BRR
NAD — Nias

10 Management Lessons for Host Governments Coordinating Post-disaster Reconstruction

By the Executing Agency for Rehabilitation and
Reconstruction (BRR) of Aceh–Nias
2005–2009

Printed in Indonesia.

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The time has come to close a chapter in the history of Aceh and Nias. In 2004 and 2005, the Indian Ocean tsunami hit Aceh and an earthquake struck Nias in quick succession. It was a natural disaster that destroyed property, devastated lives, and decimated entire generations. Villages were wiped out, along with the collective experience and accumulated wisdom of generations. The international response was both swift and generous, and to all who have contributed in some way, the people of Indonesia sincerely give thanks.

The generosity of the international community allowed us to be ambitious and undertake a world-class reconstruction effort. In fact, the World Bank has called BRR a "model for international partnership". We pride ourselves on our anti-corruption efforts. We pride ourselves on introducing joint-land-titling, a first in Indonesia, that allowed women to become joint property owners. We pride ourselves on creating versatile Internet-based tools that enabled public tracking of projects at anytime from anywhere. We also realized that the most important task of a reconstruction agency is to keep the hope of affected communities alive – the hope that they can put this tragedy behind them and rebuild their lives and the hope that we will deliver on our promise to build back better. Maintaining a crisis mindset – the unfailing sense of urgency in the immediate aftermath of the disaster – is critical to sustain the momentum of reconstruction so that we can deliver on this promise.

Yet, when BRR was first established to coordinate the reconstruction effort, it was far from clear how we would accomplish our task. No one had ever dealt with a natural disaster of this magnitude. It was like

starting with a clean slate – and much of our emphasis on "learning by doing" was because we did not always have the answers when we first began. Nonetheless, we were always clear about the endgame: rebuild the lives of the people of Aceh and Nias and use BRR as a laboratory to spearhead public sector innovation for Indonesian government agencies.

It is with this same spirit that we now present these management lessons to other host governments who find themselves in similarly unfortunate circumstances. This document focuses specifically on the challenges and opportunities facing the principal coordinating agency of a large-scale disaster reconstruction program. We have spoken with our partners and colleagues in Aceh–Nias to achieve a balanced view of their experiences with and expectations of the government coordinating agency. Unfortunately, as the twin disasters of Cyclone Nargis and the Sichuan Earthquake in 2008 have shown, we have not seen the end of mega disasters. Although we cannot prevent disaster, we can learn from one another and prepare ourselves as best as we can. We would thus like to invite all practitioners to challenge and enrich the lessons presented here with the aim of ensuring better and faster recovery of affected communities in the future.

Acknowledgements

Executive Summary

This document is intended primarily for host governments that are facing or preparing for the event of a large-scale disaster. It contains the ten most important management lessons learned over a period of four years by BRR, the coordinating agency responsible for the reconstruction of Aceh and Nias following the 2004 Indian Ocean tsunami, Indonesia's greatest natural disaster. The USD 6.7 billion effort received significant contributions from donor agencies and private citizens worldwide and involved the efforts of some 900 organizations.

Many aspects of the Aceh–Nias experience were unique: reconstruction activities were often conducted in conflict areas; recovery efforts played out against the tense political dynamics between the central government and the areas affected by disaster; and reconstruction aid from the international community was unprecedented – both financially and physically – and the majority of all reconstruction funds came as aid from the international community. This unique set of circumstances defined post-disaster Aceh–Nias and also shaped the policies and strategies adopted by BRR.

Nonetheless, we believe that host governments face a common set of choices when tackling post-disaster reconstruction, and hence that what we have learned over the past four years may be valuable to future governments afflicted by large disasters. These lessons represent BRR's best efforts to abstract the management choices that we believe all host governments face about how they should approach the role of the coordinating agency. The document discusses the ten most valuable lessons learned across three different elements of reconstruction work: organize, execute, and fund, and is based on BRR's experience as a coordinating agency.

Organize

This section is concerned with how the host government organizes itself to coordinate the overall reconstruction effort. There is intense pressure to show results quickly. Hence, governments must respond with great speed in establishing or designating a coordinating agency with the formal authority to take charge of the reconstruction effort. When the tsunami first hit on December 26, 2004, the international response was overwhelming. Agencies, volunteers, and funds poured into the affected region to assist with relief efforts. In the face of such resources, the temptation is to trust these external contributors to get on with the job of implementing their own programs and projects. However, it is worth investing the time to get the overarching coordination mechanisms in place. In Indonesia's case, the creation of BRR was a considered and careful decision, arrived at through three months of discussions between the government of Indonesia and multi- and bilateral players.

A strong, experienced leadership team is needed to win over the host government and donor community. Strong leadership of external stakeholders requires the ability to maintain a fine balancing act between various groups competing for the attention of the coordinating agency, be it local factions or international agencies. The leadership team also needs a deft hand to manage the intense time demands of a post-disaster reconstruction program. In this regard, the coordinating agency needs to maintain a "crisis mindset" throughout the entire reconstruction effort to achieve its necessarily ambitious goals within a short timeframe.

As some of the reconstruction funds will come from the national budget, the host government is usually legally obliged to implement reconstruction activities directly. Based on BRR's experience, it is advisable to build a strong implementation capability for the coordinating agency early on so that it can not only address urgent needs, but more importantly take on the role of filling gaps in the reconstruction program.

Execute

This section is concerned with how the coordinating agency oversees execution of the reconstruction program, an important consideration as the coordinating agency is ultimately responsible for the achievement of overall reconstruction targets. As the reconstruction effort gets underway, the coordinating agency must take the lead in setting priorities and establishing an overall direction for reconstruction activities. Housing was the principal platform of the Aceh–Nias reconstruction and many agencies went beyond their normal ambits to build 139,000 houses in four years (in an area short of equipment, transportation links, and skilled workers).

Given the hits and misses in the first year of reconstruction in Aceh and Nias, the importance of starting with urgent issues cannot be overstated. Begin with four priorities – meeting basic needs, filling gaps in the supply chain, building a coordination war room based on reliable data, and getting community input. Addressing these areas effectively will lay the foundations for and benefit medium-term reconstruction activities such as building permanent settlements

and infrastructure as well as minimize duplication and gaps in the reconstruction program.

A massive disaster can also be seen as an opportunity to "build back better" in the affected communities. In Aceh and Nias, the role of the community in building back better was emphasized. This manifested itself in several ways ranging from community-led and implemented village infrastructure projects to consensus-based village mapping processes.

For a large-scale program such as this, effective coordination is key to avoiding overlaps and BRR did not shy away from inviting major partner agencies to play supporting coordination roles.

Maintaining open, two-way communications was also important to manage donor and beneficiary expectations about the pace and progress of reconstruction.

Fund

This section is concerned with how the coordinating agency ensures overall financial accountability of the reconstruction effort. Such a move will gain the trust of the international community, which will in turn encourage a high conversion rate of pledged funds. Sound financial management underpinned the success of the Aceh–Nias reconstruction. Pledged funds were directed where they were most needed and where their use could be accounted for. Aid flows can be extremely volatile, their continuation dependent on the ability to produce results and satisfy donor requirements for disclosure. Financial management is further complicated in disaster reconstruction as accountability and the integrity of funding need to be balanced with speed of implementation.

Host governments need to engage donors with a mix of diplomacy and authority to direct donor funding flows to overall reconstruction priorities. Ensuring integrity and accountability of funds is critical to give donors the confidence to deliver on their pledges.

Exhibit 0.1 Pledged Funds Committed to Specific Reconstruction Projects

Total Fund
USD billions

93%

7.2

0.5

6.7

7.1

4.9

Damage assessment

Build back

Pledged

Committed
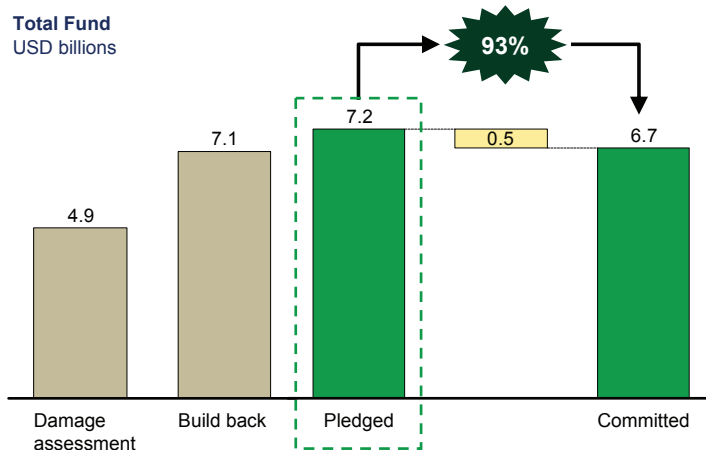
Effective coordination underpins the success of a reconstruction effort as complex as Aceh–Nias: multiple sectors across multiple regions by multiple agencies. At times over its four-year mandate, there were controversies over BRR's approach and its policy decisions. However, most donors support the view that BRR has, despite the many challenges, paved the way for a highly successful reconstruction program in Aceh and Nias. With the Paris Declaration on aid effectiveness, donors are increasingly calling on host governments to take the lead in managing aid flows and ensuring aid effectiveness. In such an environment, we hope that BRR's experience in managing a complex, large-scale reconstruction program provides an effective model for how to do this.

Exhibits

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LESSONS IN COORDINATING POST-DISASTER RECONSTRUCTION

Background

In December 2004, an earthquake in the Indian Ocean triggered a tsunami that left 220,000 Indonesians dead or missing and destroyed 800 kilometers of coastline in Aceh. A second tragedy followed shortly after in March 2005 when an earthquake took more victims in Nias. The survivors were left with no homes, no jobs, no health facilities, and no schools. The international donor community was generous in providing money, materiel, and reconstruction experts to meet the immensity of the reconstruction challenge. While the Indonesian armed forces (TNI) oversaw the multinational emergency relief operation and the National Coordinating Board for Disaster Management (Bakornas) executed the emergency response, it soon became apparent that an independent body would be needed to oversee the rehabilitation and reconstruction phase. The Indonesian government acted swiftly to create the Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR) to plan, coordinate, and administer the rebuilding effort and to ensure that the monies were spent on reconstruction and not lost to corruption. Eventually it coordinated the activities of some 900 international funding and implementing organizations and Acehnese provincial and Indonesian national agencies.

635,384
people displaced

127,707
people killed and 93,285 missing

104,500
small-medium businesses destroyed

139,000
houses destroyed

73,869
hectares of agricultural lands destroyed

1,927
teachers killed (Aceh)

13,828
fishing boats destroyed

1,089
worship places destroyed

2,618
kilometers of road destroyed

3,415
school facilities destroyed

517
health facilities destroyed

669
government buildings destroyed

119
bridges destroyed

22
ports destroyed

8
airports and runways destroyed

Impact in Numbers

The reconstruction efforts coordinated by BRR resulted in a significant impact[1] on both physical reconstruction and capability building.

155,182
laborers trained

195,726
SMEs received assistance

140,304
permanent houses built

69,979
hectares of agricultural land reclaimed

39,663
teachers trained

7,109
fishing boats built or donated

3,781
worship places built or repaired

3,696
kilometers of road constructed

1,759
school facilities built

1,115
health facilities constructed

996
government buildings built

363
bridges constructed

23
ports constructed

13
airports and runways constructed

1. Figures as of December 31, 2008.

BRR Evolution

The Government of Indonesia established the Agency for the Reconstruction and Rehabilitation of Aceh and Nias (BRR) in April 2005 to coordinate rehabilitation and reconstruction projects among field agencies and donors. BRR's original role as a coordinator, in which it would use its overview of the entire reconstruction landscape to match demand for aid to the available resources, was complicated by the vast area, the multiplicity of activities, and the sheer number of actors. Despite the unprecedented generosity of donors, the earmarking of funds by agencies for specific sectors slowed disbursement and sometimes conflicted with the actual needs – creating concurrent overfunding and underfunding. The unprecedented availability of funds gave more agencies (especially more NGOs) autonomy to execute projects, but created a potential duplication of efforts. All of these factors contributed to a need for a standard process for the allocation of funds. The tsunami victims were of course impatient to see results on the ground, especially when it seemed as if the transition from relief to reconstruction was rocky, and recovery appeared to be faltering. Over the course of rehabilitation and reconstruction, the agency evolved to manage the changing conditions, with BRR changing its organizational structure every 6 to 12 months in response to changing circumstances. This section highlights the key phases in the evolution of BRR.

