



April 2011

Status Report on the Asian Tsunami Fund (July–December 2010)

ABBREVIATIONS

ADB	–	Asian Development Bank
ATF	–	Asian Tsunami Fund
BAPPENAS	–	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency) (Indonesia)
BRR	–	Badan Rehabilitasi dan Rekonstruksi (Rehabilitation and Reconstruction Agency) (Indonesia)
EC	–	European Commission
EMS	–	Extended Mission to Sumatra
ETESP	–	Earthquake and Tsunami Emergency Support Project
ha	–	hectare
MDF	–	Multi-Donor Fund
NECORD	–	North East Community Restoration and Development (Project) (Sri Lanka)
NGO	–	nongovernment organization
SPREAP	–	Southern Province Rural Economic Advancement Project (Sri Lanka)
TA	–	technical assistance
TAARP	–	Tsunami-Affected Areas Rebuilding Project
TEAP	–	Tsunami Emergency Assistance (Sector) Project

NOTE

In this report, “\$” refers to US dollars.

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I. INTRODUCTION

1. This is the 12th semiannual report covering the period from July to December 2010.¹

II. AMOUNTS AND RECIPIENTS OF GRANTS

2. Following an initial contribution of \$600 million to the Asian Tsunami Fund (ATF) made by the Asian Development Bank (ADB) in February 2005, the Government of Australia contributed \$3.8 million for the emergency rehabilitation of coastal structures in the tsunami-affected areas of Sri Lanka, and the Government of Luxembourg provided the equivalent of \$1.0 million² to help restore irrigation activities on Nias Island in Indonesia. As of 31 December 2010, the ATF had cumulative resources of \$586.9 million.³ Approved funding from the ATF totaled \$573.0 million, of which \$571.0 million went to investment projects in India, Indonesia, the Maldives, and Sri Lanka including the Multi-Donor Fund (MDF) in Indonesia, and \$2.0 million to technical assistance (TA) grants to Thailand.

3. Including commitments from the ATF, ADB has approved \$892.0 million in direct tsunami-related assistance from other sources, \$725.1 million (81%) of that amount in the form of grants. The development partners that provided funds through cofinancing or contributions to special funds established in ADB are the European Community (EC) and the governments of Canada, France, Japan, the Netherlands, Norway, Sweden, and the United Kingdom.

III. ADB'S PERFORMANCE

A. Cumulative and Actual Disbursements

4. As of 31 December 2010, cumulative disbursements for the investment projects in India, Indonesia, the Maldives, and Sri Lanka and for three TA projects in Thailand amounted to \$556.4 million (including advances), representing 97% of total commitments (Table 1).

¹ Previous progress reports were circulated in October and December 2005, August 2006, March and September 2007, March and September 2008, March and September 2009, and March and October 2010. While the Asian Tsunami Fund (ATF) terminated its operations on 31 December 2010, actions necessary for winding up the activities of the ATF will be allowed even after its legal termination to complete disbursements up to 31 March 2011 under the investment projects in Indonesia and Sri Lanka. ADB will thus, continue to report on the ATF with respect to disbursements until all the projects are financially closed.

² On 30 October 2006, the Board approved a \$1.0 million increase in the grant financing for the investment project in Indonesia out of the earmarked contribution from the Government of Luxembourg to the ATF. ADB. 2006. *Increase in Grant Financing: Earthquake and Tsunami Emergency Support Project*. Manila (R228-06, dated 17 October 2006).

³ This amount excludes (i) \$40 million, which was returned to the ordinary capital resources surplus in November 2005 to be allocated later to the Pakistan Earthquake Fund; (ii) \$10 million in interest earned on the ATF approved by the Board in June 2006, which was also returned to the ordinary capital resources surplus and earmarked for disaster management and reconstruction after the May 2006 earthquake in Yogyakarta and Central Java provinces of Indonesia; and (iii) \$40 million, which was transferred from uncommitted resources to the Asia Pacific Disaster Response Fund. Interest and investment income are included in the cumulative resources figure.

Table 1: Cumulative Disbursements, 31 December 2010
(\$)

Project (Grant or TA Number and Country)	Committed	Cumulative Disbursements	Undisbursed
Tsunami Emergency Assistance Project (GR0001-MLD) ^a	20,000,000	17,106,980	2,893,020
Earthquake and Tsunami Emergency Support Project (GR0002-INO) ^b	291,000,000	285,529,594	5,470,406
Contribution to the Multi-Donor Trust Fund (GR0014-INO) ^c	10,000,000	10,000,000	0
Tsunami Emergency Assistance (Sector) Project (GR0005-IND) ^d	100,000,000	100,000,000	0
Tsunami-Affected Areas Rebuilding Project (GR0006-SRI) ^e	150,000,000	141,889,128	8,110,872
Development Plan for the Tsunami-Affected Andaman Region (TA 4564-THA) ^f	150,000	121,049	0
Supporting Post-Tsunami Activities and Coastal Zone Management (TA 4595-THA) ^g	150,000	145,314	0
Subregional Development Plan for the Tsunami-Affected Andaman Region–Phase 2 (TA 4613-THA) ^h	1,700,000	1,618,943	0
Total	573,000,000	556,411,009	16,474,298

IND = India, INO = Indonesia, MLD = Maldives, SRI = Sri Lanka, TA = technical assistance, THA = Thailand.

^a The grant closing date was first extended from 30 September 2007 to 30 June 2008, and then to 31 August 2008. The project was physically completed by 31 August 2008.

^b The original grant closing date was 30 December 2008. After five extensions, the project was physically completed by 30 December 2010.

^c The grant closing date was 30 June 2010.

^d The grant closing date was extended from 31 October 2008 to 31 October 2009. The project was completed by 31 October 2009. The financial closing date was 23 February 2010.

^e The grant closing date was extended from 30 June 2009 to 31 December 2010. TA activities were physically completed by 31 December 2010.

^f The TA activities were completed on 31 July 2005 and the TA was financially closed on 20 June 2007. The undisbursed TA amount at the financial closing date was \$28,951.

^g The TA activities were completed on 31 October 2006 and the TA was financially closed on 19 June 2007. The undisbursed TA amount at the financial closing date was \$4,686.

