local economic planning and governance issues related to reconstruction and to the province's development overall. A-TARP's role, executed primarily by our long-term governance advisor to the Aceh Governor's office, is to advise the provincial – and by extension, local – government on various reconstruction issues and obstacles thus helping to clarify the roles and responsibilities of provincial and local governments in relation to BRR, central ministries, NGOs, and other agencies.

Increased *pemda* capacity to strengthen democracy and participation.

Strengthening Local Governance: Increasingly important in Aceh, A-TARP Senior Governance Advisor, Leroy Hollenbeck has been involved in creating links between local government and the community:

- Provided assistance in re-activating the Governance Working Group, with the local government as chair of regular meetings, in order to play a more strategic role in coordinating donor and NGO activities. The goal of this working group is to bring together institutions and organizations implementing local governance initiatives, to assess the consistency of implementation methodology and geographical coverage areas to avoid duplication of effort, to maximize resources and to reduce desa and gampong fatigue.
- Initiated discussions with the acting Governor of NAD, Head of the Biro Kepegawaian (Employees Bureau) and Head of the Biro Organisasi (Organization Bureau) in the Governor's office, and the Provincial Head of the Badan Kepegawaian Daerah (Regional Employees Board) to determine effective ways to utilize the Rp 20.0 billion contribution from BRR for local government capacity building and recruitment.
- Collaborated with the Medan representative of GML Performance Consulting and staff from YIPD-Aceh to design an appropriate training program in performance management / minimum service standards based on a request from BRR.

GAM Reintegration: Part of Mr. Hollenbeck's SOW involves working on GAM reintegration issues as a result of the historic peace accord signed between the GOI and GAM on 15 August 2005. Toward this end, activities and results during this quarter included the following:

- Traveled throughout the region with the Acting Governor and key staff to assist in socializing local government officials and leaders to the MOU and attending workshops in an effort to sustain the peace process.
- Participated in the CDD Workshop on "Preliminary Findings of the GAM Reintegration Needs Assessment".
- Assisted with preparations and implementation of the USAID-UNDP Workshop "Membangun Perdamaian Lestari di Aceh / Building Lasting Peace in Aceh" held in Banda Aceh 11 - 13 December '05.
- Assisted in finalizing the Governor's decision letter formally creating the Forum Bersama Pendukung Perdamaian and its Steering Committee.
- With the Governor met with EU's representative in Aceh, Francisco Fontan, and the Japanese Ambassador to Indonesia, His Excellency Ambassador Imura, to discuss the status of the GAM re-integration process and possible EU and Japanese participation in the Forum Bersama. Also met with the U.S. Vice Council in Medan, Thomas Daley, to discuss the status of the GAM re-integration process, the status of the draft Law for Aceh, and any assistance the U.S. Government might be able to provide to move the peace process forward.

Pemda priority roles in reconstruction identified and operational. With the assistance of A-TARP and our USAID partners, the Governor's office has begun to define its role in the reconstruction efforts. Mr. Hollenbeck initiated regular meetings with the Senior Advisor to the Head of BRR in an effort to strengthen coordination between BRR and Pemda NAD. These discussions included consultations with BRR advisors working on the tsunami one-year commemoration communications programs in order to design a program for strengthening the public relations outreach and image of the Governor's Office. Discussions with BRR also covered BRR's decision to open regional offices in six of the hardest disaster-affected NAD districts and kabupaten, including meetings with the McKinsey advisors regarding their proposed program to strengthen village and kecamatan governance, improve inter-governmental level coordination, and enhance local level public relations and perceptions of BRR.

D3. Supreme Audit Board (BPK), Jakarta

Execution of the Strategic and Implementation Plans. Long term A-TARP advisors Messrs. Craig Anderson and Luke Tatnell and short term advisor Vic Rezendes worked closely with their BPK counterparts to finalize and implement the strategic plan. During the fourth quarter A-TARP advisors have directed the BPK Core Team through completion of strategic plan and detailed implementation plan:

- Identified opportunities for strengthening BPK's brand and public outreach through meetings with external (Moore Rowland) and internal (Rahim Jabbar) parties.
- Planned and directed BPK strategic planning workshop at Millenium Hotel, Jakarta and Novotel Hotel, Bogor and conducted individual implementation plan briefings for individual Board Members and BPK regional office audit head. Additionally, conducted several coordination meetings with Department of Maritime Affairs and Fisheries Inspector General's Office and BPKP Director of Economics Division.
- Worked closely with USAID and ADB counterparts to ensure alignment of ADB and USAID activities.
- Assisted in planning and delivery of Board presentation by international consultants (Jan van Dam and Terry McLaughlin) providing audit standards guidance to BPK.
- Initiated activities on several key Implementation Plan tasks

Accountable and corruption-free reconstruction. Visits to the regional office in Aceh and collaboration with other USAID-funded projects have contributed to significant gains in encouraging transparency and accountability in the reconstruction process. A-TARP advisors conducted a successful financial accountability conference follow up site visit to Banda Aceh and participated in GAO meetings in connection with the audit of Aceh assistance.

D4. Ministry of Finance, Jakarta

Improved capacity and implementation at the Asset Management Company (PPA). Senior Advisor to the Ministry of Finance, Ed Gustely has been working closely with the Minister on asset disposals.

