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Report No: 33893-ID

PROJECT APPRAISAL DOCUMENT

FOR A

PROPOSED MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA GRANT

IN THE AMOUNT OF US\$17.96 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR A

COMMUNITY RECOVERY PROJECT THROUGH THE URBAN POVERTY PROGRAM IN

EARTHQUAKE-TSUNAMI AFFECTED AREAS

OF NANGGROE ACEH DARUSSALAM AND NORTH SUMATRA

August 18, 2005

Urban Development Sector Unit
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 25, 2005)

Currency Unit = Indonesian Rupiah
 IDR 1,000 = US\$ 0.105
 US\$ 1 = IDR 9,500

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AWP	Annual Work Plan
Bapel	Aceh Nias Reconstruction Agency (also called BRR)
Bappenas	National Development Planning Board
BPK	Supreme Audit Agency
BPKP	Development Finance Controller
BPN	National Land Administration Agency
BRR	Bureau for Rehabilitation and Reconstruction for Aceh and Nias
CDD	Community-Driven Development
CQ	Selection based on Consultants' Qualifications
CRRP	Community Rehabilitation and Reconstruction Plan
CSO	Civil Society Organization
CSS	Community self-survey
CTC	Community Trustee Committee/ <i>komite rekonstruksi & rehabilitasi kelurahan</i>
<i>Desa</i>	Rural village
DHWS	Directorate of Housing, Water, Sanitation
DIPA	Daftar Isian Proyek Pusat (Approval for Release of Funds)
EIA	Environmental Impact Assessment
FMR	Financial Monitoring Report
GAM	Free Aceh Movement
GOI	Government of Indonesia
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultants
ICB	International Competitive Bidding
IDA	International Development Association
<i>kabupaten</i>	District or regency
KDP	Kecamatan Development Program
<i>kelurahan</i>	Urban village
<i>KERAP</i>	Community Trustee Committee/ <i>komite rekonstruksi & rehabilitasi kelurahan</i>
<i>kota</i>	City or metropolitan area
KP	Settlement reconstruction group / <i>kelompok pemukiman</i>
KPK	National Anti-corruption Commission
KSM	Community self-help group / <i>kelompok swadaya masyarakat</i>
LCS	Least Cost Selection
<i>Lurah</i>	Urban village head
MDTFANS	Multi-Donor Trust Fund for Aceh and North Sumatra
MOF	Ministry of Finance

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MPW	Ministry of Public Works
NAD	<i>Nanggroe Aceh Darussalam</i>
NBF	Not Bank Financed
NCB	National Competitive Bidding
NGO	Non-Government Organization
NMC	National Management Consultant
NS	National Shopping
OC	Oversight Consultant
PCAR	Procurement Capacity Assessment Report
Pimpro	Project Manager / <i>Pimpinan Proyek</i>
PIU	Project Implementation Unit
PjOK	Field Operation Manager
PMU	Project Management Unit
QBS	Quality-Based Selection
QCBS	Quality and Cost Based Selection
RALAS	Reconstruction of Aceh Land Administration System Project
RFP	Request For Proposal
SFB	Selection under a Fixed Budget
SOE	Statement of Expenditure
SSS	Single-Source Selection
TA	Technical Assistance
TNI	Indonesian National Army
UN	United Nations
UNDB	United Nations Development Bulletin
UNDP	United Nations Development Program
UPK	Finance unit / <i>Unit Pengelola Keuangan</i>
UPP	Urban Poverty Project
UN-Habitat	United Nations Human Settlements Program

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MAP

IBRD 33420

INDONESIA

A COMMUNITY RECOVERY PROJECT THROUGH THE URBAN POVERTY PROGRAM
IN EARTHQUAKE-TSUNAMI AFFECTED AREAS OF
NANGGROE ACEH DARUSSALAM AND NORTH SUMATRA

PROJECT APPRAISAL DOCUMENT

EAST ASIA AND PACIFIC

EASUR

Date: August 18, 2005	Team Leader: George Soraya
Country Director: Andrew D. Steer	Sectors: General water, sanitation and flood protection sector (50%); Sub-national government administration (50%)
Sector Manager/Director: Keshav Varma	Themes: Access to urban services and housing (P); Participation and civic engagement (P); Natural disaster management (S)
Project ID: P096647	Environmental screening category: Partial Assessment
Lending Instrument: Emergency Recovery (MTDF Grant)	Safeguard screening category: Requires frameworks

Project Financing Data

Loan Credit Grant Guarantee Other:
For Loans/Credits/Others:
MDTFANS Grant Amount (US\$m.): 17.96 million
Total Bank financing (US\$m.):
Proposed terms: N.A.

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER	0.00	0.00	0.00
SPECIAL FINANCING (MTDF)	16.16	1.80	17.96
Total:	16.16	1.80	17.96

Borrower:

Republic of Indonesia

Responsible Agency:

Ministry of Public Works
MPW, Jl.Pattimura No.20, Kebayoran Baru
Jakarta Selatan 12110
Indonesia
Tel: 62-21-72796155/58 Fax: 62-21-72796155

Estimated disbursements (Bank FY/US\$m)									
FY	2005	2006	2007	2008	2009	0	0	0	0
Annual	0.00	10.00	5.96	1.00	1.00				
Cumulative	0.00	10.00	15.96	16.96	17.96				
Project implementation period: Start July 1, 2005 End: July 1, 2009									
Expected effectiveness date: October 30, 2005									
Expected closing date: December 31, 2009									

Does the project depart from the CAS in content or other significant respects?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the project include any critical risks rated "substantial" or "high"?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

<p>Project development objective: The objective of this project is to provide support for reconstruction and rehabilitation to urban communities impacted by the earthquake and tsunami. The project will provide block grants to 402 kelurahan and technical assistance to 402 urban communities. The block grants will be used to: (i) establish and support of representative and accountable community organizations that are able to increase the voice of the disaster victims and vulnerable households in public decision making; (ii) make local governments more responsive to the needs of the disaster victims and vulnerable households through increased cooperation with community organizations; and (iii) ensure provision of funds transparently to community based organizations and local governments to provide services to the urban community victims of the disaster.</p> <p>Ref. PAD, Technical Report Part II</p>
<p>Project description <i>[one-sentence summary of each component]</i></p> <p>Component A: Community Development Component B: Kelurahan Grants Component C: Strengthening the Capacities and Role of Local Government Component D: Implementation Management Support</p> <p>Ref. PAD, Technical Report Part II</p>
<p>Which safeguard policies are triggered, if any?</p> <p>Environmental Assessment (OP/BP/GP 4.01) Cultural Property (OPN 11.03, being revised as OP4.11) Involuntary Resettlement (OP/BP 4.12) Indigenous Peoples (OD4.20, being revised as OP4.10)</p> <p>Ref. PAD, Part VIII. Environmental and Social Safeguard Arrangements.</p>
<p>Significant, non-standard conditions, if any, for:</p> <p>Ref. PAD Executive Summary</p> <p>Board presentation: None</p> <p>Loan/credit effectiveness:</p> <ul style="list-style-type: none"> • First year budget allocation (DIPA) finalized, which satisfies Project requirements; • DG Treasury Circular letter for funds disbursement drafted and agreed upon, which satisfies Project requirements. <p>Covenants applicable to project implementation:</p> <ul style="list-style-type: none"> • Project Operational Manual completed and issued by Executing Agency, which satisfies Project requirements.

EXECUTIVE SUMMARY

On December 26, 2004 the largest earthquake to strike Indonesia since 1964 caused a devastating tsunami that has killed over 300,000 people in South and Southeast Asia. The 9.0 magnitude quake occurred off the Sumatra coast, triggering tsunamis that caused massive flooding, damage and loss of life in the coastal communities of the region. Hardest hit were the Indonesian provinces of Aceh and North Sumatra, where an estimated 230,000 people were killed or are missing, over 700,000 were displaced, and currently live in temporary camps. Critical basic infrastructure, telecommunications, and power utilities were left in either complete ruin or were damaged. Over two-thirds of the local governments have been affected by the disaster and over half are non-functioning according to Indonesia's Ministry of Home Affairs. Damage assessments estimate that some 4,000 villages and urban communities have been affected and 280,000 houses have been either completely destroyed or partially damaged. Preliminary estimate of damage and loss in Aceh and North Sumatra in the housing sector alone is Rp.13.4 trillion (US\$1.4 billion).

Four months after the deadly disaster, the affected areas are completing emergency relief activities, debris removal, establishment of temporary barracks, and are now entering into preparation efforts to enable transition to the reconstruction phase. The GoI has completed a *Blueprint for Rehabilitation and Reconstruction in Aceh and Nias*, which guides the coordination and implementation of all recovery programs being introduced in Aceh. The massive scale of reconstruction required to restore communities to their previous status before the disasters is unprecedented in Aceh. Bappenas will coordinate the inputs of the line ministries and agencies.

Project Rationale. The level of death, destruction, displacement, and disorder that the earthquake-tsunami left in NAD-Nias will require a virtual reorganization of communities, including former communities, and new communities. For rehabilitation and reconstruction purposes, as well as psychological reasons, communities need to be organized and empowered to begin a process of participating and undertaking this massive task, determining for themselves what their needs and priorities are, and how they want to reconstruct not just their community infrastructure, but rebuild their communities. The Bank has significant experience in implementing a strategy of community mobilization, training, organization, and empowerment, with new and effective community organizations and local institutions. The Urban Poverty Project (UPP), together with its rural counterpart Kecamatan Development Project (KDP) are currently operating (and expanding) in NAD and Nias. This experience has shown that the rehabilitation and reconstruction effort, as tested and demonstrated by UPP and KDP in Aceh in the post earthquake-tsunami period, can be implemented with participatory principles on a large scale and that community driven projects can meet quality and accountability standards. This proposed project is a special supplemental part of the national UPP3, designed to more appropriately address the special needs in NAD and Nias in the immediate and medium-term post disaster recovery and reconstruction period.

The Proposed Project. The objective of this project is to provide support for reconstruction and rehabilitation to urban communities impacted by the earthquake and tsunami. The project will provide block grants to 402 kelurahan and technical assistance to 402 urban communities. The block grants will be used to: (i) establish and support of representative and accountable community organizations that are able to increase the voice of the disaster victims and vulnerable households in public decision making; (ii) make local governments more responsive to the needs of the disaster victims and vulnerable households through increased cooperation with community organizations; and (iii) ensure provision of funds transparently to community based organizations and local governments to provide services to the urban community victims of the disaster.

