

Minutes of the 13th Steering Committee Meeting

Jakarta, Wednesday, July 18, 2007
Dutch Embassy, 11.00 am – 1.30 pm

Attendees: See Appendix

The meeting was co-chaired by William Wallace, representing Joachim van Amsberg Country Director of the World Bank; Bapak Kuntoro Mangkusubroto, Director of the BRR; Pierre Philippe, representing Jean Bret  ch  , Ambassador and Head of Delegation to the European Commission (EC).

PART A: Introduction

1. Welcome by MDF Co-Chair, Bill Wallace (acting Country Director World Bank)
 - Thanked the Dutch embassy for agreeing on hosting the SCM in such short notice due to expected demonstrations by labor unions at the SEC building.
 - Thanked the group for attending the meeting in such last minute change.
2. BRR Update by Pak Kuntoro Mangkusubroto
 - The last 2 years has been a real achievement for BRR with results that are at the level as planned in the blue print mandated by the Government of Indonesia
 - Mid term review is currently in progress, but most important is to prepare the exit and how work will be transferred to local government(s) and how it can be real assets.
 - Part of the transition process is having two afternoons together in a week with the Governor. Also, the government has agreed it will approve projects and be present during the PCN meetings.
 - Transition is an issue that needs support and would like views from the donors on how to implement the initiative.
 - President of Indonesia will speak on the global warming issue and will hold a reception for donors to that have helped the development of Aceh & Nias during the UN Assembly in September.
3. Remarks from the Governor of Aceh – Pak Irwandi Yusuf (speech attached)
 - The need for an active joint committee: monitor the transition process, prior to BRR's departure that all assets be transferred accordingly, ability to manage and maintain the assets
 - Convergence of reconstruction and reintegration is important. One door government policy – to keep it simple and smart. Focus on needs that are relevant to Aceh development efforts.
 - Convergence and transition is the desire of the government of Aceh, and there is a need for a robust economy.
 - Building the economy needs undivided attention to create employment, alleviate poverty, providing low interest rate loans, increase income.

Comments:

1. CSO representative - Humam Hamid

- One of the biggest problems in Aceh is electricity. Aceh is depending too much to North Sumatra, but the government doesn't have a solution to the problem. BRR has a plan to provide a hydrothermal facility, but that may need 2-3 years to develop and at the same time the eastern coast will remain 7-8 hours daily in the dark. Have spoken to several experts to expedite resources and experts provided a US\$20 million cost to develop a diesel-driven power plant to cover immediate needs. The ownership can be discussed later, but most importantly to be built.
- Acknowledged Irwandi's effort in a new approach to sustainable forest management through moratorium on illegal logging and the new agency for managing the Leuser Ecosystem (Badan Pengelola Kawasan Leuser Ekosistem – BPKEL). One concern is that the new authority does not yet have the resources to manage this initiative. Can MDF provide help through tapping into the Aceh Forest and Environment Project funds, especially the funds granted to the Leuser International Foundation?
- Based on discussions with BRR, the need for a spatial plan is urgent. Today, there is no integrated spatial plan blue print yet. If that is not in place the investments cannot be targeted and sustainable.

2. EC - Pierre Philippe

- Organize an appropriate framework for the transition is important, including being present in meetings prior to the SCM as part of the role and ownership.

Additional Comments from the Governor:

- There are many options to address the electricity issue, but need guidance on how to best mitigate the issue. It will take at least three years until the currently planned power plants will start producing electricity, and in the meantime, investors to Aceh will be forced to provide for themselves.
- Another issue is illegal logging. The new agency BPKEL indeed has limited funds and therefore MDF's support is requested.
- The Acehese poverty rate is 48% – many combatants are jobless which is increasingly becoming a problem. Resentment is high, so a mass employment program is needed, but money is scarce. The government was considering loans but NGOs criticized that this should lead to indebtedness. A solution still needs to be found, and tapping into remaining BRR funds for economic development should be discussed.

Additional comments from MDF Christian Rey

- In its current setup, the Infrastructure Reconstruction Funding Facility does not foresee the provision of electricity, but this can be reassessed by the BRR and the World Bank.
- The Aceh Forest and Environment project cannot provide funds to pay for salaries of the BPKEL. Other than that the project, the project must be in line with the governance framework and the conditions for forest management, and will provide support as much as possible.
- Spatial planning is a priority – at the moment there is a lot in writing, but not yet all integrated into one approved document.

PART B: Multi Donor Fund Operations

1. Approval of Minutes of SCM 12

- Clarification from David Fournier – on point number 19 that the efforts should be made that men and women equally benefit from the EDFF (not using the word gender).
- With the exception of the above change, all SCM members accept unanimously.

