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ACEH TECHNICAL ASSISTANCE RECOVERY PROJECT (A-TARP)

QUARTERLY REPORT #4: APRIL 1 – JUNE 30, 2006

31 July 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International.

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Contract No. AFP-1-01-04-00002-00

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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EXECUTIVE SUMMARY

The Aceh Technical Assistance and Recovery Project (A-TARP) focuses on issues related to the reconstruction of Aceh and Nias and on the creation and implementation of growth-oriented policies by Jakarta ministries.

In the second quarter of 2006, A-TARP made considerable progress in both the tsunami region and in Jakarta. We continued our work from the first year of the project, assisting our counterpart agencies to build back better in Aceh and Nias and encouraging transparency, accountability, and efficiency among national government agencies.

A-TARP assists the Aceh Nias Rehabilitation and Reconstruction Agency (BRR) in almost all aspects encouraging the effective and efficient implementation of “build back better.” During the second quarter of 2006, A-TARP’s advisors in Aceh have continued to provide assistance to BRR in housing policy, communications, disaster preparedness, logistics and operations, and anticorruption. PT Was completed its subcontract under A-TARP in June, and has created 33 village plans; village planning guidelines; detailed engineering design standards for Lamjabat, which set the standard for community infrastructure; an urban design plan for Gunung Sitoli; and a Kecamatan design plan for Sabang.

The senior governance advisor continued to work on mechanisms to expand effective, accountable, and participatory local governance; strengthen coordination between BRR and provincial-level government institutions; and focus on procedures to institutionalize improved coordination and capacity building between BRR and local and district-level governments in response to the rollout of BRR’s regionalization program. Also in the area of governance, A-TARP has subcontracted to Yayasan Inovasi Pemerintahan Daerah to carry out the Aceh-Nias Governance Enhancement Program (ANGEP).

A-TARP activities in Jakarta from April to June 2006 include newly conceived assistance to the Directorate General for Tax with the goal of establishing an internal audit unit. We also continued to work with the Ministry of Finance on debt restructuring and disposition of state-owned assets. The strategic objective agreement (SOAG) secretariat team for USAID programs in health, environment, and education continued efforts to establish standard operation procedures and provide timely administrative support to all USAID projects operating under the SOAG with Menko Kesra.

II. A-TARP ADVISORS AND STAFF

The composition of A-TARP’s team of advisors and staff has adapted to the evolving needs of the project. The table below outlines current A-TARP staff, including short-term consultants providing assistance in the fifth quarter.

Jakarta-based Personnel	Aceh-based personnel
Project Management Office, Menara Kadin <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 Adji Dharmoyo ▪ Program & IT Assistant Rio Harie ▪ Administrative Assistant Dyah Handayani ▪ Drivers Machmud & Ucu Juhana 	Project Management Office, Banda Aceh <ul style="list-style-type: none"> ▪ Deputy Chief of Party Ernie Leonardo ▪ Program Manager Safrul Muluk ▪ Accountant Cut Yashmin ▪ Program Assistant/Cashier Rizki Baihaqi Halim ▪ Interpreter & Program Assistant Firmansyah ▪ Drivers Iin, Usman, Jaya, TBD ▪ Guards Fauzi, M. Amin, Muliadi
Directorate General Tax Advisory Team <ul style="list-style-type: none"> ▪ Senior Advisor Luke Tatnell ▪ Program Administrator Ahmad Fajarprana ▪ Office Assistant Hartono 	BRR Advisory Team <ul style="list-style-type: none"> ▪ Deputy Chief of Party Ernie Leonardo, part-time as appropriate ▪ Chief of Party Jonathan Simon, part-time as appropriate ▪ Executive Assistant & Institutional Advisor Maggy Horhoruw ▪ Senior Logistics Advisor John Brady ▪ Senior Planning Advisor Owen Podger ▪ Senior Communications Advisor Horace Crowe ▪ ST Anti-Corruption Advisor Bertrand de Speville ▪ ST Nias Communications Advisor Rosie Ollier ▪ ST Housing Advisor Michael Lippe ▪ ST Disaster Risk Advisor David Mammen ▪ ST Tourism Advisor Stan McGahey ▪ ST Business Development Advisor Gordon Studebaker
Ministry of Finance <ul style="list-style-type: none"> ▪ Senior Advisor Ed Gustely ▪ Driver Tata Sunarwan 	Aceh Governor’s Office <ul style="list-style-type: none"> ▪ Senior Advisor LeRoy Hollenbeck ▪ LT Forbes Damai Advisor TBD ▪ LT Forbes Damai Secretariat Coordinator Yarmen Dinamika
Menko Kesra <ul style="list-style-type: none"> ▪ Senior Advisor Maurice Knight ▪ SOAG Secretariat Technical Advisor, BHS Artha Camelia ▪ SOAG Secretariat Technical Advisor, EDU Bachruddin Musthafa ▪ SOAG Secretariat Assistant, BHS, Mauliyati Slamet ▪ SOAG Secretariat Assistant, EDU, Erlina Tasmania ▪ SOAG Secretariat Office Manager Umi Sugiharti ▪ SOAG Secretariat Admin. Assistant Rosmi Agustinah ▪ Driver Iding Sudrajat 	Aceh Public Works Department <ul style="list-style-type: none"> ▪ Roads Advisor Rusdi

III. ACTIVITIES AND KEY ACCOMPLISHMENTS

IIIA. ACEH AND NIAS REHABILITATION AND RECONSTRUCTION AGENCY (BRR)

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

USAID SO 5: REHABILITATION AND RECONSTRUCTION OF ACEH AND NIAS

A-TARP's 2006 second quarter activities continued to focused on technical assistance to the BRR. BRR was established in April 2005 to facilitate the implementation of the \$7 billion international tsunami and earthquake reconstruction program.

