



INDONESIA: A CLOSE-UP LOOK AT RECOVERY



Author:

Vitalii Nabok,
Policy and data analyst

Layout and design:

Kateryna Kysla
IAA graphic designer

We would like to express our gratitude for the significant contribution to the creation of this material to:

Juhani Grossmann,

Team Leader, Green Corruption programme
Senior Advisor, Central and Eastern Europe

Dr. Sudirman Said,

Anticorruption activist,
Former (2005–2007) Deputy for Communication
& Institutional Relations; Deputy for Institutional
& HR Development; Advisor to the Head of BRR
Former (2014–2016) Minister of Energy and Mineral
Resources of the Republic of Indonesia

Lakso Anindito,

Technical Lead, INTEGRITAS/Basel Institute
Basel Institute on Governance

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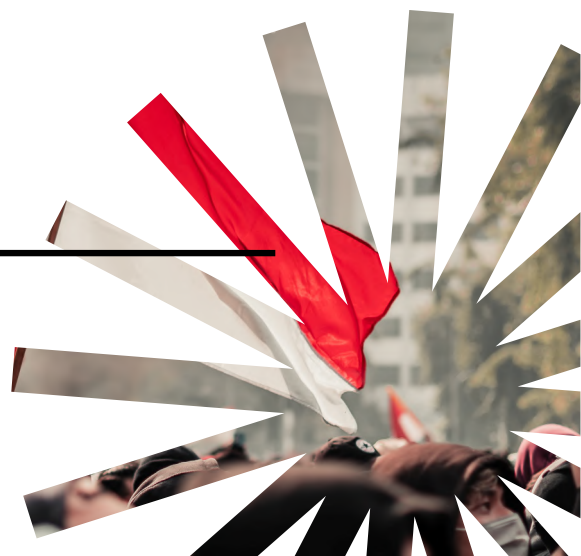
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ABBREVIATIONS AND TERMS



NGO

Non-governmental organizations

Badan Rekonstruksi dan Rehabilitasi Aceh dan Nias, or BRR

Aceh and Nias Reconstruction and Rehabilitation Agency

Bappenas

National Development Planning Agency

SAK

Satuan Anti Korupsi, Anti-Corruption Unit

GAM

Gerakan Aceh Merdeka, or Movement for Free Aceh

INTRODUCTION



One of the largest earthquakes in the Indian Ocean, measuring 9.0 on the Richter scale, on December 26, 2004, triggered a tsunami that caused damage and killed more than 220,000 people in 14 different countries. 99% of the human losses occurred in the province of Aceh, which is located in the west of the island of Sumatra, Indonesia. In a radius of 2-3 km from the coastline, almost everything was washed into the ocean. As a result of the disaster for Aceh and Nias island, >80% of their GDP was lost.

The physical damage and losses have been estimated at US \$4.9 billion. Productive sectors alone suffered losses estimated at US \$1.2 billion. The tsunami in Aceh triggered inflows of aid from international communities estimated to be worth around \$7.7 billion, surpassing the value of the tsunami's direct impact.

In the first analytical note on Indonesia, the researchers looked broadly at the effects of the earthquake, the impact of recovery policies and the institution that was called to coordinate the reconstruction and return to life of the affected areas of Indonesia.

This review complements the previous works, is their logical continuation and highlights 3 topics in detail:

- **on the Master Plan for the Rehabilitation and Reconstruction of Aceh and Nias;**
- **about the Agency of Reconstruction and Rehabilitation for Aceh and Nias;**
- **about the peculiarities of the implementation of reconstruction solutions.**

The material is intended for decision-makers of Ukraine working on the issues of reconstruction planning, building institutional capacity, challenges and opportunities with the application of knowledge about the recovery of other countries of the world.

1. Master plan for the rehabilitation and reconstruction of Aceh and Nias



One of the primary disaster response measures, in addition to emergency search and rescue operations, was the development of the Master Plan for the Reconstruction and Rehabilitation of Aceh and Nias (*the Master Plan below*).

The Master Plan was developed by the National Development Planning Agency (Badan Perencanaan Nasional/Bappenas) and launched in 2005.