Exhibit 0.2 Evolution of BRR

	Coordination	Coordination and implementation	Regionalization	Transition
Key activities	• Coordinated overall reconstruction and rehabilitation program	• Strengthened implementation capacity and became "implementer of last resort", in addition to its coordination role	• Shifted operations closer to affected communities	• Handed over responsibilities to permanent bodies
No. of staff*	• ~370	• ~1,100	• ~1,600	
Offices	• Aceh (HQ) • Jakarta • Nias	• Aceh (HQ) • Jakarta • Nias	• Aceh (HQ) • Jakarta • 6 regional offices incl. Nias	• Aceh (HQ) • Jakarta • 6 regional offices incl. Nias

Emergency relief — **Helsinki MoU Aug 15** — Reconstruction and Rehabilitation

2005 Apr 30 — 2006 Jan — 2006 Jul — 2007 — 2008 Oct — 2009 Apr 16

* Full-time staff at the end of 2005, 2006, and 2007 respectively

Source: BRR

BRR was given overall responsibility for the Indonesian reconstruction budget of USD 2.1 billion. After slow progress of reconstruction activities led by the traditional line ministries in the early months, with disbursements of 10 percent of allocated government funds, it was apparent that BRR had to take on some implementation activities or risk failing to fulfill its mandate. In January 2006, it reorganized itself to take on project implementation and tried to preserve the integrity of

Kota Sabang

Kota Banda Aceh

Aceh
Besar

Pidie

Bireuen

Kota
Lhokseumawe

Aceh Utara

REGION II

Aceh
Jaya

REGION I

Bener Meriah

Aceh
Timur

Aceh Tengah

Kota
Langsa

Aceh
Barat

Aceh
Tamiang

Nagan
Raya

REGION III

Nias

Gayo Lues

Aceh Barat
Daya

Nias Selatan

REGION VI

REGION V

Aceh
Tenggara

Aceh
Selatan

Simeulue

REGION V

Singkil

its coordination function by designating a new head of operations who reported directly to the Head of BRR.

In July 2006, BRR established six regional offices and transitioned from sector-based to region-based management. This proved to be more practical in coordinating cross-sectoral projects. Moreover, decentralization brought BRR closer to all stakeholders. The regional offices worked with local government to gain first-hand evaluations of the remaining needs of beneficiaries, while decentralized decision making and the establishment of operational capacity at the regional level improved implementation and developed local capabilities.

The region-based management of reconstruction activities continued to be successful through 2007 and 2008, when the bulk of the projects came to fruition. Importantly, the management and implementation of strategic projects and inter-regional projects continued to be a responsibility of headquarters. In late 2008, BRR's regional offices began to close and transfer assets and responsibilities to local government in preparation for the end of its mandate.

Finally, in April 2009, in accordance with the end of its four-year mandate, the agency handed over its various responsibilities to central and local government bodies.

1. Quickly Establish a Coordinating Agency with Adequate Powers

Governments must move quickly to clarify which agency will coordinate the post-disaster reconstruction program, what it is empowered to do, and when its mandate begins and ends.

A. Delineating the reconstruction phase

Draw a line between the relief and reconstruction phases of responding to a natural disaster. Emergency relief focuses on preventing further death and disease following a disaster and providing humanitarian relief to its victims. Reconstruction, in contrast, focuses on rebuilding affected communities, which requires complex coordination, a longer timeframe, and deep local understanding. In the case of Aceh–Nias, the Government of Indonesia officially concluded the emergency relief phase on March 26, 2005[2]. As the focus shifted from emergency relief to rehabilitation and reconstruction, coordination responsibility also shifted accordingly from the military and Bakornas to BRR.
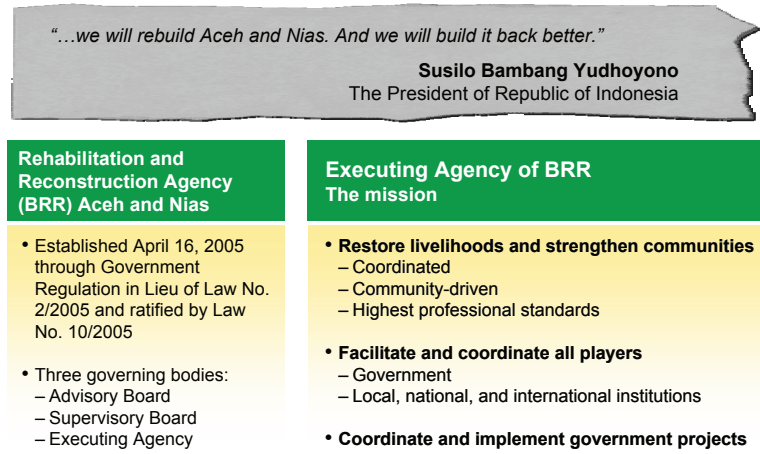
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2. It was not a clean transition – in Calang, for example, agencies were still focused on emergency relief activities in June 2005 – but it was important for the government to signal that the overall focus had changed.

Exhibit 1.1 Establishment of BRR as a One-stop Shop for Rehabilitation and Reconstruction

"…we will rebuild Aceh and Nias. And we will build it back better."

Susilo Bambang Yudhoyono
The President of Republic of Indonesia

Rehabilitation and Reconstruction Agency (BRR) Aceh and Nias	Executing Agency of BRR The mission
• Established April 16, 2005 through Government Regulation in Lieu of Law No. 2/2005 and ratified by Law No. 10/2005 • Three governing bodies: – Advisory Board – Supervisory Board – Executing Agency	• **Restore livelihoods and strengthen communities** – Coordinated – Community-driven – Highest professional standards • **Facilitate and coordinate all players** – Government – Local, national, and international institutions • **Coordinate and implement government projects**

B. Appointing a single coordinating agency

Appoint a single agency to coordinate and oversee the post-disaster reconstruction phase. This is critical to preventing duplication of effort and reducing bureaucratic infighting. International agencies will not coordinate effectively among themselves, either because they are not equipped to do so or because they view other agencies as competitors for favored projects, labor, or supplies. However, international agencies will take direction from a sovereign government or a coordinating agency officially sanctioned by it. In Aceh–Nias there were some 900 reconstruction actors, so the chances of geographical and sectoral overlaps were high. Donors later praised the Government of Indonesia for its decisive action in managing reconstruction.

The decision to either appoint an existing local or central government agency or establish a new entity to coordinate the reconstruction program depends on a number of variables, such as the scale of the disaster, the capabilities and capacities of government agencies in the affected areas, and the ambitions of the national government. In Indonesia's case, the central government established a new agency because the tsunami had

debilitated local government – killing one-third of local civil servants and destroying government records and buildings – and Indonesia lacked a suitable central government institution that could coordinate such a massive rehabilitation and reconstruction effort without undermining its existing responsibilities elsewhere in the country. Also, in Aceh, there was a longstanding resentment of the central government stemming in part from a decades-long secessionist insurgency, making it difficult for any existing central government agency to operate effectively in Aceh on short notice.

The Indonesian President Susilo Bambang Yudhoyono also recognized that the natural disasters that struck Aceh and Nias created an opportunity for a new start in the devastated provinces. This was true not only in terms of putting an end to decades of anti-Jakarta hostility (in the case of Aceh) but also in finding new and better ways to deliver public goods and services. As discussed throughout this report, the Indonesian Government conceived of BRR not just as a reconstruction coordinating agency but also as a laboratory for public sector innovations that could be replicated elsewhere in the country.

While establishing a new agency was appropriate in the case of Aceh, other governments should recognize that there are steep learning curves to overcome with a new agency. For smaller scale disasters with less damage to local government infrastructure, it may make more sense for an existing local government entity to coordinate reconstruction aid, as it could utilize local networks and local knowledge in planning and executing rehabilitation and reconstruction initiatives.

C. Taking the time to get the design right

Invest adequate time to design and empower the coordinating agency to ensure it has sufficient authority to interact effectively with domestic and international agencies. The Government of Indonesia began planning a BRR-type agency in January 2005, but spent three months clarifying the organization's mandate and defining its powers.

The agency's design had two elements. The first was legal authority. In BRR's case, the government first passed an emergency law to form a ministerial-level agency with equal footing with line ministries, which was followed by formal parliamentary endorsement. That strong legal foundation gave BRR the credibility to engage effectively both with domestic ministries as well as large international donors. Strong ongoing support from the Indonesian President was also critical, especially when BRR was in disagreement with other government institutions or ministries or when directing donors to shift or expand their reconstruction programs.

The second element was duration, with a clear beginning and ending to the post-disaster reconstruction program. The Government of Indonesia established BRR with a clear four-year mandate to coordinate rehabilitation and reconstruction activities in Aceh and Nias from April 2005 to April 2009. Setting a terminal point for the coordinating agency was important both to instill a sense of urgency within BRR for achieving its reconstruction targets and milestones and to ensure that it did not unnecessarily usurp the economic and social development responsibilities of local government agencies.

Legal establishment of BRR

BRR was established on April 16, 2005 through Government Regulation in Lieu of Law (Perpu) No. 2/2005 and ratified by Law No. 10/2005. The Presidential decree (Keppres) No. 63/M of 2005 assigned the agency four years to carry out its mandate. BRR formally began operating out of its headquarters in Banda Aceh in May 2005, after the President inaugurated senior agency officials on April 30, 2005.

The agency comprised three governing bodies: the Executing Agency executed BRR's mission; the Advisory Board prepared general policies and directives; and the Supervisory Board provided oversight and monitored the activities. Each reported directly to the President of Indonesia.

The overwhelming imperative for a government facing reconstruction is to appoint a single coordinating agency to prevent duplication of effort and weaken competing attempts by other institutions to dominate the reconstruction. The Government of Indonesia has consistently won praise from the international community for its strong leadership in coordinating the reconstruction, and it was by endowing BRR with the formal authority of a ministerial agency and the sustained, visible support of the Indonesian President that the host government was able to pursue reconstruction objectives effectively amidst the competing agendas of numerous reconstruction actors.

2. Appoint a Strong, Experienced Leadership Team to Gain Full Support of Other Government Agencies and Donor Community

Appoint a strong and experienced leadership team to quickly garner trust from stakeholders and assert the coordinating agency's central role in reconstruction. Organizationally, the agency should be able to mediate between competing interests, understand local conditions, and achieve results to win legitimacy for its formal mandate and gain credibility.

"You are only as strong as the political support you receive"

– Kuntoro Mangkusubroto, Director, BRR

A. Bolstering formal authority

Appoint a strong leadership team. This is especially critical in defining the organizational culture of a newly-established agency. The determination, decisiveness, and risk-taking demonstrated by BRR defined Indonesia's approach to reconstruction. Amidst the chaos of a reconstruction environment, there is as much of a reliance on personal networks as formal networks to win over key decision-makers and reconstruction actors. As a newly established coordinating agency seeking to find its place amongst more experienced government and international agencies, the confidence and direction displayed by BRR's leadership team was crucial to asserting BRR's central role in reconstruction and establishing credibility for the organization.

The Indonesian Government considered several candidates to lead BRR before deciding upon Dr. Kuntoro Mangkusubroto, who had a wealth of public and private sector experience. He had successfully revived an ailing Indonesian state-owned tin company, served as Minister of Mines and Energy, and taught at the prestigious Bandung Institute of Technology. The mixture of patience, humility, and experience that he brought to BRR served the agency well over the succeeding four years. Dr. Kuntoro, in turn, selected a number of highly qualified deputies from the private and public sectors for leadership positions in BRR, drawn both from Aceh and other provinces of Indonesia.

B. Mediating between competing interests

Represent the needs of the reconstruction effort in its entirety and painstakingly demonstrate impartiality and a sense of fairness and integrity. BRR earned respect as a voice for the reconstruction because it was not seen to represent any particular political agenda or donor interest.

This was particularly important in a polarized conflict situation such as Aceh's, where perceived support for one faction automatically made you an enemy of the other. Deep mistrust between elements of the Acehnese community forced BRR's leadership team to maintain a fine balancing act between the former Free Aceh Movement (GAM, or Gerakan Aceh Merdeka) and non-GAM factions in order to maintain the safety of its operations in Aceh. Right after the signing of the peace agreement, BRR deliberately recruited ex-GAM members with professional capacities into its ranks to give them a formal role in the reconstruction of their province.

Conflict in Aceh

Since the formation of the Republic of Indonesia in 1945, various parts of Acehnese society have been at odds with the central government for reasons including ethnic differences with the dominant Christian Batak people of North Sumatra, unequal distribution of oil and gas profits between the central government and the Acehnese, and alleged human rights abuses by Indonesian troops. In 2003, a state of emergency was proclaimed in the province as the civil war heated up again. Then the tsunami struck. Massive international attention was focused primarily on the tsunami recovery efforts, of which the conflict was seen as one dynamic. The scale of the devastation on supplies and on the rebel troops, changes in the leadership of the army, and personal interventions by President Susilo Bambang Yudhoyono and Vice President Jusuf Kalla all contributed to a favorable environment for peace talks. A peace agreement and disarmament were followed by elections for provincial governor in December 2006, won by Irwandi Yusuf, whose base of support consisted largely of ex-GAM supporters.

C. Understanding local conditions

Win the trust of the local community and successfully navigate local politics by appointing leaders who understand local culture and local conditions and are seen to do so. To gain the trust of the people of Nias – an isolated island community that is suspicious of outsiders (particularly from other parts of the province of North Sumatra), but also quite factionalized internally – BRR appointed a regional head with similar religious affiliations, but from a region far from the province.

