

Rebuilding a Better Aceh and Nias The Recovery Effort and the Way Forward One Year after the Tsunami

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Abstrak

Artikel ini merupakan ringkasan dari laporan setahun pasca tragedi Tsunami yang disusun oleh Badan Rehabilitasi dan Rekonstruksi (BRR) Aceh dan salah satu mitra internasional, Bank Dunia kantor perwakilan Jakarta. Pada artikel ini dipaparkan usaha dan kemajuan yang telah dicapai oleh BRR dan mitra internasional selama satu tahun sejak kejadian Tsunami, Desember 2004. Adapun langkah-langkah yang ditempuh adalah menerapkan strategi rekonstruksi yang berupa bantuan fisik dan kemanusiaan, diantaranya pembangunan kembali perumahan, kebutuhan hidup, dan fasilitas umum bagi masyarakat korban bencana. Juga dipaparkan masalah program pendanaan yang diperoleh dari sumbangan donor-donor asing. Sebagai penutup dijabarkan langkah-langkah ke depan (2006) yang ditetapkan BRR dalam bentuk 4 (empat) prioritas.

On December 26, 2004, an earthquake struck 150 km off the coast of Aceh. It was the most powerful the world has seen in a generation. Forty-five minutes later the tsunami wave hit Aceh and within minutes it swept clean an 800 km coastal strip of Aceh – equivalent

to the coastline from San Francisco to San Diego. Some 130,000 people were killed and 37,000 remain missing.

The March 28 earthquake added to the toll in Nias, Simeulue and southern parts of Aceh. The power of nature in these events is scarcely comprehensible. To give just one illustration: the December earthquake caused the 2,000 sq km island of Simeulue, with its 78,000

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inhabitants, to sink about one meter, while the March earthquake caused it to rise two meters – more, in some parts. Being able to walk through exposed coral reefs is a stark reminder of the surreal transformations nature can bring.

These events caused immense social, economic, & environmental devastation to areas that were already poor, while sparking unprecedented emergency support. Before the tsunami, more than a third of the population of Aceh and Nias lived in poverty. Now, almost half live below the poverty line or are dependent on food aid. Full recovery will take years. The calamity also unleashed an unprecedented national and international response for emergency needs.

The effort has now shifted gear from coping with the emergency to helping the people of Aceh and Nias piece back their lives. Visitors are still struck by the scenes of utter devastation, but they now see clear evidence of recovery activity as disaster survivors, along with the staff of 124 international NGOs, 430 local NGOs, dozens of donor and United Nations agencies, various government agencies, some military, and many others are collectively working on reconstruction efforts.

Many new and innovative mechanisms for funding the recovery have ensured that sufficient resources are available.

Fifteen donors have come together to pool their grant assistance in a US\$525 million Multi-Donor Fund for Aceh and Nias, co-chaired by the European Commission (the largest donor), the World Bank and the BRR. The Asian Development Bank launched the Earthquake and Tsunami Emergency Support Project with its own US\$300 million grant. And major bilateral programs of grants and soft loans have been offered by the Australia-Indonesia Partnership for Reconstruction and Development, the Governments of Japan and Germany, and USAID as well as many other generous governments from around the globe. International NGOs and organizations such as the Red Cross/Red Crescent, CARE, CARDI, Catholic Relief Services, MercyCorps, Oxfam, Save the Children, and World Vision have raised record funds to support ongoing relief and recovery efforts. The Indonesian military and military forces from various countries led the search and rescue, relief distribution and immediate clean-up activities. The United Nations launched a US\$800 million flash appeal for the tsunami affected countries. NGOs and donors made record contributions. These funds provide hope that it is indeed possible to “build Aceh and Nias back better.”

The greatest hope for a lasting recovery has come from the signing of a peace accord in Helsinki

between the Government of Indonesia (GoI) and the Free Aceh Movement (GAM) on August 15, 2005, ending a 30-year-conflict during which almost 15,000 people had died. Past accords have not held, but lessons have been learned and so far the prospects look good. Former GAM combatants are smoothly reintegrating into their original communities, arms are being handed over on schedule, Indonesian military forces in Aceh are scaling back as promised and local institutions are welcoming GAM leaders into decision-making positions. There is the possibility of a "virtuous circle"; the tsunami gave the chance for peace, and the reconstruction effort presents an opportunity to strengthen that peace by bringing entire communities together to plan for their future.