Project Components. The proposed project consists of 4 components, namely (1) Community Development, (2) *Kelurahan* Grants, (3) Strengthening of the Role and Capacity of Local Governments, and (4) Implementation Support. These are described in more detail below.

a. Community Development (US\$4.11 m). This component: (i) will raise awareness in target communities on how the project can assist the communities address community reconstruction, (ii) assist communities conduct a Community Self Survey (CSS), (iii) establish democratic, representative, transparent, and accountable community organizations (CTC), (iv) prepare a community reconstruction plan, (v) assist groups of community members (KSM) prepare and submit proposals to utilize project resources and implement priority reconstruction programs, and (vi) assist the CTCs to partner with other community development programs provided through GoI agencies and donors. This component will involve a guided socialization process where facilitators will be trained to work directly with communities in the *kelurahan*. This socialization process is expected to take about 2 months and will begin after the project becomes effective.

b. Kelurahan Grants (US\$11.73 m). Each participating *kelurahan* will be allocated a grant of Rp.300 million (US\$35,325), to finance specific sub-projects. Sub-projects have to be in accordance with a community rehabilitation and reconstruction plan (CRRP), and will cover a range of rehabilitation and reconstruction activities with a short negative list. In year one, there will be a limited open menu for community infrastructure and social relief grant activities. As communities become prepared, a fully open menu will be utilized. There will be different rules and regulations regarding the use of funds depending on the type of activity being financed. It is expected that CRRPs will generally include small-scale community infrastructure and social grants to the most vulnerable.

c. Strengthening the Capacities and Role of Local Government (US\$1 m). Strengthening the Capacities and Role of Local Government, in general, consists of activities oriented towards efforts to strengthen local government capacities in relief and recovery from community disaster, specifically community infrastructure and support infrastructure through rehabilitation and reconstruction of community settlements based on community values. Provincial governments will be encouraged to be active in arranging workshops and seminars at the provincial level, as well as facilitating project coordination, monitoring and supervision, while city and district governments in principle serve as the catalyst for implementation of UPP earthquake-tsunami disaster settlement rehabilitation and reconstruction in their respective constituencies and districts together with oversight consultants. Activities financed under this component will include workshops, training, field studies, and project field supervision missions.

d. Implementation Support (US\$1.12 m). The project will be managed by the existing Project Management Unit established at the Ministry of Public Works for UPP, and will be assisted by an administrative unit (PMU-Aceh) and representative, located in Aceh. The PMU will hire consultants and facilitators to assist in project implementation. Technical assistance will be provided through existing UPP National Management Consultants (NMC) at the central level; three new Oversight Consultant (OC) Teams at provincial levels, with district offices in the participating cities; and facilitators and community cadres (volunteers) at the *kelurahan* level. This component will finance the cost of the consultants and facilitators. The cost of government operating expenditures will be covered through counterpart funds.

Gender equality. To ensure women's participation in the community development a gender strategy has been developed under this project which will systematically address gender mainstreaming and equality issues.

Terms and conditions of the grant. The following measures have been taken to ensure that implementation can and will begin immediately upon project effectiveness:

Project readiness. The current Project PMU from UPP is established and prepared to oversee and supervise the project. A project management unit (PMU-Aceh) has been established, as has an NAD representative, and an office established in NAD. The current National Management Consultants from UPP2 have been assigned to participate in this project. The PMU, utilizing UPP2 funds, has recruited and mobilized the first oversight consultant, to begin preparations for year 1 of project implementation in Banda Aceh and Aceh Besar kota/kabupaten. Project awareness raising and socialization is currently being tested in 35 target villages, and CTC community organizations are currently being formed. The UPP3 short-list of NMC and OC consultants has been approved and the selection process is underway. Training modules and socialization strategies have been prepared, based on UPP, and modified for NAD and Nias. Project implementation manuals have been prepared and adopted, as have been terms-of-reference (TOR) for senior facilitators and facilitators. To further expedite the implementation, retroactive financing of US\$2.5 million is included in the project.

Grant effectiveness conditions.

- First year budget allocation (DIPA) finalized, which satisfies Project requirements.
- DG Treasury Circular letter for funds disbursement drafted and agreed upon, which satisfies Project requirements.

Disbursement Conditions for Kelurahan Grants.

- Project Operational Manual completed and issued by Executing Agency¹, which satisfies Project requirements.

Risk mitigation for possible community conflicts. There is an external risk of security and conflict in Aceh to the project. The risk will be mitigated by working in areas where conflict does not occur and by carrying out the activities closely with the Aceh communities. The project will operate in urban areas where the risk of conflict is low. The participatory and inclusive nature of the project is such that it will promote unity and resolution of community conflicts. The core training of facilitators and socialization include conflict resolution materials. If adjustments to the guidelines are required to enhance and adapt the specific conflict resolution mechanisms and a strategy to deal with the specific conflict, it will be done with the approval of PMU and the Bank.

¹ A revised version of the UPP3 Project Operational Manual

TECHNICAL REPORT

PART I - BACKGROUND

On December 26, 2004 the largest earthquake to strike Indonesia since 1964 caused a devastating tsunami that has killed over 300,000 people in South and Southeast Asia. The 9.0 magnitude quake occurred off the Sumatra coast, triggering tsunamis that caused massive flooding, damage and loss of life in the coastal communities of the region. Hardest hit were the Indonesian provinces of Nanggroe Aceh Darussalam (NAD) and Nias, North Sumatra, where an estimated 230,000 people were killed or are missing, over 700,000 were displaced, and currently live in temporary camps. Critical basic infrastructure, telecommunications, and power utilities were left in either complete ruin or were damaged. Over two-thirds of the local governments have been affected by the disaster and over half are non-functioning according to Indonesia's Ministry of Home Affairs.

According to damage assessments, it is estimated that some 4,000 villages and urban communities have been affected and 280,000 houses have been either completely destroyed or partially damaged, as well as streets, bridges, culverts, drainage and irrigation canals, power installations, villages offices, schools, and clinics. The preliminary estimate of damages and losses in NAD and North Sumatra is Rp.13.4 trillion (US\$1.4 billion).

Four months after the deadly disaster, the affected areas are completing emergency relief activities, debris removal, establishment of temporary barracks, and are now entering into preparation efforts to enable transition to the reconstruction phase. The GoI has completed a Master Plan for the Rehabilitation and Reconstruction of NAD and Nias (*Rencana Induk Rehabilitasi dan Rekonstruksi di NAD dan Nias*), which guides the coordination and implementation of all recovery programs being introduced in the area. The master plan lays out the broad principles guiding the reconstruction efforts, and maps out, in consultation with the relevant line ministries and agencies, individual sectoral strategies. The master plan strategy for the rehabilitation and recovery period in Aceh comprises all sectors. The massive scale of reconstruction required to restore communities to their previous status before the disasters is unprecedented in Aceh. The master plan emphasizes a process for broad consultations with stakeholders in the affected communities as one of the most important inputs into the strategy.

Project Rationale. The level of death, destruction, displacement, and disorder that the earthquake-tsunami left in NAD-Nias will require a virtual reorganization of communities, including former communities, and new communities. The required approach for this will include a series of discussions and reflections with communities on the disaster, its impact on communities, and the communities' role in beginning the process of rebuilding. For rehabilitation and reconstruction purposes, as well as psychological reasons, communities need to be organized and empowered to begin a process of participating and undertaking this massive task, determining for themselves what their needs and priorities are, and how they want to reconstruct not just their community infrastructure, but rebuild their communities.

The GoI, through its experience with 3 Kecamatan Development Projects and 2 Urban Poverty Projects supported by the World Bank, has considerable experience in implementing a strategy of community mobilization, training, organization, and empowerment, with new and effective community organizations and local institutions. UPP, together with its rural counterpart Kecamatan Development Project (KDP) are currently operating (and expanding) in NAD and Nias. This experience has shown that the rehabilitation and reconstruction effort, as tested and demonstrated by UPP and KDP in Aceh in the post earthquake-tsunami period, can be implemented with participatory principles on a large scale and that community driven projects can meet quality and accountability standards.

PART II - DETAILED PROJECT DESCRIPTION

The proposed project is a modification of the third in a series of Urban Poverty Projects (UPP) to address disaster recovery, rehabilitation and reconstruction through a community-driven development approach in NAD-Nias. While maintaining the design features of UPP's community empowerment principles, changes have been made to suit the requirements of speedy implementation of rehabilitation and reconstruction in urban communities in NAD and Nias. These include an increased number of facilitators, an accelerated socialization program, a limited open menu of kelurahan grants in year one and two focusing on community infrastructure and social relief grants, as well as the ability to channel other donors reconstruction and development funds to communities, such as housing rehabilitation and reconstruction assistance and funds from the NAD-Nias Settlement Housing Rehabilitation and Reconstruction Strategy program. In year two or three, depending on progress, UPP NAD-Nias will rejoin the regular UPP 3 national program, including access to kelurahan grants for micro-credit, revolving funds, and the Poverty Alleviation Partnership Grant.

The objective of this project is to provide support for reconstruction and rehabilitation to urban communities impacted by the earthquake and tsunami. The project will provide technical assistance and support to 402 urban communities to:

- (i) establish and support of representative and accountable community organizations that are able to increase the voice of the disaster victims and the community in public decision making;
- (ii) make local governments more responsive to the needs of disaster victims through increased cooperation with community organizations; and
- (iii) ensure provision of funds transparently to community based organizations and local governments to provide services to the urban community disaster victims.

The project will address the needs of communities and community members affected by the disaster, while placing all decision-making and resource allocation at the community level. The project will anchor the government's human settlement and resettlement efforts by providing community organizations and local management as a platform for settlement housing rehabilitation and reconstruction, and developing supporting infrastructure.

Outcome indicators

1. 75% of disaster victim households in the targeted kelurahan receive benefits and improved services from the project.
2. More than 70% of the Community Trustee Committees (CTC) [*komite rehabilitasi dan rekonstruksi kelurahan, KERAP*] that have been formed are representative, effective, and operate in a participatory manner.
3. 50% of CTC/*KERAP* committees are able to channel other donor reconstruction funds to their communities.