BRR's mandate covered Aceh and Nias, two culturally and politically distinct areas, and its approach differed accordingly. In Aceh, BRR's head Dr. Kuntoro, positioned himself as a representative of the Acehnese people rather than the central government. This was important due to long-standing hostilities between Aceh and the central government and

avoided his outright rejection by the Acehnese. By contrast, the people of Nias felt relatively neglected by the provincial government, and welcomed BRR as a representative of the central government. Understanding local conditions helps an agency to adjust its approach accordingly to win the trust of the local community. It also strengthens the agency's stance of neutrality by not unwittingly playing into the hands of any one group.

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To effectively bolster formal authority and win trust, hire capable people who have demonstrated initiative and share the organization's values for all levels of the organization. BRR derived strength from its leaders, who won the respect of partner agencies and beneficiaries in their own right and were able to take quick, decisive action. While Dr. Kuntoro was undeniably the public face of BRR, he also had a strong leadership team behind him working to win the trust of stakeholders at the operational level. A strong leadership team can breathe life into the formal structures of the coordinating agency. BRR's senior leadership team played a key role in asserting the organization's leadership of the situation amidst the chaos and uncertainty in the early days of reconstruction, while managing the interpersonal nuances among various actors, ranging from local factions to international donors.

"What keeps me here is a firm belief in our leadership."

– BRR employee

"There is a lot of fairness and humility in [Kuntoro's] approach, and he is always willing to listen to ideas."

– Donor

3. Maintain a "Crisis Mindset" Through Entire Reconstruction Effort

Institutionalize and sustain a strong sense of urgency and flexibility among government agencies, donors, and NGOs throughout the entire reconstruction period. Reconstruction is not business as usual, and agencies must adapt their processes to reflect this reality. Government procedures that may be appropriate under normal circumstances must be redesigned to take account of the emergency. Staffing norms must be overturned to attract the most capable people, from both within and outside government. Reconstruction necessarily takes place in confusing and often chaotic conditions, making it essential for the coordinating agency to have a bias for action and continually learn from and adjust to mistakes and changed circumstances. This is not just true of the coordinating agency: the entire reconstruction community (both governmental and non-governmental agencies) needs to institutionalize a crisis mindset and develop a culture of speed if affected communities are to recover quickly and the ambition to build back better is to be achieved.

"There was an incredible sense of teamwork to talk together and get things done."

– Country director, Donor agency

A. Setting challenging targets to sustain a sense of urgency

Set challenging targets for reconstruction, but break them down into milestones to demonstrate results quickly to gain credibility. For Aceh, the numbers of houses and kilometers of roads needed were staggering, making it important to use interim milestones to make the task appear more manageable. One forcing mechanism is the duration of the mandate. BRR's mandate was limited to four years, effectively setting time-bound milestones for housing and other construction programs. The target of building 139,000 new houses over four years, in an area without road and sea links for delivering building materials, was achieved one house at a time. These milestones created a way for the agency to celebrate interim successes while maintaining clear long-term goals.

Exhibit 3.1 Housing Development Targets

Housing development – target vs. actual (thousand units)
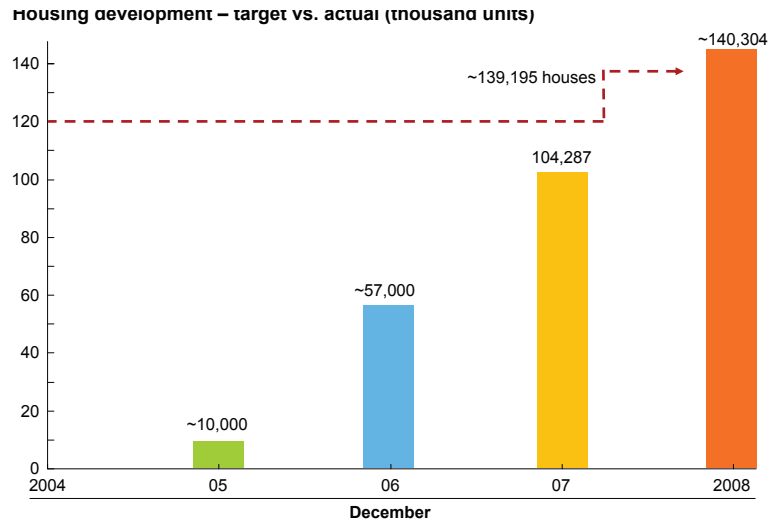
* Overall target of 120,000 units was set by 2006 and later revised to 139,195 units (Perpres 47/2008)
Source: BRR – Pusdatin; BRR: Laying Down the Foundation for a Better Tomorrow; BRR: Revisi Rencana Induk BRR NAD-Nias

B. Battling bureaucratic processes

Accelerate public-sector administrative and decision-making processes wherever possible, as many are not designed for emergencies. Retain important safeguards, however, and be clear about how and when exemptions apply.

BRR successfully streamlined some important processes to accelerate decision-making and implementation results. Weekly workshops were held to fast-track project approvals. A dedicated treasury office of the Finance Ministry (KPPN Khusus) was established to expedite fund disbursement, disbursing up to USD 900 million of budgeted government reconstruction funds annually. Tim Terpadu (Integrated Services) was a one-stop shop that aggregated administrative services from various ministries at a single location in Banda Aceh, to help international agencies navigate the government bureaucracy more quickly so as not to hold up the delivery of reconstruction programs. Represented services included immigration, taxation, and customs and excise. Ministries were willing to participate in such BRR-organized schemes because they retained their lines of authority.

A word of caution: government processes typically have fiduciary safeguards to mitigate risks of financial mismanagement and corruption. As a ministerial agency disbursing government funds, BRR was bound by the same set of rules. It fought hard to win financial and procurement exemptions that sped up decision-making and implementation, but limitations remained. The freedom to circumvent the regular tender process was limited to housing and infrastructure projects, and only when progress was at its most dire. The procurement timeframe was reduced by half from a government average of 60 days to 17–45 days — an achievement in itself, but still frustrating in the context of a crisis. Emergencies naturally prompt a search for bureaucratic short-cuts, a healthy process in itself, but at the same time it is important to maintain accountability and transparency and to not compromise financial safeguards.

Decentralize decision-making to enable quicker response to issues raised by donors and affected communities. Field offices come under daily pressure from beneficiaries to show results, and decentralization enables an agency to maintain its sense of urgency and be more responsive to beneficiary needs as they evolve. BRR adopted a regional management approach in 2006, and devolved authority to six field offices to move decision-making closer to affected communities. The challenge of maintaining integrity and accountability amidst changing organizational structures was addressed through innovative solutions such as *post facto* review. Such reviews checked project implementation against government-mandated guidelines after the fact so as not to slow implementation. Non-compliant procedures saw government funding withdrawn.

Several of BRR's partners also adjusted their usual internal procedures and structures in response to the crisis. For example, the Asian Development Bank (ADB) decentralized its decision-making processes to the field through the creation of an Extended Mission in Sumatra, and certain project decisions were reviewed *post facto*. Sub-projects could be implemented once approved by the Government of Indonesia and BRR, under the condition that ADB financing would be rescinded in cases where government procedures had not been followed. This removed an entire layer of the decision-making process, and thus enabled quicker action, from project preparation and appraisal through to execution.

Seeking and hiring the best talent

Act independently to hire the best available staff and attract them with competitive compensation.

Hire based on capabilities, not seniority or sector. Open government agency positions to applicants from the private and NGO sectors if they have the right skills for reconstruction work. Even though BRR was a government agency, it accepted offers of technical assistance[1] and secondment from other agencies to build its own knowledge and skill base. Crucially, it asked that technical assistance staff report to BRR rather than the donor, so that the staff's mindsets were oriented towards the best interests of BRR's program. Eventually agency staff consisted of personnel from government institutions and the private sector as well as from international organizations. International consultants and expert advisors also played significant roles in setting up BRR programs, such as the Anti-Corruption Unit. Historically for a government agency, about 86 percent of BRR's core staff[2] had some private sector background.

Structure compensation levels competitively to attract talented staff, prevent poaching from international agencies, and reduce the temptation of corruption.

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1. Examples of technical assistance include a knowledge management specialist to work with BRR and an expert in the area of governance to advise the Governor of Aceh.

2. Core staff includes staff hired by BRR and excludes technical assistance staff on secondment from donors.

During reconstruction, it is difficult to find talented staff, and poaching is very common among agencies. While one can rely a little on goodwill in the early days of reconstruction, as time passes, financial compensation becomes a bigger consideration, so governments must pay adequately in order to retain their share of talented staff. The staff shortage was aggravated in Aceh and Nias because of the safety risks of working in a conflict zone (pre-peace agreement) and the geographical isolation. BRR benchmarked its compensation levels to those of international agencies to attract and retain highly experienced people *vis-à-vis* other reconstruction actors.

The organizational culture at BRR was also different to most other government agencies. While some of its counterparts emphasized centralized decision-making, BRR thrived on talented and committed staff who acted on their own initiative and often engaged in heated debates with the objective of improving the quality of the reconstruction program. This organizational dynamism came with a certain degree of chaos – many BRR staff will admit that there was no one person who had a clear overview of everything that was happening within BRR at a single point in time. However, BRR succeeded in this respect because of the single-mindedness and integrity of its team and the trust they placed in one another.

C. Acting decisively and learning from mistakes

Act decisively and have the courage to change course when the results are poor. Have a clear vision of the goal, but be flexible on how to get there.

A successful approach taken in Aceh–Nias was to implement projects in parallel rather than sequentially. Land acquisition issues often delayed road construction projects. To speed up progress, roads were built in discrete sections as soon as land was acquired and cleared. Roads had to be retroactively linked, and land conflicts still had to be individually resolved with disputing parties, but BRR was able to ensure that problems affecting one part of a road project did not delay construction and site work for the entire project.

Be explicit in acknowledging the inevitable trade-offs between speed and quality. It was one of BRR's strongest operating principles that it could not afford the luxury of letting the perfect become the enemy of the good. Both donors and disaster victims demanded decisive action from BRR, and that at times led to projects being approved with fewer reviews and checks than would be typical in more normal circumstances. For example, BRR's early, *laissez faire* approach to approving donor-funded housing projects sometimes resulted in poor quality structures that the beneficiaries rejected and left vacant. However, this was accepted by BRR as the price for speed – better to have 100,000 houses built and rectify mistakes for a few thousand than to have 20,000 perfect houses. BRR also learned from its early mistakes in the housing sector and subsequently set housing standards to ensure that the quality improved. The trade-off between speed and quality is also a dynamic one, and must be continually re-assessed. With smaller, short-term projects, speed may be the paramount concern, but quality becomes more important for longer-term projects.

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The unflagging sense of urgency that BRR instilled in its own operation and promoted across the broader reconstruction community was an essential element of the success of the reconstruction. An emphasis on speed and pragmatism in decision-making and the breaking down of bureaucratic obstacles both early on and over its entire four-year mandate enabled BRR to innovate the donor coordinating function as well as other government processes.

4. Build a Strong Implementation Capability for the Coordinating Agency to Fill Reconstruction Gaps

Build a strong implementation capability early on so that the coordinating agency can meet its overall reconstruction targets by filling gaps in the reconstruction program.

A. Assuming responsibility for the achievement of reconstruction targets
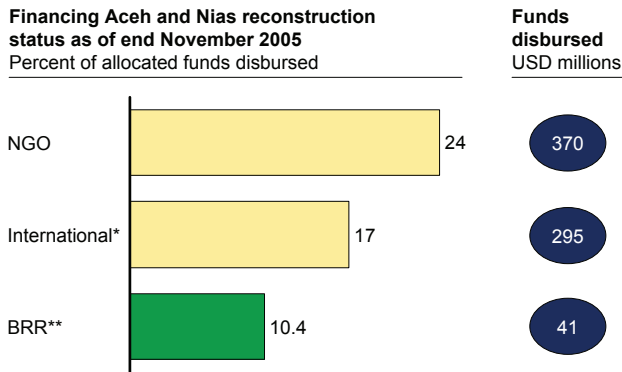
Take on a direct implementation role if reconstruction progress is delayed or threatened. Control of government financial resources brings direct responsibility for the success of funded projects.

Coordinating agencies are responsible for the overall achievement of reconstruction targets, regardless of which agency – national or international, governmental or non-governmental – has taken on the responsibility for specific projects. If the coordinating agency also controls financial resources, it also holds direct responsibility for funds under its management. In that capacity it may need to execute some programs and projects directly if third-party implementing agencies fall short. BRR's mandate was to achieve the overall reconstruction targets for Aceh and Nias, and it was held responsible by both the Indonesian government and the public for these targets. It also had the responsibility of allocating the Indonesian government's reconstruction budget (on-budget funds) of USD 2.1 billion. When the reconstruction progressed slowly in the first year, BRR had little choice but to discard a pure coordinating model and take on a direct implementing role for the projects funded through the government's budget.