PROGRESS - ONE YEAR ON

Emergency relief is still needed, but the burden of effort is now focused on reconstruction, and progress is being made on multiple fronts. In Aceh and Nias, great areas of urban landscape remain nothing but rubble; about 67,500 people are still living in tents, many of which are going moldy. Hundreds of thousands of people still depend on food aid and emergency employment schemes. However, unlike in similar disasters elsewhere, there has been no major outbreak of

disease or hunger, due to the well-coordinated emergency effort. Now, almost 1,000 reconstruction projects are underway, many of which have recorded progress (table 1).

Recovery programs are targeting many needs, with a heavy emphasis on housing, health and restoring agrarian livelihoods. By early December, 16,200 houses had been built and 13,200 were under construction for those made homeless, 15,000 families are housed in temporary barracks, and the UN and Red Cross/Red Crescent are now leading a temporary house campaign which is intended to get everyone out of tents by early 2006. Most children are now back in school, health centers have largely reopened, some two-thirds of farmers are back farming their damaged land, and three-quarters of the fishing boats lost have been replaced or are being built. Some progress, but more limited, has been made in restoring livelihoods.

Those displaced or who lost their livelihoods are understandably frustrated that a year later the recovery hasn't been faster. The pace of reconstruction following a disaster of such magnitude is never fast enough, given the lives that have been disrupted, but it is proceeding at least as rapidly as in other contemporary disasters (box 1).

The recovery effort is beset by challenges of enormous complexity.

No amount of planning or ingenuity could have averted them. To quote a few:

- Land has to be cleared of millions of tons of debris and silt before it can be used again – whether for farming or building homes; and before building houses it is vital to establish who owns what land.
- Large areas of land are no longer

TABLE 1. DAMAGE AND PROGRESS IN ACEH AND NIAS (BY MID-DECEMBER)

People	Damage	Progress
	<ul style="list-style-type: none"> • 167,000 dead or missing from tsunami • 500,000 displaced from homes in Aceh • 900 dead from the March earthquake, 13,500 families displaced from homes in Nias 	<ul style="list-style-type: none"> • In Aceh, over 300,000 have been able to return to homes • About 75,000 given shelter by relatives and neighbors
Housing	<ul style="list-style-type: none"> • 80,000 - 110,000 new houses needed and 13,500 in Nias • About 50,000 are housed in barracks; • About 67,500 remain in tents 	<ul style="list-style-type: none"> • 16,200 new houses completed • 13,200 underway • 5,000/month new houses being built
Infrastructure	<ul style="list-style-type: none"> • 3,000 km of roads impassable • 14 of 19 seaports badly damaged • 8 of 10 airports damaged • 120 arterial bridges destroyed, 1,500 minor bridges 	<ul style="list-style-type: none"> • 235 km roads restored • West coast road project started • Major road projects underway • 5 major ports being rebuilt • 35 arterial bridges rebuilt
Education	<ul style="list-style-type: none"> • More than 2,000 school buildings damaged • Approximately 2,500 teachers died 	<ul style="list-style-type: none"> • 335 new schools built or under construction • Over 1,100 new or temporary teachers trained • 1.7 million textbooks distributed
Health	<ul style="list-style-type: none"> • More than eight hospitals damaged or destroyed • 114 health centres and sub-centres damaged or destroyed 	<ul style="list-style-type: none"> • 38 hospitals, clinics and health centres rehabilitated or rebuilt • 51 more under reconstruction
Economy	<ul style="list-style-type: none"> • US\$1.2 billion damage to productive sector • Projected economic decline of 5% in Aceh; 20% in Nias 	<ul style="list-style-type: none"> • Construction boom is stimulating economy
Fisheries	<ul style="list-style-type: none"> • 4,717 coastal fishing boats lost • 20,000 ha fish ponds destroyed or out of action 	<ul style="list-style-type: none"> • 3,122 boats replaced or being built • 5,000 ha fish ponds repaired, back in use
Agriculture	<ul style="list-style-type: none"> • 60,000 farmers displaced • Over 60,000 ha agricultural land damaged 	<ul style="list-style-type: none"> • 40,000 farmers assisted to return • 13,000 ha farmland restored
Enterprise	<ul style="list-style-type: none"> • 100,000 small business persons have lost their livelihoods 	<ul style="list-style-type: none"> • 7,000 workers given skills training • Over 120,000 benefited from cash-for-work schemes