The Master Plan became part of a package of policies for the reconstruction and rehabilitation of the province and the island of Nias, along with the development of a special institution at the level of the ministry – the Agency for the Reconstruction and Rehabilitation of Aceh and Nias (Badan Rekonstruksi dan Rehabilitasi Aceh dan Nias or BRR, hereinafter referred to as the text), which will be discussed in the next section.

During the development of the Master Plan, the government tried to apply a decentralized approach in its development. Thus, Universitas Syiah Kuala, Aceh's oldest public university, has become a hub to facilitate local NGOs and stakeholders. Academicians were involved in planning of community-based housing reconstruction, helping communities organize housing groups, making house designs and implementation plans. Donors were also included in the process of developing and providing suggestions for the document.

The Master Plan was divided into 11 topics, including: territory and property rights, natural resources, housing and infrastructure, economy and labor, system of regional agencies, education and health care, religion-culture-human resources, law, security, good governance and financing. Despite this, at the stage of development of the Master Plan, Bappenas had differences of opinion on recovery with the affected local self-government bodies and NGOs. Therefore, many representatives of local communities also complained that their aspirations were not correctly reflected in the document (ADBI Discussion Paper 70, Nazara and Resosudarmo, 2007).

Therefore, a few days after the launch of the Master Plan, *Dr. Kuntoro Mangkusubroto*, the newly appointed head of BRR issued a statement in which he agreed that many aspects were not adequately covered in the Master Plan. He also indicated that the BRR would not follow the plan "letter for letter" and, more than that, the document would be used as a reference. He also invited the wider involvement of representatives of local communities and NGOs, so that their opinions would be heard. Subsequently, the Master Plan was further revised in 2008 to develop a more appropriate recovery plan for Aceh and Nias.

BRR became responsible for developing a technical action plan based on the Master Plan and a spectrum of indicators for their implementation. The government also developed a multi-level monitoring system that empowered the nine members of the BRR Supervisory Board (internal oversight) and the National Development Planning Agency *Bappenas* (external oversight) to screen the implementation of the action plan.

Summing up, we note that in a short period of time, the authorities managed to develop a project document for restoration. However, due to the low level of involvement of local communities, as well as the lack of consideration of the interests of local communities and donors, the Agency for Reconstruction and Rehabilitation of Aceh and Nias decided to be guided by the generated document as a reference and to apply a flexible, evolutionary approach in the implementation of rehabilitation. Also, the Agency and the government created monitoring systems for the implementation of the technical action plan based on the Master Plan.

2. Agency for reconstruction and rehabilitation of Aceh and Nias — BRR



2.1. The basis for the creation of BRR

Following the December 2004 tsunami, the government declared an emergency response regime in Aceh and Nias and mandated the National Disaster and Refugees Coordination Agency, chaired by the Minister for Social Welfare Coordination, to carry out the primary response. This phase was declared complete on March 26, 2005.

In front of the Indonesian authorities, there were only two alternatives: to use the existing institutions for reconstruction, or to create a new one that would specialize in the reconstruction of Aceh and Nias.

In this situation the government was aware of the possible distrust of the public and foreign stakeholders in the existing bureaucracy in managing the huge budget from national and international sources for reconstruction and rehabilitation in Aceh and Nias.

The decision to create a separate body was also influenced by the following circumstances:

- 1 Aceh's government did not function effectively because of the disaster;
- 2 The task of recovery is assessed as too large for the existing government structure;
- 3 Transaction costs were too high if the program was implemented by full-time line ministries (Improving Government: The Impact of Indonesia's BRR beyond the Tsunami Reconstruction, Daniel Broid Krauze);
- 4 There was long-term conflict between separatist Free Aceh Movement and Indonesia, and the situation needed to be solved;
- 5 Managing a lot of donor's projects and money.

After that, on April 16, 2005, Indonesian President Susilo Bambang Yudhoyono issued an act establishing the Aceh and Nias Reconstruction and Rehabilitation Agency (Badan Rekonstruksi dan Rehabilitasi Aceh dan Nias, BRR hereinafter). On the same day, the President also launched the Master Plan prepared by the National Development Planning Agency (Bappenas) which will serve as a guideline for the work of the BRR.