Exhibit 4.1 Fund Disbursement Rates (2005)

GOI fund disbursement was significantly slower

**Financing Aceh and Nias reconstruction
status as of end November 2005**
Percent of allocated funds disbursed

**Funds
disbursed**
USD millions

NGO — 24 — 370

International* — 17 — 295

BRR** — 10.4 — 41

* Includes multilateral and bilateral
** Excludes decon and local government budget; figure to end of December 2005
Source: One Year After The Tsunami – BRR and partners report (2005)

B. Building a strong execution capability to fill implementation gaps

Build a strong implementation capability within the coordinating agency to address emerging reconstruction gaps, but separate the coordinating and implementing functions within the agency.

Given that centralized line ministries have many roles and responsibilities apart from post-disaster reconstruction, it is likely that many will not be

able to tackle reconstruction programs with the same degree of priority and urgency as the post-disaster reconstruction coordinating agency or donor-funded programs in the affected areas. Consequently, it is typical that delays arise with projects funded by host governments and implemented through the host government's main implementing agencies, e.g., the line ministries. When that happens, the coordinating agency will need to step into the breach and take on a direct implementing role to prevent critical reconstruction programs from falling behind schedule.

Anticipating this eventuality, coordinating agencies should attempt to build a strong implementation capability right from the outset. In the case of BRR, which conceived its role as a purely coordinating one, it only began to develop a direct implementation capacity six months into its existence, which resulted in some reconstruction programs, e.g., housing, initially falling behind schedule.

However, the risks of running both coordinating and implementing activities from within a single agency are manifold: the diversion of resources, the perception of 'project competition' between the coordinating agency and donors, and the danger of corruption. Project implementation is resource intensive, both financially and managerially, and in that respect implementation can draw needed resources away from the coordinating function. Coordinating agencies may also be perceived as a direct competitor for projects, favoring their own units over other implementing agencies. Finally, compared to coordinating other donors' projects, direct implementation is by nature more prone to corrupt practices and could undermine the reputation of the coordinating agency to the detriment of the entire effort. Indeed, in BRR's case, a number of questionable transactions were uncovered between BRR's local work units (Satuan kerja) and contractors and suppliers, although disciplinary action was quickly taken, and the damage to BRR's reputation was minimal.

A coordinating agency can take three actions to mitigate these risks. One, focus on filling project gaps left by other agencies. BRR's policy was to use government funds to take on projects where there were no other available implementation partners, so as not to crowd out other players. This eliminated any perceived competition with other agencies. Two, manage coordinating and implementing roles

separately. BRR's implementation units (called Satkers) were kept separate from the core BRR organization, with only a dotted-line reporting relationship with the respective coordinating sector heads at BRR, i.e., sector deputies. This enabled the coordinating unit to sufficiently distance itself from the actions of the implementing function. Three, take a tough stance on corruption. BRR blacklisted contractors who were unable to deliver on government reconstruction contracts or were caught trying to practice any misconduct. Questionable procurement practices also led to revoked contracts and reopened bids.

Exhibit 4.2 Types of Complaints to BRR's Anti-Corruption Unit (SAK)

Procurement related complaints comprised a disproportionate share throughout reconstruction
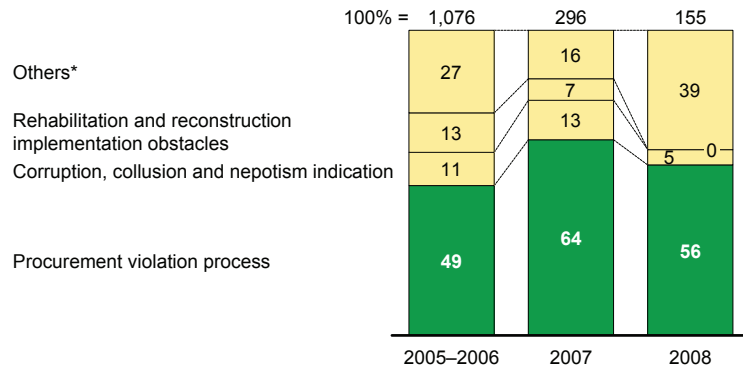
* Includes complaints related to administration violations, integrity charter violations or general criminal acts
Source: SAK

Host governments need an implementation arm to execute government-funded projects and take on projects where no other implementing partner can be found. Centralized line ministries are unlikely to share the same priorities or sense of urgency as the coordinating agency. In such instances, coordinating agencies will find themselves in the same position as BRR – taking full responsibility for implementation, while ensuring that any gaps in reconstruction are addressed with the same pragmatism, integrity, and neutrality that they must bring to their coordinating function.

5. First Meet Basic Needs, Fill Supply Chain Gaps, Build a Coordination War Room, and Involve Affected Communities In Reconstruction

Begin with four pressing priorities before spending time on other activities that would benefit from more planning. Prioritization of activities is necessary, especially when a large-scale disaster affects multiple sectors and multiple areas and everything seems to need rebuilding all at once. BRR initially took a laissez faire approach with partner agencies – "Throw a rock and see where it lands. Start working from there," Dr. Kuntoro told delivery partners in the first weeks – using the rationale that it was better to show results quickly (Do-Think-Do) than make disaster victims wait for the perfect plan (Think-Do-Think).

Ensure that four areas are covered right from the start: meeting basic needs, filling gaps in the supply chain, building a coordination war room, and getting community input into reconstruction priorities and planning activities. Addressing these effectively will meet acute short-term challenges facing victims, such as living conditions and inflationary pressures, while also laying the foundation to tackle longer-term challenges, such as tracking reconstruction activities and seeding community ownership.

A. Meeting the basic needs of the survivors

Fulfill survivors' basic needs to restore some sense of normalcy. Provide adequate living conditions while beneficiaries wait for permanent, higher-quality facilities. BRR initially planned to move beneficiaries directly from emergency shelter (tents and barracks) to permanent housing[3], partly out of fear that there would be a loss of momentum to build permanent housing if large-scale temporary housing projects got off the ground first.

However, good-quality housing that is designed in consultation with beneficiaries takes time to build. In the case of a tsunami, difficult land ownership and relocation issues can further delay the construction of houses. Tents were adequate for the emergency relief phase in Indonesia, but living conditions quickly deteriorated with the onset of the rainy season. In response, a mix of barracks and transitional housing were quickly constructed beginning in late 2005 to house beneficiaries until permanent housing was complete. A similar approach to transitional housing was taken in the Sichuan earthquake in 2008. Within six months, the majority of beneficiaries had been moved out of makeshift camps into prefabricated temporary housing, while the Sichuan government prepared to start construction of permanent homes.

B. Filling supply chain gaps

Ensure supplies and building materials can reach disaster areas to keep pace with reconstruction and dampen inflationary pressures. With the destruction of 800 kilometers of coastline and 14 seaports, the isolation of Aceh (and especially Nias) from external markets caused severe shortages in building materials, and year-on-year inflation spiked at 40 percent at the end of 2005 in Aceh. The unexpected inflation was highly disruptive and left many agencies with much higher costs of delivery than planned, especially in the housing sector. Such agencies were faced with the difficult choice of reducing their planned outputs or raising more funds.

Focus on improving access, and as far as possible rely on market mechanisms. Shipping containers were used as cost-effective, makeshift

3. As of November 2008, less than 1 percent of beneficiaries were still waiting to receive permanent housing.

seaports to allow access to remote areas. When the supply of cement was disrupted in some provinces, BRR negotiated with a cement firm in the neighboring island of Kalimantan to deliver new stocks; commercial transactions took place directly between the contractor and the supplier. With funding from the Multi-Donor Fund, the World Food Program (WFP) established a new shipping service to ensure that recovery materials (primarily building materials) could reach inaccessible areas and ports that were not served by existing shipping companies.

Exhibit 5.1 Inflation in Aceh

Inflation pushed up reconstruction costs by an estimated USD 1.3 billion
Percent (yoy)
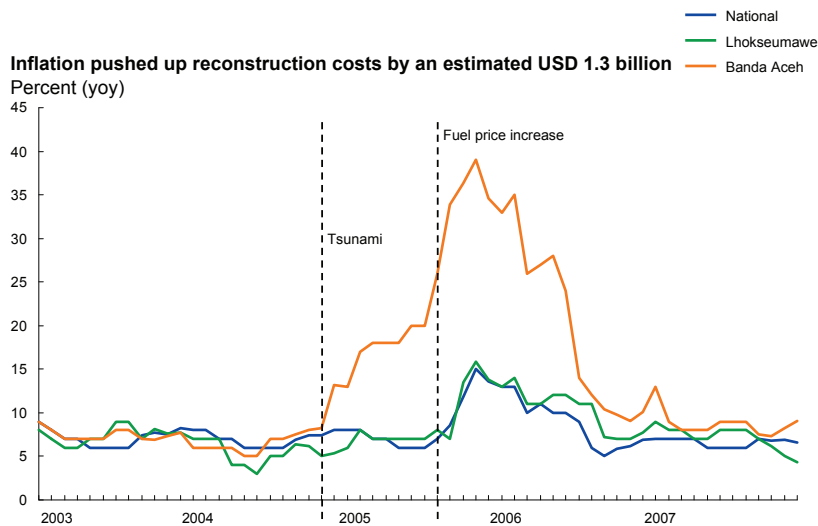
Source: World Bank

C. Building a coordination war room

Build a data war room to gain an overview of planned projects and activities and their progress. The ability to know who is doing what, when, and where is the core data requirement for an effective coordinating agency. This information is needed to understand the overall progress of the reconstruction program and to be able to quickly identify emerging project overlaps and reconstruction gaps.

BRR developed the Recovery of Aceh-Nias Database (RANdatabase) to track off-budget reconstruction funds[4]. All partner agencies were required to submit project proposals, known as Project Concept Notes, with project details and targets, and were encouraged to submit updates of committed and disbursed project funds. A geospatial information system (GIS) and asset mapping system performed similar functions by providing photographic documentation and GPS coordinates for all houses and assets rebuilt during the reconstruction. However, there were early difficulties in getting partners to use RANdatabase, and compliance remained below 50 percent in the first two years.

Reach out actively to ensure partner compliance, and provide the right incentives to gain regular updates. International agencies had to be registered in RANdatabase to be eligible for Tim Terpadu services (one-stop government administrative processes). RANdatabase was public and available to anyone with Internet access, thus placing external pressure on agencies to be transparent and accountable for their projects. When used by key stakeholders such as national audit agencies and donors, it placed additional pressure on partner agencies to ensure accurate reporting back to their constituents. Such detailed information also gave BRR the data it needed to make informed decisions about reconstruction gaps and where to allocate new or remaining funds in order to close those gaps.

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4. Reconstruction funds fell into two categories: on-budget funds were channeled through the Indonesian government's budgetary process while off-budget funds were channeled through respective donor mechanisms and were thus not within BRR's direct control. BRR's response was to establish the RAND to maintain transparency of how off-budget funds were being used.

Exhibit 5.2 Recovery Aceh-Nias Database (RANdatabase)

• Government Technology Award 2008 on "Best Practice Information Management"

• Competing with other 450 institutions from 15 countries

• Winners on other categories incl.:

– Singaporean Defense Technology & Science Institute

– Singaporean Central Provident Funds

– Kepolisian Diraja Malaysia

– Singaporean Ministry of Education

What RAND has in it

• Coverage
– 1,633 projects registered with total value of USD 3.8 billion
– 621 agencies in 23 districts and 2,688 villages
– 200+ KPIs monitored

• Standard reports generator, incl. "Who does what-where" map:

D. Getting community input

Incorporate community needs during the planning phase to create a reconstruction plan that reflects the survivors' actual needs. Initially the master plan for Aceh was developed top-down by the national planning agency Bappenas and Aceh-based working groups. The then Acting Governor of Aceh, Abubakar, subsequently placed newspaper ads inviting the public to town hall sessions to give input to the plan. In one example of community impact as a result of this public consultation, the notion of buffer zones (to set back developments two kilometers from the coastline) was overturned on the grounds of not being viable.

Community involvement also benefits the victims of the disaster as it assists with trauma healing and is especially appropriate in village-level planning and reconstruction, where beneficiaries can play a strong role. (See Lesson 6 for more information about community involvement.)

Exhibit 5.3 Community-based Village Mapping

New village map derived through community deliberation

Challenges faced

- **Unclear land boundaries**
  – Existing land markers swept away
  – Few surviving land titles

- **Proper spatial planning needed** to support environment and disaster mitigation plan

- **Objectives**
  – Agree on land boundaries within the village
  – Express preference for village infrastructure and facilities

- **Participants:** Village leaders, residents, facilitator, land agency officials

Source: BRR Laying Down the Foundation for a Better Tomorrow

While some reconstruction activities benefit from planning, others cannot wait and must be the first order of business for the coordinating agency: meeting basic needs, filling gaps in the supply chain, building a coordination war room, and getting community input. Some of these priorities were identified with the benefit of hindsight: transitional housing has now been identified as a priority in other large disasters, while the supply chain gaps that were particularly acute in Aceh and Nias due to their relative isolation may be less relevant in other disasters. Nonetheless, these are the four areas that every coordinating agency needs to address as they have longer-term implications for the overall reconstruction program.