Source: Range of houses needed based on these sources: IOM damage assessment of houses destroyed adjusted to account for loss of villagers (March); BRR survey of Camat and Village Heads (November); Shelter Working Group estimates of October 2005; BPS census shows 192,055 IDPs including 12,353 in tents on own land.

BOX 1. COMPARING RECONSTRUCTION PACE ACROSS COUNTRIES

- **Honduras:** Hurricane Mitch devastated several Central American countries in 1998. In Honduras alone, more than 441,000 were displaced. Four years later, about 85,000 houses were rebuilt, but hundreds were still living in temporary shelters.
- **India:** The Gujarat earthquake in 2001 killed about 14,000 people; the recovery program aimed to rebuild 214,000 houses; in the first two years 113,000 had been built (53%)
- **Iran:** In December 2003, an earthquake in Bam killed more than 30,000 and left 75,000 homeless. One year later, most people lived in pre-fabricated temporary shelters and only 5% of the permanent houses needed were rebuilt.
- **Japan:** The Kobe earthquake killed 6,400 and displaced 300,000 in 1995. It took seven years to fully recover in terms of population, income, and industrial indices.
- **Turkey:** After the Erzincan earthquake in 1992, a government program to build 3600 houses didn't start until two years later. Following the August 1999 Marmara earthquake (which destroyed 64,000 houses), government capacity for reconstruction had increased, and it took about three years to complete the bulk of the housing reconstruction.
- **United States:** In Florida some people are still living in mobile housing more than a year after Hurricane Ivan struck in 2004.
- **Venezuela:** The floods and landslides of 1999 displaced 80-100,000; more than one-third of these still lived in barracks/temporary shelter 8 months later. A year after the disaster, all of the displaced had homes; however, many were pressured to relocate.

suitable for housing because they are now flood plains due to tectonic plate shifts that depressed much of the coastal shelf by up to 1.5 meters.

- Water, sewerage, electricity, public transport and other service connections must be planned before houses are built to ensure communities become viable again.
- The single road reaching along the west coast was washed away in many areas, as were many ports. In spite of the temporary road built by the Indonesian army, which can only carry 5-ton trucks even when it is dry, it is proving a logistical nightmare to bring in the thousands of tons

of building supplies needed for reconstruction.

- The islands, especially Nias and Simeulue, lost most of their ports and never had the scale of transport infrastructure necessary for the logistics of large-scale reconstruction.
- Since reconstruction began there have been many other earthquakes (not least the giant one in March), heavy floods, landslides and gales. Avian influenza and polio have also reached Aceh.

Though nothing could have been done to avert these problems, other sources of delay could have been averted. It took the Government several months to

formulate its strategy. Many NGOs and donors made commitments to undertake programs for which they had little experience. Many donors swiftly pledged aid for recovery but then took several months to authorize or transfer the funds. And inappropriate policies often caused unnecessary delays and false starts—for example, the initial policy to limit the budget for a new house to US\$3,000—a level that was clearly too low—constrained housing projects. It was eventually revised, but not before many programs were already underway.

The budget processes for government funds and official aid provided through the government have proven slow. Traditionally in Indonesia (as in many countries), transferring funds from the national treasury can be cumbersome. This year budget execution was even slower as a result of newly introduced reforms, even though a rapid response was required. Inevitably, the new system, though designed to increase transparency and accountability, initially generated confusion and uncertainty, as long-standing practices were overhauled. Just as the need for speed in accessing funds was greatest, the budget system nearly broke down leaving considerable resources assigned by the government for recovery languishing in Jakarta until as late as September 2005.

