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The amount of funds allocated to tsunami-related reconstruction projects increased at the end of 2007 to US$6.4 billion as the Government confirmed its budget allocation for 2008 of US$327 million. Donor allocations increased by over US$100 million: a combination of allocations to new projects (US$38 million) and exchange rate fluctuations (US$74 million).

Following the devastating tsunami and earthquake, US$7.77 billion in funds have been committed for the reconstruction of Aceh and Nias, of which donors have committed the largest share of US$3.24 billion (42 percent). The Government and non-government organisations (NGOs) have also contributed substantial sums of US$2.23 billion (29 percent) and US$2.30 billion (30 percent), respectively. By December 2007, 83 percent of the US$7.8 billion of funds committed had been allocated to specific projects. The remaining 17 percent, or US$1.3 billion, is yet to be allocated by donors and NGOs, whilst the Government, through the Agency for Reconstruction and Rehabilitation (BRR), has committed all its funds. Donors are still in the process of identifying projects for up to 25 percent of their commitments (mostly made back in early 2005) as shown in Figure 1.

Figure 1: Project financial progress

Figure 2 shows that, whilst the growth in allocated funds has slowed in 2007 compared with 2006, there is a notable decrease in the amount of funds yet to be disbursed. The strong performance of BRR, which has now disbursed nearly 75 percent of its allocated funds, is unsurprising given that BRR’s limited mandate expires in early 2009 when its work will need to be completed.

Donors have disbursed two-thirds (66 percent) of their allocations, whilst the disbursement rate of donor agencies of 55 percent is lower due to their focus on longer-term projects. When the long-horizon transport sector is excluded from donors’ overall disbursements, their performance is in line with NGOs, disbursing 64 percent of their funds.

The amount of funds actually disbursed by projects rose by a higher amount than the rise in allocated funds, bringing total disbursements towards reconstruction to US$4.2 billion, or 65 percent of the monies allocated. Disbursements have been highest in the productive sectors, where 93 percent of funds allocated to agriculture and livestock projects have been disbursed. Disbursements within the infrastructure sector have been slower, with less than 50 percent disbursed within transport, communications, flood control and irrigation works.

Figure 3 shows the disbursement performance of the reconstruction players over time. The Government’s BRR agency started slowly but increased significantly in 2007, spending on average six times more per month than NGOs throughout the latter half of the year.

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Building Back Better

Detailed breakdowns of reconstruction actors’ sectoral allocations are highlighted in Figure 4. This illustrates the generosity of the Government and international community in allocating sufficient funds to allow for an improvement in conditions compared with before the tsunami. As a result, the reconstruction community is able to help the Acehnese to build back a better Aceh and make solid improvements to the region following a 30-year-long conflict.

However, gaps still remain as highlighted in the sectors in red in Figure 4: the environment, energy, and flood control and irrigation sectors are yet to receive enough funding to cover the estimated core minimum needs for reconstruction. Figure 5 reveals the current variance between the core minimum needs and the amount of money disbursed to sectors, with those sectors in red still lacking sufficient money disbursed to projects needed to return them to pre-tsunami conditions.

Figure 6 demonstrates that housing remains by far the sector with the largest need. As such, the sector still has a significant gap in the amount of funds actually spent on rebuilding houses. BRR reported at the end of 2007 that 100,000 houses had been finalized with a further 30,000 units to go.

The allocations of funds towards different sectors vary, sometimes significantly, across sectors as highlighted in Figure 6. This illustrates that the rebuilding of 130,000 houses has subsumed the largest share of funds from all players. Figure 7 shows how housing reconstruction has dominated the attention of reconstruction players and compares the progress of allocations with the key sectors of health, education and transport — sectors that did not experience increases in allocations similar to those seen in the housing sector throughout 2007.

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