^h The TA activities were completed on 15 April 2007 and the TA was financially closed on 31 October 2007. The undisbursed TA amount at the financial closing date was \$81,057.

Source: ADB Controller's Department. 2010. *Status of Resources: Asian Tsunami Fund as of 31 December 2010*. Manila: Asian Development Bank.

5. Actual disbursements from January to December 2010 totaled \$76.7 million, or 235% of the revised annual disbursement projection⁴ of \$32.7 million (Table 2). Of the actual disbursements realized, \$51.5 million was disbursed by the project in Indonesia. The grant amounts for the investment projects funded by the ATF in Indonesia and Sri Lanka are now expected to be fully disbursed by the first quarter of 2011.⁵

6. A total of \$13.6 million in disbursements is expected during the first quarter of 2011 for the two investment projects in Indonesia and Sri Lanka (Table 3). By 31 March 2011, cumulative disbursements are expected to amount to \$570.0 million, or 99.5% of total ATF commitments.

⁴ Initial projections for 2010, which were prepared in November and December 2009, were reported in the status report for July–December 2009. These projections were finalized in February 2010.

⁵ Grants 0002-INO and 0006-SRI were completed by 31 December 2010. However, the grant accounts will remain open until 31 March 2011 to allow the completion of disbursements, as provided in ADB's *Loan Disbursement Handbook* (2010).

**Table 2: Projected (Revised) and Actual Disbursements
January–December 2010**
(\$)

Project (Grant and Country)	Projected Annual Disbursements	Actual Disbursements, as of 31 December 2010
Tsunami Emergency Assistance Project (GR0001-MLD) ^a	0	0
Earthquake and Tsunami Emergency Support Project (GR0002-INO) ^b	0	51,498,848
Contribution to the Multi-Donor Trust Fund (GR0014-INO) ^c	0	0
Tsunami Emergency Assistance (Sector) Project (GR0005-IND) ^d	2,700,000	2,732,125
Tsunami-Affected Areas Rebuilding Project (GR0006-SRI) ^e	30,020,000	23,278,793
Total	32,720,000	76,744,294

IND = India, INO = Indonesia, MLD = Maldives, SRI = Sri Lanka

^a The grant closing date was first extended from 30 September 2007 to 30 June 2008, and then to 31 August 2008. The project was physically completed by 31 August 2008.

^b The original grant closing date was 30 December 2008. After five extensions, the project was physically completed by 30 December 2010.

^c The grant closing date was 30 June 2010.

^d The grant closing date was extended from 31 October 2008 to 31 October 2009. The project was completed by 31 October 2009. The financial closing date was 23 February 2010.

^e The grant closing date was extended from 30 June 2009 to 31 December 2010. TA activities were physically completed by 31 December 2010.

Source: Asian Development Bank, Grant Financial Information System.

Table 3: 2011 Projected Disbursements
(\$ million)

Project (Grant and Country)	Projection
Tsunami Emergency Assistance Project (GR0001-MLD) ^a	0.0
Earthquake and Tsunami Emergency Support Project (GR0002-INO)	5.5
Contribution to the Multi-Donor Trust Fund (GR0014-INO) ^c	0.0
Tsunami Emergency Assistance (Sector) Project (GR0005-IND) ^d	0.0
Tsunami-Affected Areas Rebuilding Project (GR0006-SRI) ^e	8.1
Total	13.6

IND = India, INO = Indonesia, MLD = Maldives, SRI = Sri Lanka

^a The grant closing date was first extended from 30 September 2007 to 30 June 2008, and then to 31 August 2008. The project was physically completed by 31 August 2008.

^b The original grant closing date was 30 December 2008. After five extensions, the project was physically completed by 30 December 2010.

^c The grant closing date was 30 June 2010.

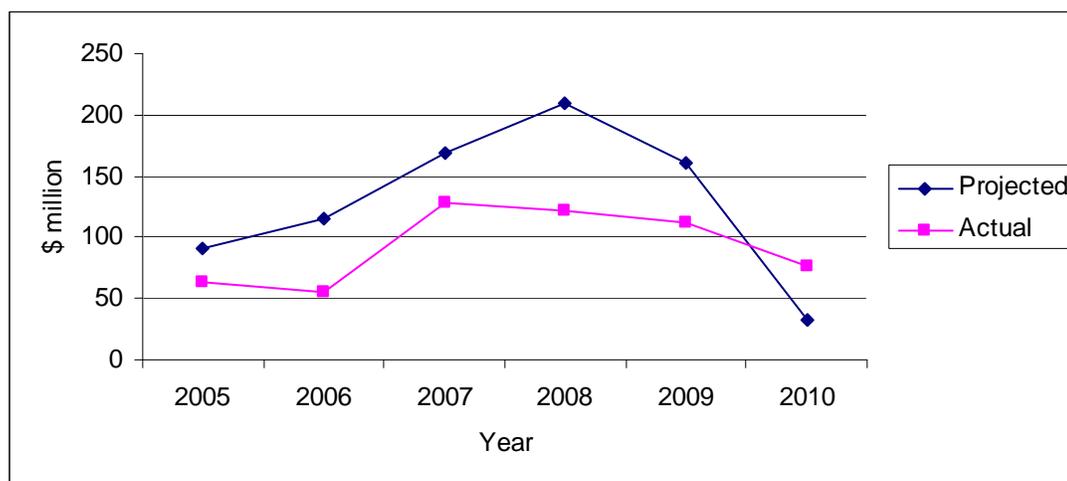
^d The grant closing date was extended from 31 October 2008 to 31 October 2009. The project was completed by 31 October 2009. The financial closing date was 23 February 2010.

^e The grant closing date was extended from 30 June 2009 to 31 December 2010. TA activities were physically completed by 31 December 2010.

Source: Asian Development Bank estimates

7. The chart in the following page tracks actual against projected annual disbursements from 2005 to 2010.

Projected and Actual Disbursements, 2005–2010



B. Factors Affecting the Level of Disbursements

8. The operations of the ATF terminated on 31 December 2010.⁶ Over the past 6 years of its operation, overall disbursements for the investment projects funded by the ATF generally fell short of targets. The exception was in 2010 when annual disbursement projections were achieved due to substantial disbursements made by the project in Indonesia. Detailed information for each of the investment projects is provided in the following paragraphs.