THE RECONSTRUCTION STRATEGY

The government's masterplan for rehabilitation and reconstruction contained two critical decisions that were to initially delay reconstruction, but which gave the recovery a firm foundation for sustainable progress in the long term. The first was to establish a ministerial-level Rehabilitation and Reconstruction Agency (BRR) to provide leadership of the recovery; though it took some months before the agency became fully operational. The second was to insist that communities take the lead in planning their own recovery; participatory processes are often slower than top-down alternatives but are more effective over the long term because the plans have full community support. Indonesia's strategic choices have set a different path from that chosen by countries in other disasters, but given the complex political and social environment in which the tsunami occurred, these choices made sense. Indeed, the creation of a credible, independent agency, based in Banda Aceh, to oversee the reconstruction and emphasize community-driven processes, has surely contributed to the peace process.

Since its formation in April the BRR has quickly established leadership over the reconstruction effort. BRR comprises three bodies:

an Executing Agency (Bapel), headed by Kuntoro Mangkusubroto; a high-level Advisory Board to guide the reconstruction strategy; and an Oversight Board to monitor activities, handle public complaints, and conduct audits. All three report directly to the President. The term BRR is commonly used for the executing agency, a practice followed in this report.

BRR's first priority was to clarify its mission, build its staff and develop a set of standard operating procedures to provide coordination, strategic leadership and quality control of the myriad activities underway by donors and NGOs. It established a review and approval process to ensure that projects are compatible with overall recovery priorities and requirements. It drafted policies and guidelines to lay down common standards and practices in key areas with a strong focus on anti-corruption. It also established an operations center to track donor projects and sought to set up new frameworks for donor coordination. And through allocation of substantial resources from the Paris Club moratorium, it became an important source of government funds for reconstruction.

BRR has now been given additional powers to implement housing reconstruction projects through direct contracting. This will enable it to respond to gaps or poorly performing programs, by being able to assume responsibility for those

programs or reassign them to another agency. It is also giving priority to engaging district government systems in the reconstruction by passing on BRR's own funds to projects managed by provincial and district administrations. BRR will also use block grants to empower local governments to address their middle-level infrastructure needs, while providing the necessary capacity-building through a "learning-by-doing" approach.

The transition from relief to reconstruction has not been seamless. A hiatus in activity in the middle of 2005 gave the impression that the recovery effort was running out of steam. Planning for the recovery phase started in earnest in March and did not end till the Government's revised budget was approved in June. Disbursements for recovery activities remained on hold just as the emergency response was beginning to wind down. This created a trough in the funding flows - illustrated by the shaded area in figure 1- and coincided with mounting frustration among those displaced who were understandably impatient to see progress.

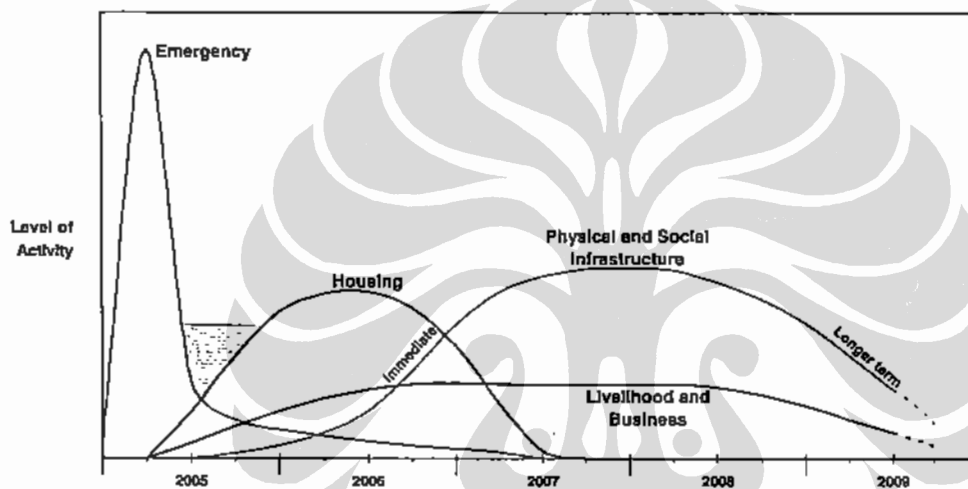
The recovery program has now gained momentum and funds are starting to flow for reconstruction projects. This became possible as capacities were built, plans were agreed with communities, contracts were awarded and construction materials were procured. Resource