This body was conceived as a one-stop shop for the coordination of all other institutions and donors. BRR's mission is to coordinate ongoing reconstruction efforts and match donor funds to specific community needs in Aceh and Nias through a process that is sensitive to local issues and priorities and well-monitored.

There were no serious objections from local authorities, NGOs and the international community, as the government from the outset showed its willingness to work with local communities, as well as with donors, to ensure a flexible approach to the implementation of the Master Plan.

Separately, it was mentioned in the act of the president (Article 6) that

«...rehabilitation and reconstruction must be carried out on the basis of the principles of transparency, accountability, participation and responsibility with the priority of public interests and be free from corruption, conspiracy and nepotism.»

For the purposes of this law, transparency refers to the rights of the public to receive correct and reliable information, with attention to the protection of human rights to personal, group and state secrets.

1. **one-stop shop** is a term used to refer to a place or service where you can access a variety of services or products without having to go from one service provider to another. The main idea of a one-stop shop is to ensure the convenience and efficiency of providing services, as well as to reduce the overall time and effort required to receive them.

Accountability means that in every action and the final result of such action, the Rehabilitation and Reconstruction Agency must be accountable to the community or people as the highest bearer of state sovereignty in accordance with applicable laws and regulations, as well as to other parties that provide assistance.

Participatory means openness to the involvement of stakeholders, directly or indirectly.

The public interest is in prioritizing the general welfare in a desirable, adaptive, and selective manner.

A specific reference in the act to the guiding principles of operations and the prevention of corruption was made to strengthen its message to the public and stakeholders outside Indonesia about the pillars on which the Agency stands.

Thus, the BRR became one of the three key coordinating bodies in the reconstruction of Indonesia. Other bodies are considered to be the Multi-Donor Fund (MDF), which ensured the proper coordination of donor funds, was a forum for various financial institutions and key NGOs with significant funding, and the Office of the UN Coordinator for the Reconstruction of Aceh and Nias (UNORC), which was mainly involved in the coordination of various agencies UN (Post-tsunami effectiveness in Aceh: Proliferation and Coordination in Reconstruction, Harry Masyrafah, Jock MJA McKeon, Wolfensohn Center for Development, November 2008).

2.2. Structure and tasks of the BRR

The BRR has three bodies, namely the Oversight Board (Badan Pengarah), the Supervisory Board (Badan Pengawas) and the Executive Board (Badan Pelaksana).

Table 1. Structure of BRR bodies.

Type of a body	Oversight Board	Supervisory Board	Executive Board
Structure	17 members	9 members	Variable number of employees, structure
	<ul style="list-style-type: none"> → Head. → Secretary. → 15 members, including representatives of: <ul style="list-style-type: none"> • central government; • local government; • religious leaders/ulama; • public figures; • academics. 	<ul style="list-style-type: none"> → Head. → Secretary. → 7 representatives-leaders of communities who have relevant knowledge in the field of supervision. 	<ul style="list-style-type: none"> → Head of the executive body. → Deputy. → Secretaries of project implementing agencies. → Deputies-representatives. <p>The deputy head of the executive body is also the governor of Aceh province.</p>

The Oversight Board is tasked with guiding the development, planning and implementation of the rehabilitation and reconstruction process.

The Supervisory Board has the main function of supervising the implementation of rehabilitation and reconstruction, as well as supervising the executive body of the BRR.

The Executive Board was responsible for the implementation of BRR programs and projects, as well as for monitoring progress and ensuring their effectiveness.

The Chairman of the Executive Council and his deputy report directly to the President of Indonesia, and are also appointed and dismissed by him.

The president chose an experienced high-level official, former minister Kuntoro Mangkusubroto, as the head of the BRR. He was supported by reputable anti-corruption activists and people with experience in international organizations. In addition, representatives of the local leader in Aceh province also joined the team of the BRR chairman, which supports the work in the communities.

BRR was supported by a team of consultants from McKinsey and Ernst and Young, both of whom worked with BRR representatives for several months and after the institution's official launch. Consultations with the World Bank and other major donors were ongoing.

