



Steering Committee Meeting No. 17 Minutes of Meeting

Monday, September 22, 2008
2:00pm – 4.30 pm

World Bank Office Jakarta, Bromo Meeting Rooms, 13th Floor

Summary

1. BRR update: Mr. Kuntoro Mangkusubroto & Mr. Amin Subekti

- It was noted that parliament has recommended the closure of BRR in April 2009 as BRR's objectives have been accomplished. The parliament acknowledges that 90% of overall donor pledges have already been disbursed, committed or implemented and that 90% of targets have been achieved. Additionally, the RAN reporting compliance rate is above 90%.

2. Remarks by Mr. Muhammad Nazar, Vice-Governor NAD:

- The Vice-Governor noted the Government of NAD's appreciation for the work done by the MDF
- The Vice-Governor requested that the MDF continues its support for Aceh's needed development in infrastructure and livelihoods and with that support, the Government of NAD is committed to match future funding from the MDF

3. Remarks by Mr. H. Syamsul Arifin, Governor of North Sumatera

- The Government of North Sumatera's stated appreciation for the work done by the MDF in Nias.
- The Governor stated that Nias will still need help to alleviate its poverty and look forward to MDF's continued support in economic development and capacity building, specifically in managing and maintaining infrastructure assets
- The Governor extended invitation to conduct the next steering committee meeting in North Sumatera

4. MDF portfolio and Financial overview, Sarosh Khan

- The MDF Secretariat noted that approximately US \$ 60 to 70 million was still available for funding. Should the Tsunami Recovery Waste Management and Nias Transition projects be endorsed by the Steering Committee, an approximate US \$ 50 million will be available for funding of further projects.

5. Identification of gaps and further programming for MDF

BRR and Government of Aceh gave back-to-back presentations on the remaining needs in Aceh and Nias. Based on these presentations the recommendation was made that the main sectoral focus for MDF's remaining funds should be allocated to:

- Infrastructure
- Economic development and livelihoods
- Capacity building and other areas

6. Committee Decisions:

There was broad consensus from the donors that tentative allocations could be made by sector based on BRR and GoA recommendations of approximately 70% to infrastructure, 10% to 20% to economic development, and the remainder to institutional development and other areas. However, it was noted that it was important that these tentative allocations include elements which would be focused on enabling the Governments of NAD and North Sumatera to effectively use their own resources. Donors welcomed the Government of Aceh's commitment for co-financing.

Part A: Introductions and Remarks

1. Welcome by MDF Co-Chair, Mr. Joachim von Amsberg, Country Director of the World Bank

Thanked everyone for attending and welcomed the new Governor of North Sumatra for attending his first Steering Committee Meeting.

2. BRR Update - Mr. Kuntoro Mangkusubroto, Head of the BRR NAD-Nias, followed up by Mr. Amin Subekti

BRR mentioned that the meeting is very timely because BRR has received news from the parliament acknowledging that BRR's mission has accomplished its objectives. With that, BRR can end its mission in April next year. This recommendation will be given to the President for a decision to end BRR's mission in Aceh and Nias. The parliament acknowledges that 90% of overall donor pledges have already been disbursed, committed or implemented. Although there are challenges, 90% of activities have been done. This was highly praised by the parliament.

BRR is committed to ensure that all needed funds are disbursed by December as implementation of all activities has been smooth. On the political side, with regional election, there have been challenges as well. But BRR is optimistic it will be able to deliver as planned.

BRR recently conducted a stock taking exercise to examine the achievement and progress of all reconstruction, both on-budget and off-budget projects. This was largely based on the Key Performance Indicators set out in the revised master plan, reflected in the RAN database which has a reporting compliance rate of 90%. More than 90% of the approximately 600 KPIs have been reached, especially in the housing and settlement and infrastructure.

3. Remarks by Mr. Muhammad Nazar, Vice Governor NAD

- Noted that the Government of NAD's appreciation for the work done by the MDF
- The MDF has been able to understand the need of Aceh and its community and provide projects that are relevant to develop Aceh's community, infrastructure and capacity
- The next step to a better Aceh will be the development of rural infrastructure and livelihoods, especially in sectors such as agriculture and fisheries.
- Requested that the MDF continues its support for Aceh's needed development. As a sign of commitment to also support MDF's effort, the Government of NAD is willing to match future funding from the MDF.