9. In **India**,⁷ because the tsunami had caused such widespread destruction and, at the same time, absorptive capacity among the executing agencies was weak, significant preparatory work was needed to set up basic institutional structures and carry out extensive public consultation and planning. Disbursements therefore stayed low for nearly 2 years. Moreover, the top priority assigned to housing, a component that was not funded by ADB, delayed project disbursements at the start. Emergency reconstruction projects also demand much the same decision making and participation as do ADB's regular investment projects, and take about the same amount of time to get up to full activity. Other reasons for the delay in disbursements were: (i) lack of experience and management skills among local executing agencies and implementing agencies to plan and implement the works within tight deadlines, (ii) frequent transfers of trained personnel in the executing and implementing agencies, (iii) wide geographic coverage of the livelihood interventions, (iv) scarcity and high prices of construction materials, (v) contractor-imposed delays in water supply works, (vi) delay in the financial closure of completed contracts because of the unfamiliarity of the executing agencies' finance personnel with ADB procedures, and (vii) depreciation of the US dollar against the Indian rupee in 2008.

10. In **Indonesia**, actual utilization at project completion at the end of December 2010 amounted to \$291 million, while cumulative disbursements from ADB was \$285.5 million.⁸ Government prefinancing of construction and capacity development activities has been

⁶ Per para. 30 of the Board paper and based on comments received from CTL, actions necessary for winding up activities of the ATF will be allowed even after the termination of the ATF.

⁷ Activities under the project in India have been physically completed, but the status of the project as of February 2010, its closing date, will continue to be included in the progress reports on the ATF.

⁸ The complementary grant of \$3.5 million from the Netherlands Government cofinancing the fiduciary governance component was fully disbursed and closed on 30 April 2010.

considerable because of the lag between fund use and disbursement. At project completion, the ATF grant of \$291 million was not sufficient to fund all eligible expenditures under the project and government funding of \$6 million was necessary.⁹

11. Several factors contributed to this situation. Physical activities under the Earthquake and Tsunami Emergency Support Project (ETESP) were largely completed at the end of 2009, however disbursements continued throughout 2010. Disbursements under the project depended on the completion of post procurement review of related documents. The ETESP design provides for (i) consulting services contracts directly funded by ADB, (ii) off-budget housing contracts awarded by ADB for the recipient, and (iii) post review of procurement documents by ADB, as opposed to prior review for most projects. While the documentation was collected and submitted to ADB for processing, government resources were used to fund the contracts that were awarded, in accordance with ADB and government guidelines. As a result of continuing follow-up by ADB with the executing and other agencies,¹⁰ most documentation was received and reviewed by ADB with the aim of expediting disbursements. Extended implementation of several components necessitated continuing consulting services before the related contracts could be closed. Furthermore, while off-budget contracts were helpful in restoring housing within a reasonable time frame, the requirement to review great volumes of expenditure documents affected final payments. The appreciation of the Indonesian rupiah since project implementation started in 2005 together with delayed processing of disbursement documents by government agencies resulted in shortfalls under ATF financing that was made up by government funding.

12. ETESP's scope of activities, complex design, multisectoral approach, and emphasis on environmental and social safeguards also created disbursement challenges. The main issues were (i) the need to prepare designs for numerous subprojects, (ii) the limited capacity of the Reconstruction and Rehabilitation Agency (BRR) and the implementing agencies, (iii) the complex government budgeting process and delays in the approval of annual budgets, (iv) delays in the annual appointment or reappointment of implementing units, and (v) the lack of familiarity of the newly appointed implementation units with safeguard requirements and procurement procedures. Changing priorities of implementing units, poor performance of contractors, scarcity of materials, and logistical problems are other factors that kept disbursements low.

13. In the **Maldives**,¹¹ implementation and disbursements were delayed at the start by the following: (i) the government's selection of islands in the power sector component; (ii) the process of reaching agreement with the implementing agency on the design and scope of work in the water supply, sanitation, and solid waste management component; (iii) the need for re-tendering in the transport component; and (iv) the process of reaching agreement on appropriate channels for the micro-credit revolving fund in the agriculture and fisheries components. After these initial delays, however, progress significantly improved. All components were completed by June 2008, except for the power component, which was completed by the grant extension date 2 months later.

⁹ Project cost at completion amounted to \$327.2 million. ATF funded \$291 million for investment and capacity building under all 12 components, the Netherlands Government provided a grant of \$3.5 million for fiduciary governance, and government contribution of \$32.7 million financed part of the civil works cost and to cover taxes and regular administration.

¹⁰ The Government's Reconstruction and Rehabilitation Agency (BRR) for Aceh and Nias was the executing agency of ETESP until the expiry of its four-year mandate in April 2009, when the National Development Planning Agency (BAPPENAS) assumed this role until project completion in December 2010.

¹¹ Activities under the project in the Maldives had been physically completed since 2008, but the status of the project as of August 2008, its completion date, continued to be included in progress reports on the ATF.

14. In **Sri Lanka**, In Sri Lanka, delays during implementation have been attributed primarily to the conflict and violence in the North and East. As highlighted in earlier reports, almost 55% of the subprojects which were located in the Northern and Eastern districts could not commence as planned during the first 2 years of the Project. Although, the conflict effectively ended by June 2009 and more contracts could be awarded within the overall objectives of the Project, several factors still affected the progress of project implementation. These included: (i) limited capacity of the EAs to identify subprojects, (ii) constant escalation of construction material prices, and (iii) lack of availability and capacity of qualified contractors and restricted access to the Northern and Eastern districts. However, in spite of these constraints, progress improved during July to December 2010 and the project was able to achieve \$141.9 million of cumulative disbursements (94.6%)

C. Project Review and Disbursement Missions

15. The executing agencies were assisted by dedicated extended missions in India, Indonesia, and the Maldives by implementing and monitoring the projects' overall progress and by undertaking detailed reviews periodically. The sector divisions and resident missions under ADB's South Asia and Southeast Asia departments also fielded missions to review the implementation efficiency and effectiveness of the four approved investment projects. In mid-2009, when ADB's support for the post-tsunami reconstruction was nearing completion, the last extended mission was closed,¹² but the country resident missions continued to monitor and supervise the remaining components, and field missions continued to ensure that the projects would be successfully completed. Project completion review missions have been carried out for the projects in the Maldives and India. The Indonesia Resident Mission has prepared the completion reports for ETESP, which will be circulated in the first quarter of 2011. ADB's Controller's Department also fielded disbursement missions to look into general and project-specific financial and disbursement matters as they arose, and also arranged additional personnel and resources to assist in the documentation review, particularly for the Indonesia project.