Below, we present second quarter project activities broken down by key result areas (KRAs) under this strategic objective (SO).

USAID IR 1: TRANSITION FROM CAMPS TO COMMUNITIES

KRA 1: BRR EFFECTIVELY COORDINATING RECONSTRUCTION PROGRAMS

During Year 2, A-TARP will continue working with BRR in two broad areas:

1. BRR core functions, such as planning and policy, executive direction, communications and outreach, and good governance.
2. Reconstruction service delivery for housing and settlements, economic and business development, and logistics.

Completed project activities in these areas are described below.

Village planning guidelines. PT Wastuwidyawan completed all deliverables of their work program with A-TARP including: the remaining village spatial plans for 33 villages chosen for the BRR prototype program; *Village Planning Guidelines*, a document issued by the BRR, setting planning standards to guide the redevelopment of the 650 villages affected by the tsunami and Nias earthquake; a workshop to release and explain the village planning guidelines; detailed engineering design standards for Lamjabat, which set the standard for community infrastructure supported by BRR's Division of Housing and Human Settlements; an urban design plan for Gunung Sitoli; and a Kecamatan design plan for Sabang. PT Was will also help disseminate village planning guidelines through a series of workshops, seminars, and a brochure for community outreach and a frequently asked questions. This will be offered to donors and NGOs who are designing and building housing and infrastructure at the village level and to architects, planning professionals and university faculties and students interested in settlement planning and the innovative methodology conceived by PT Wastuwidyawan.

Housing policy. A-TARP funded a policy advisor to finalize BRR's Division of Housing and Human Settlements (DHS) comprehensive market-driven, private sector-oriented housing policy for Aceh and Nias. A-TARP Deputy Chief of Party Ernest Leonardo advised the DHS as it implements its policies on housing reconstruction and rehabilitation, community resettlement, rental housing, and upgrading of informal settlements. Supplementing this technical advisory work, BRR Communications Advisor Horace Crowe, funded by A-TARP, developed frequently asked questions (FAQ) for the housing policies.

Coordination of kabupaten, kecamatan, and village settlement plans and district action plans. Senior Planning Advisor Owen Podger continued to assist the BRR with integrating reconstruction planning at the kabupaten, kecamatan, and village levels. Working with BRR officials in charge of Planning and Housing and Settlements, he advised on development and implementation of kabupaten-level action plans that incorporate new and improved standards for health care, education, and other public services under the "building back better" approach.

Disaster management policy assistance. In response to the BRR's desire to improve Indonesia's institutional framework for preparing for and managing natural disasters – a matter critical to long-term, sustainable recovery throughout the country – A-TARP continued to fund the work of Disaster Risk Management Advisor David Mammen to provide BRR with a voice in the ongoing national dialogue on disaster management institutional issues relating to prevention, preparedness, and emergency response and recovery measures. On behalf of BRR, Mr. Mammen researched best practices worldwide in developing a community based approach to disaster risk reduction and management.

Assistance to director's office and chief operating officer's office. A-TARP continues to assist the executive management of BRR through three key channels. First, Institutional Advisor and Executive Assistant Maggy Horhoruw works directly with BRR Director Kuntoro Mangkusubroto and his other direct advisors to help ensure smooth operation of the agency and to recommend steps to improve human resources development and organizational structure.

Second, Senior Planning Advisor Owen Podger continues to advise BRR Chief Operating Officer Eddy Purwanto on the structure, functions, resources, and priority initiatives of the chief operating officer's new position and office.

Third, the A-TARP chief of party and deputy chief of party continue to advise Kuntoro and his senior staff on technical and operational approaches on an ad hoc basis, drawing on their bird's-eye view of reconstruction efforts and on knowledge of what is being done or planned by other organizations, including donors, NGOs, and local governments.

Anti-corruption program. A-TARP brought Bertrand de Speville, a world-renowned anti-corruption expert, to Aceh for a third mission to help develop operational plans and train personnel for the BRR's Anti-Corruption Unit (*Satuan Anti-Korupsi*, or SAK). This mission specifically addressed issues relating to prevention, enforcement, public information, and collaboration with external institutions.

CORE FUNCTIONS ACTIVITY 3: BRR COMMUNICATIONS AND OUTREACH

Communications strategy and public outreach program. Communications Advisor Horace Crowe arrived in Banda Aceh on June 13, 2006, and has begun to develop a communications strategy and public outreach program for the BRR. Mr. Crowe has met with key counterparts to discuss their needs and requirements for communications support and has collected information and documents about the BRR communications process and the reconstruction process.

The primary activity of the communications advisor to date has been to consolidate and update existing communications strategies, identify what elements of each strategy have already been implemented, and determine what elements of each strategy are still valid in today's environment in order to develop the updated BRR communications strategy and public outreach program, including a plan of action, milestones, and budget.