4. Remarks by Mr. Syamsul Arifin, Governor North Sumatra

- Stated appreciation for the invitation to attend the SCM and acknowledges the work done by the MDF in Nias.
- Based on MDF and BRR's contribution matrix, the Governor appreciates MDF's contribution of approximately US\$100 million for various sector allocations, including housing, ports, roads, local capacity building and the current planned project Nias Livelihood and Economic Development Project and recently proposed Nias Island Transition Project.
- Stated that Nias will still need help to alleviate its poverty and look forward to MDF's continued support in economic development and capacity building, specifically in managing and maintaining infrastructure assets
- The Governor extended invitation to conduct the next steering committee meeting in North Sumatra

Part B: Project Overview, Identification of gaps and needs

1. Update of MDF Portfolio by Ms. Sarosh Khan

- Status of projects: As of June 2008, two projects completed, 15 being implemented and five under preparation. Two of those projects under preparation started implementing activities in September (AGTP and DRR-A)
- Financial status: As of June 2008 total pledges is US\$ 703 million with allocations close to US\$ 500 million. Cash received is at US\$ 470 million and disbursement of US\$ 304 million, or 60% of total allocations.
- The MDF Secretariat noted that approximately US \$ 60 to 70 million was still available for funding. Should the Tsunami Recovery Waste Management and Nias Transition projects be endorsed by the Steering Committee, an approximate US \$ 50 million will be available for funding of further projects.
- MDF closing date has been extended to December 2012. However, all projects would close by June 2012. To allow 2.5 to 3 years for project implementation, it is important to program remaining funds by this year. For 2009 implementation, funds would have to be included in APBN for on-budget projects. Additionally, proposed projects need to be in line with the MDF Mandate and Recovery Assistance Policy.

2. Presentation by the Government of Aceh on Needed Funding

- In essence, Aceh believes that the reconstruction program will not be able to continue without the help of the donor agencies. Therefore the current Aceh Government Transformation Program funded by MDF is key in providing technical assistance for capacity building is key.
- The Aceh Government request the support for BKRA which is in line with the transfer of skills and knowledge of managing assets because civil servants in BRR will transition to this agency.
- The Aceh Government noted that it will focus its priority and commitments on: **infrastructure (70 – 80%)** - roads and bridges (mainly district and provincial level), and water and sanitation; and **economic development (20 – 30%)** - productive infrastructure (irrigation, fishing ports) and agriculture mechanization.
- Emphasized the concept of longer term strategy: Green Economic Development and Investment Strategy for land use management, sustainable economic development and renewable green energy.

3. Sector Allocation Proposal by BRR

- For the use of the remaining MDF funds out of the US\$60-70 million, BRR has endorsed two projects to be funded: Tsunami Recovery Waste Management Project at almost US\$ 15 million and Nias Island Transformation Project for almost US\$ 4 million
- The remaining US\$ 50 million are proposed for the following sectors: 70% for infrastructure (provincial and rural roads), 10% for economic development, 6% capacity building, and others at 14% to cover additional needs at US\$ 7 million -- which is only 1% of all the total MDF pledges.

4. Comments and Discussion

Mr. von Amsberg thanked the governments of Aceh and Nias for sharing thoughts on where investments can be made and thanked BRR for taking a proactive role in identifying and proposing sectors to fund.

General:

- Donors congratulated BRR on its accomplishment/achievements in the rehabilitation and reconstruction efforts and endorsement by parliament of its achievements, and thanked BRR for its partnership
- Donors welcomed the new Governor of North Sumatra for joining and sharing his view

Bappenas

- Reiterated that the allocation of remaining MDF funds should refer to the revised Master Plan for Aceh and Nias
- Stated that in line with the end of BRR's assignment, the discussion on the transfer of assets and equipment should be done at the soonest although the decree is still in draft
- In regards to the Government of Aceh's proposal for the BKRA, it would be under the Steering Committee of the BRR. The proposal is currently being reviewed.
- Reminded that time is limited if MDF would like to include its remaining funds in the state budget. The latest would need to be decided by next month (October).
- Increase of funds for current budget should not be an issue. But for new projects the decision for the utilization of funds should be done soon.