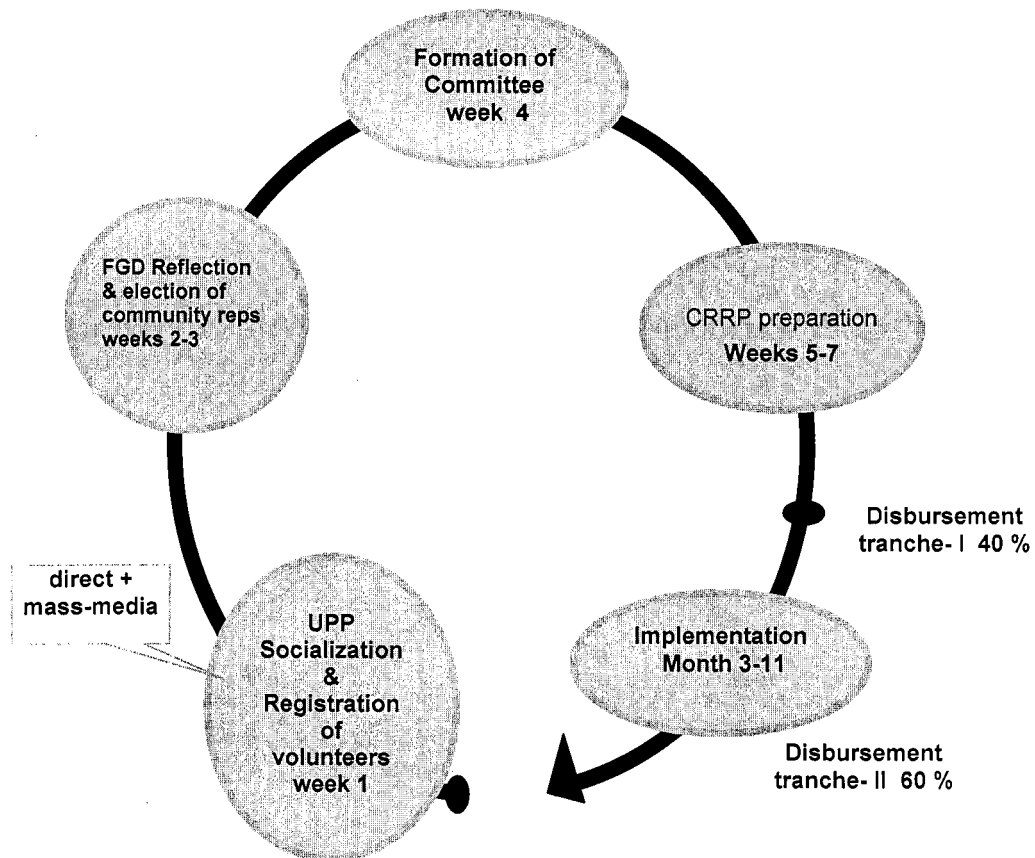
Output indicators

4. 90% of Community Rehabilitation and Reconstruction Plans are implemented.
5. 30% of kelurahan adults vote in CTC/*KERAP* committee leadership election.
6. 50% of kelurahan households utilize reconstructed/rehabilitated community infrastructure.
7. The poorest 10% of household disaster victims receive social service assistance grants from CTC/*KERAP* committees.

Description of each component and the specific activities/inputs

Ten local governments (kota/kabupaten) in the project area have been identified and selected to participate in the project. The project consists of four components, including Community Development, Kelurahan Grants, Capacity Strengthening of Local Government, and Implementation Support. Project implementation will follow a process cycle of 2 months socialization and preparation, followed by a 10 month implementation phase, which is described in Figure 1.

Figure 1: Process of Community Facilitation in UPP Aceh-Nias



Components are described in detail below.

Project Component 1. -US\$ 4.11 million Community Development

During implementation, the project will aim for: (i) an awareness in the wider community about the project and its rules (target awareness 70% of the adult population of the kelurahan); (ii) well functioning kelurahan organizations that are democratically elected and accountable to people; and, (iii) well functioning community groups that participate in planning for community rehabilitation and reconstruction and use the kelurahan funds for productive purposes.

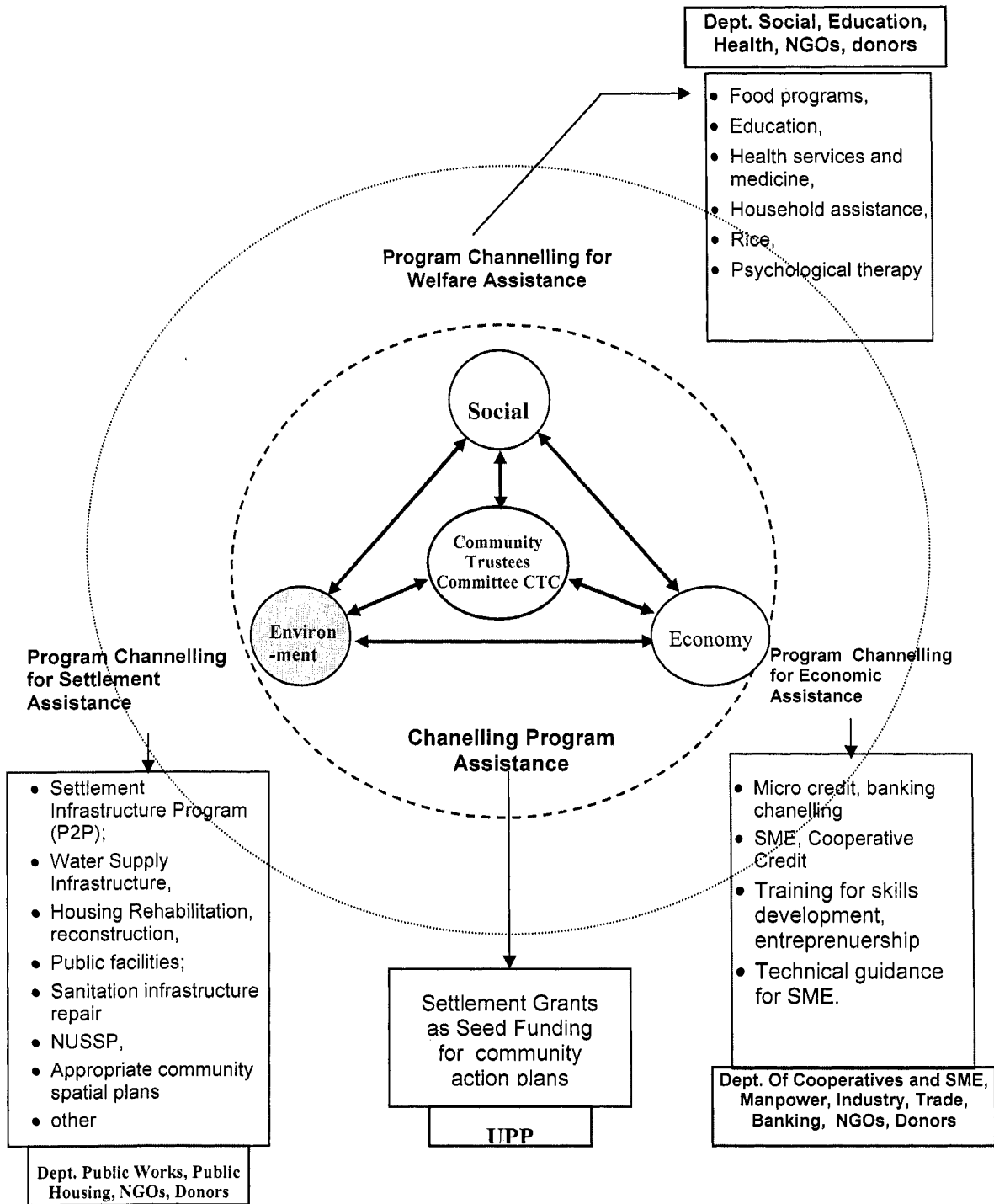
The community development component will include the following activities:

1. an extended awareness raising or socialization process that will encourage communities to discuss the nature of the disaster in their kelurahan and how it should be addressed;
2. assistance to the community to carry out a Community Self Survey (CSS) on disaster victims and community reconstruction and rehabilitation needs (utilizing previous community surveys conducted in the post-earthquake/tsunami period, where available);
3. the formation/confirmation of an elected body of representatives into a Community Trustee Committee for Reconstruction and Rehabilitation (CTC / *KERAP*) that is accountable to the community at large and which will act on behalf of the community for reconstruction, rehabilitation and recovery;
4. the formulation of a disaster recovery, rehabilitation, and reconstruction-oriented Community Rehabilitation and Reconstruction Plan (CRRP) for the kelurahan using a participatory process;
5. organizing and assisting community groups (Kelompok Swadaya Masyarakat or KSM) who will submit proposals to the CTC/*KERAP* committees to utilize project resources and implement the programs identified in the CRRP; and
6. assistance to CTC / *KERAP* committees to partner with, and be a vehicle for all types of donor and GoI reconstruction and development assistance to the community, such as water supply and sanitation, food distribution, scholarships, health clinics, micro-credit and revolving funds. (See Figure 2.)

Socialization, social intermediation and formalization of the CTC / *KERAP*

Socialization. Socialization, or awareness raising, will be in two forms—socialization to the community about the disaster and the need for a community organization to address disaster relief, recovery, and reconstruction; and socialization to all stakeholders (community, central & local government) about the project concept, goals, values, and the rules of the game. Easy and dependable access to information regarding the goals and rules of the project is critical to any community based development initiative. There will be a separate budget for socialization and dedicated staff in the consultant teams (NMC and OCs) who will be in charge of socialization. Socialization will take place through a variety of means—the media (radio shows, TV shows, newspapers/magazines, press conferences), through publications (posters, pamphlets and brochures), and through presentations about the project at workshops, meetings, and focus group discussions at all levels of the community and government. A recent study under UPP1 Phase 2 has demonstrated that the most effective socialization strategy is face to face interactions, and the use of existing community communication mechanisms. Socialization activities will therefore be targeted mainly at the community level, particularly booklets and brochures, and monthly newsletters which will be distributed widely.

Figure 2: The Role of the CTC/KERAP in Accessing Non-Project Reconstruction and Development Funds (Channeling) from External Sources



Facilitation. Facilitators will be the key to socialization and raising awareness in the communities about disaster relief, recovery, reconstruction and rehabilitation, and the project. With over 400 kelurahan targeted, there will be about 330 facilitators hired by the project. Most will be required to have some experience or background in community development, and will also be trained extensively through the project. A key goal of the socialization process will be to create greater accountability. Through socialization activities, facilitators will assist communities, *KERAP* committees, and local governments to clearly lay out their respective roles and responsibilities. An important factor in these discussions will be ensuring that each knows the role it plays in ensuring accountability of the *KERAP* committees to communities

Strengthening the organizational capacity of the community. The social intermediation process leading up to the election of members to the community trustee committee *CTC/KERAP* is expected to take two (2) months. In general, this will include: (i) a public campaign, including use of the TV, radio, pamphlets, posters, etc; (ii) orientation workshops at the provincial level; (iii) workshops at the city level; (iv) a series of “reflections” on the nature of the disaster, relief, recovery, rehabilitation, and reconstruction, and leadership at the kelurahan level (see below); (v) Community Self Surveys; and (vi) identification and training of volunteers who would be willing to work with project staff in implementing the project. Facilitators will work in teams (at least four kelurahan facilitator for 5 kelurahan) and with other project staff and government officials at various levels in organizing and facilitating these events.