6. "Build Back Better" at Every Opportunity

Use reconstruction as an opportunity to improve on the *status quo ante*. After 30 years of conflict, Aceh already suffered from a fragmented community, weak local institutions, and a high level of mistrust between local and central governments. Even before the disaster, Nias was one of the poorest parts of Indonesia. For these reasons, "build back better" was critical to both of these regions, and BRR improved four major areas: physical infrastructure, community-led programs, empowerment of marginalized constituents, and resilience to future disasters. From the point of view of the reconstruction coordinating agency, reconstruction must remain the immediate priority over long-term economic development, although there may be ways to weave the two strands. For example, long-term benefits may result from the involvement of local communities in the planning and execution of the reconstruction effort and the strengthening of local capabilities. This may lead to a longer planning phase, and hence show physical results less quickly. However, advocates of community participation argue that these projects catch up in the implementation phase and tend to lead to better results.

A. Building better physical infrastructure

Build better physical infrastructure. For communities in Aceh, better infrastructure essentially meant modern infrastructure. For example, many villages now have piped water supplies and electricity. Asphalt roads connect the villages to a main road facilitating market access. People are now housed in modern and orderly settlements rather than scattered throughout crowded areas.

Some of these improvements took some getting used to. On Nias, when traffic roundabouts were first built, there was a high accident rate because motorists were not adhering to the right-of-way. Following a public information campaign, the number of accidents dropped significantly. As another example, some villagers complained about having to pay for piped water, whereas they could previously draw it from a well without charge.

What "build back better" means

For BRR, the widely used catchphrase "build back better" had several meanings. In terms of physical facilities, the goal of reconstruction was to achieve a result that was superior in quantity and quality than what existed before the disaster. But the phrase also highlighted the importance of "how" reconstruction happened, not just "what" got reconstructed. BRR explicitly intended the process of reconstruction to also strengthen social capital and community capacities, as well as to innovate and improve public sector delivery and effectiveness.

BRR used the reconstruction planning and rebuilding process to strengthen social capital and to aid trauma healing. It gathered the community together and facilitated discussions that gave marginalized constituents a voice and gave everyone a stake in the rehabilitation and reconstruction activities. It also worked to improve governance and the efficiency of the rebuilding processes by increasing transparency and accountability and fast-tracking both finance and procurement processes.

Taking into account the post-disaster needs of the community, BRR's goal was to build back more than what was physically destroyed. For example, ten times more teachers were trained than the number lost during the tsunami; however, fewer schools were rebuilt in some regions because there were now fewer students.

Furthermore, BRR's goal was to build better quality facilities than the original that were also better suited to the needs of the beneficiaries. For example, it equipped the housing estates with sanitation facilities and established guidelines for disaster-resilient housing.

"I am convinced that recovery must be guided by a commitment to build back better"

– Bill Clinton, UN Special Envoy for Tsunami Recovery

Exhibit 6.1 Junction of Old and New Housing

December 2005   June 2007

B. Championing community-led reconstruction initiatives

Consult beneficiaries at the grassroots level to accommodate their needs and desires and build community capacities. The most effective agencies recognize the need for community involvement to understand what really matters to local communities and to create programs that are well suited to the needs of the beneficiaries. Programs should therefore not be implemented for local communities but with local communities by involving them right from the planning phase onward.

Inclusion of local communities also improves the prospects for sustainable development by strengthening local capabilities. Training beneficiaries to improve the quality of the physical reconstruction leaves communities with stronger capabilities than before the disaster. And communities with a high sense of ownership of reconstruction projects tend to experience less corruption and misuse of funds.

Village planning is a successful example of how local communities were involved in the reconstruction of Aceh and Nias. The tsunami destroyed

entire villages, erased land markers, and washed away most of the existing land title deeds, making it difficult for government officials to establish land rights. Village planning exercises restarted social dialogue and brought communities together, both to resolve the land ownership issue and communally decide on village boundaries. These exercises also promoted enhanced safety measures and enabled a serious reconsideration of village layouts, such as rationalizing previously fragmented land packages.

Communities also led certain village-level infrastructure projects from planning through to implementation and maintenance. Villagers jointly prioritized how they wanted to spend a block grant and, with the help of village facilitators, were responsible for managing the funds and monitoring the quality of implementation. In the short term, community-managed projects were 30 percent cheaper than contractor-managed projects, and 96 percent of people were satisfied with the quality. In the long term, such activities developed community capacities for, among other things, financial management and decision-making.

Different levels of community participation are appropriate depending on the nature of the reconstruction project. The examples just described, involving high levels of community participation from planning through to implementation, are most suited to village-level projects. For district-level or regional projects, community involvement is more likely to take the form of a consultative process, as illustrated by the master plan town hall sessions described in Lesson 5.

Exhibit 6.2 Community-led Infrastructure Project in Aceh Tengah

75m suspension bridge built in Kute Reje village at a cost of ~USD 27,000

Source: 2008 KDP-MDF NAD Province & Nias Island report

C. Empowering marginalized constituents

Give marginalized constituents a voice in rehabilitation and reconstruction activities: community consultation must reflect more than the views of articulate property owners. In Aceh, formal participation of women in community-led programs increased: more than half of the facilitators were women and the Kecamatan Development Program (sub-district development program) prescribed gender participation quotas, requiring two out of three representatives from each village to be female. Also, half of the participants in KDP's planning meetings came from the poorest groups in their area. This resulted in affirmative representation of previously marginalized people.

At a time when the position of women was more vulnerable than ever, due to the disproportionate number of male deaths forcing women to become main bread winners as well as main caregivers, the introduction of joint land titling in Aceh[5] empowered women through property ownership. Previously, it was common practice to name only the male head of

5. Aceh was the first province in Indonesia to introduce this provision.

household in the property title; this created a gap in legal ownership of property when the male head of the household passed away.

D. Improving community resilience to future disasters

Prepare the community for future disasters. Given the geological conditions surrounding Aceh, the possibility of another tsunami striking the province seems more like a matter of when rather than if. It is thus important that the reconstruction took some measures to improve the preparedness of the community. The most high-profile of these was a new tsunami early warning center activated in November 2008, which delivers warnings within 10 minutes of any detected abnormality in the ocean currents. Yet more than technology is needed to overcome tragedy. After a tsunami first reaches shore, it recedes before striking full force. This little known fact inadvertently increased the number of casualties in 2004 as children ran into the sea, rather than away to safety. Disaster education campaigns have now made this fact common knowledge. Planners also incorporated escape hills and paths leading to the hills in the redesigned villages. These two measures form the basis of the community education of what people should do to protect themselves from a tsunami.

E. Maintaining reconstruction as a top priority

Manage expectations about what the rehabilitation and reconstruction agency can and cannot achieve in its tenure as the agency's mandate is time-bound. It can show strong results for physical reconstruction within three to five years, but capacity-building efforts have a longer pipeline. Neither can it take on the task of building back better on its own. It must

"The Indonesian government has shown great leadership in this arena... Indonesia's hard work is making its citizens less vulnerable while helping its Indian Ocean neighbours too."

*– Ban Ki-Moon,
United Nations
Secretary-General*

work with local institutions to ensure better results for the long-term economic development of the afflicted area.

Post-disaster reconstruction offers a golden opportunity to lay the foundations for future economic development. However, the jury is still out on how to weave long-term planning (with an outlook of 10 to 15 years) with critical rebuilding (with an outlook of 3 to 5 years) without delaying reconstruction. BRR supported the development of the Aceh Recovery Framework (ARF) for the provincial government, which laid out a broader recovery plan that extended beyond the tenure of BRR. The ARF also facilitated the transition of relevant BRR functions and assets to local government institutions. These efforts require more time to bear fruit, and it is still too early to judge the impact of the reconstruction program on Aceh's sustained prosperity and growth. The emphasis an agency places on long-term economic development also depends on the other priorities of its reconstruction program. In recognition of the immense physical reconstruction tasks in the second year, BRR made the difficult choice to be more targeted in its activities in the economic development sphere, for example in rehabilitating existing livelihoods by cleaning up fishponds and rice fields. Local and central governments and private institutions, the ultimate owners of economic development, need to be equal partners in taking on any medium- to long-term development considerations.

F. Passing on innovative public service delivery to other institutions

Transfer innovations to the public sector with the understanding that they may need to be adapted to remain relevant in a non-reconstruction context. A crisis mindset creates the opportunity to spearhead public-sector innovations that might not be possible otherwise. Several innovations in Aceh and Nias had the potential to change the way Indonesian government institutions plan, execute, and monitor their policies. A new emergency disaster law was passed in the wake of the tsunami. It is also hoped that many of the innovations, which apply to a non-disaster context, will be adopted by other government agencies in Indonesia. BRR's use of the Integrity Pact as a measure of its accountability to its stakeholders has been adopted by two of the largest state-owned companies in Indonesia, Pertamina and Telkom. The province of Papua is also adopting many of BRR's organizational approaches to achieve its own objective of accelerated development.

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"Build back better" was a framework for the overall operation of the Aceh-Nias coordinating agency. From the choice of what the agency would do to how it would do it, the framework was the litmus test. The agency looked to not only improve how people lived (with better houses and better roads) but also their communities (with better trained teachers and healthcare workers). Further, it looked to improve the capabilities of the community (by involving them in the planning, construction, and maintenance of their new communities) and set a high bar itself by running a clean, accountable, and efficient reconstruction agency, and by initiating an outreach program to support other parts of government interested in adopting its innovations.

7. Utilize Key Partner Agencies to Play Supporting Coordination Roles

Enhance the effectiveness of the main coordinating agency by appointing supporting coordinators among major partner agencies. Coordination in a disaster reconstruction is easily overlooked by individual agencies working towards separate goals. However, in such a large, complex effort as Aceh–Nias, which brought together some 900 organizations and USD 7.2 billion in funds, coordination was essential to optimize the contributions of partners across activities. BRR was the primary coordinating agency for all reconstruction activity in Aceh–Nias but requested support from lead partner agencies in managing this complexity. This reduced communication traffic for BRR and let it leverage the technical expertise that major partner agencies had gained from operating in other reconstruction environments. Two significant examples of key partner agencies that took up supporting coordinator roles in Aceh–Nias are the United Nations Office for the Recovery Coordinator for Aceh and Nias (UNORC), which coordinated all 27 UN agencies and partner field operations active in Aceh–Nias, and the Multi-Donor Fund (MDF), which pooled funds from 15 donors and was managed by the World Bank.

A. Reducing transaction costs and leveraging experiences of others

Maintain overall coordination authority, but delegate other large partner agencies to play supporting coordination roles. For BRR, transacting with some 900 actors in Aceh–Nias with different management teams, administrative processes, and ways of working was an immense and time-consuming task, so it was beneficial to reduce the number of organizations it had to interface with. In this respect, MDF and UNORC acted as coordination hubs for key donors and UN agencies respectively. As a trustee of the MDF, the World Bank could tap on its own expertise of managing pooled donor funds, while UNORC was well placed to navigate the UN system and act as a single point of contact for BRR. MDF was a useful tool for engaging and coordinating donors on the Government's reconstruction strategy and priorities, and MDF funds represented the largest pool of international funds kept flexible for

persistently underfunded sectors such as transport and energy. While some major donors chose to channel the majority of their funds outside of the MDF, donors were by and large well represented at and engaged with the MDF. At any one MDF Steering Committee meeting, 75 percent of the top contributors were present.

The International Federation of Red Cross and Red Crescent Societies (IFRC) and the Indonesian Red Cross (PMI) also played key roles in coordinating the activities of the more than 20 national Red Cross and Red Crescent societies that were active in Aceh and Nias.The Red Cross movement was one of the first of the large partner agencies to work cooperatively with the BRR, giving the coordinating agency an important boost of confidence and credibility early on in the process.

Multi-Donor Fund

The Multi-Donor Fund (MDF), which was managed by the World Bank, was set up at the request of the Government of Indonesia to ensure that the vast aid that poured into the country following the tsunami was managed effectively and in a coordinated and transparent manner. Contributions totaled USD 692 million from the MDF's 15 donors, namely (in descending order by contribution) the European Commission, Netherlands, the United Kingdom DFID, World Bank, Canada, Sweden, Norway, Denmark, Germany, Belgium, Finland, Asian Development Bank, USA, New Zealand, and Ireland. Until the end of BRR's mandate, it was co-chaired by the Head of BRR, Head of Delegation for the European Commission, and Country Director of the World Bank. In addition to donors, voting members consisted of six Indonesian government representatives and two members representing civil society, and two observers represented international NGOs and the United Nations. The World Bank acts as trustee to support the daily operations of the MDF. The MDF's mandate was extended until December 2012, and the MDF model is being adapted to other post-disaster and post-conflict situations.