flows to reconstruction projects have increased to about US\$150 million per month and should grow to US\$200 million per month in 2006. BRR has set out a sequencing of the reconstruction effort, as the diagram illustrates, broadening from the current emphasis on housing to include infrastructure and livelihoods in 2006, and in subsequent years to longer term infrastructure needs and local capacity building (figure 1).

REBUILDING HOMES AND COMMUNITIES

About 500,000 people were displaced from their homes by the tsunami. Most have been able to return to their property or to find an alternative, but about 190,000 people remain homeless in Aceh and a further 13,500 families in Nias. Some 67,500 people in Aceh remain in tents.

FIGURE 1. SEQUENCING OF EMERGENCY AND RECOVERY EFFORT



Tangible progress in reconstruction is now evident. Any journey now through most of the tsunami zone reveals a constant stream of new houses, public works projects and construction yards run by international or government agencies. However, the remoter areas are still seriously neglected, in particular Nias.

The first hurdle to overcome in permanent housing is clarifying who owns what land. Often there is no visible trace of property boundaries. A program is now underway to restore property rights using participatory approaches. People in a village first map out their community showing approximate boundaries, damage to property,

and who lived where.

The whole community then collectively adjudicates on who owns or should inherit which plot. The National Land Agency (BPN) then certifies the community's decision, draws up detailed maps and starts the process of issuing legal title to the plots. Speed is of the essence in this complex process.

Dealing with land issues where people have to move is much more complicated. An estimated 30,000 families are likely to have to relocate permanently, sometimes as whole communities. Where NGOs or others are prepared to help (perhaps in purchasing the land needed) and where local government heads provide decisive leadership, these problems can be resolved.

Current projections indicate that 60,000 houses will have been built by June 2006, and the full housing program should be complete by the middle of 2007. This would entail building 75,000 houses in Aceh in 2006. Progress remains slow in the more remote areas, however, particularly the islands of Nias and Simeulue.

Most housing projects today are in easier-to-reach areas and do not require large amounts of new land; the most difficult housing projects are yet to start. In 2006 house-building will be needed for the island dwellers, those in cut-off

areas, and those whose land has been washed away or become permanently flood-prone. Many other policy constraints have to be overcome. As a result, there is a risk that housing starts may soon peak as these more difficult areas are reached.

RESTORING LIVELIHOODS

The tsunami caused an estimated loss of US\$1.2 billion in the productive sectors. More than half of this was in the fisheries sector and the rest was divided between farming and manufacturing. Cash-for-work, financed by many donors and NGOs, has played a vital role in providing safety nets and revitalizing the economy. These programs are now being phased out, as more housing construction projects and other regular employment activities are being launched.

The construction boom offers many jobs, but there could be a sting in the tail. The initial rise in unemployment after the tsunami has been reversed due to jobs in construction, but this boom will eventually end. Although it is tempting to reserve recovery-related jobs for local people, this would precipitate wage and price inflation in the region with damaging consequences in the long term for Aceh and Nias. The region cannot revert from a construction-led

economy if labor has priced itself out of the Indonesian market, and wage rates are much more flexible upwards than downwards. A balance must be struck between ensuring that reconstruction jobs help IDPs and allowing flexibility for labor migration.

In the fisheries sector a great deal of help has been given, but not always of the right type, and gaps remain. A high proportion of the small coastal fishing boats have been replaced but many may not last beyond 12 to 18 months due to poor design and craftsmanship and the use of substandard materials. Furthermore, even before the tsunami there were doubts about the sustainability of coastal fishing, while there are reportedly large fish reserves in the deeper ocean. Few agencies are providing the larger boats needed to harvest these reserves. There are other gaps too. Many shrimp and fresh-water fish ponds have not been rehabilitated and few agencies are helping with marketing-related needs, such as replacing ice-plants lost in the tsunami.