Public outreach. Communications Advisor Horace Crowe has also drafted several press releases: one for USAID on BRR housing policy, two for BRR on housing policy, and one for BRR on the village planning guidelines. The advisor also drafted the first in a series of four FAQs on the village planning guidelines for dissemination in the villages and communities to describe village planning and its benefits to the community and each resident.

BRR Nias communications. Communications Specialist Rosie Ollier has been working with BRR in Nias, advising on the development and implementation of the BRR Nias Complaints Handling Unit and the community consultation forums. Ms. Ollier has developed documents and resources to strengthen the BRR's communications and outreach capacity in Nias. The documents and resources include: human resources guidelines for the Nias BRR Communications Department (organizational chart, terms of reference, evaluation of staff); terms of reference and list of participants for the Nias Public Information Working Group; design for communications materials to be disseminated by the BRR Nias office; and production of Fatuhe magazine.

CORE FUNCTIONS ACTIVITY 4: BRR GOOD GOVERNANCE

Assistance to BRR regional offices. The regionalization of BRR operations is among the agency's top priorities for its second year of reconstruction work. To assist this process, A-TARP team members are advising the rollout of BRR activities to the regions and the devolution of authorities from Banda Aceh to the kabupaten level. Senior Planning Advisor Owen Podger developed a capacity building plan, identified monitoring and evaluation priorities, and outlined stakeholder roles for partnerships that BRR is seeking to develop with local governments across Aceh and Nias.

Concurrently, our subcontractor YIPD is carrying out the Aceh-Nias Governance Enhancement Program, described more fully above under USAID SO 3. Per their scope of work, YIPD has selected 13 initial target kecamatans in conjunction with BRR regional office deputies and staff. Capacity building for these local governments will take place in parallel with reconstruction programs designed and implemented by BRR regional offices. In this way A-TARP will focus governance enhancement efforts where they can have the most impact as measured through more effective execution of reconstruction programs. At the same time, as noted under SO 3 above, YIPD will also coordinate its capacity building with USAID's Local Governance Support Program, which works in most, if not all, of the kabupatens where the Yayasan plans to work.

Communications and general assistance to regional offices. As BRR's regionalization planning process continues, key inputs have been sought from BRR Nias as a decentralized regional office. On June 5-7, 2006, BRR Nias hosted the Regionalization Workshop: Lessons Learned Nias. For this workshop Communications Specialist Rosie Ollier wrote the Nias lessons learned report (June 5, 2006), prepared William Sabandar's presentation, and helped to manage the meeting of key staff from BRR Headquarters. This meeting provided key inputs for the regionalization planning process for BRR.

SERVICE DELIVERY ACTIVITY 1: HOUSING AND SETTLEMENTS

In addition to regionalization, the other stated priority for BRR's second year of operations is to accelerate the provision of housing and settlements to affected communities. Toward this end, the agency has established, staffed, and is now giving considerable resources to its Division of Housing and Settlements. As in-house advisors to BRR, A-TARP is working closely with this division, led by our deputy chief of party. Specific areas of assistance are described below.

Reconstruction concept plans for Nias and Sabang. Through an ongoing subcontract, A-TARP has funded PT Wastuwidyawan to complete reconstruction concept plans for Gunung Sitoli, the capital of Kabupaten Nias, and Sabang, the port city on Pulau Weh, the island just across the strait from Banda Aceh. BRR has identified Sabang as a potential new economic development zone and possible freeport. Deputy Chief of Party Ernest Leonardo continues to work with BRR and local government authorities to assist with the implementation of these plans with additional support of PT Wastuwidyawan and the project's other long- and short-term experts as needed.

Detailed engineering designs for community infrastructure. As noted earlier, PT Wastuwidyawan has designed detailed community infrastructure designs for Lamjabat village in the Meuraxa subdistrict of Banda Aceh. Detailed engineering designs (DED) for houses and community infrastructure (for example, roads, schools, drainage pipes, and utility connections) are the step after spatial planning that lead to the actual reconstruction of better planned, better built communities. The detailed design for Lamjabat serves as a prototype, and the standards incorporated into this design are now being used in the infrastructure designs for other community plans throughout Aceh and Nias. These standards will be introduced to local government officials through BRR's new regional offices.

Establishment of housing cooperatives. BRR's deputy for housing and settlements has requested support from A-TARP in the form of a medium-term advisor and corresponding resources for a conference on the subject of cooperative housing for low-income and vulnerable populations in Aceh and Nias. Housing cooperatives can provide lower-cost, higher quality self-build housing where community residents have the responsibilities and resources to provide for their own future housing. A-TARP's deputy chief of party has identify a potential initial approach to organizing a cooperative housing pilot program based on similar work carried out in Thailand.

Support for housing finance fund. BRR has also requested assistance to assess the potential benefits and usage of long-term mortgage financing for a variety of possible scenarios, for example:

- Households that will receive partial compensation for housing rehabilitation but wish to do more than a basic fix-up
- Homeowners who are receiving a new small house but wish to expand and make rooms available for renters, increasing rental housing supply and reducing prices
- Cooperative housing for low-income and vulnerable groups, including squatters affected by the tsunami, who get one-half of the cost of a new house as a subsidy that could be used as a down payment to build a new house or buy land

A-TARP's deputy chief of party has convened a working group within BRR to discuss this initiative with USAID's Development Credit Authority (DCA) and has provided DCA with data and information to help craft an outline for a pilot program.