D. Status of Project Implementation

16. This section contains details of ADB's support for the five tsunami-affected countries as of 31 December 2010.

17. **India: Tsunami Emergency Assistance (Sector) Project (TEAP).**¹³ ADB support for the tsunami-affected states involved sustainable livelihood interventions and the provision of basic community infrastructure, all amounting to \$100 million.

18. Several success stories emerged under the alternative livelihood component, which included subprojects like dressed and dry fish units, microenterprises, mini supermarkets, seafood kitchens, mussel farming, ornamental fish breeding, seaweed cultivation, mud crab fattening, livelihood-related assistance to the disabled, snack and soft drink and milk parlors, information technology kiosks, and the provision of auto rickshaws for community taxi service and "Fresh Fish Express" vehicles to female self-help groups to transport and market fish.

¹² The extended missions closed on 31 December 2007 in the Maldives, at the end of August 2008 in Tamil Nadu, on 31 December 2008 in Kerala, and on 30 June 2009 in Sumatera.

¹³ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to India for the Tsunami Emergency Assistance (Sector) Project*. Manila (\$100 million loan; \$100 million grant).

Assistance provided to salt workers in rehabilitating more than 1,000 hectares (ha) of salt production beds eroded by the tsunami benefited 915 members of the federation of salt-pan owners and more than 10,000 daily-wage laborers, besides several women's self-help groups engaged in iodizing and packaging activities.

19. About 18,537 existing and 28,080 new self-help groups received revolving credit and economic assistance in upgrading their livelihood activities or establishing microenterprises. Damaged productive assets for around 3,748 self-help groups and 38,500 individuals were replaced. Insurance coverage was provided to around 91,180 beneficiaries to protect them against illness, accidents at work, inability to pursue a high school education (for females) in case of death of the family income-earner, disability, and other contingencies. Special working capital assistance to fishermen's cooperatives under the South Indian Federation of Fishermen Societies, with 50:50 cofinancing from local banks, was a major draw in fishing communities. Training was given to 2,272 self-help groups and 75 master resource persons. Eighteen community resource centers and common production centers were built.

20. Water supply systems in 7 towns and 233 villages were rehabilitated, and 31 new comprehensive water supply schemes were built. About 35 sanitary complexes were repaired or rebuilt, and solid waste management activities were established in 19 towns. In some tsunami-affected areas, a separate sanitation and environmental awareness campaign was designed and implemented as an information, education, and communication.

21. In both Tamil Nadu and Kerala the public and stakeholders were extensively consulted before and during implementation. Third-party technical quality audit of works helped obtain adherence to technical standards of works financed under the Tsunami Emergency Assistance (Sector) Project (TEAP). Benefit monitoring and evaluation activities focused on a review of the impact of interventions, especially the independent monitoring of benefits and quality, and suggested interim corrections. Action taken on these suggestions made the interventions more effective and meaningful to the beneficiary communities. A significant outcome of the project was the valuable experience gained by several personnel from the state government in designing, implementing, and managing multi-sector projects as the state governments opted to use their services instead of hiring consultants.

22. **Indonesia: Earthquake and Tsunami Emergency Support Project (ETESP) and Contribution to the Multi-Donor Trust Fund.**¹⁴ The goal of the project was to help rebuild the affected regions and support their economic revival to meet the Millennium Development Goals. To this end, the economic recovery of affected regions was to be accelerated by restoring livelihoods and essential public services and reconstructing damaged infrastructure. To meet the need for flexible management, the project was designed as a multi-sector grant facility with a sector approach to reconstructing and rehabilitating disaster-affected areas of Aceh and Nias. During implementation, the scope was extended to support associated development on the east and west coasts of Aceh. At the request of the government, project assistance was extended to tsunami-affected conflict areas.

¹⁴ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of Indonesia for the Earthquake and Tsunami Emergency Support Project and Contribution to the Multi-Donor Trust Fund*. Manila (\$301 million grant [including Luxembourg's contribution of \$1 million to the ATF]; \$3.5 million cofinancing). Progress reports on the rehabilitation and reconstruction of Aceh and Nias under this project were circulated in July 2005, March 2007, May 2008 and August 2009. The Multi-Donor Trust Fund changed its name to Multi-Donor Fund in March 2007.

23. The project comprised 12 components in five sector groupings. For livelihood restoration, agriculture and fisheries were rehabilitated and micro and small enterprises were revived. For social services, skills development accompanied health and education facility rehabilitation and reconstruction. For community infrastructure, water and sanitation facilities were provided, irrigation infrastructure was rebuilt, and damaged or lost housing was reconstructed or rehabilitated in an integrated community development framework. For physical infrastructure, damaged roads and bridges were rebuilt; power supplies restored, and sound spatial planning and environmental management systems developed. The fiduciary governance component ensured sound oversight of fund use for reconstruction and facilitated the effective delivery of project assistance. The project not only funded investments in equipment and civil works but also provided substantial consulting support for subproject preparation, implementation supervision, capacity building, and participatory processes in affected communities.

24. Subproject identification was finalized during implementation in line with selection criteria and approval procedures agreed at appraisal because of the project's emergency nature. Some components required redesign and adjusted scope to take into account government priorities, funder preferences, institutional constraints and other considerations, including inflation.