While experiences from KDP and UPP advise not to rush this socialization process, the situation in NAD and Nias requires an accelerated process, with modified socialization and training approaches. Furthermore, field visits and discussion with NAD victims indicates their high motivation, preparedness, as well as impatience to get reconstruction underway. Currently in Banda Aceh, this modified socialization process is being conducted in 35 communities, with indications that a 2-month period is sufficient.

Experience from UPP has demonstrated the value to the communities of item (iv) above—a series of “reflections”, which give communities an opportunity to gather together to discuss issues that are common to all, and alternative ways to address them. In particular, two types of “reflections” will be organized—reflections on the disaster and reflections on the structure of community level institutions that can address the problems.

- *Reflections on the disaster.* The project will facilitate a guided process of discussions through which communities will discuss the nature disaster and impact on their communities, identify existing resources in the community, and build consensus on how to strengthen community capacity to recover and rebuild. Once these are agreed, groups of volunteers will carry out a Community Self Survey to identify the poor in their community (in UPP1 Phase 2, there has been tremendous enthusiasm for this activity with over 18,000 volunteers participating).
- *Reflections on community institutions.* These reflections will focus on assisting communities to decide whether they wish to build a new community organization or work with existing community organizations. Communities will be assisted in assessing the capacity and ownership of existing institutions and their suitability for implementing UPP. If communities choose to create a new organization, facilitators together with trained volunteers, will guide the community on how to elect a kelurahan committee (*KERAP*) that is democratic, participatory and inclusive. This will be followed by the notarization of the *KERAP* as a formal entity. If communities choose to work through existing organizations, project staff will assist the communities to determine whether that organization was elected democratically and in a participatory manner, and determine if some positions may need to be re-elected or the structure of the organization modified or

strengthened (hereafter, use of the word KERAP will refer to either newly elected organizations or existing ones that have been confirmed by communities). In evaluating the kind of institutions that will be best able to address disaster relief and recovery, communities will be invited to discuss the kind of qualities they would like to see in these organizations.

Establishment of community trustee committees (CTC/KERAP). In order to ensure that CTC/KERAP committee members will practice participatory decision making and be accountable to communities, facilitators will pay particular attention to assisting the community to develop bylaws for the CTC/KERAP. The bylaws will be developed through focus group discussions at the community level, which will, in turn, raise the awareness of the community about the legal status, rights and responsibility of the CTC/KERAP. The by-laws will include mechanisms such as publicizing of audits, inter-kelurahan monitoring (where one kelurahan organization visits and reports on others), mechanisms for recall and re-election of non-performing members, and other forms of reporting and accounting to communities. Each notarized CTC/KERAP will open a bank account in its name, to which funds will be deposited to finance community infrastructure, housing rehabilitation/reconstruction, or grant assistance activities to disaster victims or vulnerable persons, according to a Community Rehabilitation and Reconstruction Plan.

This method has been successfully tested in 35 kelurahan in Kota Banda Aceh, NAD, operating since March 2005.

Preparation of a Community Rehabilitation and Reconstruction Plan

The first task of the CTC/KERAP will be to formulate a disaster recovery, rehabilitation, reconstruction-oriented Community Rehabilitation and Reconstruction Plan (CRRP) for the kelurahan. The CRRP will initially be a one-year plan, to be updated in follow-up plans, and will include a range of activities, depending on the needs and priorities of the community—from rehabilitation or reconstruction of community infrastructure, to social services for disaster victims and vulnerable community members (maximum of 15% of annual CTC/KERAP grant), to housing rehabilitation and reconstruction (channeled from housing rehabilitation and reconstruction program), or other innovative ideas that the community may have, which may be funded from outside sources.

Based on the results of Community Self Survey, as well as any other surveys conducted in the community during the post earthquake-tsunami period, the CTC/KERAP will embark on a participatory planning process to develop the CRRP for the kelurahan. The CRRP document will serve as a platform for other non-government, government and donor-funded programs that are on-going and planned at the kelurahan level, and identify activities that could be financed with the resources allocated to the kelurahan under the project (in cases where kelurahan already have development plans, the CTC/KERAP and community members would either re-validate or amend these and present these for funding such that new plans would not have to be developed from scratch in every kelurahan). Ownership of the program by the community is the key to the success of the CRRP.

The CRRP is expected to be a framework document, a rolling plan outlining the basic goals and specific direction that communities want to take in addressing disaster recovery, rehabilitation and reconstruction. For example, the participatory planning process and community self-survey may identify different types of victims and vulnerable community members within the community, which would then require a range of solutions. The menu of activities that may be proposed under the CRRP will be totally open. However, from Kelurahan Grants, activities will be limited to community infrastructure and social services in year one, and fully open in year 3 and onward. Proposed activities for funding from outside sources (other donors, local

government) will be encouraged. (See Component Two, Kelurahan Grants, for details on activities eligible for financing under the project).

When complete, the CRRP will be reviewed by senior project staff at the kota level (Oversight Consultants). The CRRP will be reviewed for the content, as well as for the process used in its formulation and its focus on community disaster recovery, rehabilitation, and reconstruction. Input from facilitators and volunteers about the CRRP process in their kelurahan will also be sought.

Capacity building for communities

Capacity building will focus on two types of activities—training for project staff as well as communities; and assistance in the formation and strengthening of federations of KERAPs at the city level (CTC/KERAP Forum; year 2 onward).

Training. Training will be key to effective implementation. The following lessons have been learned on how to best manage training under UPP: (i) training should be designed to support particular components or project objectives; (ii) training should be provided on a continuous basis (e.g. refresher courses) throughout the life of the project; (iii) the training program should have sufficient flexibility to address needs arising during implementation, rather than being pre-identified; (iv) sufficient budget needs to be allocated for training; and (v) training events geared for communities should be organized on location (within the kelurahan) for efficiency and to optimize the coverage of participants. It is expected that formal classroom training with lectures will be minimized, using instead teaching methods such as ‘hands-on’ practicals, question and answer, field trips, discussion, and learning-by-doing. The budget for training of communities will be allocated to the facilitator teams.

The training strategy and program has been designed to support each project component. Seven types of training will be carried out as laid out in the table below. Some of these will be offered as a one time training course, some will be repeated, and for some, advanced refresher courses provided. A general description of training activities is shown below.

Type of Training	Training Provider	Target Audience
1. Training of Trainers	Project Preparation Team	NMC and OC (for training stakeholders about the project) and Special Training Group (for training communities about leadership)
2. Awareness raising (about disaster recovery, rehabilitation, reconstruction & about the project)	NMC, OC, facilitators	Community at large and all stakeholders (government, consultants, etc.)
3. Training in leadership	Special Training Group/outsourcing to experts	KERAP and community cadres
4. Project cycle training	NMC, OC, facilitators	KERAP, KSM, UPK, PjOK, Community Cadres
5. Specific skills training	Outsourcing to experts	KERAP, KSM, UPK, PjOK, Community Cadres, facilitators
6. Reflections on best practices (every 3-4 months)	NMC, OCs	KERAP, KSM, UPK, PjOK, Community Cadres, facilitators
7. Specific training based on field experiences	OCs	Local government and city stakeholders, KPK

The majority of the training modules have already been prepared for this project by the Project Preparation Team of the PMU (same team for both UPP2 and UPP3). Most of these have been tested in Banda Aceh, NAD, since April, 2005, and it is clear these modules are effective. The NMC will train the 3 Oversight Consultant teams (OCs). The OCs, with assistance of the above mentioned trainers, will train the facilitators based on standardized training modules prepared by the Preparation Team. Thus, the NMC and OCs will directly carry out training regarding project implementation and the project cycle; the Special Training Group will carry out the training on leadership; and the NMC and OC will hire experts from NGOs, academic institutions, and the private sector to implement specific skills training. A series of audio-visual products of best performing community-based organizations have been developed under UPP1 and 2, including a documentary video of the various steps under the project have been prepared to help improve the quality of training.

Project Component 2. - US\$11.73 million Kelurahan Grants

Funding allocations

Each participating kelurahan will be allocated a grant, with a standard value of Rp. 300 million per kelurahan, which will serve as “seed” money for the community. This will be used to finance various activities as defined in the Community Rehabilitation and Reconstruction Plans (CRRPs), including rehabilitation/reconstruction of community infrastructure, and grants to disaster victims and other vulnerable households.

Once the KERAP has been formalized (notarized with the legal status of an association), and the Community Rehabilitation and Reconstruction Plan has been approved, the KERAP will sign a Grant Implementation Agreement with the government (PjOK kecamatan) which will lay out the respective roles and responsibilities of the two parties, the terms of disbursement, as well as the expectations regarding the use of funds beyond the project life.

Community Rehabilitation and Reconstruction Plan and eligible activities

For each participating kelurahan, this component will finance specific sub-projects. Funds can be used according to the Community Rehabilitation and Reconstruction Plan (CRRP), and will cover a range of disaster recovery, rehabilitation, and reconstruction activities with a limited open menu in year 1, and a fully open menu in year 3 onward, joining the regular UPP 3 national program. There would be a simple negative list of items that cannot be funded including: a) expenditures intended for a military or paramilitary purpose; b) civil works for government administration or religious purposes; c) activities that relate to the manufacture or use of environmentally harmful products (including pesticides, ozone-depleting substances, tobacco or tobacco products, materials containing asbestos, activities producing liquid or gaseous effluents or emissions at harmful levels, arms and drugs); d) activities using, producing, storing or transporting hazardous materials and wastes; e) activities related to logging; f) activities in protected areas; g) activities related to fisheries that are not in accordance with standards set by the Borrower’s Fishery Service Agency; and h) the financing of government salaries.

The cost of activities to be financed under the CRRP does not have to be limited to the project allocation for the kelurahan. If communities wish to carry out more activities, they will be facilitated to contribute their own funds to supplement the allocation or leverage additional funds from other donor, local government, or community sources. As part of the annual, rolling CRRP, the KERAP will identify an investment plan for the first 40% tranche of funds that would be funded partially (or completely) through the KERAP allocation from the project. Communities would have freedom to choose whether they want to use their allocation to finance social service

assistance for the disaster victims and vulnerable households or use part of the allocation to provide community infrastructure rehabilitation or reconstruction.

