

## MULTI-DONOR FUND FOR ACEH AND NIAS

### Minutes of the Eighth Steering Committee Meeting held in Banda Aceh, Friday 17 February 2006, 8:45 – 10:15 am

#### **Attendees**

The list of attendees is attached.

The meeting was co-chaired by Pak Kuntoro Mangkusubroto, Chairman of the Rehabilitation and Reconstruction Agency for Aceh and Nias (BRR), by Jean Breteche, Ambassador and Head of Delegation to the European Commission (EC), and by Andrew Steer, Country Director, World Bank.

## **II. PART A: BRR Strategy for Utilization of Multi-Donor Fund Resources and Concept Note on Infrastructure Reconstruction Enabling Program**

### **I. Welcome by the Co-Chairs**

1. Co-chair Andrew Steer welcomed participants to today's discussion of the BRR's proposed financing strategy for infrastructure recovery and of the concept note of the Infrastructure Reconstruction Enabling Program. He highlighted the progress made by MDF projects, and pointed out that a positive decision would take cooperation and coordination of the MDF and the BRR yet to another level of effectiveness and leveraging impact.
2. Co-Chair Jean Breteche expressed the EC's satisfaction with progress on the ground, and that the issue of expediting the slow recovery of Nias now has found adequate attention. He congratulated the BRR to its performance in coordinating recovery efforts.

## **II. BRR Strategy for Utilization of Multi-Donor Fund Resources and Concept Note on Infrastructure Reconstruction Enabling Program**

3. Co-chair Pak Kuntoro extended his thanks to the Multi Donor Fund (MDF) for the support provided in 2005 and stressed that today's discussion and possibly decision on a portfolio-based approach to financing the gaps in infrastructure would create a new platform for cooperation of the MDF and the BRR. He specifically pointed out that, through the mechanism of co-financing, both the MDF and the BRR will gain more leverage on each others contributions to the reconstruction. The BRR has approached the MDF with the

request to invest in infrastructure, because there is still a big need for funding, and other stakeholders in reconstruction, like NGOs, are not inclined to invest in this sector.

4. Commenting on questions raised by donors prior to the Steering Committee Meeting (SCM), Pak Kuntoro confirmed that the BRR will not put forward a request for the second phase for the Community-Based Settlement Rehabilitation and Reconstruction Project, valued at USD 65 million. Those funds could instead benefit the recovery of infrastructure, as set out in the strategy paper.
5. Co-Chair Kuntoro then asked Pak Amin, Head of the Planning and Sectoral Funding Center, to further comment on issues raised prior to the meeting by donors with regard to the strategy paper. Pak Amin informed SC members that the BRR is holding ongoing discussions with various players at local government level, holding meetings with all Bupatis, with Bappeda representatives and local parliaments to establish the details and buy-in of future local governments involvement. He also mentioned that both gender and environmental social safeguards are crosscutting issues that are part of BRR standard procedures, and that all future infrastructure project development will involve environment and gender specialists. Regarding monitoring and evaluation procedures, Pak Amin explained that the current Quality Assurance Team will continue its work on revised terms to monitor and supervise all "on-budget"? government projects. Finally, he pointed out that anti-corruption measures are of the highest priority for BRR, and that a variety of measures have been and will be put into place to tackle all issues of graft and corruption.

## **Donor Comments**

6. Following the BRR's explanations on the strategy paper, most Steering Committee (SC) members responded to both the strategy and the project concept note in a round of comments. No specific discussion on the project concept note took place, which will be dealt with in more detail after appraisal. Both the strategy for the remaining MDF funds and the Project Concept Note (PCN) were wholeheartedly endorsed. Donors recognized that some of their previous comments had already been incorporated. Donors and other SC members expressed their satisfaction with the notion of co-financing, increased local government involvement and installing a mechanism for hands-on capacity building. In addition, the SC members were looking forward to receiving the results of the medium term expenditure framework prepared by the BRR, as it will provide good insight and tools for the scope of the proposed collaboration. Donors also appreciated the fact that capacity building for local governments is part of the BRR's exit strategy. Members agreed that this represents an adequate way to expedite infrastructure reconstruction and provides the MDF with the opportunity to have a catalytic effect on the overall recovery of infrastructure in Aceh and Nias.
7. However, SC members raised several points that will require further attention during the implementation of the strategy and in all levels at the project cycle. These include:
  - a. Transparency and anti-corruption policy: procurement and financial management processes must be reliable and follow the highest transparency and accountability standards.