Following the declaration of a unilateral ceasefire by the GAM, the newly elected President recognized the tsunami as a compelling reason to end the conflict due to its significant political, moral, economic, and social impact. Previously, the issue of Aceh's final status had been a significant obstacle to negotiations.

BRR established contact with representatives of the separatist Free Aceh Movement (GAM) and, together with the government, in July 2005 achieved a reconciliation agreement, which was important to create a security environment for reconstruction and development in the region.

Former members of GAM were actively involved in the reconstruction process, for example the former chairman of GAM's negotiating team in Helsinki and elected governor in 2007, Irwandi Yusuf, became the BRR's deputy in the reconstruction process. He supported the BRR in gathering the necessary information from the society in Aceh.

The tasks of the BRR executive body include the following:

- form operational strategy and policies;
- prepare work plans and budgets of the Executive Board;
- prepare a detailed rehabilitation and reconstruction plan in accordance with the Master Plan, taking into account the aspirations and needs of the people in the regions affected by natural disasters;

- ➔ carry out recovery and reconstruction activities in cooperation with other parties;
- ➔ carry out activities related to the purchase of goods and services;
- ➔ organize and coordinate the activities of recovery and reconstruction activities carried out by the central government, regional governments and other parties;
- ➔ ensure compliance with integrity and elimination of corruption when using funds for rehabilitation and reconstruction.

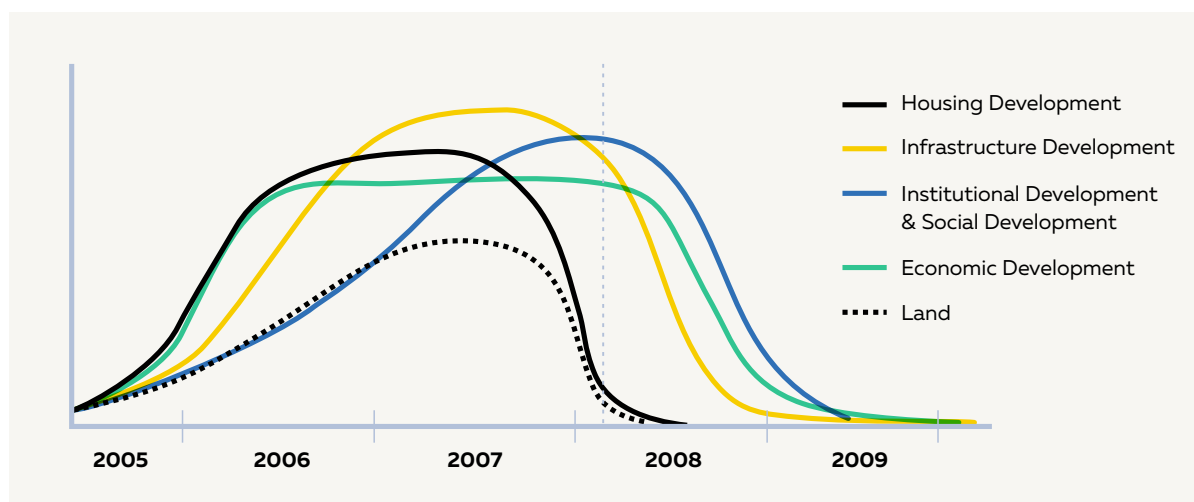


Diagram 1. Focus of the reconstruction shifts along the period of 2005-2009 when BRR completes its mandate.
Source: BRR, Rehabilitation and Reconstruction of Aceh and Nias, 2007

Beginning in late 2005, the BRR was mandated to construct 120,000 buildings, thus taking over some of the authority from the Ministry of Public Works.

However, it should be understood that the choice between focusing on either the development of basic infrastructure to meet people's basic needs or the development of human potential during the recovery period will be critical in the recovery process.

The agency had several representative offices in different affected territories, which ensured the accessibility of the appeal and understanding of the situation from the scene.