It is expected that CRRPs will generally include the following types of activities.

- (i) Pre-identified specific investments that are a community priority by consensus (these could be a bridge, a road, school repair, health facility repair or others).
- (ii) Activities that community groups can compete for (any range of physical infrastructure to services sub-projects—the CRRP should indicate clearly what are the priority sectors or priority groups for that community that are likely to be financed).
- (iii) Grant assistance to the poorest or most vulnerable individuals (this could include scholarships, home improvements, health care, etc. to specific individuals identified by communities as being most needy).

The CRRP can identify activities from all four categories or just one category, depending on the communities' circumstances and needs. Category (iii) (grant assistance to individuals), will be limited to 15% of the kelurahan grant allocation, while activities under categories (i), (ii), and (iii) are expected to be provided as grants.

- (iv) Other reconstruction and development funds which may be channeled through KERAP community committees for community planning and implementation, such as grant funds from the Indonesian Aceh and Nias, North Sumatra Earthquake/Tsunami Rehabilitation and Reconstruction Strategy for housing and community infrastructure reconstruction and rehabilitation.

Implementation of kelurahan grants

Specific investments. If specific sub-projects are identified by communities as a priority for the overall community, the KERAP will appoint a team from the community to implement this activity. The following implementation process will be followed:

- Team fills out a standard form, with the assistance of facilitators, outlining a description of the sub-project, including technical planning (use of consultant or contractor), materials, procurement method, costs, beneficiaries, operations and maintenance arrangements (where applicable), compliance with any applicable safeguards, implementation arrangements, the amount of self financing, etc.
- Review by OC for feasibility, technical soundness, and compliance with safeguards (specifically environmental impacts, land acquisition/resettlement, impact on indigenous people and on cultural property).
- Signing of Implementation Agreement between implementing team and KERAP.
- Disbursement to team for implementation costs.
- Sub-project implementation according to procurement guidelines with supervision by KERAP and OC/facilitator.
- Completion certificate by OC/facilitator.

Competitive grant proposals. The CRRP may provide an allocation of funds to finance proposals by community groups. In this case, the CRRP will lay out clearly what the priority areas / sectors / groups are for this allocation. Examples of different types of activities that groups could propose for funding include basic infrastructure services; programs for children and youth; family planning education, etc. Community groups will identify sub-projects they want financed, and fill out proposal forms (same as the ones above) with the help of facilitators where necessary. These will be reviewed by OCs for feasibility, technical soundness and compliance. OCs will specifically screen proposals for environmental impacts, land acquisition/resettlement, impact on indigenous people and on cultural property, and ensure that adequate mitigation measures are taken. The CTC/KERAP will meet to review the proposals first when at least 5 proposals have

been submitted, and regularly thereafter. The selection of proposals by the KERAP will be made in a meeting publicized in advance and open to the public. Selection will be based on priorities by clearly ranking proposals and having an open vote. Implementation will follow the same arrangement as above.

Grant assistance to the poorest disaster victims or most vulnerable individuals. Direct assistance may be provided to individuals if identified during the participatory process and included in the CRRP. These will be accounted for clearly in the KERAP accounts, and disbursements made in a transparent manner. A maximum of 15% of the allocation to the KERAP can be used to finance activities that fall under this category. Facilitators and OCs will verify use of these funds.

Disbursement of Kelurahan Grants

Funds will be released to kelurahan organizations in two tranches to ensure proper fund use and management, and encourage better KERAP performance. The first tranche (40%) will be paid upon review of the CRRP by project staff. The second tranche (60%) will be based on proof of adequate utilization of funds for implementation of sub-projects according to the CRRP, and proper fund management, and will be released at least four months after the disbursement of the first tranche. This is to provide enough time to see implementation on the ground prior to disbursement of additional funds.

Project Component 3. - US\$1.0 million Strengthening the Role and Capacity of Local Government

Strengthening the Capacities and Role of Local Government, in general, consists of activities oriented towards efforts of strengthening local government capacities in working with community organizations to address disaster relief, recovery, community infrastructure rehabilitation and reconstruction, based on community values.

Provincial governments will be encouraged to be active in arranging workshops and seminars at the provincial level, as well as facilitating project coordination, monitoring and supervision, while city and district governments in principle serve as the catalyst for implementation of UPP earthquake-tsunami disaster settlement rehabilitation and reconstruction in their respective constituencies and districts, together with oversight consultants.

Sub components include arranging such activities as:

- workshops,
- training,
- field studies,
- project field supervision,
- institutional strengthening, and
- technical guidance and facilitation by local government to communities, especially for integrating community planning with regional development planning.

Strengthening the capacities and role of local government in this project will begin with basic training of local government officials and staff, city/district settlement committee members and local public interest groups. The city/district settlement committees, established with the assistance of the OC, hopefully will play an important role of resource body and facilitator, both in local workshops and seminars, as well as in other socialization and information activities.

**Project Component 4. - US\$1.12 million
Implementation Management Support**

The project will be managed by the Project Management Unit (PMU) assisted by an administrative unit (*PIMPRO*), with a designated representative located in Aceh, who reports regularly to *BRR* on project progress for coordination purposes. The PMU will hire consultants and facilitators to assist in project implementation, particularly since this type of a community driven project will require extensive presence in the field at the kelurahan and kota/kabupaten levels. Technical assistance will be provided through the existing UPP National Management Consultants at the central level, 3 Oversight Consultant Teams at the province level, with offices in the participating kotas/kabupatens in NAD and Nias; and facilitators and community cadres at the kelurahan level. This component will finance the cost of the consultants; the cost of government operating expenses will be covered through counterpart funds.

Project Locations

The project will cover the December 26, 2004 earthquake and tsunami-affected areas of Nanggroe Aceh Darussalam (NAD) and Nias, North Sumatra provinces, including 10 cities/districts, 23 sub-districts (*kecamatan*), and 402 urban wards (*kelurahan*). The coverage within the provinces is listed in Appendix VI.

PART III - PROJECT COSTS

The financial plan detailing costs of each component and the financing arrangements, including any co-financing to meet the costs is seen below:

No.	Component	Unit	Freq.	Rate (Rp.)	Amount Rp.(million)	US\$ (million)	Percent
1	Community development	village	352	105,000,000	36,960	4.11	22.9
2	Kelurahan grant	village	352	600,000,000	105,600	11.73	65.3
3	Strengthening local gov't	village	352	25,568,182	9,000	1.0	5.6
4	Implementation support	village	402	25,074,627	10,080	1.12	6.2
Total	-	-	-	-	124,680	17.96	100.0
No.	Component	FY 05	FY 06	FY 07	FY 08	FY 09	Total US\$
1	Community development	1.03	1.03	0.82	0.62	0.62	4.11
2	Kelurahan grant	4.69	7.04	0	0	0	11.73
3	Strengthening local gov't	0.25	0.25	0.20	0.15	0.15	1.0
4	Implementation support	0.22	0.22	0.22	0.22	0.22	1.12
Total	-	6.19	8.64	1.25	0.99	0.99	17.96

PART IV - IMPLEMENTATION ARRANGEMENTS

The project will be managed by the Project Management Unit (PMU) assisted by an administrative unit (*PIMPRO*), with a designated representative located in Aceh, who reports regularly to *BRR* on project progress for coordination purposes. The PMU will hire consultants and facilitators to assist in project implementation, particularly since this type of a community driven project will require extensive presence in the field at the kelurahan and kota/kabupaten

levels. Technical assistance will be provided through the existing UPP National Management Consultants at the central level, 3 newly contracted Oversight Consultant Teams at the province level, with offices in the participating kotas/kabupatens in NAD and Nias; and facilitators and community cadres at the kelurahan level.

PART V - PROJECT MONITORING AND EVALUATION

Project monitoring will be undertaken in two ways: internal monitoring and external monitoring. Internal monitoring will consist of:

- a computerized MIS that is updated bi-monthly, covering planning progress, works progress, beneficiaries, participation, complaints, and resolution,
- a web site with current information from project implementation (community, facilitator, oversight consultant); website information is updated daily; communication between central and local levels is facilitated through the web site and MIS,
- a complaint handling unit (CHU) where communities, local governments, project implementers, participants, and the general public can direct questions and complaints, utilizing postal boxes and web site,
- financial monitoring, conducted by national and oversight consultants, as well as Bank financial specialists; the monitoring consists of site supervision, on-the-job training, clinics, and training to enhance the quality of communities' bookkeeping and accounting systems, and
- regular supervision by national consultants as well as Bank personnel.

External monitoring will consist of:

- community participatory monitoring includes a series of required meetings on activity planning and implementation, attended by community members; the KERAP committee reports to the communities through annual accountability meetings; the KERAP committee also reports to the communities through information boards and periodic meetings, and
- independent monitoring by inviting local media and NGO's to monitor project implementation and progress. This will be carry out together with similar activities under MTDFANS funded Community-Based Settlement Rehabilitation and reconstruction Project for Nanggroe Aceh Darussalam and Nias).

PART VI - PROCUREMENT ARRANGEMENTS

This project is a special, supplemental addition of both on-going UPP 2 and 3 projects, designed to address the special needs of NAD-Nias in the post disaster recovery period. The overall procurement arrangements consist entirely of: (a) Selection of consultants, and (b) Community Participation Procedures for sub-projects and grants. No NCB or ICB is envisaged under the project. The main challenge in the selection of consultants is to select qualified consultants from the current pool and keep the costs low. Therefore, the selection procedures will follow LCS. The approach and methodology for the assignment is fixed by the project manual and thus the consultant is required only to provide the proper staffing. Cost estimates will be based on the average costs from previous assignments under UPP 1 and UPP 2. The National Management Consultant (NMC) for UPP 3 will serve as the NMC for NAD-Nias, under the direction of the UPP3 PMU and Pimpro. 3 Oversight consultants (OCs) will be contracted under this project, and will also serve as OCs for the national UPP3 program.

For procurement involving the community, the main challenge is to have a "contract" with the community for the delivery of certain outputs/products based on the agreed ceiling amounts and

technical specifications with a control mechanism. The control mechanism from within the community for procurement processes (as currently applied under UPP 1 and 2) will be included in the project manuals.

For this project, the procurement arrangements follow those of UPP 3 as described in detail in Annex 8 of the UPP 3 PAD. The shortlist for candidate OCs has been completed, and is in the process of consultant selection.