SERVICE DELIVERY ACTIVITY 2: ECONOMIC AND BUSINESS DEVELOPMENT

Aceh-Nias business and investment development. A-TARP fielded short-term Business Development Advisor Gordon Studebaker to BRR in June to help devise and begin to carry out practical approaches to business development in the Aceh-Nias region. Mr. Studebaker's assignment was planned to last one year, but pending final budget approval from USAID, he has begun with a two-month assignment to help BRR determine an effective, workable approach to fostering growth in promising business sectors within the context of a practical market-driven economic growth plan. He works in BRR's offices in Banda Aceh and has begun the following key tasks: held discussions with BRR officials, private businesses, and community stakeholders to identify and prioritize factors that promote increased economic competitiveness; begun to identify the potential to introduce specific macro- and micro-level interventions and entrepreneurial incentives to foster economic growth; and has briefed decision makers on the relative advantages and disadvantages of alternative approaches to economic development in terms of costs, transparency, effectiveness, and ease of making programs operational.

Several sectors have already been identified as having significant potential to drive economic growth in Aceh and Nias. One of these is tourism, for which A-TARP has fielded a dedicated specialist (see below).

Tourism development strategy and initial steps. One key aspect of the business development assistance noted above is to help jump-start the regional economy and help rebuild economic activities so they are better than they were before the tsunami –more competitive, higher value, and more focused on jobs and growth. Specifically, BRR wishes to exploit sectors of the economy that offer long-term promise for growth and profitability. Such sectors, such as tourism and hospitality, could be targeted for improved competitiveness.

In response, A-TARP is providing Tourism Development Advisor Stan McGahey for two months beginning in June 2006. His role is to help ensure that Aceh and Nias develop internationally competitive tourism industries that can generate economic and social benefits for local populations through the provision of tourism products and services that reflect and protect their heritage, cultures, and lifestyles. To date, Mr. McGahey has helped train local government tourism officials on how to better promote tourism and network with tourism providers. He has also begun to draft a longer term public-private tourism strategy.

SERVICE DELIVERY ACTIVITY 3: LOGISTICS SUPPORT

Timber help desk. Senior Logistics Advisor John Brady has arranged for the realigning of the timber advisory function within BRR and established a timber help desk in BRR's one-stop shop where any organization with a question about timber documentation or supply can receive accurate information. Mr. Brady has worked closely with BRR timber experts to determine legal requirements, arrange for classes and workshops held for timber users, publish guides, establish a user group, conduct surveys, and sponsor a timber trade show

Supply depots. Mr. Brady has spent significant time working with the BRR's deputy for housing staff to develop a logistics program using a depot system to stock housing material particularly affected by shortages of supply and inflation. The concept involves using an large, experienced national distributor to operate the depots throughout Aceh that NGOs and contractors could use as a source for housing material supplies. The approved plan to implement this system continues to change significantly as BRR changes housing designs to use alternative materials. Supplying Nias and Simeulue continues to be the biggest challenge because of damaged and destroyed ports and lack of internal transport infrastructure and damage to existing infrastructure

Port reconstruction. Senior Logistics Advisor John Brady has hosted a series of meetings involving the WFP Shipping Service, United Nations Development Programme, and BRR to determine existing requirements for temporary port facilities and to develop an effective plan with proper resources to ensure that reconstruction supplies can be moved when and as required. As a result of these meetings, the team was able to get construction started on the temporary jetty in Calang, complete work on an landing craft tank (LCT) ramp in Gunung Sitoli, design and fund a temporary jetty for Sinabang, and identify a building requirement for three landing craft ramps in Teluk Dalam on Nias and minor construction for the towns of Sirombu and Lahewa on Nias. They also identified building requirements for small temporary ports on northern Simeulue and have initiated action through BRR to begin all work on rehabilitating the ports.

NGO logistics plans. Mr. Brady has been designated by the BRR director as the logistics executive for BRR, responsible for coordinating all logistics efforts for BRR infrastructure, housing, and NGOs. Newly hired staff have assisted Mr. Brady in working with NGOs to determine their materials and logistics requirements and assistance they may need to strengthen their logistics and planning capacity. The BRR has made progress in the area of logistics and related planning but will require continued assistance in this area for the indefinite future.

Air service. During this period, Mr. Brady has worked extensively with the United Nations Humanitarian Air Service to explore financial options for their continued existence. He has assisted them in reconfiguring their aircraft fleet to minimize costs while still providing service. As of the end of this quarter, it appears that we have managed to make available funding to last until December 31, 2006.

World Food Program Shipping Service. Mr. Brady continues to work with the United Nations World Food Program Shipping Service to support their efforts in providing sea cargo movement. The service now requires additional funding, and Mr. Brady has participated in an

analysis of present operations and worked with NGOs and BRR to make as accurate a forecast as possible for cargo requirements through June 2007.

USAID IR 2: REBUILDING INFRASTRUCTURE

KRA 2: ACEH COASTAL HIGHWAY CONSTRUCTION PROCEEDING WITH COORDINATION BETWEEN BRR AND LOCAL GOVERNMENT

In support of IR 5.2, A-TARP provides an Indonesian roads engineer to advise the Aceh Provincial Department of Public Works to liaise with BRR and USAID on the Banda Aceh-Meulaboh Road project.

