



**14<sup>th</sup> Steering Committee Meeting**  
Jakarta, September 7, 2007

Time and venue: 2.30 – 5.00 pm, World Bank Office, Bromo Room, 13th fl.  
Attendance: list attached

**PART A: Introduction**

**1. Welcome by Country Director of the World Bank Indonesia, Joachim von Amsberg**

- Informed the Steering Committee of his previous visits to Aceh and Nias and how the trips provided a background in understanding how the MDF works since he is new in his office and for the first time hosts a Steering Committee meeting.
- Mr. von Amsberg further saluted the efforts done by BRR and Aceh Government to make the transition work by working side by side.

**2. BRR Update – Bapak Kuntoro Mangkusubroto**

Bapak Kuntoro made the following comments:

- Progress on reconstruction – village clinics are above the average requirement. A total of 100,000 houses will be built at the end of October. Overall, the achievements in the 2.5 years housing reconstruction program can be considered as a world record. The BRR will not build any more houses beyond April 2008, but only Respond based on demand.
- A joint committee has been set up, chaired by the Governor, to merge reconstruction, reintegration and development in the development of the Aceh Recovery Framework. A wide-spectrum multi sector framework will be established on how to develop Aceh. A technical team supports the process to have the framework completed as soon as possible.
- The president during his visit to the UN plans to host an event to thank donors that have been contributing to the Aceh & Nias reconstruction. This could also be used to present the Aceh Recovery Framework. At this point in time, confirmation for this event is still pending.
- Thanked the MDF for preparing a Technical Review Committee Meeting on September 18, 2007 on the Project Concept Notes for the *Kabupaten* Recovery Forum projects and the Solutions Exchange.
- The government has changed the arrangement of issuing visas. Aceh can no longer provide visa service. The one-stop-shop service is still available, only for customs and security clearance. Visa arrangement has been moved to the Ministry of Foreign Affairs.
- Thanked the EC for conducting a monitoring mission that visited four MDF projects in Aceh.

**3. Update from the Governor of Nanggroe Aceh Darussalam Province – Bapak Irwandi Yusuf**

The Governor pointed out that the Acehnese have been very patient in waiting for support until now, but that their patience is waning. People have now come forward with more demands and some incidents and disagreements have occurred. To be able to deliver services as needed, government staff will need to increase their skills. In short, many local authorities need training because communities are providing pressure to authorities to provide better services. He informed that the

presentation to follow was jointly prepared by BRR and the Governor's office. Opening the presentation, he highlighted that the government pursues a three pillar approach:

- Ability to manage strategic development of Aceh
- Human resources development
- Managing public sector with integrity and good governance

#### **4. Presentation on the Aceh Government Transformation Program**

- Bapak Eddy Purwanto, Chief Officer of Operations of the BRR, presented the Aceh Government Transformation Program that had been developed by the Government of Aceh and the BRR over the last months. Both parties share vision and mission of this effort and recently discussed the program with Bappenas during the Mid-term Review. The transformation strategy presented is meant as a foundation for the future of the local government.
- It is envisaged that during 2008, BRR will only manage the infrastructure and housing sectors. The remaining recovery works will be managed by the local government (economic, education, health, religion, social and cultural sectors).
- Four pillars to the strategy are: (i) seven transitional support teams; (ii) immediate training and capacity building for mainstream government staff; (ii) specific short term technical assistance to cover for staff undergoing training; (iv) program that helps meeting changing HR requirements.
- All seven "transition teams" will be clustered under the governor. The teams, with 4-7 members, will assess needs; prepare strategies, policies and regulatory frameworks needed, and support the implementation to enhance the following seven areas:
  - Human resource development
  - Anti-corruption implementation
  - Transition process
  - Legal drafting for implementation of LOGA and law enforcement
  - Economic development
  - Communication
  - Secretarial services
- In his concluding remarks to the presentation, Governor Irwandi mentioned that for this effort, speed is crucial. The local government really needs the support from donors.
- Bapak Amin Subekti, Deputy for Finance and Planning at the BRR, explained that there are two-sides of a coin in the transition:
  - (i) Assets are transferred in a manner that is useful for the local governments. This is a priority.
  - (ii) Capacities are built. Further to the recent five pillars for local government capacity building presented at the last SC Meeting, the BRR has taken up the governments comments that support is needed on the strategy level.