PART VII - FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

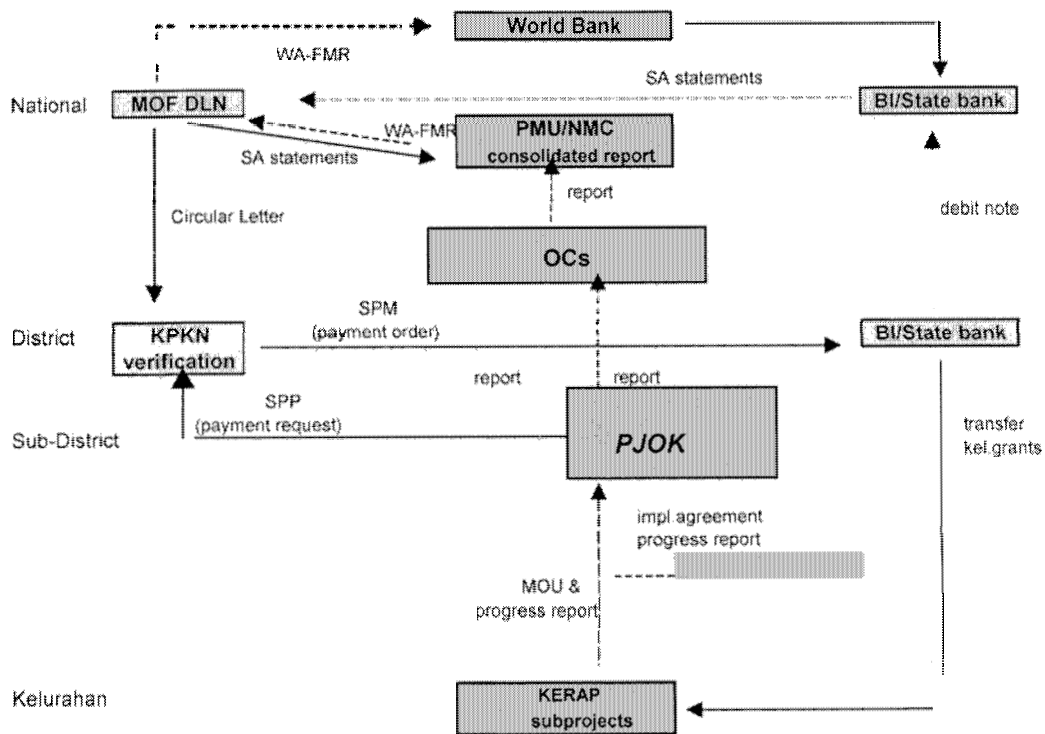
Summary of the Financial Management Assessment. This project is an expansion scope of existing Urban Poverty Project (UPP2 and 3) to Aceh and Nias areas. Therefore, the project will use the same financial management system as the one used in the existing Urban Poverty Projects (UPP2 and 3). The existing projects have satisfied the Bank's minimum financial management requirement as stipulated in OP/BP 10.02. However, this project has a higher risk due to different environment condition in both locations.

Accounting and Reporting. This project will follow the same accounting and reporting procedures for UPP2/3. An existing PMU for UPP2/3 will prepare a project financial report and use the same format of the existing project. The consolidated report will include a separate special account statement and disbursement status for the trust fund. In village/Kelurahan level, the community group will maintain separate books and prepare a project financial statement for relevant money they received. The project operation manual for UPP2/3 will be used for this project.

Audit Arrangements. The audit for this project financial statement will be carried out by the same auditor of UPP2/3. BPKP will audit the project annually. The annual audit reports will be furnished to the Bank no later than six months after the end of the government fiscal year. The audit assignment will include a sampling on a review of expenditures which spent by the community group. The project will also undertake supplemental audits by other independent auditors. Independent audits will be commissioned by the KERAP committee with local auditors.

Flow of Funds. The flow of fund will follow an existing UPP2/3 mechanism where PjOK will submit payment requests (SPM) to the nearest MOF Treasury Office (KPPN). KPPN will issue payment remittance orders (SP2D) to the operational bank which will transfer the money to the intended beneficiaries (community group account) and debit the project special account.

Flow of Funds and Reporting Mechanism



Note:

- > fund transfer
- - - - -> reporting
-> memorandum

DLN	Directorate External Fund, MOF	PJOK	Administration Unit at District and sub-District
KPKN	Treasury Office, MOF	BKM	Community Organization
PMU	Project Mgmt Unit, Kimpraswil	Dinas	Functional Local Government Unit
NMC	National Management Consultant	BI	Central Bank
OC	Oversight Consultant		
WA-FMR	Withdrawal Application based on Financial Monitoring Report (FMR)		

Special Account. GOI will establish a Special Account (SA) at Bank Indonesia or Government Owned Commercial Bank denominated in US dollars. The SA will be under the name of the Directorate General of Treasury (DG Treasury), Ministry of Finance. The DG Treasury shall provide copies of the weekly bank statements of the SA to the PMU of which will reconcile the transaction with the financial record. Special Account withdrawal procedures will be followed the governments' procedures which have accepted to the Bank. The project will follow FMR-based disbursement procedures. The Withdrawal Application (W/A) will be submitted to the Bank on quarterly basis and supported by quarterly FMR and cash forecast for the next six months.

Allocation of Grant Proceeds

Category	Amount (in US Million Dollar)	% of Expenditures to be Financed
1. Kelurahan Grants	11.73	100
2. Consulting Services and Goods for Community dev't, strengthening role of local gov't and implementation support	4.11	100
3. Goods and Services under Parts C and D	2.12	100
Total Grant	17.96	100

PART VIII - ENVIRONMENTAL AND SOCIAL SAFEGUARD ARRANGEMENTS

Environment and Safeguard arrangements are identical to those of the 3rd Urban Poverty Project, including environmental issues, land acquisition, involuntary resettlement, and indigenous peoples. Refer to Annex 10, UPP 3 PAD.

Environment. The ceiling for sub-projects under the investment components (kelurahan grants) are low (US\$35,325). This combined with the nature of the investments (mostly tertiary level infrastructure) means that the activities financed are not likely to have any large scale, significant or irreversible impacts. Under UPP Phase I, most of the infrastructure investments consisted of minor road/bridge repairs, footpaths, tertiary drainage, and sanitation/public toilets, which have contributed to improving environmental conditions in most cases. Any adverse environmental impacts under this project are therefore expected to be limited and highly localized, and these can be readily mitigated through the project's negative list or through standard operating procedures and guidelines. Environmental Guidelines have been agreed with the government and included in the Draft Project Implementation Manual. During implementation, consultants and facilitators will be trained in the understanding and application of these guidelines and will assist the community groups in preparing their sub-project proposals to comply with the guidelines.

Social Safeguard Arrangements. Choices about the allocation of kelurahan grants are up to the communities and CTC/KERAPs. Communities will participate in the formation of the Community Reconstruction and Rehabilitation Plan, and CTC/KERAPs will evaluate proposals for sub-project from community groups based on the CRRP. Safeguard policies will be addressed in the following manner:

- Sub-projects that are *a priori* known to have an adverse impact on the *environment* will not be financed and are included in the negative list (e.g. protected areas, logging). Environmental Guidelines have also been developed to address minor environmental issues that may arise.
- Subprojects are not expected to require *involuntary resettlement* or acquisition of significant amounts of land. In the event they do, however, a Land Acquisition and

Resettlement Policy Framework has been developed in accordance with OP4.12 to ensure application of the appropriate safeguard policies.

- The highly participatory nature of the project will ensure that communities would be able to identify if any proposed sub-project will have an impact on *cultural property* and to ensure that these activities do not adversely affect cultural property. Sub-project proposals will require the identification of any such activities and require the group proposing the sub-project to specify adequate mitigation measures.
- In areas where Indigenous People may be affected, a Framework for the Treatment of Indigenous People will be applied. This will include a “situational analysis” prior to implementation to determine if any changes would be required in the project approach and design to ensure that Indigenous People are fully included in the project. The TOR will be reviewed and approved by EASES before conducting the study.

Gender equality. Women’s participation in the community development process is a key factor in establishing organizations that truly represent all people in the community. It is also important for providing services that respond not only to the community at large, but also to specific needs that women may have. A gender strategy has been developed under this project which will systematically address gender mainstreaming and equality issues. This strategy includes systematic recruitment of local female facilitators, targeting 33% (but no quota), 33% women consultants, targeting a 30% participation rate among women in the CTC/KERAP elections, targeting 30% women community cadre/volunteers, encouragement of community women leaders to participate as CTC/KERAP trustees, and socialization and focus group discussion activities targeted specifically to women’s groups to discuss community and project issues.

The above guidelines and frameworks will be made available to the public through the Bank's Project Information Centers in Jakarta and Washington, will be published in the project manuals and be made available to the community organizations/dinases preparing proposals. Kelurahan facilitators and other project staff (OCs) will be trained in the application of the guidelines. CTC/KERAPs will be trained in how to apply the safeguards in their selection process. Communities will be in charge of deciding all implementation and procurement arrangements, and follow-up on guidelines and approved proposals will be monitored by kelurahan facilitators and OCs. On the environment, an experienced environmental consultant will be required to summarize progress, monitor and measure the impact of the project on the environment.

PART IX - COMPLAINTS HANDLING AND ANTI-CORRUPTION STRATEGY

The Project will utilize the existing UPP Complaints Handling and Anti-Corruption Strategy, as described in detail in Annex 18 of the UPP3 PAD. The strategy is in two parts, namely: (i) corruption mapping of potential risks; and (ii) an action plan of activities to address these risks. The strategy components are described below:

Corruption Mapping: A matrix which identifies some potential risks of corruption and specifies some appropriate mitigation measures that have been agreed to by Ministry of Public Works. The mapping exercise is repeated during the lifetime of the project to incorporate innovations and lessons learned.

The Action Plan. The strategy of anti corruption has been developed for two separate entities, i.e. one at the central level (involving the Executing Agency), and one at the community level (as the beneficiaries of the Project as well as the implementing units of the sub projects). Community level participation and empowerment are crucial to the success of the project. Together, these factors will inspire greater accountability and better governance. This Project empowers the community (the beneficiary of this Project) to officially manage the sub projects and be

responsible for the technical quality of deliveries and output at the Kelurahan level. The design of the project incorporates careful socialization and transparent management techniques that enable the necessary participation and empowerment. Active participation from within the members of the community is required in planning and developing sub projects. In addition, the Program provides funds channeled directly to the community, i.e. to the CTC/*KERAP* account for Kelurahan Grants. Once the beneficiaries fulfill the draw down conditions, the funds are remitted from the Special Account within a few days. Simple, standard formats are used for recording and reporting the use of funds. This simplification reduces the need for special skills whilst making the system more transparent and accountable. Through active participation, there is a greater likelihood of communities to demand services of the urban local governments and ensure that resources earmarked for effective management and to improve their livelihoods are transparently accounted for.