The researchers identify a number of positive factors that allowed the Agency to form and function in a high-quality manner throughout its term of office:

- ➔ the appointment of a highly experienced and non-corrupt official as the head of BRR, who had considerable experience in management and bringing organizations to a new level;
- ➔ selecting proactive people with good leadership skills from different areas of expertise to positions in the Agency, which contributed to the growth and strengthening of trust among stakeholders;
- ➔ the temporary nature of the Agency's activity – it was created for a period of 4 years. The predetermined period of the Agency's activity gave hope to the local people that the reconstruction would not drag on forever;

- the placement of BRR offices on the ground, close and sustainable contact with the local people, thereby eliminating fears of a centralized recovery from Jakarta by companies close to politicians and government officials;
- powers given to the Agency at the level of the ministry;
- zero tolerance for corruption (in more detail in the next subsection).

However, Kuntoro Mangkusubroto, chairman of the Executive Board, said the BRR's work in Aceh has not achieved its ultimate goals in encouraging economic activity.

2.3. Transparency, accountability and fight against corruption in the work of the Agency

The main tasks of the BRR were to coordinate the allocation of budgets from national and foreign sources, as well as to ensure transparency and accountability of the implementation process.

Initially, the agency faced early criticism from some NGOs, who claimed that BRR was not responding quickly enough to corruption cases that had surfaced during the reconstruction process. The delay in addressing these issues caused some to question the agency's credibility and ability to fulfill its mandate.

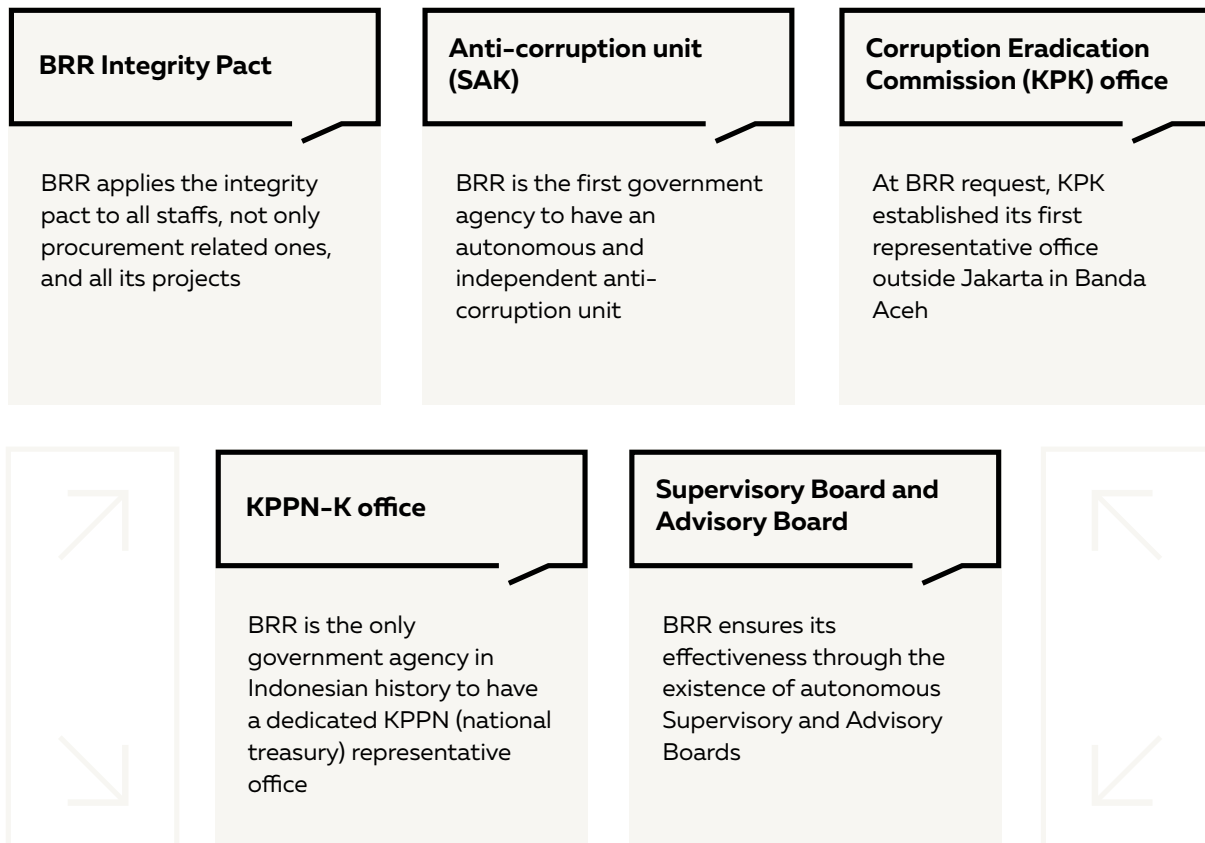
Despite these initial setbacks, BRR was able to regain the public's trust through a series of measures aimed at improving transparency and accountability. The agency implemented various reforms, such as the establishment of a grievance-handling mechanism, the publication of regular progress reports, and the strengthening of internal oversight mechanisms.