European Commission

- The resolution for the BRR is essential for the transition and is critical that it does transition to the local government. What are the key challenges that BRR and the Government of Aceh face in this phase? Transition affects the implementation, especially in supply and procurement. In the short term what can the MDF do to address that challenges.
- Agreed that the allocation of funds should be done soon and it is encouraging to hear that the local government is willing to provide co-financing for the projects. The question is whether it will be in the 2009 provincial budget and how would the government be able to manage it? The timeline is very short and the proposed programs seem to be very ambitious.
- In regards to BKRA, what are there key challenges to that decision?
- Bappenas stated that the utilization for remaining funds should be in line with the revised Master Plan. Does this mean the current proposed allocation for the balance of the fund does not meet the requirements of the Master Plan?
- Thanked the North Sumatra Governor for the invitation to conduct a meeting in North Sumatra

CSO Representative – Humam Hamid

- When BRR has ended its mandate, the MDF will continue to 2012. MDF would likely have a new mechanism, i.e. organization structure. Who will replace Pak Kuntoro in the co-chair seat? Is Bappenas going to resume the position?
- Queried what roles the BKRA and government, as well as Pak Kuntoro, would play in the transition process.

Ministry of Finance

- Would like clarification on the utilization of MDF remaining funds: whether all will be through the state budget or whether the decision would be based on the implementation of the project. The ministry suggested the MDF explore options of how to include the funds in the 2009 budget.

United Nations

- Based on the BRR stocktaking exercise, the social sector achievements reached 86%, which is excellent. But it is behind physical achievements that reached 90%-95%. UN proposes to look at the need of strengthening capacity to increase its performance, i.e. nurses and doctors in hospitals, maintenance of schools and infrastructure assets, and coordination in managing the institutions, to be able to put to work for the people.
- It is important to talk about long term sustainable livelihoods, equity and development related to CSO and the issue of land titles that has only reached 50% achievements.
- CSO plays a good role in terms of mediator. Need to look at how CSOs perform in the monitoring of the US\$6 billion investment in Aceh and Nias.

The Netherlands

- Stated that the MDF funds should not be used in competition with the funds of the government. The use of funds should be coordinated, complementary and provide value to the government funds.
- Suggested that one area to be financed in the infrastructure area that provide value is water and sanitation, which is relevant to the MDF goals.

United States - USAID

- For the US one of the major concerns is that BRR will exit in three months and in the interim is important to have an arrangement as BRR ceases its role.
- Because the need for construction is still high in Aceh and Nias, a coordination role is necessary to manage the projects. The structure of BKRA is not yet clear, neither when it will be established. Hence, challenges still remain in the continuation of infrastructure activities and transfer of assets.

United Kingdom - DFID

- In regards to the allocation of MDF funds, UK supports the approval process being made to quickly allocate and hopes that it will be an efficient way to decide on new programs or support existing good projects.
- Noted the report from Gender Action on the MDF projects on gender equality and agrees on the response from the MDF. Nevertheless this report should be seen as a tremendous opportunity to convey a story on gender inclusion in projects. UK agrees with MDF's response to conduct an assessment on gender mainstreaming in its projects.

Canada - CIDA

- Suggested that MDF remaining funds to be used for institutional capacity building but as a cross cutting theme, not as a separate project. CIDA voiced concern if 70% is only used for infrastructure without including capacity development in managing the physical assets.
- Support the request of the Vice Governor on wanting an Aceh not dependent on external support; hence funding economic development should be increased.
- Echoed UK's comments on Gender Action results. Suggested MDF proactively includes gender aspects in reporting.

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Sweden

- Would like to know the challenges faced by Aceh in the transition process and especially in the land right issues. How is the local government managing the issuing of titles with BPN?
- In agreement with UN's comments regarding land titling and strengthening of capacity.

Norway

- Supports the comments made by the Vice Governor of Aceh including complimenting its own funds.
- Also echoes the comments made by the UN regarding land titling and capacity building.