- b. Environment: the environmental safeguards must be put into place at all levels of planning and implementation, and also get *enforced*. The expected strain that the reconstruction efforts are likely to place on the Acehese forests was highlighted as a specific environmental issue requiring urgent attention on the part of BRR and donors.
  - c. Gender: equal opportunities for women and men should be actively considered, and approaches have to be developed accordingly at all levels, both at strategy and project levels.
  - d. Local government involvement: methods for local government capacity building have to be evaluated in greater detail as well as the possibility of involving local governments financially as partners in the Infrastructure Reconstruction Facility, even when only limited financial resources are available.
  - e. Monitoring and evaluation: M & E should be incorporated in project design and should follow a more problem-oriented and analytical approach. It was suggested to regularly revisit the strategy, and possibly undertake a mid-term review and an ex-post evaluation to evaluate whether its targets are being achieved.
  - f. Priority to poor areas: one member requested that the poorest regions be included in future project design, and possibly be given preferential access to funds.
  - g. Livelihoods: since recovery of livelihoods remains a crucial gap in reconstruction, members would welcome the inclusion of livelihoods creation in the framework of the strategy and during project design.
  - h. Flexibility: several members mentioned that they would still like to maintain a certain flexibility to respond to arising needs rather than committing all remaining funds in the near future.
8. A member representing civil society organizations in particular noted that the lack of energy supply, especially along the West coast of Aceh, should be tackled as soon as possible and proposed to concentrate on medium and small-scale hydro-power projects rather than rely on large-scale energy provision. He further raised the issue lacking progress regarding spatial planning at the provincial level as prerequisite for district level planning.
  9. Another issue raised was in how far the strategy would help support the peace process and integration of former GAM-combatants to stabilize Acehese society. In response, it was pointed out that the Multi Donor Fund will not actively support any peace process-related activities, but is committed through its Recovery Assistance Policy to be conflict sensitive and prevent regional imbalances (between areas recovering from the tsunami, and areas recovering from conflict).
  10. During the round of comments, the ADB representative informed the SC that the ADB is currently discussing with the BRR its future financing strategy and how to align its funds with emerging infrastructure needs. The observer from JICA informed the SC that the Japanese government had committed all its remaining reprogrammable funds and thus it was requested that the BRR strategy paper should reflect this change.
  11. Finally, satisfaction was expressed that the financing strategy for the infrastructure sector will allow the Steering Committee to remain engaged with the BRR on policy issues and

critical aspects for reconstruction, such as, among other, the implementation of social and environmental safeguards, anti-corruption measures, and gender issues.

### **Summary of Discussions**

12. Co-chair Jean Breteche underlined that the EC was very pleased with the outcome since the EC was among the parties to push for such a strategy. He stressed the importance of local government involvement both during planning and in co-financing to guarantee the sustainability of projects and he underlined the need of clear mechanism to ensure local government involvement. Mr. Breteche then highlighted the four major concerns of the donors regarding implementation of the strategy, namely the need for consolidated monitoring and evaluation, mitigation of environmental impact, a well-developed approach to gender sensitivity, and proper financial management and auditing procedures.
13. Co-Chair Andrew Steer stressed the leverage that the newly-agreed approach adds to Multi Donor financing, having wide-scale impact on utilization of governmental funds. The co-financing arrangement proposed in the strategy was an exceptional effort, and unprecedented in the reconstruction context. He assured that members' concerns about the project concept would be addressed both at the appraisal stage and during implementation. He also stressed that, within the focus of the strategy, the Multi Donor Fund still retains some flexibility to raise other key priority issues such as livelihood programs.
14. Co-Chair Kuntoro welcomed the new level to which the Multi Donor Fund and the BRR had raised their cooperation with today's agreement on the strategy paper and concept note. He mentioned that the past eight months of cooperation had not always been easy, and that the future would not necessarily be easier, but that cooperation from now on would be based on a more solid foundation for cooperation.

## **III. PART B: Other Business**

### **a) Item of discussion for the next Steering Committee meeting**

15. SC members raised the following issues for discussion at the upcoming SCMs:
  - a. Monitoring: discuss mechanisms for regular stocktaking, including a possible mid-term review on the performance of the Multi Donor Fund
  - b. Finance Review: to assess whether further pledges need to be translated into actual commitments and to allow donors to plan for their next cash transfers to the fund
  - c. Operations manual: review whether the operations manual needs to be adjusted in the light of the new strategic decision
  - d. Housing project, Phase 2: seek further clarification on how commitments to the housing sector will be met by BRR's new approach to housing reconstruction (will community-led process still apply, what kind of quality assurance is in place), and take an official decision regarding Phase 2.
  - e. Roles and responsibilities of the World Bank: donors would like to receive further clarity on the multiple roles and responsibilities of the World Bank as Trustee, donor and Partner Agency.

- f. BRR's role as implementer: seek further clarification on the BRR's new structure and definitions of its role as coordinating and implementing agency. Donors would like some assurances that the BRR's new role as implementing agency will not detract them from the equally important role as coordinating agency.
- g. Livelihoods: seek information on BRR's strategy on recovery of livelihoods
- h. Lessons-learnt seminar: what are the lessons learnt from Multi Donor Fund activities so far? Is the MDF fulfilling its objectives? What has been accomplished, where do we stand now and in what direction are we moving are possible questions to raise.
- i. Recovery Assistance Policy: review whether changes need to be made

### **b) Finance and Project Update**

16. The MDF Manager proposed to hold separate regular technical meetings to update members on finance and operational matters, including the status of project implementation, since experience has shown that this item on the agenda of SC meetings regularly gets dropped due to time constraints. He informed donors that an invitation will be sent out soon. The Secretariat are also proposing to organize a seminar by the end of March for members to share their thoughts on lessons learned by the MDF.

Before the meeting was closed at 10.15 a.m., the Minutes of SCM#7 were approved.

Members were invited to visit the photo exhibition 'Reflections of Aceh and Nias' at the ground floor of the JSX, organized by the Multi Donor Fund.

A press conference covering the results of current projects, endorsement of the new strategy and endorsed project concept notes and signing of the Aceh Forest and Environment project and the WFP – Sea Delivery and Logistics Program took place after the SCM meeting and was attended by about 20 media representatives.