#### **Comments and questions:**

##### *European Commission*

- The EC is glad to see that this proposal is a joint proposal from the BRR and governor.
- At this time, it is too early to provide comments. But it is important to note that what has been presented goes beyond the transition program and not all aspects are relevant to the recovery process. Since some aspects might go beyond the MDF mandate and would require an expansion before MDF provides funding.
- Need to be careful not to overlap with programs that are currently managed by donors on an individual basis. For example: legal support by the EC and governance capacity building by other donors.
- Again, this is a good strategy, and very well thought out but will need to be reviewed as it develops, and needs to relate to MDF's role.

#### *DFID – UK*

- The proposal presents some vital areas where support is needed
- Some of the proposed programs may be beyond the current scope of the MDF, and may require looking at the mandate of MDF; also suggests assessing how other donors can be involved.
- Similar to the MDF projects, IRFF or EDFF, this program has a strategic scope. Donors will need to be more coordinated in their assistance to the Government of Aceh to ensure no overlaps. It was suggested that the MDF can support the coordination process.

#### *Local CSO Representative – Humam Hamid*

- This is a good proposal, a good joint effort but suggested that the economic team should also look at long-term economic development to produce a solid plan in place when BRR leaves. BRR's work will provide a strong building block to this effort.

#### *USAID*

- This is a critical proposal to ensure that the Government of Aceh can maintain current investments, and donors will need to increase their coordination
- Three critical challenges are ahead: (i) prepare for the legal handover of assets; (ii) make use of local revenues and budgets to move local resources to priority areas; (iii) maintain peace and pursue the MoU of Helsinki.
- The list of activities looks like a longer term effort, therefore need to also compliment with shorter term plan, which looks like EDFF will be the best option for this.
- If all goes well, this will showcase the implementation of the MoU and efforts for peace.

#### *UN*

- This is a strategy that shows a follow-up from the previous presentation on transition.
- The ability to deliver may be a constraint if there isn't a supporting agency.
- The presentation provides a structure, and now it is important to move to the next stage: map out what is being done already and establish detailed needs, deliverables, team composition. Also, it will be important to discuss soon what could be supported by the MDF.

#### Response

##### *Governor of Aceh, Bapak Irwandi*

- The Government has received legal support from EC, but the current expert still needs to have local counterparts to help deliver local bylaws by understanding local context. The regulations should be based on the MoU and the LOGA and not focus on what the central government has instructed.

#### Summary by J. von Amsberg

- There is strong support for this encouraging joint effort of the Government of Aceh and the BRR from all parties present at the meeting. Now, a more detailed framework needs to be established.
- The MDF could provide support in two areas:
  - Help coordinate who will do what in support of this transformation strategy
  - Assist the Governor to enter the second phase of reconstruction that supports sustainable development. There is a willingness from the MDF to provide this support. This will require an amendment in the legal framework (World Bank Board Resolution and donor Contribution Agreements).

## Part B: Multi Donor Fund Operations

### 1. Approval of Minutes from previous meeting

The Minutes of Meeting for the 13<sup>th</sup> Steering Committee Meeting were unanimously approved.

### 2. Economic Development Financing Facility (EDFF) – Project Concept Note

A brief presentation of the concept was delivered by Bapak Badaruddin Daud, Foreign Relations Section Head of the Aceh Provincial Government and by Bapak Amin, BRR. The EDFF is an umbrella funding facility for economic recovery and development subprojects. It will be implemented by the BRR and the Provincial Government.

#### Approval and Comments

##### *European Commission*

- The EC approved the concept note. It has taken up many of the remarks provided during the PCN technical review. Other comments to develop the next phase will be sent in writing.

##### *Netherlands*

- The Netherlands fully endorses the PCN. The project creates a building block for Aceh's future with the government in the driving seat.
- During appraisal it will be important to ensure that the subproject selection criteria will not become too complex. Make strategic decisions on which criteria will provide relevant guidance and stay in line with what has been stated in the PCN.
- It will be important to involve the local government during the appraisal.

##### *ADB*

- Expressed approval, with a few observations:
- The facility to be embedded in the institutional framework of the Government of Aceh. The current PCN suggests that subprojects would be mainly implemented by NGOs, donors and others. ADB recommends that provincial key agencies (*dinas*) should become the implementing agencies for this facility
- Co-financing by the Government of Aceh should be considered to ensure that the GoA and its agencies are committed to the EDFF concepts and principles. There is no reason why the GoA could not co-finance the EDFF as of 2009.
- The proposed implementation arrangements seem to create a parallel institutional mechanism - it is project specific and driven by consultants. This does not seem appropriate for a program that intends to build capacity with the GoA for sustainable development.