One of the MDF's major contributions was enabling the host government (in this case represented by BRR) to have some say over how donor priorities were set and donor funds allocated, without the bureaucratic complexity and delays of having donors flow their funds formally through the host government's budget.

UNORC

With 27 UN agencies and partner field operations active in Aceh–Nias, the United Nations Office of the Recovery Coordinator in Aceh and Nias (UNORC), based in Banda Aceh, was established in late 2005 at the request of the Government of Indonesia to support recovery coordination and minimize the serious risks of duplication, inefficient resource allocation, and inconsistent policies across the UN network active in Aceh–Nias. Organized geographically into 6 field offices and 25 district facilitation teams, UNORC's "One UN" approach sought to harmonize the UN's contributions to maximize its impact in supporting government and communities in recovery, reconstruction, and reintegration efforts. UNORC's work was recognized as a good practice at the Asia-Pacific Roundtable on UN System Coherence.

B. Using supporting coordinators effectively

Designate a clear line of authority over supporting coordination bodies to retain the supremacy of the main coordinating agency. BRR maintained overall coordination authority over these bodies in different ways. For instance, a memorandum of understanding between BRR and UNORC delineated clear responsibilities for UNORC to coordinate UN programs related to post-tsunami reconstruction. However, there remained some flexibility in its scope of responsibilities. UNORC's role expanded over

time to include close working relations with provincial and district governments, and it played a significant role in the development of the Aceh Recovery Framework and Kabupaten Recovery Forums to engage local stakeholders and facilitate the transition of assets from BRR to permanent government institutions. In the case of MDF, the Head of BRR was a co-chair of the Steering Committee and thus had the formal authority to lead discussion among donor members on reconstruction priorities and funding decisions.

Allocate adequate dedicated resources for good coordination. Coordination, if simply assigned to the largest or most well-funded agency as an additional function on top of its daily activities, is unlikely to get the resources or management attention it requires. The MDF had its own dedicated secretariat, and UNORC itself was established as a dedicated coordination body for UN agencies operating in Aceh–Nias. The IFRC also placed one full-time staff within BRR to facilitate better coordination with its own member country activities.

Supporting coordination bodies are most effective when they operate with the same sense of urgency, or crisis mindset, as the government coordinating agency. One criticism leveled at the MDF, for example, is that while project approval was accelerated versus regular processes, project implementation was often slowed down by being sited within the business-as-usual procurement and administrative mechanisms, thus delaying the impact of these projects.

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Given that BRR was a newly formed agency coordinating a massive reconstruction, supporting coordinators were essential to its success. Some arm-twisting was required along the way to assert the authority of supporting coordination bodies over other reconstruction actors, but international agencies are now looking to replicate supporting coordination models such as the MDF in other post-disaster situations.

8. Manage Beneficiary and Donor Expectations about Pace and Progress of Reconstruction through Constant Communication

Open and maintain two-way communication channels with the beneficiaries and donors to improve coordination and prevent misunderstandings.

A. Communicating early and often

Communicate clearly and openly during reconstruction to improve coordination and prevent misunderstandings, especially early on to allay fears about the absence of early visible results. Beneficiaries seek a swift return to life as usual (or just a home of their own), and donors and partners are under pressure from their constituents to demonstrate tangible results. Yet some of the early activities such as restoring logistics or planning may be invisible unless effectively publicized. Reconstruction following a major disaster is by definition quite slow due to damaged infrastructure and shortages of supplies and tradesmen. Because the tsunami destroyed many of the land markers, such as hills and trees, and most land titles were either destroyed in the tsunami or held by now-deceased males, land ownership was difficult to resolve and delayed house construction. For agencies operating in Aceh, updates to donors in their home countries helped to maintain the general public's interest in and support for the reconstruction. Such updates also helped to reassure donors (be they taxpayers or private citizens) that their funds were being translated into results.

Recognizing the importance of directly communicating on the pace and progress of the reconstruction program, BRR established its own in-house communications team staffed with experienced communications professionals, some seconded from donor agencies. In addition, for its first year of operation, BRR hired a professional communications firm on an outsourced basis. Although some donors criticized the use of technical assistance funds for hiring an international communications

firm, in hindsight donors acknowledged the importance of an effective, professionally managed communications team in sustaining donor support for the long-term reconstruction effort and in allaying any concerns and confusion among beneficiaries.

B. Using two-way communication channels

Use two-way communication channels with beneficiaries and partners so the agency can gain direct feedback. It is important for the coordinating agency to ensure honest, consistent communications, rather than leaving these to individual partner agencies. Communications should set the right expectations by first updating beneficiaries on the progress of the reconstruction activities and then explaining the next steps. In Aceh, individual partner agencies communicated to beneficiaries in their own capacities, but beneficiaries saw these agencies as representatives of BRR. When agencies missed housing commitments, for example, due to inflation pushing up the cost of building and construction taking longer than expected, the beneficiaries blamed BRR. The beneficiaries were not well informed, and the agency had not gathered feedback about their feelings. In addition, local media was not always supportive of BRR and published critical views. Regionalization of its offices helped, as BRR was able to establish more direct communication channels with local governments and communities.

Beneficiaries

Listen to beneficiaries. A successful example of two-way communication, the grievance mechanism connected to the Earthquake and Tsunami Emergency Support Project (ETESP) provided a channel for communication

and feedback among project implementers, communities, and beneficiaries. The use of the mechanism ranged from simple queries to allegations of corruption and criminal activity. Anyone with a complaint, feedback, or question related to the project could use this mechanism via a variety of channels such as text message, phone call, and facsimile.

The value of the grievance mechanism was to provide a communication channel between implementing agencies, beneficiaries, and the donor (ADB). The efficiency of the project could be improved while the project was still ongoing based on the feedback received on the quality and adequacy of the project's design and implementation. In addition to providing two-way communication, the grievance mechanism also promoted community involvement and transparency, two weapons against corruption.

Partners

Work together in formal and informal working groups with partners. A successful example of this was the Shelter Working Group chaired by UN-HABITAT and attended by major NGOs, such as Oxfam and CARE. This group met regularly and was instrumental in developing the housing guidelines needed by agencies that had never built houses before. In particular, it devised practical checklists and specifications, which the agencies were able to use in housing design and construction.

Convene forums to assess overall progress and set priorities and plans for the next phase of reconstruction. The Coordinating Forum for Aceh–Nias (CFAN) met annually. During the course of CFAN 1, following the first year of reconstruction, BRR recognized that coordination was problematic and changed its approach from that of a project manager to a portfolio manager, meaning that it became more proactive about seeking agencies to commit to serving some unmet needs.

BRR always had a two-fold objective for CFAN: to share information and to coordinate partners, but the emphasis on coordination lessened over time due to the sheer size of the forum. The attendance of ambassadors and high-ranking officials from the donor and partner community reduced the technical emphasis of such events but, importantly, maintained high-level donor engagement with and support for the reconstruction program, which was arguably of greater importance. For technical-level coordination, at least, dedicated working groups offered a focused and

effective mechanism to coordinate those with a direct engagement in delivering projects and programs.

C. Celebrating publicly

Celebrate success publicly and criticize privately. Working on a task that seems unending amid tough working and living conditions makes celebrating success even more important. Small celebrations are a good opportunity to build links with the NGOs, who tend to operate outside of the government's sphere of influence. BRR sent thank-you letters to the NGOs ahead of the anniversary of the tsunami, a small gesture that was appreciated by agencies who may have rarely interacted with BRR. On a larger scale, the Indonesian President held an event "Indonesia Thanks the World" to demonstrate to donors and implementing agencies in particular, and to the world in general, that their contributions to post-tsunami reconstruction were appreciated.

All agencies arrive with good intentions to help in the best way they can. Caution needs to be exercised, therefore, in criticizing them publicly for their real or perceived failures. Public criticism can lead individual partners to question their overall participation in the reconstruction effort and even to be more cautious in lending their support to future post-disaster programs. In general, it is therefore best to reserve criticism for private occasions. That said, public criticism of individual contributors can lift performance by drawing attention to a problem; it can certainly sensitize head offices to the need for greater attention to their programs. It is best to use public criticism sparingly.

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The importance of communications, especially with beneficiaries, should not be under-estimated. Providing constant flows of information, being open and receptive to feedback, and taking care to celebrate success periodically should be emphasized. As the public face of the reconstruction, beneficiary outreach is particularly important as many will associate both the successes and the failures with the coordinating agency.

FUND

9. Ensure Integrity and Accountability of Funds to Gain Donor Confidence and Support

What "integrity" means

By "integrity", BRR means that entrusted resources are directed towards their intended use transparently and in accordance with regulations and are not diverted in other directions or purposes. The focus is therefore on the process, by which donor funds are put to use, rather than "effectiveness", which is more concerned with the results. Issues of effectiveness are reviewed elsewhere in the report. There are of course close links between the two issues; management with poor integrity is poorly placed to achieve effective results – certainly in terms of meeting wider community needs.

Enact a comprehensive anti-corruption program to pre-empt corruption and demonstrate integrity. Donors' willingness to continue funding reconstruction programs can be sorely undermined by even the slightest whiff of corruption. To maintain donor confidence and minimize leakage, the coordinating agency needs to develop both a preemptive program of education and prevention as well as dedicate resources to build a credible investigative unit and clear links with prosecutorial agencies. Even more important than the mechanisms of the anti-corruption program is the belief that the coordinating agency is serious about corruption. The various components of an anti-corruption program are

most effective when enabled by vigorous top management support and the involvement of the entire community.

From its inception, BRR treated corruption not as a discrete good governance project, but rather as a core strategic threat to the entire reconstruction program. This approach led the agency to proactively confront this threat.

A. Using enablers to strengthen the fight

BRR went on the offensive against corruption

Disaster agencies often face a shortfall between pledges and the funds that actually flow into the disaster-affected areas. While Indonesia was blessed by a very successful post-tsunami appeal for funds[1], reports of corruption would have destroyed the confidence of donors and threatened the continued disbursement of committed funds.

Corruption is endemic in Indonesia. The former Governor of Aceh was imprisoned in 2005 on corruption charges, and Indonesia scored low on international corruption rankings, coming in 133 out of 145 countries on Transparency International's 2004 Corruption Perceptions Index.

BRR took a clear, zero-tolerance organizational stance against systemic corruption, put in place internal monitoring mechanisms, welcomed external scrutiny of its accounts, and promoted anti-corruption practices to its external partners. The results were startling. The Aceh and Nias reconstruction delivered a pledged-to-committed conversion rate of up to 93 percent[2], versus an average conversion rate estimated at 30 to 60 percent[3]. Of the USD 6.7 billion committed to specific projects, USD 5.5 billion was disbursed as of December 2008.

1. Aceh–Nias received donations of over USD 7,100 for every affected person versus USD 3 per head received in 2004 in Bangladesh for flooding relief. (Tsunami Evaluation Coalition)
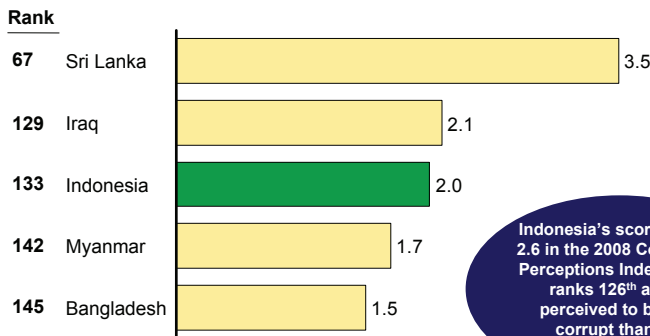
2. Pledged funds that were committed to specific projects

3. Estimates from expert interviews

Exhibit 9.1 Corruption Perceptions Index

Corruption is endemic in Indonesia

2004 Corruption Perceptions Index
0 = Highly corrupt, 10 = Highly clean

Rank

Rank	Country	Score
67	Sri Lanka	3.5
129	Iraq	2.1
133	Indonesia	2.0
142	Myanmar	1.7
145	Bangladesh	1.5

Indonesia's score rose to 2.6 in the 2008 Corruption Perceptions Index. It now ranks 126th and is perceived to be less corrupt than the Philippines and Russia*

* Philippines and Russia ranked at 141 and 147 respectively
Source: Transparency International

Attack corruption from the top and encourage the entire community to participate in the battle. It is extremely hard to eliminate all leakages in a start-up organization that is growing rapidly – from 50 people to 1,000 people in only 20 months[6] – and is under intense pressures to act quickly with minimal internal controls having been put in place. BRR relied at the outset and throughout the reconstruction period on its leadership team acting as role models for the rest of the agency. It selected leaders with impeccable track records, who each publicly declared their individual wealth. In fact, all employees (not only those engaged in procurement activities) had to sign and abide by an ethical agreement (Integrity Pact) as part of their terms of employment.