2. Transition presentation by Pak Amin – BRR (revised presentation attached)

- Sample of midterm review results (on health, housing and roads) provided a better understanding why a transition is necessary to manage the assets under BRR's programs.
- BRR is finalizing its action plan on reconstruction for the next two years with involvement of the provincial Government, Bappenas and Bappeda. BRR is listing the priorities, including what assets would be included in the transition.
- Several initiatives have been done for transition and capacity building (see slide 10). About 60% of BRR employees are actually on secondment from local governments, which is an important part of the capacity building efforts.
- The BRR is also in the process of developing strategies for transition and for capacity building. It is expected that a concept note on transition could be discussed with all stakeholders in early August, and it is hoped that the MDF Steering Committee members will join to provide valuable inputs. The Transition Strategy should be finalized in October so that implementation can start straight away to hand over all assets on time.
- The transition will require further expertise, and Pak Amin outlined the institutional setting for the transition. A dedicated team should be formed, and it will be important to have full-time leadership rather than entrusting one of the current BRR deputies with the task because all still have full time jobs.

Comments

EC - Pierre Philippe

- What is the link between the Transition Strategy and the Strategy for Capacity Building of local government? There should be a clearer link in terms of activities and timing to ensure that both processes are mutually supportive.
- What is the entry point of local governments? Need to take stock of their capacities in this process and the financial needs to ensure that they will be able to handle the transition from their side.
- Urged the BRR to complete the PCN as soon as possible to be approved by the Steering Committee for transition, consisting of key stakeholders

The Netherlands - Dr. Ad Koekkoe

- This transition is an important step in the reconstruction process, therefore need to speed it up.
- Need to emphasize that local government is included in the every process and decision made for this effort. The Netherlands is happy to hear that the government is taking ownership of this initiative.

- Do remain KISS – keep it simple and sweet

United Kingdom - HE Mr. Charles Humprey

- In the capacity building area, the UK is interested to see how the 60% seconded staff has actually taken up the capacity building effort. Are they in the position to also transfer skills to their colleagues? What level are they in, etc.

United States - Robert Cunnane (USAid)

- The magnitude of the task is significant. Therefore, we need to see the lessons learned by BRR to be able to take on this transition.
- USAID is completing a road that may run through 2010. We feel that the transition will help in administering the road.

Germany - Erich Klinger

- Capacity Building – are the priorities lined out in the presentation as seen by BRR or is this prioritization also shared by the local government? Has it incorporates the needs of all stakeholders?

CSO – Humam Hamid

- The end game of this transition process is that the local government be enabled to continue and maintain what has been achieved in a sustainable manner. Looking at the sectoral investments under way, the lack of resources on the local government side is still an issue.
- BRR may have been hesitant to transfer the knowledge/skills before, but now with the new local government being established it is important to quickly empower the government in a comprehensive approach. A piecemeal handover has to be avoided.
- There are several initiatives being done in capacity development but not yet integrated. These should be mapped in the plan.

United Nations - Satya Tripathi

- Agree that capacity building is key and needs to be complementary to the transition process. Like for the transition, there is a need for a detailed capacity building plan with responsibilities, roles, timelines etc.
- There is a danger in focusing too much on transition to forget that 50% of the reconstruction work still remains to be done. Both needs to be balanced.
- Agree that the transition should not be managed by any of the BRR deputies.

BRR's response

Amin Subekti

- The five priorities for capacity building lined out in the presentation are a result of intensive discussions and are driven by the fact that investments need to be secured. The BRR chose to balance between long term development and a pragmatic approach, and reassess the priorities during the development of the capacity building strategy.
- As regards to capacity building distribution in BRR's structure, five deputies are Acehnese and BRR regional heads are from local government offices with about 50% Acehnese staff. For staff in the field, we need to provide them with

experimental learning process (walk the talk), where they need to be directly involved in the projects. The BRR also requested that government staff can manage projects together with BRR.

- Another effort in capacity building is through scholarships that are provided for University students. BRR is also doing a study on how people can learn effectively (i.e. vocational schools, etc.).

Kuntoro Mangkusubroto

- We need to stress the bigger picture that BRR needs to focus on the reconstruction efforts
- Capacity building is a never ending mission, but we do need to develop milestones to be able to provide the best professionals for Aceh. Guiding questions for prioritization of activities are: what needs to be finished by 2009; what needs to be thought through now and prepared for a later follow-up?

Conclusion:

World Bank Bill Wallace

It seems that the general feeling that everyone has agreed that the project concept can be developed.

United Kingdom - HE Mr. Charles Humprey

This is like Alice in Wonderland, where BRR is the cat. As it goes it starts to disappear and at the end leaves a smile.