Some of the most important aspects of the anti corruption action plan can be summarized into the five key elements that follow. Underpinning each of these elements is the careful consultative process that ensures participation and empowerment.

A. Enhanced Disclosure Provisions and Transparency. The program will take the Bank's new disclosure provisions one step further by simplifying disclosed material and making them readily available through public information centers. Salient information will be made readily available to communities by a range of other means, including public meetings and notice boards. Specific disclosure measures will include, but not be limited to:

- Public disclosure of annual procurement plans and schedules (and their updates), bidding documents and requests for proposals.
- Disclosure to all bidders of the summary of the evaluation and comparison of bids, proposals, offers, and quotations, after the successful bidder is notified.
- Disclosure of audit reports.

B. Civil Society Oversight. The program recognizes that greater oversight by civil society is likely to reduce the risk of corruption and misuse of power. The program involves a high degree of formal participation by community groups within the areas of beneficiaries, the private sector, and traditional/*adat* and religious leaders, through the monitoring of the projects/end results, memberships of the tender committee, and the evaluation of the quality of delivery procured services/products.

Existing NGOs and other civil society organizations will be involved in a variety of ways, inter alia: (i) through participation in the regional workshops; (ii) as key resource persons for the development of CRRPs where possible; (iii) as evaluators on an ad-hoc basis; and (iv) as training providers in particular skill areas.

C. Mitigating Collusion, Fraud & Nepotism. Opportunity for collusion and fraud exist in any project. However, since the central theme of this project is improved and more responsive governance, many of the possible risks are mitigated as a result of the design. Transparent and well-advertised procurement under the program with appropriate oversight will reduce this form of corruption. Additional auditing and procurement procedures are proposed, such as oversight by technical assistance and capacity building TA procurement and financial management specialists mapped to each region. At the central level, there will be a committee to be formed to regularly evaluate the performance of the consultants who are hired under the Project, and make the results circulated to the relevant technical parties. Cases of collusion, fraud and nepotism will be reported directly to the authorized agency mandated under the Indonesian law, which is the attorney general office. In the case of collusion, fraud and nepotism within the

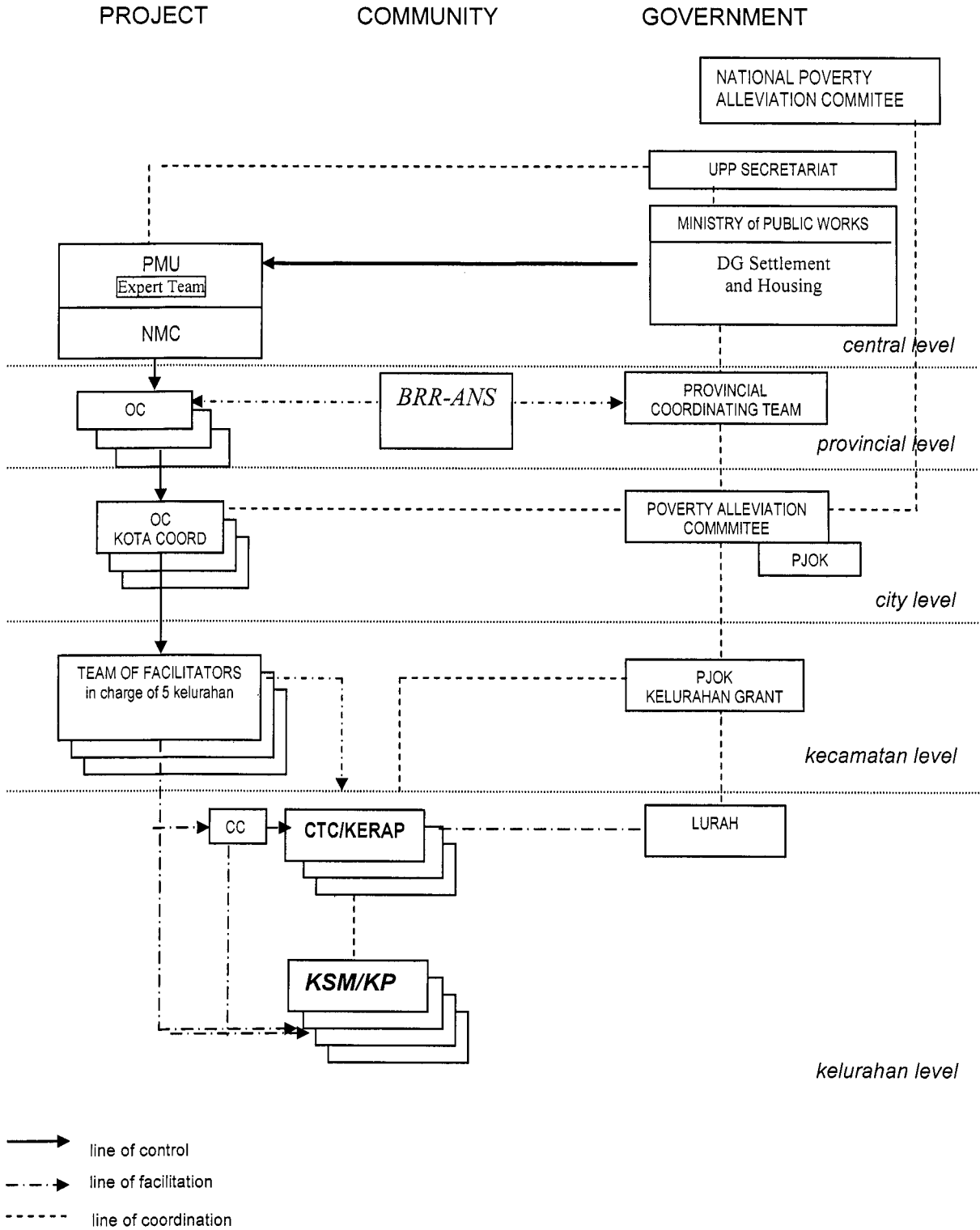
community, the cases will first be reported, discussed, and decided at the community meeting (*Rembug Warga*) prior to their submission to the attorney general office. Experience in other CDD projects indicates that many risks can be mitigated by the threat and use of community-based sanctions such as those used under UPP.

- D. Complaints Handling Mechanism.** Complaint handling procedures as currently defined in the Presidential Decree (*Keppres*) no. 80/2003 will be strictly followed by also assigning authorized officials to be responsible for maintaining a database of complaints and the follow up actions. While the program is designed to encourage local complaint resolution through formal channel, as well as the pressure from public, in some cases local elites might misuse power and program activities. For these cases, an alternative system has been established through a feedback mechanism at the national level. A special unit designated for handling of complaints will be made available in the NMC and OCs. The complaint handling unit will investigate and facilitate the resolution of complaints and problems. The database of complaints, follow-up actions being taken, and sanctions applied will be publicized to increase participants' involvement and to increase the likelihood of their lodging protests, thereby raising the social costs of misuse of funds. This mechanism handles complaints brought to their attention. These complaints will be acted upon in a professional and timely fashion, and without risk of reprisal to 'whistleblowers' in the public. The complaint handling mechanism developed under the Project also provides wider access for the community for raising and monitoring the complaint through the establishment of an address to mail complaints, which will be posted in kelurahan signboards.
- E. Sanctions & Remedies.** Clear sanctions and remedies are important final steps in the effort to fight corruption. As already exercised in UPP, this program has a low tolerance for corruption. Communities are encouraged to impose reasonable sanctions on citizens who abuse the power that has been entrusted to them. There is an increasing wealth of anecdotal evidence suggesting that such sanctions can be more easily applied and more effective than protracted legal proceedings, especially in smaller cases of corruption. The project does not endorse vigilantism or extreme community sanctions, but in many cases the communities can reach amicable resolutions without resorting to the slow and overburdened legal system. That said, formal sanctions may also be applied. For example, any official (government or non-government), community members, or private sector entity participating in the project can be prosecuted if sufficient evidence is available. In all procurement contracts, evidence of corruption, collusion or nepotism will result in termination of the relevant contract, possibly with additional penalties imposed (such as fines, blacklisting, etc.) in accordance with Bank and Government regulations. Draw down of funds from the project Special Account to CTC/KERAPs will be suspended in cases where significant misuse of funds is suspected. At a larger scale, entire kota(s) may be excluded from participation in the subsequent phase if misuse of funds is suspected to occur widely in the respective kota(s). Information regarding successful cases, where lessons are learned and funds are retrieved, will be widely disseminated.

PART X - SCHEDULE OF KEY PROJECT ACTIVITIES

Objective:	Outputs:	Phasing:	Responsible entity:
Component:			
1. Community development	Establishment of CTC's/ KERAP's	352 in year one and two	Community, assisted by Oversight consultants, facilitators
	Preparation of CRRP's	352 in year one and two	CTC's assisted by facilitators
2. Kelurahan grants	Grants funded to CTC's for community infrastructure, social services assistance	352 in year one and two	PMU, Pimpro, PjOK, OC, facilitators
3. Local capacity development	Project Socialization / staff training of Pemda kota / kabupaten	10 kota / kabupaten in year one and year two	Oversight consultants
	Project Socialization / training of kelurahan	352 kelurahan on year one and year two	OCs, facilitators
4. Implementation Management Support	Establishment of PMU, appt. of Pimpro and rep., NAD office set-up	March 2005	EA Ministry of Public Works
	Recruitment, mobilization of oversight consultants	First OC, March 2005, OC 2 and 3, June 2005	PMU and Pimpro
	Recruitment, training, mobilization of facilitator teams	First SWK, April, May 2005; SWK 2 and 3, June, July 2005	Oversight consultants