From day one, the agency head said clearly and often that he would not tolerate corruption within the organization. To support this pledge BRR dedicated sufficient resources and leveraged other national and international resources to building and running an effective anti-corruption unit. It hired respected international experts to design its anti-corruption

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6. Headcount in April 2005 and December 2006

BRR is the only government agency with a budget of more than USD 200 million that received an Unqualified[1] opinion from the Supreme Audit Agency in Indonesia.

1. *An Unqualified opinion indicates that BRR's financial report is free of irregularities.*

program. It also invited Transparency International to look at the program and worked with Indonesia's Corruption Eradication Committee KPK (Komisi Pemberantasan Korupsi) on corruption investigations and educational campaigns in the affected areas.

It cooperated closely with various audit agencies of the Government, such as the Financial and Development Supervisory Board BPKP (Badan Pengawasan Keuangan dan Pembangunan), and asked the Supreme Audit Agency BPK (Badan Pemeriksa Keuangan) to establish a permanent presence in Aceh as a matter of urgency and to audit BRR's financial statements. It also welcomed wider audits of its processes and initiated forensic audits to target suspect areas.

Besides external scrutiny from professional agencies, it asked the public to be its eyes and ears and created complaint channels that people could access easily and securely.

Exhibit 9.2 Actions Taken by BRR to Uphold Integrity

BRR Integrity Pact
- BRR applies the integrity pact to all staff, not only those related to procurement, and all its projects

Anti-corruption unit (SAK)
- BRR is the first government agency to have an autonomous and independent anti-corruption unit

Integrity Supervisory
- BRR is the only government agency conducting 100% audit census (non-sampling)
- 100% employee compliance of LHKPN*

Corruption Eradication Commission (KPK) office
- At BRR request, KPK established its first representative office outside Jakarta in Banda Aceh

KPPN-K (Treasury)
- BRR is the only government agency in Indonesian history to have a dedicated KPPN (National Treasury) representative office

Supervisory Board and Advisory Boards
- BRR ensures its effectiveness through the existence of autonomous Supervisory and Advisory Boards

* LHKPN is a report of a state official's wealth

B. Educating and raising awareness

Begin by clearly defining corrupt practices and the scope of the anti-corruption program. Defining corrupt practices was especially important for BRR given the pervasive corruption in Indonesia as well as the heightened danger of corruption in a fluid organization that was managing USD 7.2 billion from a multitude of sources through many different channels, against a backdrop of fiduciary standards that were adjusted for the sake of speed. It is also important to clarify what is "not corruption" in order to sharpen the focus on genuinely corrupt practices.

BRR took a clear black-and-white stance in defining and dealing with corruption, which it promoted internally and enacted externally. When entering into funding negotiations, it was made clear to staff that, "It is better to return with empty hands than with dirty hands" and, "Anything you receive outside of your salary is considered corruption."

Externally, the agency had to promote its stance on corruption as well as define the scope of its anti-corruption program. It worked through influential segments of society, such as journalists, religious leaders, teachers, and students, to inform the entire community. Religious leaders, for example, spoke about corruption when delivering Friday prayers. The anti-corruption message was welcomed by communities that felt they had already lost so much to disaster that they could not continue business as usual.

C. Establishing an environment that minimizes corrupt practices

Set new norms of behavior, walk the talk, and improve vulnerable processes.

Establish new norms of behavior within the agency and with partners, including the rejection of excuses for poor integrity, especially in places where corruption is endemic. BRR continuously updated stakeholders on the progress of rehabilitation and reconstruction, and it went one step further toward transparency and accountability by regularly publishing the agency's balance sheet to the public.

It set new norms for employees by requiring everyone to sign the Integrity Pact, which included very clear statements about refusing gifts and not abusing power as well as the consequences for failing to abide by the pact. It also simplified the remuneration process to define an "all-in" salary, which at the same time eradicated the complexities and potential abuses of discretionary top-ups, annuities, and other forms of income supplement.

"…From history to now, Kuntoro has consistently shown a strong stance against bad practices. That is what makes a difference in this mega effort…"

– Local Media

"One of the positives coming out of this tragedy is that this government is doing things right. There is a strong focus on transparency and accountability"

– William M. Frej, Former Director, USAID Jakarta

Anti-corruption meets tradition

As part of its program to educate its staff and the public, before the traditional gift-giving of Hari Raya in 2005, the agency published a plea for people not to give agency staff any gifts, no matter how small. Employees were informed in writing that they would have to report any gift of greater value than Rp 200,000 (USD 20). The absence in the agency's office of the gifts that would normally be displayed during Hari Raya was noticed by visitors to the regional offices, as it contrasted so greatly with the customary situation in a government agency following this celebration.

BRR encouraged its partners to uphold the same standards of transparency through the use of web-based public monitoring tools (RAN Database). It also refused to deal with corrupt contractors and provided backing to donors and NGOs in situations when contractors complained about being blacklisted for corrupt behavior. Further, in negotiating for government budget allocations to the reconstruction effort, BRR refused requests to guarantee contracts for favored contractors.

At the time of writing, no evidence has emerged of any systemic corruption within BRR, thanks mostly to the agency's attack on corruption from the start, which helped block the entry of systemic corruption. On the evidence available, less than one percent of tsunami funds were lost to corruption. This low rate was despite the many difficulties faced by BRR and its many delivery partners in dealing with extortion and managing some local contractors who, for example, disappeared with cash after

being paid in advance. The challenge facing BRR increased further once it began implementing its own reconstruction projects, most notably in housing, but the continued systemic scrutiny of BRR's procurement processes and practices combined with active referrals of questionable activities for detailed investigation helped make corruption difficult at least and dangerous at best for perpetrators.

Lastly, improve vulnerable processes. Within the investigative cycle for complaints of corruption, there was a feedback loop so that BRR's Anti-Corruption Unit (SAK) could detect patterns of complaints and corrupt behavior and work with concerned agencies to close any loopholes and strengthen the integrity of their procedures.

D. Investigating every complaint

Use the general public as the agency's eyes and ears. Accept all complaints, review their veracity, and follow up with appropriate staff as needed. In the case of a potentially criminal violation, the SAK submitted the case to the appropriate authorities for them to conduct a formal investigation. All complaints received by the SAK were treated in the strictest of confidence.

Open multiple complaint channels (e.g., e-mail and text messages) and develop robust internal controls to ensure that all allegations of wrongdoing from the public are received and properly investigated. The SAK went out of its way to make submitting a complaint easy. Besides telephone, text messages, and e-mail, complaints were also accepted in person at the SAK office, or in another location if the complainant was concerned about being seen near the office. These measures reinforced

"Aceh reconstruction fared better than other countries hit by disasters in preventing corruption of aid. So far, only 1 percent of the reconstruction fund is unaccounted for."

– Scott Guggenheim, Sector Coordinator for Social Development, World Bank

the perceptions of the agency's strong stand against corruption and protection of the identity of complainants.

Exhibit 9.3 Complaints Received by BRR's Anti-Corruption Unit (SAK)

Nature of complaints received
September 2005 – December 2008

Types of Complaints	Number of Complaints			
	2005-2006	2007	2008	Total
Procurement violation process	531	191	87	809
Administration violation	9	5	0	14
Integrity Charter violation	21	5	1	27
Corruption, collusion, and nepotism indication	120	38	8	166
Rehabilitation and reconstruction implementation obstacles	134	20	0	154
Payment Obligation to State Cashier violation	2	2	0	4
General criminal act	4	5	0	9
Other	255	30	59	344
Total	**1,076**	**296**	**155**	**1,527**

Source: SAK

Some organizations do not investigate anonymous complaints, to protect their agency and staff from malicious intent. However, BRR decided to accept and investigate all complaints[7]. It did not care if there was a personal motive; it was more committed to sending a clear message to the public about not tolerating corruption. Further, the identities of all complainants were guarded during investigation. The SAK's prime consideration was the substance of the complaint itself and not the motive of the complainant.

BRR's anti-corruption unit was defined as an autonomous part of the coordinating agency so that it would have good access to the organization and be able to investigate complaints without internal obstruction. SAK reported directly to the agency head, while the BRR Oversight Board was regularly briefed. It also invited the independent NGO Transparency International (TI) to appraise its integrity and processes.

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7. At the end of 2007, about 15 percent of complaints were anonymous.

Within the anti-corruption unit, every member agreed to a code of ethics (above and beyond the Integrity Pact signed by all employees), and also had the right and were encouraged to lodge complaints against their colleagues. They collectively agreed on the standards, which they reviewed every couple of months to prevent slippage and to keep their spirit of integrity alive.

Violations of the agency's ethical code (Integrity Pact) were punished through actions such as a recommendation for dismissal, the cancellation of a contract and, in some instances, referral to legal authorities for further action.

* * *

Battling corruption is difficult at any time but even more difficult during reconstruction, when the urgency to act necessitates not so much the loosening of safeguards as the speeding up of processes with a consequent risk of some breakdown of safeguards. Even societies with much lower rates of corruption than Indonesia have had their reconstruction programs pillaged by corruption. Education and prevention are important – to stop corruption before it takes hold within the organization and in the minds of donors. It is equally important that the organization takes a clear stance and communicates this stance in all its actions to all its stakeholders, but especially through its most senior people who must demonstrate their commitment through their own ethical conduct.

An internal integrity and anti-corruption capacity such as the SAK that is both effective and autonomous needs to be complemented by a powerful external anti-corruption authority, such as the KPK in Indonesia's case, to ensure that valid complaints are properly investigated and prosecuted.

10. Mix Diplomacy, Authority, and Flexibility to Ensure Funding Flows Meet Actual Needs

Use a range of influence skills to manage donors throughout the course of reconstruction. Donors bring different strengths and capabilities to reconstruction and it is important for coordinating agencies to recognize and accommodate these to gain the most benefit from their reconstruction partners. From the beginning of the reconstruction phase through to the end, the coordinating agency should behave in ways that are appropriate to the stage of reconstruction to avoid a mismatch between funding availability and reconstruction needs: remove obstacles, begin and sustain a collaborative and productive dialog with donors, suggest ways to adapt, and finally use formal authority when necessary. In poorer countries, where donor-pledged reconstruction funds can outstrip those of the host government, it is even more important for the coordinating agency to direct and shape donor programs so that they are well aligned with actual needs on the ground.

A. Understanding the different strengths and capabilities of donors

Understand that donors are different and capitalize on those differences as best as possible. Donors have different sector preferences, have different funding mechanisms, and work at different speeds. Understanding and acknowledging these differences is an instructive first step to developing productive working relationships. However, information on the capabilities of the various agencies working on the ground is often limited, and it takes time and experience for the coordinating agency to gain a better understanding of the relative strengths of each agency.

Reconstruction projects by definition cover a range of sectors. Donors specialize in sectors that are of interest to them and their constituents. Most agencies have core competencies and tend to gravitate towards such activities. NGOs tend to specialize in small-scale, localized projects involving education, health, and capability-building (such as training

teachers or developing project management skills in villages). They are
also quicker to react, and their efforts in disbursing social block grants
or livelihood assistance early on in the reconstruction can be vital in
helping beneficiaries get back on their feet quickly. On the other hand,
bilateral and multilateral donors tend to take on longer-term, large-scale
projects. This difference is reflected in the sectors taken on by different
types of agencies in Aceh and Nias. The one exception is housing, where
the demand was so great that many agencies with no prior experience in
the sector dove in headfirst anyway.

**Exhibit 10.1 Reconstruction Allocations by Sector and Agency Type
(2007)**

USD millions
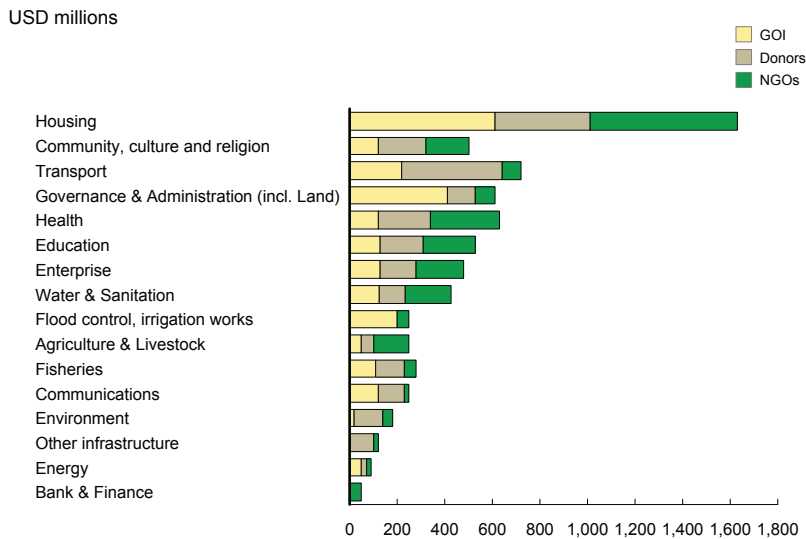
Source: World Bank

The relationship between donors and the host government also varies
widely. Host governments and traditional bilateral and multilateral donors
typically have long-established funding mechanisms and tendering and
procurement processes. They are accustomed to working together
and therefore can rely on existing capabilities and relationships when
disaster strikes. NGOs typically operate as implementing agencies, and
are usually coordinated by the multi- and bilateral donors from whom
they secure funding.