A-TARP's Senior Roads Advisor Rusdi, through his pre-construction work with local communities, enables the Public Works Department to complete the Banda Aceh to Meulaboh road. He completed the activities discussed below in road-building during this quarter:

Donor coordination. Senior Roads Advisor Rusdi works closely with the Parson's road project, Aceh Besar district government, NAD government, and USAID to ensure all parties are updated and involved in the progress in community awareness and land acquisition. Mr. Rusdi has numerous meetings with all officials to discuss issues such as environmental impacts, land acquisition, and the necessity of a land calculation team.

Community awareness. Mr. Rusdi works closely with communities along the planned road and encourages them to sign memoranda of understanding (MOU) to facilitate continued construction of the road. From April to June, Mr. Rusdi worked with the communities of Lhok Nga, Lamno, and Lhok Pudeung to sign MOUs. He was also involved in the presentation of the environmental assessment of the planned road at provincial Bapedalda office.

Road alignment. Technical steering committee meeting members, who meet monthly at Parson's Road Project office, discuss issues of land acquisition and road alignment. Mr. Rusdi participates in these meetings which precipitate follow-up meetings to coordinate with the governor of NAD province to discuss road construction and construction standards. Coordination with all stakeholders has resulted in submission of a planned road alignment that has been agreed upon by BRR and local government. Some challenges have been faced in the area around Geurutee Mountain because the investigation report that the mountain has shifted from its original position due to the earthquake. Mr. Rusdi will work with all stakeholders to ensure a new road alignment will take this into consideration.

Land acquisition. Senior Governance Advisor Leroy Hollenbeck worked with USAID Aceh-based staff and personnel from the Parsons-IRG road consultant team on issues related to land acquisition along the Banda Aceh to Meulaboh road right-of-way. He also facilitated meetings with the road consultant team, the governor's office, BRR, and Kabupaten officials, leading to a plan for when land along the road would be released.

Senior Road Advisor Rusdi has worked with the land acquisition team that is expected to immediately establish a land price assessor team according to President Statement No. 36 Year 2005. Explanation and information about alignment and land acquisition will be passed onto the NAD provincial officer, as well as Aceh Besar, Aceh Jaya, and Aceh Barat District officers. Mr. Rusdi has also facilitated the process of alignment through aerial photography from Banda Aceh to Lamno. This work has facilitated the signing of a document of road

alignment and authority letter to Aceh Besar District to provide land for Banda Aceh to Meulaboh road construction by the governor.

IIIB. GOVERNOR'S OFFICE, ACEH

SO 3: EFFECTIVE DEMOCRATIC AND DECENTRALIZED GOVERNANCE

The governor of Aceh is officially the vice chairman of BRR and is involved in planning, economic development, and governance issues related to reconstruction and to the province's overall growth. A-TARP's role, executed primarily by the long-term governance advisor to the Aceh governor's office, is to advise the provincial — and by extension, local — government on reconstruction issues and obstacles to clarifying roles and responsibilities of provincial and local governments in relation to BRR, central ministries, NGOs, and other agencies.

USAID IR 2: EXPANDING PARTICIPATORY EFFECTIVE AND ACCOUNTABLE LOCAL GOVERNANCE

KRA 1: IMPROVED COORDINATION OF BRR AND LOCAL GOVERNMENT FOR RECONSTRUCTION PROGRAMS

Regional coordination. A-TARP's Senior Governance Advisor Leroy Hollenbeck continued efforts to clarify the roles and responsibilities of provincial and local governments in relation to BRR and NGOs, focusing particularly on strengthening the collaborative relationship between the governor's office and BRR at the provincial level by encouraging more frequent and direct exchanges between staff at these two key provincial institutions. These efforts included work with BRR staff on mechanisms to strengthen coordination and collaboration between their regional staff and local authorities at the soon-to-be opened BRR regional offices. Mr. Hollenbeck provided input directly to the Communications Specialist Rosie Ollier, who worked on the regional rollout and participated in CFAN2, BRR's semiannual meeting in Jakarta where the regionalization program was discussed in detail.

Mr. Hollenbeck also coordinated a series of meetings between a Jakarta-based communications specialist, Said Mustafa, officials from the Aceh Peace Reintegration Agency (BRA), and officials from the provincial-level government to integrate inputs from all parties for the provincial communications strategy.

Coordination with the United Nations. Mr. Hollenbeck worked with Mr. Eric Morris, Head of the United Nations Office for Recovery Coordinator (UNORC), and the governor on strengthening coordination of UN and BRR regional staff. The UN made decided to co-locate its staff with BRR staff at each regional office. Mr. Hollenbeck has also encouraged local government to actively participate in this process to achieve strengthened capacity prior to BRR's departure early 2009.

Good governance advisory team. Mr. Hollenbeck continued to spearhead initiatives to strengthen the role of the good governance advisory team. This team has been working to revise the terms of reference for the BRR survey team to continue the donor coordination mapping work and provide input to BRR's database system. As a part of this work, Mr. Hollenbeck assisted the World Bank in finalizing the matrix detailing all donor-funded governance initiatives in the province of NAD.