3. Project Concept Note: Disaster Risk Recovery presentation and discussion

Questions and Comments:

USAID – Robert Cunnane: This looks like a new agency will be set up. Will it have new staff or developed through restructuring? Where will the budget come from?

Germany - Erich Klinger: Which provincial department will be responsible for the DRR?

CSO – Humam Hamid: NGOs have learned that the government will have offices in the regions to deal with risk reduction as well. How will this be integrated?

Dutch – Dr. AD Koekoe: This strategy is needed and an integrated approach to risk reduction is key to sustainable reconstruction.

Canada – David Fournier: Glad to see the strong cooperation between the Government of Aceh and the BRR, with other local governments present. This shows a strong commitment from both parties.

Response:

BRR - Eddy Purwanto:

- The new structure will be under BRR's coordination and be monitored under the Vice Governor. Currently, disaster management is handled by Satuan Koordinasi dan

Pelaksana (Satkorlak, an ad-hoc body that gets active in case of emergency) which coordinates other sectoral agencies and other stakeholders.

- The organization mentioned by Pak Humam is the *Badan Penanggulangan Bencana* (BPB – Disaster Prevention Agency), the new agency to be set up under the vice governor. All relevant line agencies will cooperate with BPB for disaster risk reduction and management. A new law on disaster management has been passed this year, but implementing regulations are still pending and could be for some more years to come. Therefore the provincial government has decided to move ahead and set up an agency that will be linked to the national level based on the upcoming implementation regulation. BPB will also be established on the district and municipality level.
- There are three components to the disaster risk reduction strategy: establishing a policy framework; non-structural implementation through socialization with communities, education, emergency services etc; and structural implementation of DRR throughout the reconstruction (building codes, early warning system etc).

WB – Bill Wallace: this effort relates to the President's agenda for the UN meeting. This effort should be included in his presentation to the UN.

Decision:

SC members unanimously approved the DRR to proceed to project appraisal.

4. Portfolio update and looking forward by MDF Manager

MDF Christian Rey provided an overview status on portfolio, disbursements, pipeline, commitment and implementation. He also mentioned the upcoming delivery of the six month donor report with ensuing discussion through the Technical Review Committee. Two important activities coming up are discussion of the mid-term review planned for the first half of 2008, and the proposal to extend the Trust Fund for another two years and to expand the scope to focus on regional development and covering all districts.

Questions/Comments:

Mid-Term Review:

- Canada – David Fournier:
Besides the mid-term review, will there still be an assessment of the application of cross-cutting issues within the MDF portfolio, and if yes when?
- New Zealand - Frederik van der Vloodt:
What will be the mechanisms for donors to contribute to the preparation and conduction of the mid-term review? Can donors contribute to the Terms of Reference or experts to conduct the review?
- EC – Pierre Philippe: the EC has to conduct a mid-term review of the MDF in late 2007. It would be highly beneficial to merge the two reviews, and possibly other donors reviews of the MDF so not all 15 donors will conduct their own review. We should not duplicate the effort.

Responses:

MDF – Christian Rey: The MDF works closely with all donors to enhance harmonization. It will strive as much as possible to incorporate all comments on the TOR through a discussion in the technical review committee. Further, all possibilities to combine the mid-term review through the Trustee with other donors' review activities will be explored.

Project related

- Canada – David Fournier: In the last meeting, two projects were questioned: RALAS and UNDP-CSO. Any updates on these issues?
- Germany – Kingler: Regarding the MDF pipeline of future projects: what is the reasoning for the split of funds: US\$50 million to the EDFD and only US\$ 10 million for the Nias development project, when development needs in Nias are so high?

Response:

MDF – Christian Rey:

- RALAS project is facing difficulties. The number of titles that needed to be delivered until June 2007 is 300,000, but as of April only stood at about 38,000. We do not understand why and what BPN's issues are in implementing the project according to the agreed project management structures. The current status is under discussion with the Ministry of Finance, the local government agency and the Legal department of the World Bank. As of today, we cannot provide further information, waiting the results of the ongoing discussions.
- On the UNDP-CSO project, it has actually progressed by contracting an NGO to be in charge of small grants management, which has been one of the main hold-ups. Hakan Bjorkman, the Head of UNDP, also confirmed that the CSO project is now in progress.
- The amounts allocated in the pipeline are indicative and will be shaped at the PCN stage. Additional to the current hard pipeline there is a buffer of about US\$50 million that can be used if additional funds are needed for the projects under development.

BRR - Kuntoro:

- On RALAS, the problem actually lies with the National Land Agency. For some reason, they can not implement the project. At the moment there is no clear indication on how they can resolve the issue. It is now in the hands of WB to decide and what they would like to do with this project.