Through these efforts, BRR was able to demonstrate its commitment to addressing the concerns of the public and the NGOs. As a result, over time, the agency was able to regain the confidence of the public and other stakeholders, who recognized the critical role played by BRR in the reconstruction and rehabilitation of Aceh and Nias.

The challenge was to ensure appropriate standards for each donor. This happened because each donor has different standards in infrastructure development.

Another problem was the correspondence between the needs and the allocation of donor funds, for example, at the beginning of the recovery, a lot of criticism was about the prioritization of project development.

Table 2. Accountability and integrity is upheld at the utmost as the foundation of trust from all stakeholders



RAN system

Given the scale of the reconstruction, the number of stakeholders involved, and the sums of money that had to be pooled around the reconstruction of Aceh and Nias, the question arose of digitizing the process. So the Indonesian government, with the financial support of the United Nations Development Program, introduced the Development Assistance Database (DAD), which had previously been used to track donor funds in Afghanistan.

The DAD system was customized by BRR, opened in November 2005 and named Recovery Aceh Nias (RAN).

A key development was the ability to enter project information regarding planned and actual results ("key performance indicators" or KPIs). This enabled BRR to track physical progress as well as increase transparency of funding flows.



Table 3. There are two systems in monitoring and evaluation

For BRR Projects (On-budget)	For Donor Projects (Off-budget)
<ul style="list-style-type: none"> → Use several channels which is then integrated in BRR headquarter database <ul style="list-style-type: none"> • Collects, tracks, analyzes, and displays project and funding data • Smart Pro database (under final development) • Submission of data in MS-Excel worksheets format → Urgent data entry by SMS or mobile phone <ul style="list-style-type: none"> • Huntara survey system for IDPs/Barracks → Monitoring Unit: PPMK (Center for Quality Control and Assurance) 	<ul style="list-style-type: none"> → Use RAN (Recovery Aceh Nias) Database – which is a modification from the original DAD (Donor Assistance Database) → RAN Database <ul style="list-style-type: none"> • Collects, tracks, analyzes, and displays project and funding data • Over 150+ KPIs • Has 3800+ projects → Mechanism RAN Database <ul style="list-style-type: none"> • Direct input/update by NGOs • Public access via internet from any place → Monitoring unit: Pusdatin (BRR center for data and information) manages RAN Database

Fight against corruption

A special task force was established for BRR to receive reports of corruption, review and conduct preliminary investigations and follow-up with law enforcement agencies. Kevin Evans, chair of the task force, reported that in its first year of operation, the task force received 85 public complaints related to corruption.

The government has also introduced a multi-level monitoring system to prevent corruption. In addition to using audit standards, the BRR also had a Supervisory Board to oversee the implementation process. In just two years, in 2007, BRR's Supervisory Board reported 153 cases of potential fraud to Indonesia's law enforcement agency, the Corruption Eradication Commission (Komisi Pemberantasan Korupsi - KPK).

The anti-corruption system was also supported by data digitization to strengthen the capacity of the monitoring process. In general, two approaches were used: an integrated BRR database for a direct BRR project (budgetary) and a Recovery Aceh Nias (RAN) system for a donor project (non-budgetary), which are open to the public.

e-procurement

Procurement of goods and services is one of the areas where government oversight and accountability are most needed. In times of distress, speed and efficiency are also needed here. In Aceh and Nias, several major breakthroughs have been made to "simplify the process of procurement of goods and services without compromising the reliability of the system." The central government has revised the procurement regulations twice to accommodate the needs and challenges of rehabilitation and reconstruction. In addition, shortly before the creation of the BRR, the President gave a mandate to evaluate and test an e-procurement system for shared use by government agencies. However, apart from regulation, the BRR was supposed to practice and teach the principles of transparency and non-discrimination to prevent corruption.