25. The component outputs are briefly outlined below:

- (i) **Agriculture.** Nearly 23,400 hectares (ha) of farmland slightly-to-moderately damaged were cleared, inputs were provided, and farming was restored. Drainage improvements and equipment such as hand tractors and threshers and water pumps for 18,500 ha were provided and farming was restored. .
- (ii) **Fisheries.** This component restored livelihoods for more than 23,700 fishers and fish farmers, traders, and sellers. Fishponds covering 3,000 ha were rehabilitated and 51 hatcheries rebuilt.
- (iii) **Micro and small enterprises.** A livelihood fund of nearly \$1 million provided one-time grants through an international NGO for 6,000 microenterprises to restart operations. A microfinance innovation fund of \$8.5 million was set up to provide market-based financing for partner financial institutions to expand grants to micro, small, and medium-sized enterprises.
- (iv) **Health.** Eleven health centers in Aceh and Nias were constructed. Incinerators for the disposal of medical waste were installed in 10 district hospitals.
- (v) **Education.** In all 23 districts in Aceh and both districts in Nias, 375 senior secondary schools used block grants to (i) buy teaching and learning materials, (ii) buy book shelving, (iii) obtain library computers and peripherals, and (iv) undertake minor library repair. New classrooms for 50 schools and the Sabang model school were constructed and given computer and lab equipment.
- (vi) **Rural water supply and sanitation (RWSS).** Water supply and communal sanitation facilities were constructed in more than 244 communities in Aceh and Nias.
- (vii) **Housing.** Nearly 6,000 new houses were constructed and another 1,400 houses were rehabilitated.

- (viii) **Irrigation.** Ninety-two irrigation schemes with a potential command area of 58,000 ha were undertaken in Aceh and Nias. About 11,400 ha of severely affected irrigated farmland on the west coast of Aceh and on Nias were rehabilitated. In addition, 19,000 ha of irrigated farmland that was slightly damaged and/or in conflict-affected areas was rehabilitated.
- (ix) **Spatial planning and environmental management.** Sixty-three subdistrict action plans identifying core infrastructure, livelihood, and environmental needs in affected subdistricts on the west coast of Aceh and the islands of Simeulue and Nias have been completed. Plans for developing nearly 80 villages, focusing on remote areas along the west and east coasts of Aceh, have been completed. Support for an information system for forest management was provided.
- (x) **Roads and bridges.** The rehabilitation of 75 kilometers (km) of roads, mainly along the east coast in Aceh and in Banda Aceh city and its vicinity, was completed. The component will improve road transportation over 450 km.
- (xi) **Power.** This component contributed to restoring electricity in Aceh by repairing damaged infrastructure and rehabilitating the Perusahaan Listrik Negara service building. Regional coverage added medium-voltage lines in Lhokseumawe and Sabulussalam districts, in addition to Banda Aceh, Meulaboh, and Pidie.
- (xii) **Fiduciary governance.** Besides supporting provincial and regional supervisory board offices, regional offices and the headquarters of the Supreme Audit Agency and the Corruption Prevention Commission, the project financed Banda Aceh's Special Treasury Office.

26. Community participation and empowerment were integral to the project design and implementation strategy. The project channeled over \$40 million in six components—agriculture, fisheries, irrigation, housing, RWSS, and education—directly into communities through traditional community organizations such as farmer and fisher groups, traditional Aceh associations or NGOs, water-user groups, and independent self-help groups (particularly of women, school committees, and housing clusters). Project activities were facilitated by directly recruited village facilitators and collaboration with NGOs. These activities used participatory group planning and phased community contract disbursement based on verified results. This community-driven method has many advantages over deploying contractors: higher construction quality at lower cost, flexibility in implementation, more use of local designs, reduced fund leakage, immediate local employment, more opportunities for women to participate, greater ownership, and strengthened sustainability. The large number of community contracts in many components shows that communities both participated in the project and actually implemented many activities. The experience empowered many community organizations to actively participate in the longer-term development of Aceh and Nias.

27. **Multi-Donor Fund.** To complement its support to Indonesia for mitigating the tsunami and earthquake disasters, the Asian Development Bank (ADB) joined the Multi-Donor Fund (MDF) soon after it was formally established at the request of the government in May 2005 and participates regularly in its activities and in its steering committee and technical review meetings. ADB's contribution of \$10 million entitled it to be a member of the steering committee guiding its activities. The World Bank contributed \$25 million to the MDF and has acted as an

MDF partner agency on several projects.¹⁵ The closing date of the MDF has been extended from 30 June 2010 to 31 December 2012. The purpose of the extension was to ensure a smooth transition in management of its program from the BRR to the National Development Planning Agency (BAPPENAS) and other agencies of the central, provincial, and local governments, and to allow for the completion of several essential projects that were running behind schedule. The extension gives the MDF the time required to utilize the remaining funds on important reconstruction projects.

28. As of 30 September 2010, the MDF had received \$677 million in pledges from 15 agencies and \$620 million in payments. A total of \$644 million had been allocated to 23 projects and a further \$1.8 million committed to 2 projects. Another \$32.7 million had been allocated to administrative expenses (\$17.3 million) and appraisal, supervision, and monitoring costs (\$15.4 million). The MDF has disbursed \$500 million (78% of allocated funds) to the projects under implementation. All remaining project funds will be allocated soon to enable the spending of associated funds by the extended closing date of 31 December 2012.

29. MDF technical review and steering committee meetings provided the institutionalized framework for coordination among aid agencies. Up to the end of its mandate, the BRR organized regular coordination forums for Aceh and Nias to apprise development partners of progress in the implementation of reconstruction and to outline major policy initiatives, approaches, and strategies. BAPPENAS took over this role for aid agency coordination nationally, while the Aceh Sustainable Reconstruction Agency and the Nias Sustainable Reconstruction Agency took over the role provincially.

30. ADB partnered with NGOs and the United Nations Human Settlements Programme in channeling financial assistance to housing subprojects and to small enterprises and microenterprises. ADB coordinated project support for community-based water supply and sanitation with assistance provided by the governments of Canada, the Netherlands, and the United Kingdom under a complementary project.¹⁶ Project-financed spatial planning for subdistricts and villages now serve as broad guidelines for local development supported by other aid agencies and NGOs. Under the project, ADB and the MDF worked together to plan and design infrastructure projects along Aceh's east coast. Some of these projects were financed and implemented under the MDF's infrastructure reconstruction financing facility.

31. In microfinance, ADB forged strategic alliances with the BRR's Aceh Microfinance Program and other international and national agencies to discuss joint projects and exchange information on their various microfinance development programs. In fisheries, ADB coordinated aquaculture assistance and shared lessons with other aid agencies, NGOs, and government agencies. This will help ensure the sustainability of project-supported fishery activities. The information system for the management of Aceh's forest resources—one of the last initiatives under the spatial planning and environmental management component—was designed in consultation with the MDF and other stakeholders.