Agriculture has been one of the few sectors of recovery that has proved easier than initially thought. Emergency employment schemes to clear debris and deposits, and restore drainage and irrigation channels have assisted 40,000 families to return to farming (two-thirds of affected households). Some

areas are reporting high crop yields due to the nutritional value of the silt deposits. In other areas, considerable investments in drainage are needed to bring back lands to pre-tsunami production levels.

Many small and medium-scale entrepreneurs are having a hard time getting back on their feet. A number of NGOs are providing start-up grants or micro-finance facilities for small and medium enterprises (SMEs). But the formal banking system is not providing normal services to businesses in Aceh and Nias because the high proportion of tsunami-related non-performing loans has made them risk-averse. The loss of assets, lack of access to capital, and damage to their normal market channels has seriously demoralized entrepreneurs.

RESTORING PUBLIC SERVICES

Most educational services have been quickly restored, but problems of quality remain. Many children are now taught in tents or temporary learning spaces. A large program was undertaken to train more than 1,100 new or temporary teachers. However, children's education has suffered from the disruption of service, the movement of communities in resettling, and the trauma of the disasters. More than five percent of children aged 7-12 were still not enrolled in school by

August and more than ten percent of children aged 13-15 years were not going to school. It appears that many children are leaving school to take up jobs, so potentially being deprived of life opportunities. The challenge, moving forward, is to complete the repairs to over 2,000 schools in Aceh and Nias, replacing the temporary facilities with disaster-resistant permanent ones. This also presents an opportunity to improve the quality of education delivery. Donors initially focused their support on reconstructing primary schools in urban areas and along main roads. Better targeting is needed to ensure that the needs at the secondary levels are met, as well as the significant needs in less accessible rural areas, and those places affected by the conflict.

Most health facilities have been restored to pre-tsunami levels. Donors and NGOs responded quickly and generously to health sector needs by establishing field hospitals and providing staff and equipment. Reconstruction and capacity-building for permanent health facilities are now underway in 70 percent of damaged health centres and sub-centres, and in some areas donors have provided adequate resources. Low levels of public investment and years of conflict meant that public health facilities were already in a poor state prior to the natural disasters. Planning for

the longer term will be a high priority in the coming year, as issues of overlap, equity, and capacity for maintenance are critical. More programs will also be needed to tackle mental health problems which are more complex and longer-lasting than physical injuries.

Meeting transport needs must become a top priority. The extensive repairs made to the road network after the disaster allowed relief operations to reach remote areas, but they were quick fixes. With the onset of the rainy season, access to areas along the west coast has become very difficult and emergency maintenance is now underway. A revised transport master plan is now in the works. Major road works are now beginning. Existing commitments should meet most national road needs, but there are still big gaps in the funding for district roads. Port rebuilding is particularly under-funded. Within a year, significant stretches of the west coast road should be in good condition, and emergency repairs to key ports should be finished. However, a year is a long time for people living in tents, and without transportation to reach the suffering communities, recovery will continue to be disrupted.

The provision of water and sanitation must keep pace with house building. The emergency operation gave considerable attention to needs in this sector and,

as a result, there was no major outbreak or water-borne disease. Still, about 80,000 people have their daily water trucked in by NGOs and donors. Now the recovery operation has moved to the reconstruction of permanent water and sanitation facilities, especially in the major towns and cities. Such facilities were poor before the tsunami. Facilities in Banda Aceh are being reconstructed, and a special program to address water and sanitation needs of those in temporary accommodation is underway.

While community-level and large scale infrastructure programs are progressing, there is a significant gap in infrastructure at the level of districts and cities. The main coordination and funding gaps relate to secondary roads, dykes, sewerage and water supply which are the responsibilities of local governments. These are beyond the scope of most NGOs and require government planning and implementation systems. However, district governments in both Aceh and Nias currently lack the capacity and, in many cases, the drive for the task.