In Aceh that all changed. NGOs were flush with funds of their own rather than those with strings attached from donors, which gave them far greater freedom to operate based on their own assessments of needs, priorities, preferences, and capacities. It also meant that BRR had to contend with many more independent funding agencies than might otherwise have been the case. Some coordination occurred through BRR's sectoral working groups and the Inter-Agency Steering Committee (coordinated by UNORC), but NGOs largely operated outside of the government sphere. There are mixed views about whether such financial independence was a one-off or a sign of things to come. NGOs are used to operating at arms length from the host government. However, if this trend in private funding continues, the larger NGOs will need to participate in any discussions about reconstruction priorities and allocations with coordinating agencies, in the interests of promoting greater accountability to the host government, better delivery of programs and services to disaster victims, and more effective coordination.

B. Using a variety of influence tools and management mechanisms to help donors deliver their programs

Blend flexibility, collaboration, diplomacy, and formal authority (in that order) to influence donors to meet the goals of reconstruction.

Remove obstacles for donors. At the beginning of reconstruction, this can mean reducing or accelerating government bureaucracy in areas such as customs and immigration. BRR's Tim Terpadu, for example, simplified the use of several government administrative services. (See Lesson 3 for more details.) BRR's clearinghouse approach to coordination, which sought to match the available supply of aid to needs on the ground, focused on supporting donors to accelerate delivery of their reconstruction programs. It was less concerned about who did what, so long as there was no unnecessary duplication of effort or gaps in the program.

While some host governments insist that all aid flows be channeled through the national budget, BRR offered donors the option of channeling funds through the host government's budget (on-budget) or through their own implementing agency or agencies (off-budget), in which case they could maintain their own financial controls and lines of accountability. This increased the complexity and effort involved in coordinating and

monitoring funding flows, but is believed to be an important factor in the success of the Aceh and Nias reconstruction program. Flexible mechanisms for channeling funds comforted donors by allowing them to use governance mechanisms that they were familiar with and trusted, thus encouraging the inflow of funds. However, coordinating agencies have less influence over off-budget funds and need strong monitoring tools to ensure an adequate level of accountability to the host government.
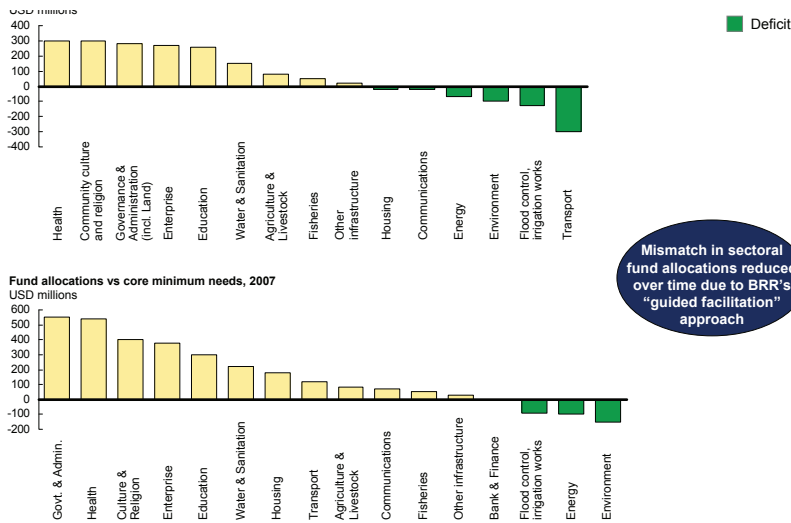
Develop and sustain a collaborative dialog to set a collective agenda. Rely on a combination of facts and diplomacy to make policies that respond to the concerns of donors and inspire a sense of collective action. A free-market approach can lead to an uneven resourcing of reconstruction activities. For example, in Aceh, health and education were over-committed sectors, while energy and infrastructure were under-committed sectors. Further, the expectations of a donor's constituents about how the money should be spent often drives donor funds toward highly visible regions and projects. The regional capital and its neighboring districts were overfunded, due to their high visibility and ease of access, while Nias was underfunded for the opposite reasons.

Exhibit 10.2 Regional Gaps in Financing Allocations (2005)
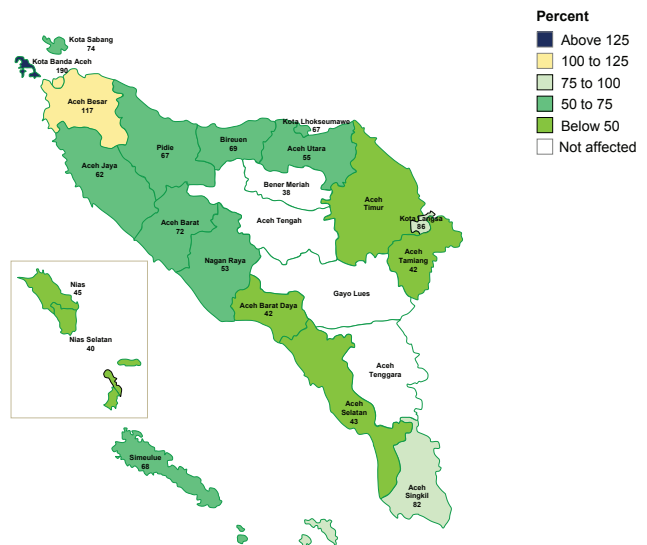
Source: One Year after the Tsunami report – BRR and partners (2005)

Exhibit 10.3 Mismatch in Sectoral Fund Allocations Versus Core Minimum Needs (2005–2007)

USD millions

Deficit

Fund allocations vs core minimum needs, 2007
USD millions

Mismatch in sectoral fund allocations reduced over time due to BRR's "guided facilitation" approach

Source: One Year after the Tsunami report – BRR and partners (2005); World Bank 2007

Partway through its four-year reconstruction program, BRR adopted a guided facilitation approach, and began steering partners to work in underfunded sectors and regions. The MDF is one example of such a forum. Co-chaired by BRR's head, Dr. Kuntoro, it allowed him to hear directly from some of the largest donors and allowed the donors to work together to address some of their concerns. BRR was also able to use this forum to openly discuss the use of flexible funds.

Push donors to adapt their reconstruction goals or *modus operandi* to meet unmet needs. Many donors were not organized to handle the scale of reconstruction needed for Aceh–Nias. World Vision ran itself in the mode of an emergency relief unit for three years, three times longer than it normally does.

Go to the top to broach broader policy and organizational issues. BRR's head went out of his way to meet donors, sometimes in their home countries, to ensure that their efforts were acknowledged and praised. He also coaxed and cajoled donors to honor their pledges and to adapt their priorities to unmet needs. BRR took the initiative to approach

organizations at their most senior levels. The head of BRR visited the UN Special Envoy Bill Clinton and the UN Secretary-General Kofi Annan when it wanted the United Nations to create a supporting coordinator for the 27 UN agencies operating in Aceh. BRR did not shy away from using its role as the host government's official coordinating agency to initiate tough discussions with its donors, but at the same time, took efforts to forge strong partnerships and support donors in their endeavors to adapt.

Use formal authority as the last resort. Used rarely, formal authority can be very effective as long as everyone is aware that it exists and that the organization is prepared to use it. The introduction of Project Concept Notes, which necessitated BRR's approval for a donor to act in Aceh, meant that BRR had a very effective means of affecting which projects were done in which locations and by which agency. All international agencies needed to have PCN approval in order to establish a presence in Aceh and Nias, effectively establishing the authority of the host government over reconstruction agencies. In the case of a heavily contested project, where two or more agencies vied to take it on, BRR's decision was final.

Project Concept Notes

Project Concept Notes were a controlling and monitoring tool that allowed BRR to decide which projects were constructed and for the public to monitor overall reconstruction. Donors submitted Project Concept Notes, which were reviewed, approved, and then published.

Project sponsors, such as NGOs, donors, and government agencies, submitted a Project Concept Note, which was cataloged and forwarded to the relevant sector deputy in BRR. The sector deputy, his team, and technical experts reviewed the note using a common evaluation template, rated the project, and submitted the rated note to a sector approval workshop. At the workshop, a committee reviewed a number of notes and decided whether projects should be approved immediately. The results were then published, and once the project proponents had signed anti-corruption declarations, the projects were approved.

C. Behaving more assertively towards donors over time

Change your approach as you develop more expertise and more credibility with donor organizations. Initially, focus on removing obstacles and minimizing overlap to facilitate donors to do what they do best. After instituting Project Concept Notes in 2005, BRR fast-tracked project approval and in the first 6 to 12 months rarely turned down approval for any reason other than duplication.

Become more directive with donors as gaps become more evident to ensure that the overall reconstruction needs are being met. BRR moved from project management to portfolio management over time. It first reacted to project proposals received from experienced donors and then began to proactively guide donors towards sector priorities as it gained more experience and credibility as a coordinating agency and had time to develop good working relationships with individual donors. Donors may have reacted less kindly if BRR had adopted a command-and-control

approach and tried to impose strict controls on partner programs or fiduciary management early in the four-year reconstruction effort.

Acknowledge all donor contributions, but operationally focus efforts on the 10 to 15 largest donors to monitor and ensure progress. Some 85 percent of the Aceh–Nias reconstruction fund portfolio came from the top 15 donors, so engaging proactively with these donors on the reconstruction agenda and monitoring their progress and removing their obstacles would have gone a long way towards meeting the overall goals of the reconstruction program.

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Understanding the different strengths and capabilities of donors and making use of them effectively is crucial to being a productive coordinating agency. However, the coordinating agency must sometimes direct donor agencies to support underfunded projects to avoid gaps in the reconstruction program. This can most effectively be accomplished by using a range of influencing skills – flexibility, collaboration, and diplomacy – in addition to formal authority to address and solve problems. Financial flexibility in particular can be very productive, as seen in the variety of fund channeling models employed by BRR. While there are times when a coordinating agency will need to behave assertively towards donors to achieve reconstruction objectives, it will be most effective in doing so when seen as a trusted partner who is operationally helpful, technically credible, and managerially competent.

Glossary

ADB	Asian Development Bank
ARF	Aceh Recovery Framework
Bappenas	National Development Planning Agency (Badan Perencanaan Pembangunan Nasional)
BPK	Supreme Audit Agency of the Republic of Indonesia (Badan Pemeriksa Keuangan)
BPKP	Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan)
BRR	Executing Agency for Rehabilitation and Reconstruction (BRR) NAD–Nias
CFAN	Coordination Forum for Aceh and Nias
ETESP	Earthquake and Tsunami Emergency Support Project
GAM	Free Aceh Movement (Gerakan Aceh Merdeka)
IFRC	International Federation of Red Cross and Red Crescent Societies
KDP	Kecamatan (Sub-district) Development Program
KPI	Key Performance Indicator
KPK	Corruption Eradication Commission (Komisi Pemberantasan Korupsi)
MDF	Multi Donor Fund for Aceh and Nias (Bersama Membangun)
NGO	Non-Government organization
PMI	Indonesia Red Cross Society (Palang Merah Indonesia)
RANdatabase	Recovery of Aceh–Nias Database
SAK	Anti-Corruption Unit (Satuan Anti Korupsi)
TNI	Armed Forces of Indonesia (Tentara Nasional Indonesia)
UN	United Nations
UNORC	UN Office of the Recovery Coordinator in Aceh and Nias
WFP	UN World Food Programme

BRR
NAD – Nias
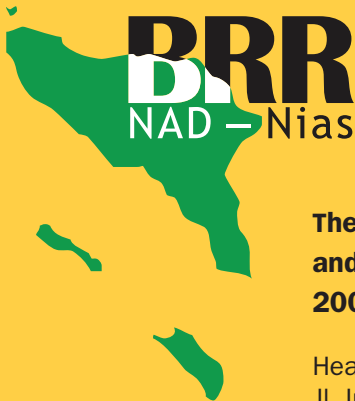
**The Executing Agency for Rehabilitation
and Reconstruction (BRR) of Aceh–Nias
2005–2009**

Head Office
Jl. Ir. Muhammad Thaher No. 20
Lueng Bata
Banda Aceh
Indonesia, 23247
Telp. +62-651-636666
Fax. +62-651-637777

Nias Representative Office
Jl. Pelud Binaka KM. 6,6
Ds. Fodo Kec. Gunungsitoli
Sumatera Utara
Indonesia, 22815
Telp. +62-639-22848
Fax. +62-639-22035

Jakarta Representative Office
Jl. Galuh II No. 4
Kabayoran Baru
Jakarta Selatan
Indonesia, 12110
Telp. +62-21-7254750
Fax. +62-21-7221570

www.e-aceh-nias.org
www.know.brr.go.id