KRA 2: IMPROVED DELIVERY OF PUBLIC SERVICES BY LOCAL GOVERNMENT IN TSUNAMI-EARTHQUAKE REGION

Chief of Party Jonathan Simon and Senior Governance Advisor Leroy Hollenbeck worked with YIPD staff as they prepared to implement A-TARP's Aceh Nias Governance Enhancement Project (ANGEP) subcontract. Mr. Simon and Mr. Hollenbeck accompanied YIPD staff to Nias for an introductory visit to select potential sites for implementation of the project and assisted YIPD in preparing a comprehensive 16 month program to strengthen local government capacity in several sub-districts (kecamatan) in the provinces of Aceh and North Sumatera (Nias). YIPD initiatives will include: performance management, financial management, organizational development and restructuring, project management, and development planning.

USAID IR 3: ADDRESSING CONFLICT AND ENCOURAGING PLURALISM

KRA 3: ACEH PEACE FORUM/BRA OPERATING EFFECTIVELY

FORBES Damai. Senior Governance Advisor Leroy Hollenbeck continued collaboration with FORBES (joint forum) stakeholders on recruiting the peace advisor. After the short list of five potential candidates was prepared, the selection committee conducted a series of interviews culminating in the selection of the most qualified advisor. He is being contacted to discuss employment conditions. The FORBES Damai BRA held five meetings and six FORBES interaction group meetings attended by Mr. Hollenbeck. The interaction groups began discussions about livelihoods, macroeconomic development, reconciliation, and human rights, and MOU socialization. Mr. Hollenbeck also worked with USAID and FORBES Damai BRA on planning for the strategic planning initiative.

Badan Reintegrasi-Damai Aceh. Mr. Hollenbeck has provided continued technical advice to the governor on revising the gubernatorial decree (SK) establishing the Badan Reintegrasi Damai Aceh (BRA). The governor agreed to a final revision which resulted in a new and final SK with only 25 members, down from 80, in Bapel BRA. Mr. Hollenbeck also provided technical advice to the senior membership of Bapel BRA and Bappenas, including participation in the inter-department meeting in Jakarta on formulating a more effective approach to deal with more than 35,000 proposals that Bapel BRA received as part of their livelihood program. As a result, the World Bank was engaged to work with Bapel BRA to design a community-based approach following the bank's successful Kecamatan Development Program (KDP). Bapel BRA has a budget for 2005 of Rp 200.0 billion (US\$ 22.0 million) and a budget for 2006 of Rp 600.0 billion (US\$ 65.0 million). Mr. Hollenbeck also met with World Bank President Paul Wolfowitz and discussed the possibility of re-earmarking funds originally budgeted for Aceh reconstruction and rehabilitation to Free Aceh Movement (GAM) reintegration.

IIIC. MINISTRY OF FINANCE, JAKARTA

SO 4: ECONOMIC GROWTH STRENGTHENED AND EMPLOYMENT CREATED

USAID IR 1: INCREASED CERTAINTY IN THE BUSINESS OPERATING ENVIRONMENT LOWERS TRADE AND INVESTMENT RISK

USAID IR 2: IMPROVEMENTS IN CRITICAL PUBLIC SERVICES INCREASE INVESTMENT AND TRADE EFFICIENCY

KRA 1: IMPROVED FISCAL POLICIES IMPLEMENTED BY THE MINISTRY OF FINANCE

Financial sector policy reform. With the office of the economic coordinating minister, Senior Finance Advisor Ed Gustely has reviewed key regulatory and implementation issues involving the government's newly launched policy package aimed at improving coordination between fiscal and monetary authorities and accelerating reforms in the banking sector, non-bank financial institutions (NBFI), and capital markets. They have assessed strategies to overcome impediments to improve performance of state-owned banks through regulatory changes on non-performing loans and state owned enterprises (SOE) privatization policy.

Conferences and meetings. Mr. Gustely assists the minister of finance in drafting speeches and policy papers for meetings with international multilateral organizations. In the second quarter of 2006, these meetings have included:

- *Asia Development Bank, Board of Governors Annual Meeting, 3-6 May, Hyderabad, India.* Drafted minister's opening statement and address; provided confidential advice and counsel to minister and deputy heads in select bilateral discussions involving China, Japan, Korea, France, Australia, Turkey, and Sweden; and coordinated interviews with the international media and press.
- *Islamic Development Bank, Board of Governors Annual Meeting, 30-31 May, Kuwait.* Drafted the minister's opening statement and address. The ministry received \$10 million in disaster relief funds for the Yogyakarta earthquake.
- *Consultative Group of Indonesia (CGI) Annual Meeting, 14 June, Jakarta.* Drafted minister's opening address and presentation to donor participants; provided counsel and advice to minister and deputy heads during the working group and donor pledging sessions.

KRA 2: GOVERNMENT RESTRUCTURES AND DISPOSES STATE-OWNED ASSETS

Ministry of finance reorganization and modernization. Senior Finance Advisor Ed Gustely advises the ministry on institutional project structure and donor support for driving reorganization and modernization process involving tax, customs, budget, and treasury divisions. These activities have included: working with the head of Bapekki in the creation of the ministry's new fiscal policy office; assessing the organizational capacity and scope of policy-making responsibilities that the new Fiscal Policy Office (FPO) will take over from other divisions, including the establishment of its proposed risk management unit tasked with mitigating the government's exposure to contingent liability risks arising from SOEs and public-private partnership projects.