¹⁵ Although the MDF and the government invited ADB to be a partner agency, ADB declined because of staffing constraints.

¹⁶ The complementary grants comprised (i) \$16.5 million from the governments of Canada, the Netherlands and the United Kingdom for the Community Water Services and Health Project—ADB. 2005. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Emergency Assistance Grant to the Republic of Indonesia for the Community Water Services and Health Project*. Manila (Grant 0003-INO) and (ii) \$3.5 million from the Government of the Netherlands for strengthening fiduciary governance.

32. **The Maldives: Tsunami Emergency Assistance Project (TEAP).**¹⁷ The project had two components: (i) a rapid-disbursement component; and (ii) a project component with five sector subcomponents—water supply, sanitation, and solid waste management; transport; power; fisheries; and agriculture. With help from the project, the country was able to rebuild some of its damaged public infrastructure to a higher standard than before the tsunami. The project financed the construction of six power stations on six islands, a harbor, and a sewerage system, and supported fishery and agricultural capacity building and assistance. The water supply and transport components were completed by 30 June 2008. On 19 June 2008, ADB approved a 2-month extension until 31 August 2008 to allow the completion of the power, fisheries, and agriculture components. More details on the individual components are given below:

- (i) **Water supply, sanitation, and solid waste management.** The contract for the construction of a sewerage network and sewage treatment scheme in Thaa Guraidhoo was awarded on 3 May 2007, and the work was completed by June 2008. The contract for detailed engineering design, associated environmental impact assessment, and the preparation of bidding documents for the Kulhudhuffushi sewerage scheme was awarded in April 2007, and all works were completed by September 2007.
- (ii) **Transport.** The contract for the reconstruction and rehabilitation of Dhidhdhoo harbor was awarded in May 2007, and all works were completed by the end of June 2008.
- (iii) **Power.** The first batch of subprojects (four islands) was completed by May 2008. The second batch was completed by 31 August 2008, after an extension of 2 months.
- (iv) **Fisheries.** The fisheries component, which has been implemented satisfactorily on 16 tsunami-affected fisheries islands, (i) strengthened community-based organizations; (ii) improved fisheries extension; (iii) trained farmers and Ministry of Fisheries, Agriculture, and Marine Resources staff; and (iv) gave in-kind assistance to beneficiaries. The micro-credit loans from the Bank of Maldives for working capital were canceled in favor of the government's loan programs for the same group of beneficiaries.
- (v) **Agriculture.** The government visited the 26 tsunami-affected agriculture islands for social mobilization, identified the needs of farmers, and provided furniture and equipment to community-based organizations. As the farmers' demands changed, it was determined that project funds could best be used for the key purposes of post-tsunami agriculture restoration and diversification. Thus, from August 2007, the agriculture component concentrated on strengthening the knowledge of farmers; carrying out agriculture research, training and capacity building, and commercial farming demonstrations; and providing working capital through micro-credit under the associated grant for the Restoration of Livelihoods of the Tsunami-Affected Farmers in the Maldives.¹⁸ Promising research and extension work was done in the field, provoking keen interest among the farming communities. The activities were completed by the loan and grant closing date of 31 August 2008.

¹⁷ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Maldives for the Tsunami Emergency Assistance Project*. Manila (\$1.8 million loan; \$20 million grant).

¹⁸ ADB. 2005. *Grant Assistance to the Republic of Maldives for the Restoration of Livelihoods of the Tsunami-Affected Farmers in the Maldives*. Manila (Grant 9066-MLD, approved on 29 April 2005).

33. **Sri Lanka: Tsunami-Affected Areas Rebuilding Project (TAARP).**¹⁹ The objective of TAARP to rapidly improve the living conditions and well-being of a significant number of people in the tsunami-affected areas by restoring basic social infrastructure, community and public services, and livelihoods. The loan closing date of the grant and loan was 31 December 2010.

34. The overall progress of project implementation picked up considerably with the cessation of conflict in May 2009 and realizing contract awards at \$152.88 million (about 97.38% of allocation) and disbursements at \$147.45 million (93.92% of allocation) as of end December 2010, out of loan and grant of \$157 million from ADB. Under the EU-financing, contract awards are completed for two large road contracts, one was completed in October 2009 and one in December 2010. Funds provided by the Government of Netherlands for home owner driven programs under components E (Southern Province Reconstruction) and H (NECORD-Tsunami) were fully utilized and completed in September 2007.

35. A meeting was called with all the project directors to discuss the undisbursed grant balance of TAARP. The component B agreed to use \$ 2.26 million for category 02B (Equipment) and category 04B (Microfinancing). Therefore reallocation was approved in 13 December 2010 to transfer undisbursed grant funds from components A (Legal Assistance, Governance and Anticorruption), C (Road Rehabilitation and Reconstruction), D (Water Supply and Sanitation), F (Coastal Resources Management) and H to component B (North East Coastal Development). Furthermore, \$37,683 was reallocated to Component G (Rural Finance) to pay the withheld amounts related to incremental costs.

36. **Thailand.**²⁰ All three TA projects in Thailand have been completed.²¹

- (i) **Development Plan for the Tsunami-Affected Andaman Region.** This TA for preliminary subregional development planning for the three provinces most affected by the tsunami (Krabi, Phang Nga, and Phuket) was successfully completed in July 2005 (phase 1).
- (ii) **Supporting Post-Tsunami Activities and Coastal Zone Management.** This TA, completed in October 2006, produced a draft of the Promotion of Marine and Coastal Resources Management Act.²² The Act would implement the constitutional guarantees of the right to information and participation in resource management. It would also provide a framework for harmonizing the functions

¹⁹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Tsunami-Affected Areas Rebuilding Project*. Manila (\$7 million loan [reallocation]; \$150 million grant; \$109.93 million cofinancing).

²⁰ (i) ADB. 2005. *Technical Assistance to the Kingdom of Thailand for Preparing a Development Plan for the Tsunami Andaman Region*. Manila (\$150,000); (ii) ADB. 2005. *Technical Assistance to the Kingdom of Thailand for Supporting Post-Tsunami Activities and Coastal Zone Management*. Manila (\$150,000); and (iii) ADB. 2005. *Technical Assistance to the Kingdom of Thailand for the Subregional Development Plan for the Tsunami-Affected Andaman Region*. Manila (\$1,700,000).