A small team with representatives from BRR, Aceh Provincial Government and West Aceh and Banda Aceh City Districts joined a "Train the Trainer" organized by the East Java City Government of Surabaya (a city with a reputable e-procurement system). BRR has created a space and secretariat in the governor's office with a server and supporting hardware, as well as a meeting room shared with the provincial government. Since implementation, BRR has certified approximately 600 trained staff to manage the system out of 1,200 program participants.

Despite achieving several successes in the reconstruction process, BRR also faced various challenges and criticisms.

NGOs and local residents reported that some of the reconstructed houses and other infrastructure failed to meet safety standards, lacked durability, or did not align with local needs and preferences. There were also concerns about inadequate contractor supervision, resulting in cost overruns, delays, and substandard work.

In addition to these quality control issues, there were reports of corruption and mismanagement within the agency. These issues highlight the need for a comprehensive approach to post-disaster reconstruction that prioritizes transparency, accountability, effective management, and community involvement. All stakeholders must be involved in decision-making, and the needs and preferences of affected communities must be at the forefront of the reconstruction process.

CONCLUSIONS



Despite the slow start in 2005-2006, where problems were noted in the implementation of the reconstruction budget, in the end the objectives of the Master Plan were achieved.

In 5 years, it was possible to restore, and in some places even create new infrastructure facilities.

Among those who owned homes that were destroyed, 80% had a new home within 5 years of the disaster.

In a short period of time, the authorities managed to develop a project document on restoration, but due to the low level of involvement of local communities, as well as the lack of consideration of the interests of local communities and donors, the Restoration Agency decided to be guided by the created document as a reference and to apply a flexible, evolutionary approach in the implementation of restoration.

To head the BRR, the president chose an experienced high-level official, Kuntoro Mangkusubroto. He was supported by well-known activists and people who had experience working in international organizations. In addition, representatives of the local leader in Aceh province also joined the team of the BRR chairman, which supports the work in the communities.

During the creation of BRR, representatives of McKinsey and Ernst and Young were involved in consultations. Consultations with the World Bank and other major donors were ongoing. In addition, BRR leadership established contact with representatives of GAM, a separatist movement in Aceh, and a reconciliation agreement was later reached with the government. Former GAM members were also involved in the recovery process.

In 4 years of BRR operation, it has completed 94% of what was stated in the original Master Plan. 12,500 different projects were coordinated, involving more than 60 bilateral donors and multilateral agencies, as well as around 700 NGOs, in addition to implementing more than 5,000 in-house reconstruction projects.

After the official closure of the BRR on April 16, 2009, restoration work was still ongoing. To ensure smooth implementation of these projects, a decision was made to create a two-level structure.

Implementation of the rest of the projects was entrusted to the Project Management Group of the Department of Public Works. A new Badan Kesiambungan Rekonstruksi Aceh, or Aceh Sustainable Reconstruction Agency (BKRA), was created to coordinate. With a more limited mandate than the BRR, the BKRA had a much smaller staff of only 60 persons.

Currently, the models and practices of post-crisis management implemented by BRR are highly appreciated in the world.

Currently, Ukraine, too, despite the war and its burdensome consequences, is also actively engaged in working out its own vision of the future. Comprehensive recovery programs, designed as much as possible with the interests of the community in mind, are crucial for effective recovery and development. Therefore, it is important that they are aimed at ensuring the sustainable development of territories and infrastructure, which will ensure proper conditions for people's life and activities.

It is also important to ensure broad participation of the community in the process of developing and implementing programs, which will help increase their effectiveness and ensure that the needs of the population are met.

After all, comprehensive recovery requires significant resources, so it is important to ensure the effective use of funds and create appropriate mechanisms to control their use, taking advantage of the existing gains and advantages in digitalization.



analytical material

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