Accordingly, and with the secretary general, Mr. Gustely conducted evaluations and interviews of 56 eligible candidates for promotion to echelon I, II, and III grade levels within the ministry's tax, customs, budget, and treasury divisions. Of the candidates eligible for promotion, about 80 percent received their master's and doctorate degrees under USAID's grant study program.

Semen Gresik-Cemex. The secretary general assigned Mr. Gustely to provide risk assessment and transactional advice involving the proposed \$337 million sale of Cemex's minority

interest in state-owned Semen Gresik to the Rajawali Group. Tasks included updating the ministers at limited cabinet briefings on market developments, options, and recommended strategies for mitigating the government's exposure to shareholder and liability risks.

Garuda. Mr. Gustely provided counsel and advice on the airline's \$864 million debt restructuring involving foreign and domestic creditors; worked with Garuda's board of directors to develop restructuring options; updated the ministers at limited cabinet briefings on market developments; and recommended strategies to mitigate the government's exposure to budgetary and contingency risks arising from debt negotiations.

Merpati. Assigned by the minister to provide confidential advice and counsel on Merpati's debt restructuring with its creditors, Mr. Gustely reviewed bridging loan terms and conditions with interested banks and strategic partners for joint operations; updated the ministers at limited cabinet briefings on market developments; and recommended strategies to mitigate the government's exposure to budgetary and contingency risks arising from debt negotiations.

Assest Management Company (PPA) External Audit Review. Mr. Gustely prepared briefs and advised the board of directors and board of commissioners on revisions to final draft audit report for public dissemination. PPA received an unqualified opinion by its external auditors, Ernst & Young.

IIID. DIRECTORATE GENERAL TAXATION, JAKARTA

SO 4: ECONOMIC GROWTH STRENGTHENED AND EMPLOYMENT CREATED

USAID IR 1: INCREASED CERTAINTY IN THE BUSINESS OPERATING ENVIRONMENT LOWERS TRADE AND INVESTMENT RISK

USAID IR 2: IMPROVEMENTS IN CRITICAL PUBLIC SERVICES INCREASE INVESTMENT AND TRADE EFFICIENCY

KRA 3: DIRECTORATE GENERAL TAX POLICIES MODERNIZED AND REFORMED

KRA 4: DIRECTORATE GENERAL TAXATION BUSINESS PROCESS REVIEW UNIT ESTABLISHED

This quarter, as a result of a request from the Indonesian minister of finance, USAID began to support the Directorate General Taxation (DGT) under the A-TARP project. USAID's support to DGT consists of technical assistance in creating an internal control unit, tentatively named the Business Process Review Unit.

DGT has allocated office space for the A-TARP team, including Senior Tax Advisor Luke Tatnell, and the team has set up operations on the fifth Floor of Building B, DGT Central.

We have held meetings with each of the donors active in DGT, including the World Bank, the IMF, AusAID, and officials representing the Australian Treasury Office. These meetings determined that no other donor was focusing on this activity. In addition, each of the donors expressed a high level of support for USAID and A-TARP's involvement in this activity, which they view, without exception, as being a high-value project integral to the success of the DGT modernization project.

Preliminary discussions have been undertaken with the DGT and the secretary general to determine their views as to the roles and responsibilities of the new unit. Both expressed interest in developing a unit capable of undertaking traditional internal audit functions while developing capacity to analyze business risk and systems development in the context of the current modernization project. The director general has assigned three staff members to liaise with the A-TARP project team, including Deputy Head of the Directorate of Tax Potential and Systems Mr. Estu Budiarto.

Mr. Tatnell and his team have held meetings with three echelon II heads of division to assess management perceptions of the roles and responsibilities of the new unit. All heads of division interviewed to date support the roles anticipated by the director general and the secretary general and have proposed additional functions for the unit, such as complaints management, fraud control, IT capability, and internal investigations. Meetings are being scheduled for the remaining heads of division to canvas their views on the roles and responsibilities of the new unit. Once we have completed this series of meetings, a draft charter will be prepared and discussed with the tax modernization team prior to submission to the DGT and minister of finance for formal approval. Mr. Tatnell and his team will produce this document will be before September 2006.

In summary, the DGT project is proceeding steadily and is being very well received by DGT executive management and the donor community at large.

IIIE. COORDINATING MINISTRY FOR PEOPLE'S WELFARE (MENKO KESRA), JAKARTA

SO 1: IMPROVED QUALITY OF DECENTRALIZED BASIC EDUCATION

USAID IR 1: MORE EFFECTIVE DECENTRALIZED MANAGEMENT AND GOVERNANCE OF SCHOOLS

PROJECT IR 1: IMPROVED COORDINATION AND EXECUTION OF USAID-FUNDED PROJECTS IN THE EDUCATION SECTOR

SO 2: HIGHER QUALITY BASIC HUMAN SERVICES

USAID IR 1: GOVERNMENTS, COMMUNITY ORGANIZATIONS, AND THE PRIVATE SECTOR MOBILIZED TO ADVOCATE FOR HIGHER QUALITY BASIC HEALTH SERVICES