Responses

BRR – Mr. Kuntoro Mangkusubroto

- Agree that the transition should be sped up and that the process should be short. This is being done with the help of the local governments. BRR's priority is to handover completed projects to beneficiaries, province and central governments (houses, ports, hospitals, etc.). For BRR it is also important to be able to transfer skills to local government officials, therefore programs funded by MDF and implemented by UNDP are supporting this transition

- BRR also agrees that the remaining MDF funds should not be in competition with local programs. The projects should be in line with the rehabilitation and reconstruction for Aceh and Nias.
- BRR would like to have the support of the Nias Island Transition Program because Nias would not only need capacity building for government institutions but also in handling the assets being transferred.
- BRR's major obstacle is more in the bureaucratic issue to manage all of the assets management. The technical aspects are not an issue. BRR does not yet understand what BKRA is and who will be approving its status. Nevertheless BRR is in line with the Aceh Government in regards to the transition management.

Government of Aceh – Mr. M. Nazar

- The GoA also faces bureaucratic obstacles. The GoA understands that there are obstacles in managing the transfer of grants to local government.
- The GoA intends to absorb BRR staff into BKRA, since most of the staff members are civil servants employed by the GoA.
- The GoA emphasized that MDF funds should be used for tsunami affected areas. The GoA counter funds will be used for non-affected areas.

Bappenas – Mr. Dewo Broto

- Would like to confirm that the allocation should be made this year to ensure implementation in 2009
- Allocations should be based on the revised Master Plan adopted in 2007.

Comments by Mr. Joachim van Amsberg

- Currently project preparations are underway reflecting the need to implement based on the lifespan of the MDF
- Transition has been highlighted in previous Steering Committee Meeting, and there has been progress on this front.

5. Nias Provided Update – Willy Sabandar, BRR

- Update of MDF programs in Nias which total up to about US\$100 million for various sectors, from community development, small and large scale infrastructure to economic development.
- Provided current status of the Nias Local Economic Development Project:
 - Component 1 on livelihoods will be executed by KPDT together with provincial and local governments
 - Component 2 on rural access improvement will be implemented by ILO
- Presented a new proposed project, the Nias Island Transition Program which proposes to:
 - ensure a successful transition from BRR to Provincial and Local Government of Nias (asset management)
 - enhance the capacity of local government to continue the recovery
 - make disaster risk reduction a part of development through strengthening DRR institutions

The program will be implemented by Bappenas, MoHA, North Sumatra, Nias and Nias Selatan and is expected to start in January 2009.

6. Wrap Up & Closing

Wrap up from Mr. Joachim von Amsberg

- Appreciation and support are given to BRR in the rehabilitation and reconstruction efforts from members. Commitment to continuously support is also emphasized.

- The resolution from Parliament on the closing of BRR reflects the general transition strategy. The World Bank is working on the legal arrangements for the MDF to ensure that the transition will be implemented smoothly.
- Based on the presentations by GoA and BRR, and comments from the Steering Committee, the proposed use of MDF remaining funds would focus on infrastructure, economic development and capacity building.
- The MDF can and would like to support in the sectors where gaps have been identified.
- BRR and the local government are to prepare a pipeline which will need to take into consideration the tight timeline.
- Specific comments on gender dimension have been put forward especially in regards to reporting that should reflect activities being done in the areas of gender issues.
- The secretariat is proposing that the next SCM should be held in late October/early November

Closing Remarks from BRR – Mr. Kuntoro Mangkusubroto

- BRR will soft close in December and will focus on administration post December until end of April
- Two big events will occur in the next few months: BRR end year report in November and CFAN 4 in January/February to acknowledge achievements of all donors in Aceh and Nias and consolidate all lessons-learned.

Closing Remarks from EC – Mr. Pierre Philips

- Proposes that the next Steering Committee Meeting to be accelerated and conducted in Medan

MDF – Ms. Sarosh Khan

- The MDF has commissioned a Social Sustainability Review which is currently underway. This will include a gender mainstreaming element. Based on the recommendations, MDF will propose next steps.