##### *Norway*

- Fully endorses the EDFF that shows collaboration between BRR and local government
- Emphasized that the project should take into account the importance of women empowerment, and environmental issues during preparation

##### *DFID – UK*

- Approved the EDFF PCN; all key comments from the review have been taken up
- During appraisal it will be key to narrow down the scope of the project and focus on a few strategic sub-sectors
- Agreed that co-financing by GoA should be explored

#### *Canada*

- Supported both presentations (transformation program and EDFF) and approved of the PCN
- In the PAD gender equality, and other cross-cutting themes such as environment and maintaining the peace should be acknowledged; civil society, NGO capacity building should be included
- It will also be important to develop a strong monitoring and evaluation system
- Should outline recourse if misappropriation occurs

#### *Denmark*

- Approved the PCN
- Agreed that cross-cutting issues such as gender and environment need to be enhanced during appraisal

#### *New Zealand*

- Endorses the concept note
- Echoes the comments on cross-cutting issues, i.e. gender and environmental, as essential components for EDFF

#### Response

##### *Governor of Aceh, Bapak Irwandi*

- Stated that the issue on co-financing is not a burden. Funds have already been made available for the 2008 budget
- Gender issues is also focus of attention for the Government of Aceh
- Environmental sustainability is also a top priority of the Government, as demonstrated by the declaration of a moratorium on logging for the Aceh Province

#### Summary by J. von Amsberg

- PCN has been approved
- Emphasize that cross cutting issues should be well reflected during appraisal
- Keep the project simple as resonated in the room
- Embedding the program into the GoA institution, not only in document but also in spirit
- Appreciates the commitment of the Governor on setting aside funding for the project, this proves the sense of ownership
- This is an important step to move forward to economic development and leadership of the local government

### 3. BRR Presentation on Possible Support to Nias

- A presentation by Bapak William Sabander, Head of the BRR Nias, lined out the remaining needs in the two districts of Nias and South Nias. He highlighted that one of the key issues to tackle is the lack of access to good public services due to a lack of functioning infrastructure and low capacities. Based on the presented gaps, Bapak Willy concluded that there are five areas for further support to sustainable recovery and development:
  - Economic development;
  - Human development, especially health and education;
  - Local government capacity building (incl. DRR);
  - CDD programs on rural infrastructure improvement to increase accessibility;
  - Cultural development and ecotourism.
- A PCN will be presented to the MDF in due course, taking up on these gaps
- No further comments were provided which was seen as an indication to proceed to submit a PCN

#### 4. MDF 24 Month Report and Portfolio Review

- The MDF Secretariat presented the status of the portfolio to the Steering Committee with two presentations on the 24 month report (status 31 March 2007) and the portfolio review, conducted in May 2007. Both reports had been reviewed by the Technical Review Committee and revised versions had been submitted to the Steering Committee prior to the meeting.
- The portfolio review has resulted in an Action Plan that has been developed with all Partner Agencies and will result in written commitment by all parties to implement the Action Plan. UNDP had submitted their written commitment on September 7, 2007.
- The Secretariat will monitor the Action Plan and report to the Steering Committee.

#### Comments

- The Danish Ambassador informed the Steering Committee that the Danish State Auditors had visited the country office earlier this year. Based on the recommendations of the audit he will come back to the Secretariat and submit further questions to the materials presented.

#### 5. Other Business

##### *Update from Christian Rey, MDF Manager*

- SPADA: after signing a Grant Agreement with the Ministry of Disadvantaged Areas for US\$ 22.47 million, the SPADA team is negotiating a US\$2.53 million with Research Triangle Institute -- who is working with USAID -- to implement the Local Government Support Program (LGSP); the total project cost will not exceed the US\$ 25 million that the Donors have approved at the SC.
- Amending the MDF mandate and extension: The need to extend the MDF operational date and expand the mandate to cover long-term sustainable development is seen as urgent. MDF has decided to go to the World Bank Board of Executive Directors to request for the changes, which will also need to be reflected in an amendment to the contribution agreements. This will be further discussed with MDF donors.
- RALAS: The World Bank is working with the Government through the National Audit Agency to review the project (Management audit and financial audit); a communication is part of the folder distributed.
- Portfolio and pipeline: As of today MDF has endorsed about \$80million of additional projects (EDFF + Disaster + Waste management) and more projects are in the pipeline to use the remaining balance. Currently, projects in the pipeline exceed the remaining funds. Therefore, the Steering Committee will need to be selective and be able to prioritize the new projects to be financed.