²¹ While activities under the three TA projects had been completed and the TA accounts had been financially closed, the status of these TA projects as of 31 December 2007 continued to be included in progress reports on the ATF.

²² In late 2009, the cabinet secretariat reviewed and amended the draft act and sent it back to the Ministry of Natural Resources and Environment for final confirmation of the amendments. However, as of 30 June 2010, the draft act was reported to have been put on hold because of concerns raised by a local fishery network. The Legal Opinion on the draft Act had subsequently been given by the Office of the Council of State in December 2010. It is expected that the draft Act will be considered and approved by the House of Parliament within the next 3 months and that another 3-4 months to secure approval from the Senate. The processes, however, will depend on the stability of the Government of Thailand.

and activities of the various government authorities operating in the coastal zone and marine areas, and for settling conflicts of jurisdiction among government authorities and disputes among stakeholders.

The TA supported improvements in the laws and regulations for coastal zone management in Thailand and arranged for adequate field coordination of government and nongovernment agencies involved in post-tsunami rehabilitation.

The TA report was reviewed by the executing agency, other external funding agencies, universities, and civil society organizations in Thailand.

- (iii) **Subregional Development Plan for the Tsunami-Affected Andaman Region, Phase 2.** Activities for this TA were completed in October 2006; however, at the request of the government, national and provincial workshops for the dissemination of the subregional development plan were held from November 2006 to March 2007.

The Thai cabinet accepted the plan in 2006. The National Economic and Social Development Board is expected to take charge of implementing and supervising the plan in coordination with the provincial authorities of Krabi, Phang Nga, and Phuket. The TA was satisfactorily completed in April 2007.

IV. ADB'S CAPACITY TO SUPERVISE, CONTROL, OR MONITOR THE USE OF RESOURCES

37. **India.** In August 2005, the ADB India Resident Mission established two extended missions in Tamil Nadu and Kerala with full-time staff consultants, to assist and guide the executing and implementing agencies. The extended missions provided direct institutional strengthening through the transfer of management skills and strengthened project ownership by community beneficiaries and state government agencies, as only a small number of government staff members had prior experience with the preparation and implementation of large projects with multiple contracts. The extended missions also supervised and monitored the use of funds, as well as contract adherence to ADB's guidelines and safeguard policies. They were instrumental in coordinating review missions and assisting in visits by senior officials and dignitaries to the tsunami reconstruction works and livelihood components. These extended missions were closed at the end of August 2008 in Tamil Nadu and on 31 December 2008 in Kerala. After the extended missions were closed, the TEAP was monitored and supervised by staff of the India Resident Mission, and requisite missions were fielded to both states to see to the physical completion of the remaining works before the project closing date of 31 October 2009.

38. **Indonesia.** Besides adopting a sector funding modality, ADB decentralized decision making by establishing the EMS within 3 months of grant approval, simplified subproject preparation and approval while maintaining environmental and social safeguards, and delegated review and approval authority to the EMS. Fully operational by June 2005, the EMS was overseen by the country director of the Indonesia Resident Mission, staffed by ADB professionals, and supported by a team of international and national advisors with expertise in project management and safeguards issues. Component oversight was devolved to the EMS gradually, beginning in late 2005. By the end 2006, 8 of 12 components were delegated, and by 2007 the number increased to 11, with 1 component administered by the resident mission in

tandem with the complementary Community Water Services and Health Project (see footnote 16).

39. ADB management and support was considered *highly satisfactory* by all components and government agencies. The shift to local management in the extended mission was viewed highly positively by most government agencies, NGOs, and aid agencies, allowing close relations to develop with the executing and implementing agencies, and rapid and effective decision making. ADB was *highly effective* in allocating resources, monitoring implementation, and providing follow-up. Other innovations that greatly improved implementation were (i) post review of procurement contracts, (ii) ADB's engagement of design and implementation consultants, (iii) adjusted thresholds and ceilings for procurement modalities to expedite contract awards, and (iv) the adoption of off-budget modalities for engaging NGOs and other private sector partners for housing construction. There was close communication, both formal and informal, among ADB and government agencies concerning the procurement review, issuance of procurement contract summary sheets, and processing of withdrawal applications. This enabled effective management and replenishment of 16,000 transactions for more than 6,000 contracts during the 5-year implementation period. BRR management was highly appreciative of ADB's decentralized administration of the project and cited it among 10 major lessons for large-scale disaster management.²³ Some beneficiaries compared ADB's performance favorably with that of some other multilateral agencies, including the MDF.²⁴ ADB management guidance, from the early stages of tsunami response through field visits and support from the Southeast Asia Regional Management Team, greatly facilitated implementation supervision by the extended and resident missions.

40. Anticipating problems that are wont to arise in large and complex projects, the project grant agreement of the ETESP required the establishment of a grievance mechanism to receive and respond to beneficiaries' complaints and concerns. Support for the establishment of a grievance facilitation unit in the BRR and complaint handling was a significant aspect of ETESP undertaken by the EMS where 137 complaints were resolved. ADB's Office of the Special Project Facilitator provided support for training project implementers and NGO partners in handling complaints by organizing a series of workshops and exhibits to share experiences in the project with other organizations involved in reconstruction of Aceh and Nias. In November 2009, the Office of the Special Project Facilitator launched a publication on the project's experience in handling complaints to enable sharing them with a wider audience.²⁵ It is noteworthy that since problems were resolved as they arose at the field level, the Office of the Special Project Facilitator did not receive any formal complaints.

41. **Maldives.** ADB established the extended mission to the Maldives in Malé to assist in the pre-design, design, tendering, and implementation phases of the program, and to help the government in communicating with ADB and in overseeing the consultants' work. The mission worked closely with the development assistance community to resolve issues of concern, and was a member of the United Nations country team that was formed to address and resolve common or competing interests. It also assisted the government in preparing for the Maldives partnership forums in June 2006 and June 2007 to raise awareness of the country's assistance needs and the status of the tsunami recovery program. ADB senior management attended both

²³ BRR. 2009. *10 Management Lessons for Host Governments Coordinating Disaster Reconstruction*. Jakarta.