PROJECT IR 1: IMPROVED COORDINATION AND EXECUTION OF USAID-FUNDED PROJECTS IN BASIC HUMAN SERVICES SECTORS

KRA 1: STANDARD OPERATING PROCEDURES UNDER THE STRATEGIC OBJECTIVE AGREEMENT DESIGNED AND ADOPTED

Standard operation procedures. Under the guidance of Senior Advisor Maurice Knight, the SOAG secretariat completed the final draft of standard operating procedures governing interaction between USAID, the Government of Indonesia, and USAID projects and submitted them to USAID for approval. In addition, secretariat staff consulted with staff from the Coordinating Ministry for People's Welfare (Menko Kesra) and the Indonesia State Secretariat and adjusted the standard operating procedures (SOP) as necessary. These SOPs

provide for minimum processing times and have already resulted in a 400 percent decrease in the time required to process visas. The secretariat has also drafted SOPs governing the set-up and execution of field monitoring trips that outline the need for monitoring trip pre-briefings from Jakarta-based project management teams and improved coordination with project field teams; emphasize the role of Menko Kesra in terms of administrative coordination; and clarify the way field monitoring trip terms of reference and field agendas will be developed with field staff.

Secretariat staff began developing guidelines for collection of in-kind contribution information from Government of Indonesia counterpart organizations. Mr. Knight and the Secretariat staff will finalize these guidelines in July and present them to USAID for review before starting collection in August.

Web site development. The secretariat team, with A-TARP project office staff, developed and released a request for proposals for development of the USAID-Menko Kesra Joint Secretariat Web site. This Web site will provide a centralized location through which USAID, Menko Kesra, and project staff can access information on the status of secretariat related tasks, such as visa processing and extension, work permits, duty free car and equipment purchasing, and laws and regulations, related to all aspects of USAID project work in Indonesia. The contract will be awarded in July 2006, and be completed by the end of September 2006.

USAID BHS and EDU Project Support. Secretariat staff began a process for transferring the listing of USAID projects to the State Secretariat, Division for Bilateral Cooperation from their previously incorrect listings with the Department of Social Affairs and the Division for International Cooperation in the State Secretariat. The original incorrect listings resulted in visa delays, delays in duty free car purchases, and delays in office work assignments for USAID project staff and consultants.

KRA 2: PROVIDE SUPPORT FOR MENKO KESRA SOAG STEERING TEAM AND WORKING GROUPS

Working group meetings. The secretariat conducted the joint USAID-Menko Kesra-Project Decentralized Basic Education Working Group meeting in which a range of implementation issues were discussed from the perspectives of the Indonesian government, USAID, and projects. James Hope, director for basic education, represented USAID at this meeting. The secretariat also conducted the joint USAID-Menko Kesra-Basic Human Services Working Group meeting in which representatives discussed implementation issues from the perspectives of the Indonesian government, USAID, and projects. Herbie Smith, basic human services team leader, and Lynn Adrian, director for health services program, represented USAID at this meeting.

Field monitoring trips. Secretariat staff led field monitoring trips for representatives from Menko Kesra, the Indonesia State Secretariat, and National Ministry for Education to review coordination and administration of USAID's decentralized basic education programs at field sites in East Java.

Support to Menko Kesra. The secretariat continued to communicate with the coordinating minister on avian influenza in Indonesia and global efforts to combat this disease. Secretariat staff also provided detailed support to Menko Kesra in the regional rollout of the national call

to action to improve the health status of Indonesians. This program is implemented as a direct result of the USAID-supported National Health Summit jointly convened by the Ministry of Health and the Coordinating Ministry for People's Welfare in November 2005. At this event, all 33 provincial governors agreed to identify one district or city in their province to serve as a center for learning and innovation in cross-sectoral health services improvement. The regional rollout was the first meeting of all the provinces and representatives from the model administrations selected by each governor.

Secretariat staff provided limited support to the deputy coordinating minister for poverty alleviation in the development of a umbrella initiative tying together health, environment, education, women's empowerment, and child welfare (among others) into a national program for poverty alleviation.

KRA 3: TIMELY SIGNING OF ANNUAL SOAG AMENDMENT

SAOG amendment. Secretariat staff facilitated written notification from Menko Kesra of its readiness to sign the strategic objective agreement amendment for FY 2006-2007 upon receipt from USAID of the formal amendment.

IV. PLANS FOR MOVING FORWARD

IVA. ACEH AND NIAS

Continued advisory and material assistance to A-TARP's three primary counterparts (BRR, Aceh Governor's Office, and Aceh Public Works Dept) over the next quarter are 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
- Provide advice and support on business development and possible tourism development in Aceh and Nias
- 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 the Government of Indonesia's budget resources to cover these efforts
- Provide support to the BRR regionalization effort through technical assistance in communications in Nias and other regional offices
- Advise and support the implementation of the peace agreement between the Government of Indonesia and the GAM. The Aceh Governor's Office is providing this assistance, and it will include planning and support of a multi-stakeholder institution that will serve as a safe, 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
- Through a subcontract to Yayasan Inovasi Pemerintahan Daerah to begin in April 2006, carry out community-based mapping and kecamatan-level governance enhancement throughout Aceh and Nias, working closely with local governments and new regional offices of BRR

IVB. JAKARTA

Assistance to the Ministry of Finance and Menko Kesra is likely to include:

- Continue to advise and help oversee disposal of the Government of Indonesia's 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
- Establish the systems and administrative procedures for a fully functioning internal audit unit at DGT