The A-TARP project has advised and prepared strategy recommendations to the Finance Minister and PPA Head on pricing and timing of the government's remaining 5.02% stake in BCA, Indonesia's second largest lender by assets. Net sale proceeds amounted to IDR 2.19 trillion (US\$216 million) resulting in a 2 percent premium over the shares' closing price. Additional assistance was provided on asset enhancement and disposal of Dipasena, the world's largest integrated shrimp operations involving 11,000 farmers. Mr. Gustely provided counsel and advice to PPA management throughout proposal review, bidding process, and final negotiations. This work resulted in a record US\$ 596 million in asset disposals for PPA and the Finance Minister raised PPA's US\$ 340 million year-end revenue target for covering shortfalls within the state budget.

Improved development and implementation of Treasury policies. A-TARP provided confidential advice and counsel to the Finance Minister and Treasury Director General on issues involving bond composition (10 yr and 30 yr tranches), pricing and market timing. Mr. Gustely conducted briefings and country presentations with IFIs in London and New York resulting in \$4.25 billion of aggregate bids. Indonesia became the “FIRST” among the emerging markets to offer a 30 yr. bond.

Increased functional policy capacities at senior and upper echelon levels. A-TARP, through the assistance of Mr. Ed Gustely has provided technical guidance to the Finance Minister on issues including public debt management, tax code revisions, the Islamic insurance and Takaful system, and sovereign debt exchange.

D5. Coordinating Ministry for People’s Welfare (Menko Kesra), Jakarta

Improved policy and coordination capacities. Senior governance advisor Maurice Knight worked directly with the Minister of Health to develop a new national health sector strategy and platform. This platform is formed on four pillars: 1) National Initiative for Social and Institutional Mobilization; 2) National Initiative for Improved Health Services Delivery; 3) National Initiative for Improved Surveillance and Monitoring; and 4) National Initiative for Increased Health Sector Financing:

- Played a lead role in the organization and conduct of the National Health Conference: A National Call to Action. This conference included governors from all 33 provinces, along with representative regents from regencies in each province, heads of regional family planning programs, heads of provincial and district health offices, heads of provincial and regency parliaments and others. This national health conference provided the venue for the Minister of Health to announce her new national health sector platform.
- Facilitated the WHO hosting of the Indonesia Health Partners’ donor meeting at which the Minister of Health announced to the donor community her new platform and invited participation and support.
- Provided key support for the formation of an avian influenza coordination desk at the Coordinating Ministry for People’s Welfare.
- Completed staffing of the BHS secretariat team including a BHS coordinator and BHS assistant coordinator.

D6. National Development Planning Agency (Bappenas), Jakarta

Employment and labor policy assistance. Through short term assistance, provided by labor economist Vivian Chen, A-TARP began its research into employment and labor policies. Ms. Chen conducted interviews with BAPPENAS, labor union representatives, the World Bank and the ILO in addition to reviewing relevant literature to assess current employment and labor policies from a macroeconomic economic perspective. This research allowed Ms. Chen to create a road map of next steps to understanding and reforming employment and labor policies in order to better serve the Indonesian people and economy.

E. PLANS FOR MOVING FORWARD

In Aceh:

Continue advisory and material assistance to two primary counterparts: BRR and the Governor of Aceh. Areas of TA likely to include:

- Further development and operations of BRR's Anti-Corruption Unit, including how it will interact with BPK, Corruption Eradication Commission, and Anti-Corruption Court
- Continue and expand completion of village spatial plans, including advising the rapid rollout of spatial planning teams to cover the 650 affected villages, while at the same time tying these plans directly to organizations pledging to build houses and infrastructure, wherever possible.
- Through BRR, advise all aspects of the logistics of reconstruction: amassing needed materials, moving materials from port to location, improving transportation infrastructure and processes for materials, personnel and equipment, and ensuring the availability of funds from donors or GOI budget resources to cover these efforts.
- Advise and support the implementation of the Peace Agreement between the GOI and the Free Aceh Movement (GAM). This assistance is being provided through the Aceh Governor's office, and will include planning and support of a multi-stakeholder institution that will serve as a safe and neutral forum to address issues of concern to the government, GAM, and Aceh communities and their civil society representatives. Reintegration of former combatants will continue to be a priority issue addressed by project advisors.
- Advise the Aceh Governor and his staff on how to rebuild and greatly improve local governance in Aceh, both in response to the tsunami and to the Peace Agreement, which includes extensive provisions for provincial autonomy and self-determination.

In Jakarta:

- Expand assistance to BPK to support full and successful execution of the agency's Strategic and Implementation Plans. As needed, help BPK tap other sources of assistance to realize the maximum number of planned reforms.
- Continue to advise and help oversee disposal of GOI assets through the Ministry of Finance's Asset Management Company.
- Advise and help implement Menko Kesra initiatives, such as the national response to the avian influenza threat, regional malnutrition, disaster relief, and immunization campaigns.
- Establish and operate a full-service SOAg Secretariat based in Menko Kesra and serving the USAID Strategic Objective teams and partners for Basic Human Services and Education.