##### *Comments from ADB*

- ADB informed the Steering Committee that its program is experiencing problems because of the freeze of travel budgets by the Ministry of Finance. Project staff hence cannot conduct supervision as required. ADB pointed out this issue that this should be resolved soon.
- The fact that BRR cannot support the visa process any longer is very much affecting the ETESP program because many international experts are hired under this project.

##### *Comments from UN*

- More than 60% of the recruited international UN staff travel are on regular passports and do not carry laissez-passes (for which *visa dinas* can still be processed with BRR). It is not very cost-efficient that they have to regularly leave the country for business visa trips and to pay for visa extensions. If possible, request that the government should go back to the former arrangements.

*Ministry of Finance response*

- The Directorate General for Treasury still works on the freeze of travel budgets. A review board has recommended that the Ministry lift the freeze.

*BRR response*

- On the Visa issue, Pak Kuntoro said that it may not be as easy as the travel issue. He suggested that members of the Diplomatic community to visit MoFA together with him.

**6. Closing Remarks**

*Joachim von Amsberg*

- The meeting has shown that the MDF is on track. This has been a productive first SCM meeting for him and a perfect time to be involved as stakeholders enter an important phase of the transition and economic development.
- Mr von Amsberg suggested to include a discussion on the next phase of the MDF in the agenda for the next SCM meeting
- He complimented Pak Kuntoro and Governor Irwandi for a strong demonstration of coming together in drafting the transformation framework.
- Next SCM – current target is the week of October 29, 2007 (likely October 31). Venue to be confirmed.

List of Attendees:

No.	Name	Organization
1	Ad Koekkoek	Embassy of Netherlands
2	Ahmad Humam Hamid	Civil Society Representative
3	Aichida UI-Aflaha	BRR
4	Amin Subekti	BRR
5	Badaruddin Daud	Office of the NAD Governor
6	Bahrumsyah	Office of the NAD Governor
7	Bernadette Whitelum	AusAID
8	Bill Nicol	BRR
9	Bowen Uhlenkamp	MDF Secretariat
10	C. Shillita	AusAID
11	Christian A. Rey	MDF Secretariat
12	David Lloyd-Davies	DfID
13	Eddy Purwanto	BRR
14	Emmely Benschop	Embassy of Netherlands
15	Enrique Blanco-Armas	World Bank
16	Frederik van der Vloodt	NZAID
17	Georgia Wimhöfer	MDF Secretariat
18	HE Niels Erik Andersen	Embassy of Denmark
19	Heru Prasetyo	BRR

20	Joachim von Amsberg	World Bank
21	Kamal Prawiranegara	BRR
22	Karine Genty	European Commission
23	Kisaku Uchida	Embassy of Japan
24	Kuntoro Mangkusubroto	BRR
25	Lanny Oktavia	MDF Secretariat
26	LeRoy Hollenbeck	Advisor to NAD Governor
27	Lixin Gu	World Bank
28	M. Faisal Siddik	MDF Secretariat
29	Maurin Sitorus	Ministry of Finance
30	Mette Kottman	Embassy of Norway
31	Mohamad Rum Ali	European Commission
32	Naimah Hasan	Civil Society Representative
33	Nia Sarinastiti	MDF Secretariat
34	Nurlisa Ginting	North Sumatra Representative
35	Oliver Lacey-Hall	UNDP
36	Patricia McCullagh	CIDA
37	Pierre Philippe	European Commission
38	Pieter Smidt	ADB
39	Rahmat	Office of the NAD Governor
40	Robert Cunnane	USAID
41	Rosemary Stevenson	DfID
42	Roy Rahendra	BRR
43	Safriza Sofyan	MDF Secretariat
44	Sarosh Khan	MDF Secretariat
45	Satya Tripathi	United Nations
46	Shantanu Mitra	DfID
47	T. Rafly Pasya	Advisor to NAD Governor
48	Thomas Morris	USAID
49	Thomas Rose	World Bank
50	Tor Tobing	Ministry of Finance
51	Usman Budiman	Office of the NAD Governor
52	William Sabandar	BRR Nias
53	Wolfgang Kubitski	ADB
54	Zainal Arifin	BAPPEDA NAD