²⁴ For instance, the mid-term review of the operations of MDF noted that "it would be useful to evaluate the experience of the ADB...[W]hy did a traditionally conservative organization like the ADB allow full decentralization of authority and ex-post review of contract awards? And why have only \$5 million of the \$300 million in contracts been disallowed" World Bank. 2009. *MDF Mid Term Review, Phase 2: Implications for the World Bank*. Jakarta.

²⁵ ADB. 2009. *Complaint Handling in the Rehabilitation of Aceh and Nias*. Manila

forums. The mission likewise provided invaluable assistance in the 2006 and 2007 audit of the Tsunami Relief and Reconstruction Fund. The mission closed on 31 December 2007. On that date, the consultant (senior resident adviser) hired for the mission completed his duties and his contract expired.

42. **Sri Lanka.** ADB's Sri Lanka Resident Mission (SLRM), continued to work closely with the government, EAs, and project management units of all eight components providing assistance in procurement, project management, and finance management matters. Review missions were fielded to monitor: (i) physical progress of ongoing works, (ii) quality assurance of works, (iii) audit procedures, (iv) compliance with loan covenants, (v) progress of contract awards and disbursements, and (vi) outcomes against the design and monitoring framework of the project. To monitor the effective utilization of project funds, achievement of its objectives, outputs, and performance indicators, a consultancy firm had been appointed in 2007 to carry out performance audits of each of the components. The fifth and sixth performance audit reports for the six month periods ending 30 June and 31 December 2009 respectively were submitted to SLRM on 31 December 2010. Comments and recommendations for improvement arising from the performance audits and subsequent actions to be undertaken by the respective EAs were closely monitored by SLRM to continuously improve the quality of outputs. The Auditors will also provide findings on lessons learned to project directors and SLRM project staff.

V. OTHER MAJOR ISSUES AND PLANNED ACTIVITIES

43. **India.** All works were physically completed by 31 October 2009, the project closing date, but the grant was financially closed on 23 February 2010. The project completion report is planned for submission to ADB's Board of Directors by October 2011.

44. **Indonesia.** The major issue confronting ETESP is ensuring the disbursement of the remaining funds. ADB's Controller's Department and the Indonesia Resident Mission are coordinating the review of the documents to accomplish this by 31 March 2011. The project completion report is scheduled for circulation in by the first quarter of 2011.

45. **The Maldives.** All project components were completed by 31 August 2008, and the project completion report was submitted to ADB's Board of Directors on 21 December 2009. The outstanding advance amounting to \$1,492,421.19 that was reported in the last progress report has been liquidated. However, there remains an eligible amount of approximately \$66,632 for reimbursement to the Government for expenditures incurred in 2008.

46. **Sri Lanka.** There are no major issues impacting the project. Funds are almost fully committed and disbursed except for the withheld items under component A, D and F. The government also needs to refund the balance available in the imprest advance for components B, D and F. Following imprest account advance refunds and release of withheld items, the grant accounts can be closed.

47. Tapping on the wealth of challenges, achievements, and lessons learned in the implementation of the investment projects and TAs approved under the ATF, ADB is planning to conduct an evaluation of the overall activities of the ATF by mid-2011. The evaluation will consist primarily of a desk review and interviews with key staff involved in the design and implementation of the ATF programs. It is also planned to link the evaluation to the work done

for the Tsunami Evaluation Coalition (TEC).²⁶ to frame ADB's experience, within the broader learning context, from the Indian Ocean Tsunami.

VI. CONCLUSION

48. Along with the rest of the global community, ADB responded rapidly to the 26 December 2004 tsunami by launching the largest grant program in its history – the Asian Tsunami Fund. Six years after, the projects funded by the ATF have continued to have a positive impact in the lives of the tsunami-affected people. In **India**, livelihood programs undertaken by self-help groups, comprising poor women desiring to support their families have developed great ideas and have produced export-worthy products. The livelihood programs have focused on convergence and sustainability to make sure that family incomes continue to be supported even after project closure. The water supply component has restored supply to more than 2 million people, exceeding the original target by more than 300%. In **Indonesia**, the successful completion of the massive reconstruction program has been coordinated by a strong, experienced leadership team that gained the full support of other government agencies and the donor community. The coordinating agency has also helped to ensure the integrity and accountability of fund use to gain donor confidence and support. The responsive and flexible manner in which ADB implemented the ETESP has been recognized by development partners as highly relevant for disaster management. In the **Maldives**, the sectors chosen for ADB assistance were the most appropriate ones, considering that ADB had recently financed several loan projects in the same sectors and had working relationships with the ministries that were ultimately responsible for implementing the project components. The successful construction of new infrastructure has benefited thousands of Maldivians on the islands covered by the project, and the extension of the project completion date by 11 months was essential to the proper completion of the new works. In **Sri Lanka**, overall, the progress of project activities for each of the components is completed. It is expected the grant accounts will be closed after ADB settles the withheld items and the government refunds the imprest advance balance. SLRM will subsequently also conduct procurement audit review missions for specific components and will follow up on submission of the Government's PCR and audited project accounts before 30 June 2011. In **Thailand**, a subregional development plan for the provinces of Krabi, Phanga, and Phuket had become a key input in the preparation of an overall planning framework for the 14 provinces in the south of Thailand.

49. The Public Management, Governance, and Participation Division (RSGP) of the Regional and Sustainable Development Department (RSDD), ADB's focal point for the ATF wishes to acknowledge the cooperation and support provided by the various ADB departments and offices with respect to the reporting and documentation of activities that were financed from the ATF. By highlighting the major activities, implementation of project components, challenges, and lessons learned in the rehabilitation and reconstruction process for rebuilding communities affected by the Indian Ocean Tsunami, the contributions made by the Regional Departments and Resident Missions have been invaluable to the preparation of the 12 semi-annual reports on the status of the ATF.

²⁶The TEC was an independent learning and accountability initiative undertaken jointly by a wide range of organizations in the humanitarian sector which evaluated coordination; needs assessment; capacity development; linking relief, rehabilitation, and development; and funding in the 2004 Indian Ocean Tsunami response. More details about the TEC process and results are available at <http://www.alnap.org/initiatives/tec.aspx>.