SUSTAINABLE RECOVERY

Rebuilding the economy is a great challenge and is best served by starting physical reconstruction as swiftly as possible. It is estimated that the disasters will

reduce the 2005 GDP by 5 percent in Aceh and 20 percent in Nias, though the impact varies greatly by district with two of them losing half their GDP. This signals that an additional 325,000 people in Aceh, and 149,000 in Nias might fall below the poverty line without adequate safety nets. Post tsunami, prices have increased more sharply than nationwide, in particular in Banda Aceh, where year-on-year inflation in October 2005 reached 37.5 percent - largely due to the heavy demand for construction materials and skilled labor. The construction boom has also led to a 30-40 percent surge in wages across all professions.

Commercial banks suffered major losses due to unrecoverable loans but are slowly recovering. Many banks are seeking to salvage what they can by softening terms for creditors in difficulty. Debtors who lost their productive assets in the tsunami and earthquake are still struggling as they can hardly access credit without collateral. However, bank deposits have increased significantly as construction picks up and there is confidence that this, coupled with the peace agreement, will help revive the banking sector and restore economic confidence.

Restoring the natural environment will require years of hard work. The natural disasters caused substantial environmental impact in urban and rural areas.

Some 800 km of coastal Aceh, often up to 5 km wide, was severely affected; in Nias, the whole coastline has changed. The major damage was due to debris and sediment deposits to farmland and fish ponds. In many places beaches were lost and riverbeds changed. Although the environment accounts for a small proportion of donor and government recovery commitments, there have been some very effective programs of waste management and ecosystem restoration. Mangrove restoration is a particular priority in the long term. A major issue is the potentially damaging environmental effects associated with the demand for building materials, especially timber and masonry.

THE PEACE DIVIDEND

So far the peace is holding but a number of events in 2006 will test its robustness. The peace accord has been widely hailed by Acehnese people as an important new opportunity - a silver lining to the dark clouds of the past 12 months. In 2006, a new law is to be enacted on the governance of Aceh, which will inevitably involve fraught processes of negotiation and public debate. The upcoming elections for the governor of Aceh and most district heads will be an important test for the consolidation of democracy in Aceh.

The international community can play an important role in helping to safeguard the peace. It

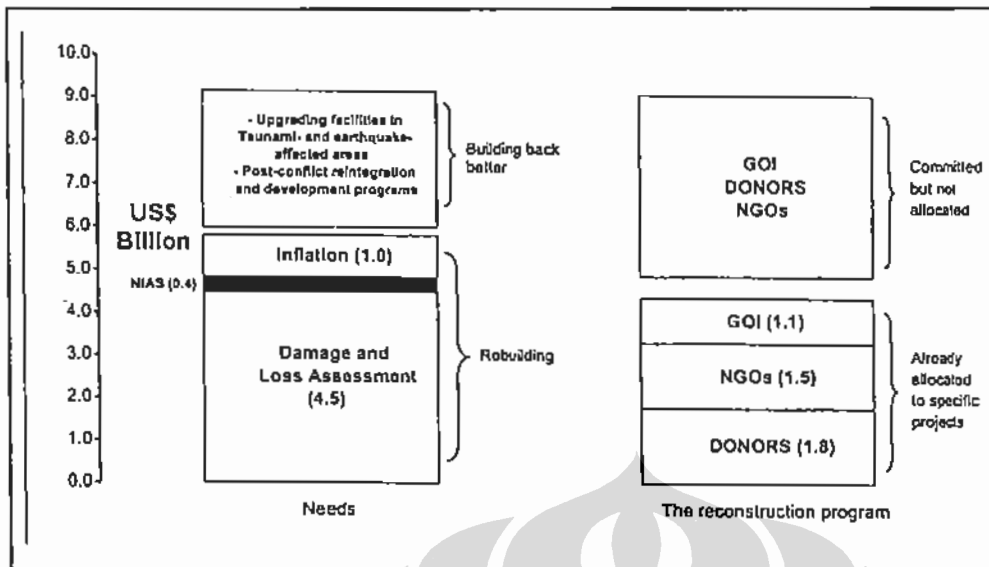
is important that tsunami and post-conflict recovery are integrated to the fullest extent possible. At the least, it is important that all agencies are sensitive to conflict issues to ensure that aid programs do not exacerbate tensions that could fuel the eruption of conflict. All projects must be strictly equitable and inclusive. Agencies must be careful about process as well as outcomes and they should establish responsive complaints-handling mechanisms.