BRR – Eddy Purwanto

Providing more information on prior queries:

- Energy distribution in Aceh is served from various sources. In the past, the West coast was isolated and mostly serviced by diesels. BRR rehabilitated these sources of energy and no major problems occurring. The eastern region is served from the integrated North Sumatra line, with electricity from various sources. due to power shortages here the service fluctuates. It is planned to provide electricity from various new sources under development, but that would take four more years. If MDF can support the installation of a gas turbine power, it will help. Suggestion is to have the facility be under IRFF, but need to amend the project's scope to include power generation.
- As regards to the spatial plan – the spatial plan needs to be implemented through a local law (qanun). BRR is ready to support and make it effective.
- On capacity building – the distribution of activities is based on the local government capacity. But it needs to be approved by the local govt. It is important that the capacity building needs to be spread evenly. Donors seem to have preference for some districts, while others might have been neglected.

5. Other business

BRR – Eddy Purwanto asked whether MDF can support the BPKEL through the AFEP, so that the project can hire 75 rangers.

MDF Response: MDF can not fund salary of staff in projects. The key is to allocate the regional budget according to program implementation, and particularly to support BPKEL.

Comments from the INGO representative – Mark Ferdig (MercyCorps)

- People in Aceh are very patient with the work done by Donors, thus the momentum should be maintained. But there are increasing pressures in villages towards contractors/communities by certain groups. The situation is not violent but increasing and need to be resolved.
- NGOs that are involved in the reconstruction works are coming to their peak. Smaller NGOs are wrapping up their operations and will be at the normal stage of operation. Therefore it may slow down activities in certain communities.
- In some geographical areas (e.g. Meulaboh) the projects are almost at the completion stage, but there are some elements that are yet to be done. It will be important to establish remaining gaps in such areas.
- Transition and change have provided a mix feeling for NGOs. Some NGOs work is in line with the BRR timeline for reconstruction, other agencies focus also look beyond towards local government capacity building, long-term economic development etc.

6. Wrap-up and next meeting

- William Wallace again thanks the Dutch Embassy for hosting the SCM event.
- Next SCM meeting date was not mentioned.

Attendance List

1	Wolfgang Kubitski	Asian Development Bank
2	Purnima Rajapakse	ADB
3	Irwandi Jusuf	Governor of NAD
4	Rena Korber	Advisor to Governor of NAD
5	Usman Budiman	Advisor to Governor of NAD
6	Kuntoro Mangkusubroto	BRR NAD-Nias, Director,
7	Amin Subekti	BRR NAD-Nias
8	Eddy Purwanto	BRR NAD-Nias
9	Bima	BRR NAD-Nias
10	Hanief	BRR NAD-Nias
11	Heru Prasetyo	BRR NAD-Nias
12	Ricky Sugiarto	BRR NAD-Nias
13	David Fournier	CIDA - Canadian Embassy
14	Jane Fuller	CIDA - Canadian Embassy
15	Humam Hamid	Civil Society Representative
16	Joko Prayitno	DJ PBN - Ministry of Finance
17	Paul Lambert	Embassy of Belgium
18	Pierre Philippe	European Commission
19	Karine Genty	European Commission
20	Mohamad Romali	European Commission
21	Riitta-Lisa Gerlander	Finnish Embassy
22	Erich Klinger	German Embassy
23	HE Mr. Charles Humprey	Her Britannic Majesty's Ambassador
24	David Lloyd-Davies	Her Britannic Majesty's Embassy
25	Ayako Shimizu	Japan Embassy
26	Mark Ferdig	Mercycorps
27	Christian A. Rey	Multi Donor Fund
28	Georgia Wimhöfer	Multi Donor Fund
29	Lanny Oktavia	Multi Donor Fund
30	Nia Sarinastiti	Multi Donor Fund
31	Bowen P. Uhlenkamp	Multi Donor Fund
32	Mohammad Faisal Siddik	Multi Donor Fund
33	Safriza Sofyan	Multi Donor Fund
34	Le Roy Hollenback	NAD Govt/ Advisor

35	T. Rafly Pasya	NAD Govt/ Advisor
36	Dr. Ad Koekkoe	Netherlands Embassy, Charge d' Affaire
37	Hagar Ligtvoet	Netherlands Embassy
38	Frederik van der Vloodt	NZAID
39	Nurlisa Ginting	Representative of North Sumatra Government
40	Hakan Bjorkman	UNDP Director
41	Satya Tripathi	UNORC
42	Marika	UNDP DRR
43	Robin Willison	UNDP DRR
44	M. Dirhamsyah	University Syiah Kuala
45	Darusman	University Syiah Kuala
46	Robert Cunnane	USAID
47	William E. Wallace	World Bank
48	Rajashree S. Paralkar	World Bank