Annex 1: Implementation Structure



Annex 2: List of Project Target Locations

UPP target locations

Province	No	City/district	No	sub district	wards	pop.	households	poor	comments	
NAD	1	KOTA BANDA ACEH				89	225,923	45,299	12,302	
			1	1	MEURAXA	16	29,335	6,346	1,589	upp_3
			2	1	JAYA BARU	9	20,786	4,638	1,031	upp_3
			3	1	BANDA RAYA	10	16,985	3,560	1,209	upp_3
			4	1	BAITURRAHMAN	10	33,442	6,795	985	upp_3
			5	1	LUENG BATA	9	13,447	2,692	1,527	upp_3
			6	1	KUTA ALAM	11	53,386	9,549	2,633	upp_3
			7	1	KUTARAJA	6	18,283	4,254	1,224	upp_3
			8	1	SYIAH KUALA	9	26,506	4,518	1,228	upp_3
	9	1	ULEE KARENG	9	13,753	2,947	876	upp_3		
	2	KOTA SABANG				18	25,908	6,325	3,359	
			1	1	SUKAJAYA	10	12,221	2,961	1,737	***
	2	1	SUKAKARYA	8	13,687	3,364	1,622	upp_3		
	3	KOTA LANGSA				51	134,219	29,130	10,380	
			1	1	LANGSA TIMUR	24	38,677	8,492	3,134	***
			2	1	LANGSA BARAT	14	40,171	9,230	2,212	upp_3
	3	1	LANGSA KOTA	13	55,371	11,408	5,034	upp_3		
	4	KOTA LHOKEUMAWE				40	157,216	31,395	11,838	
			1	1	BLANG MANGAT	22	15,875	2,927	1,538	***
	2	1	BANDA SAKTI	18	73,505	14,902	8,547	upp_3		
	5	KAB. ACEH BARAT				28	54,285	12,452	1,899	
			1	1	JOHAN PAHLAWAN	13	43,349	10,320	976	upp_3
	2	1	MEUREUBO	15	10,936	2,132	923	upp_3		
	6	KAB. ACEH JAYA				48	22,579	5,068	3,266	
			1	1	JAYA	48	22,579	5,068	3,266	upp_3
	7	KAB. NAGAN RAYA				54	32,250	7,914	2,407	
			1	1	KUALA	54	16,039	32,250	7,914	upp_3
	8	KAB. ACEH TENGGARA				27	16,177	31,567	7,137	
			1	1	BABUS-SALAM	27	16,177	31,567	7,137	upp_3
	9	KAB. ACEH TENGAH				25	15,092	29,203	6,204	
			1	1	KOTA TAKENGON	25	15,092	29,203	6,204	upp_3
	10	KAB. GAYO LUES				22	13,997	27,768	6,273	
			1	1	BLANG KEJERAN	22	13,997	27,768	6,273	upp_3
Total					23	402	697,646	226,121	65,065	

Annex 3: Possible Issues/Risks and Mitigation Measures

Risks	Risk Mitigation Measure	Risk Rating with Mitigation
To project development objectives		
Government intervention in establishment of committees KERAPs and their operations	Large investment in long, guided socialization process at community and government level	N
Ability of committees to remain immune to being co-opted by local elite or politicians	Large investment in long, guided socialization process	M
Quality and realism of Community Rehabilitation and Reconstruction Plans	Capacity building and implementation support	N
Ability of committees to adequately monitor use of kelurahan grant funds	Capacity building and implementation support; cancel subsequent tranches	M
Adequate use and maintenance of infrastructure/services/activities financed under project	Ensuring that proposals are demand driven and communities/LGs contribute to costs; screening process that ensures O&M	N
To component results		
Availability of capable local consultants	Funds available to bring in international training specialists if required	M
Availability of qualified kelurahan facilitators	Training programs	M
Availability of qualified trainers to provide necessary training	Funds available to bring in international support if necessary	N
Willingness of local governments and kelurahan organizations to work together	Capacity building at community and local government level; large investment in long, guided socialization process;	S
Overall Risk Rating		M

Annex 4: Relationship of Project to other activities carried out by the World Bank and other agencies in Nanggroe Aceh Darussalam and Nias, North Sumatra

Following the earthquake and tsunami disaster in Aceh and Nias, virtually all donors, bilateral and well as multi-lateral, NGO's, international and national, all UN agencies, and all GOI departments were mobilized to participate in relief, recovery, and now, planning for reconstruction of the devastated areas. To deal with this unprecedented level of relief and development assistance, the GoI has established the Indonesian Earthquake-Tsunami Rehabilitation and Recovery Agency, BRR, to provide leadership, oversight, and coordination to this effort. None-the-less, the sheer scale of this effort indicates the distinct possibility of much activity overlap, geographic overlap, and contradiction and/or inconsistency between and among different activities.

World Bank

Set within the recovery framework, this project will apply the community-driven development (CDD) mechanisms to Aceh-Nias rehabilitation and reconstruction, through facilitated community socialization, organization, empowerment, small-scale infrastructure planning, rehabilitation and/or reconstruction, and grant assistance to the most vulnerable victims of the disaster in Aceh and Nias urban communities. The Kecamatan Development Project, also funded by the Bank, does virtually the same thing, has been operating, and will be expanding its operations in Aceh and Nias, in rural villages. Thus KDP is complimentary to UPP, as long as urban communities and rural communities are differentiated.

The Settlement Housing Rehabilitation and Reconstruction Strategy Program will be operating in both KDP and UPP areas of Aceh and Nias, and will utilize both projects for management and monitoring the channeling housing cash grant disbursements to target beneficiaries. This project will be complimentary to UPP.

The Reconstruction of Aceh Land Administration System project will provide a mechanism for issuing land titles through community engagement and GIS mapping activities. Housing reconstruction will move ahead in parallel with the land project as it carries out the process of community adjudication; the issuance of land titles will occur upon completion of settlement reconstruction.

Other Donors

Other donor organizations working in Aceh include UN-Habitat's Aceh Settlement Support Program and the Asian Development Bank's (ADB) Earthquake and Tsunami Emergency Support Project, which will build 14,000 new houses and repair an additional 10,000, and USAID is implementing the Aceh Technical Assistance Recovery Project. Several non-governmental organizations (NGOs), such as the Indonesian Red Cross, Save the Children Foundation, and Oxfam are also engaged in Aceh-Nias rehabilitation and reconstruction.

Annex 5: Strategy to Ensure Gender Mainstreaming and Equality






Women's participation in the community development process is a key factor in establishing organizations that truly represent all people in the community. It is also important for providing services that respond not only to the community at large, but also to specific needs that women may have. The following gender strategy has been developed for this project to more systematically address gender mainstreaming and equality.

	Activities	Measures to Ensure Gender Mainstreaming and Equality
1	Socialization and dissemination at each level (provincial to kelurahan)	<ul style="list-style-type: none"> • Explain and discuss how important women's participation is for poverty reduction • Explain gender goals of project within its poverty strategy • The communications strategist is responsible for determining the best ways for ensuring that women at all levels receive the same information as the men, using whatever media and language is appropriate, for example; posters, plays, radio, leaflets • Regular rapid evaluations by facilitators should identify the effectiveness of the materials used and also identify those that are not receiving information in the villages so that new initiatives can be introduced
2	Consultants and facilitators	<ul style="list-style-type: none"> • Advertisements for all new project staff should state that 'women are strongly encouraged to apply' • If there are both male and female eligible candidates for positions, females should get priority • Target is set for 30% of consultants and facilitators would be women • Maternity leave will be according to the laws in force at the current time. Additional costs of providing maternity benefits should be included in the social costs of the contracts with consultants and facilitators should clarify the provisions.
3	Training of consultants and facilitators	<ul style="list-style-type: none"> • Include gender-related issues (meeting techniques, timing, facilitation, specific culture local women identification, etc)
4	Simple gender manual	<ul style="list-style-type: none"> • Identify local specific and acceptable ways to i) ensure women can participate in all aspects of the program; and ii) to disseminate information to women.
5	Meeting for selection of community cadre	<ul style="list-style-type: none"> • Targeting :30% of participants should be women • Equal opportunity for women in cadres' selection • Targeting: 20% of selected community cadres should be women
6	Community cadre training	<ul style="list-style-type: none"> • Include gender-related issues (meeting techniques, timing, facilitation, specific cultural issues, local women identification, etc)
7	Focus Group Discussion specially on poverty identification, and local institutions analysis	<ul style="list-style-type: none"> • Hold special focus group discussions for women (separately from men) • Ensure that gender sensitive approaches/methods are used that match local conditions (place, timing, facilitation techniques, etc)

	Activities	Measures to Ensure Gender Mainstreaming and Equality
8	Participants selection for community self survey (Survey Swadaya) and participatory planning training	<ul style="list-style-type: none"> • ensure during socialization that 30% of participants are women • At least one third of the Survey Swadaya members should be women
9	Developing Lembaga Masyarakat (KERAP) process from RT/RW/Dusun to kelurahan	<ul style="list-style-type: none"> • Try and ensure that 30% of the meeting participants are women • Ensure through socialization that communities are aware that women have equal opportunity to elect and to be elected as KERAP members.
10	Selecting the UPK	<ul style="list-style-type: none"> • If there are both male and female candidates eligible, females should get priority
11	KSM proposal writing	<ul style="list-style-type: none"> • Ensure that women KSM proposals are written by themselves (with assistance from community cadre/facilitator if needed)
12	Defining proposals priority by 'Musyawarah masyarakat' meeting	<ul style="list-style-type: none"> • Ensure women KSM who propose can come to meetings (i.e. be careful with place and timing of meetings to allow women to participate given their local conditions) • Give priority to women's proposal if they meet the criteria according to the verification team
13	Monitoring and evaluation formats	<ul style="list-style-type: none"> • Ensure formats for monitoring and evaluations collect information on women's participation in all aspects of the project, including meetings, women beneficiaries, etc. to improve performance if needed. • Disaggregate regular MIS data by gender • Strategies for ensuring transparency must ensure that women have easy access to the information and that they understand their responsibilities for monitoring the use of the funds. Use participatory methods for monitoring at village level.

MAP

INDONESIA

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊕ NATIONAL CAPITAL
-  RIVERS
-  MAIN ROADS
-  RAILROADS
-  PROVINCE BOUNDARIES
-  INTERNATIONAL BOUNDARIES

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PROVINCES:

- | | | |
|---------------------------|------------------------|-----------------------|
| 1 NANGROE ACEH DARUSSALAM | 11 D.K.I. JAKARTA | 22 KALIMANTAN TIMUR |
| 2 SUMATERA UTARA | 12 JAWA BARAT | 23 SULAWESI UTARA |
| 3 RIAU | 13 JAWA TENGAH | 24 GORONTALO |
| 4 SUMATERA BARAT | 14 D.I. YOGYAKARTA | 25 SULAWESI TENGAH |
| 5 JAMBI | 15 JAWA TIMUR | 26 SULAWESI SELATAN |
| 6 BENGKULU | 16 BALI | 27 SULAWESI TENGGARA |
| 7 SUMATERA SELATAN | 17 NUSA TENGGARA BARAT | 28 MALUKU UTARA |
| 8 LAMPUNG | 18 NUSA TENGGARA TIMUR | 29 MALUKU |
| 9 BANGKA-BELITUNG | 19 KALIMANTAN BARAT | 30 IRIAN JAYA (PAPUA) |
| 10 BANTEN | 20 KALIMANTAN TENGAH | |
| | 21 KALIMANTAN SELATAN | |