FINANCING THE RECONSTRUCTION PROGRAM

The people of Aceh and Nias will need at least US\$5.8 billion to restore lost assets. This includes taking into account rising inflation due to high demand for reconstruction-related goods. Additional resources will be needed to upgrade facilities that were already in poor condition before the disasters hit, particularly in conflict-affected areas and Nias.

One year after the tsunami, US\$4.4 billion has already been allocated for specific projects. The Government (including 2006 budget) has allocated US\$1.1 billion, NGOs US\$1.5 billion and official donors US\$1.8 billion (figure 2). These projects meet the minimum needs in most sectors, but important gaps remain, particularly in transport, flood control and environment. Out of the US\$4.4 billion, US\$775 million had been spent by end- November 2005.

FIGURE 2. RECONSTRUCTION NEEDS AND COMMITMENTS (US\$BILLION)



Source: BRR/World Bank staff estimates

There is an opportunity to *build back better*. Total pledges for reconstruction and development in Aceh and Nias amount to about US\$9 billion. The Government of Indonesia, donors and NGOs are each expected to contribute US\$2.5-3.5 billion. Since Aceh and Nias need US\$5.8 billion to rebuild, additional resources of about US\$3 billion could be used to make Aceh and Nias a better place (figure 2). For this to happen, all partners need to keep their commitments and implement their projects.

THE WAY FORWARD

Coordination among all stakeholders is not yet strong enough and tends to focus on information-sharing as opposed to

common decision making. BRR is trying to address this by establishing coordination forums, policy advisory groups and other mechanisms to ensure that all gaps are filled, with a minimum of duplication. It is also helping to strengthen coordination at the local level, by opening local offices and working with local governments and community leaders.

BRR has set four key priorities for 2006:

- Provide decent shelter to all: Through the transitional shelter campaign, accelerating the pace of permanent house-building, resolving the remaining policy and strategy dilemmas, and meeting remaining gaps through direct implementation where

needed.

- **Rehabilitate vital infrastructure:** Especially the transport links along the west coast, urban drainage and facilities, and coastal protection; also preparing a longer-term plan for infrastructure development.
- **Strengthen institutional and human capacities:** By building the capacities of local governments to handle complex infrastructure and development schemes; building the capacities of independent organizations to monitor this and help guard against corruption; and by continuing to restore education and health facilities and services.
- **Restore livelihoods:** By ensuring the construction boom is used to create sustainable job opportunities and new skills; completing the revitalization of 64,000 hectares of damaged farmland; developing new potential in the plantation sector; ensuring a more holistic approach to recovery in fisheries; and providing more support to SMEs.

Aceh and Nias have considerable development potential for the long term which must be nurtured. The sudden opening of Aceh's doors to the world presents the province with a choice. It can either return to being a relatively isolated region at the end of the Indonesian archipelago or it can consolidate its connections with the rest of the country and the wider world. Its location is a potential

advantage, with easy sea routes to a number of the world's most rapidly growing economies. It could also choose to strengthen its trade and business connections. Aceh has considerable natural resources it can tap, and a chance – with the peace process – to better harness its full human potential. With scenic beauty, good beaches and a world class National Park, Aceh and Nias have the potential to develop tourism. The future prospects are promising, and now is an opportune moment to initiate wide public consultation about the direction the people prefer to take.

The healing of Aceh and Nias will take a long time, and will inevitably see setbacks, as well as celebrations. It is time to get beyond sentiments of "my project, or yours" and recognize the need for active coordination. There is one common recovery endeavour and all agencies share the responsibility for ensuring its health. BRR is providing leadership in this coordination, but cannot do it alone. All agencies must provide information about their experiences and their programs, and be prepared to work in partnership with others. In this way, it will not just be building houses but building homes. And by respecting community-driven processes, it will not just be erecting settlements throughout the damaged areas of Aceh and Nias, but it will be recreating vibrant communities. This is the goal for which everyone must strive. □