**Multi Donor Fund for Aceh and Nias
Steering Committee #17
Bromo Meeting Rooms, WBOJ
Monday, September 22, 2008
Attendance List**

No.	Name	Organization
1.	Joachim von Amsberg	World Bank
2.	Muhammad Nazar, S.Ag	Nanggroe Aceh Darussalam
3.	Kuntoro Mangkusubroto	BRR
4.	H. Syamsul Arifin, SE	North Sumatra
5.	Pierre Philippe	European Commission
6.	Christopher J. Hoban	World Bank
7.	Sarosh Khan	MDF Secretariat
8.	Francesca Spadola	European Commission
9.	Turgis Claire	European Commission
10.	Muamar Vebry	European Commission
11.	AD. Koekkoek	Embassy of Netherlands
12.	Hagar Ligtvoet	Embassy of Netherlands
13.	Daisy Satijn	Embassy of Netherlands
14.	Gerard Howe	DFID
15.	David Lloyd-Davies	DFID
16.	Patricia McCullagh	Embassy of Canada
17.	David Fournier	Embassy of Canada
18.	Anthony G. Toft	World Bank
19.	Melinda Good	World Bank
20.	Ann Marie Birgitta Bolin Pennegård	Embassy of Sweden
21.	Frederik Frisell	Embassy of Sweden
22.	Eivind S. Homme	Embassy of Norway
23.	Mette Kottman	Embassy of Norway
24.	Ulrich Sørensen	Embassy of Denmark
25.	Irene Dibbern	Embassy of German
26.	Paul Lambert	Embassy of Belgium
27.	Pieter M. Smidt	Asian Development Bank
28.	Robert Cunnane	USAID

29.	Jason Singer	USAID
30.	Frederik Van Der Vloodt	Embassy of New Zealand
31.	Ken Okaniwa	Embassy of Japan
32.	Iyori	Embassy of Japan
33.	El-Mostafa Benlamlah	UN
34.	Reiko Niimi	UN
35.	Håkan Björkman	UNDP
36.	Simon Field	UNDP
37.	Jeremy Stringer	AusAID
38.	Naimah Hasan	Civil Society Representative
39.	Humam Hamid	Civil Society Representative
40.	Dewo Broto Joko Putranto	BAPPENAS
41.	Yan Piter Pangaribuan	BAPPENAS
42.	Hermani Wahab	BAPPENAS
43.	Samsul Widodo	BAPPENAS
44.	Amanda Petty S	BAPPENAS
45.	Dharmawan Aji	BAPPENAS
46.	Tormabulang Lumbantobing	Ministry of Finance
47.	Mahmud Ashari	Ministry of Finance
48.	Amin Subekti	BRR
49.	Eddy Purwanto	BRR
50.	Margaret Mockler	BRR
51.	Terry O'Donnell	BRR
52.	Aichida Ul-Aflaha	BRR
53.	Yonta	BRR
54.	Willy Sabandar	BRR
55.	Izhari Mawardi	BRR
56.	Maggy Horhoruw	BRR
57.	Roy Rahendra	BRR
58.	Heru Prasetyo	BRR
59.	Ricky Sugiarto	BRR
60.	Riadil Akhir Lubis	North Sumatra
61.	Nurlisa Ginting	North Sumatra Representative
62.	Muhyan Yunan	Nanggroe Aceh Darussalam

63.	Falexi	Nanggroe Aceh Darussalam
64.	Wibisono	Nanggroe Aceh Darussalam
65.	Fauzi Umar	Nanggroe Aceh Darussalam
66.	Teuku Hadi	Nanggroe Aceh Darussalam
67.	Ahmad Sanusi	Nanggroe Aceh Darussalam
68.	Safriza Sofyan	MDF Secretariat
69.	Nia Sarinastiti	MDF Secretariat
70.	Lanny Oktavia	MDF Secretariat
71.	M. Faisal Siddik	MDF Secretariat
72.	Shaun Parker	MDF Secretariat
73.	Anita Kendrick	MDF Secretariat
74.	Akil Abduljalil	MDF Secretariat
75.	Rahayu Novianty	MDF Secretariat
76.	Fabio Scarpello	MDF Secretariat