

Asian Development Bank's Statement

Pre-CGI Session on Aceh

1. The enormous destruction and human loss resulting from the earthquake and tsunami disaster has moved the entire world into action. The Indonesian Government, NGOs and the partners in the international community have been working intensively both on the immediate relief efforts as well as developing concrete action plans and financing for the next stages of work, focusing on rehabilitation and reconstruction.
2. A team of around 20 ADB staff has been working full time on ADB's response, which include:
 - (i) Contributions to the damage and needs assessment and the medium term rehabilitation and reconstruction strategy, both being jointly formulated by the Government and the development partners;
 - (ii) Formulation of support mechanisms through which ADB can help Indonesia; and
 - (iii) Effective collaboration with the many donor partners that have committed their assistance.
3. Based on initial assessments and feedback from the various line ministries, all of the following areas will be critical during the rehabilitation and reconstruction phase:
 - (i) Emergency provision of social infrastructure, with a focus on restoring water supply and sanitation facilities, and rebuilding the health and education infrastructure.
 - (ii) Rehabilitating the agriculture sector, and revitalizing fisheries, prior to the disaster, these two sectors provided significant livelihood opportunities, particularly to the poor.
 - (iii) Restoring basic infrastructure, including power, roads, ports, and finance. Emergency support in these areas is critical to restore access to markets and revive economic activity.
 - (iv) Containing environmental damage, particularly in the coastal areas, and.
 - (v) Restoring livelihood opportunities: – given the scale of the disaster and the large number of displaced persons, major livelihood programs will be needed through initiatives in various sectors.
4. **ADB's Response:** At the ASEAN Leaders' Summit on 6 January 2005, President Chino pledged: (i) \$500 million in concessional loans and grants in new support; and (ii) \$175 million in the form of reprogrammed projects, for the rehabilitation and reconstruction support in Indonesia, the Maldives and Sri Lanka. In addition, as part of this support, ADB can also mobilize significant amount of cofinancing based on its past rich experience of designing and implementing projects.
5. The scope and instruments of ADB's support to Indonesia will remain flexible and be subject to the Government's emerging needs and request. In particular, quality, speed and effectiveness will be the key guiding principles of ADB's operational work in dealing with the disaster. In order to launch its operational work, ADB's team in Indonesia has:
 - (i) Initiated an in-depth assessment of seven ongoing projects that have components in Aceh and North Sumatra, with a view to reprogramming the resources readily

available in these projects to support rehabilitation and reconstruction in agriculture, fisheries, health, higher education, and power distribution.

- (ii) Identified six other projects with unutilized resources, that allow support for other vital sectors such as basic education, livelihood restoration, and road and bridge infrastructure.

6. ADB is also working with the Government to mobilize additional resources on a fully concessional or grant basis to support: (i) immediate water supply and sanitation needs, (ii) improving access to towns and markets by rehabilitating affected roads and bridges, and (iii) putting in place governance structures to help manage the flow of funds to the affected areas.

7. ADB will support priority rehabilitation and reconstruction needs on a multi-sector basis, to be funded through a combination of grants and soft loans, both alone and in collaboration with other financiers, subject to the emerging needs. In designing ADB's support:

- (i) Sufficient procedural flexibility will be allowed with regard to safeguard policies, particularly by compressing the time-frame for various assessments and requiring processing to be completed within 12 weeks from the start.
- (ii) Simplified procurement procedures will be adopted, allowing for local competitive bidding for civil works and international shopping instead of international competitive bidding for goods with short bidding periods.
- (iii) Provision will be made for up to 100% of the eligible project costs, thus softening the burden of counterpart financing requirements on the part of the Government.
- (iv) Highly concessional loan terms – emergency loans financed from the Asian Development Fund carry an interest of 1% per year and a maturity of 40 years (against 32 years in normal projects), including a grace period of 10 years.

8. In addressing these priority needs, two cross-cutting areas are equally critical:

- (i) Restoring the human resource capacity—scores of lives have been lost of those working in the civil service, other public sector bodies and the private sector, and it is vital to focus on building back the human resources.
- (ii) Ensuring sound fiduciary governance in the rehabilitation and reconstruction phase—with the flow of the funds of the magnitude pledged, it is extremely important to make sure that sound monitoring and financial management mechanisms are in place (this will be a natural extension of State Audit Reforms Project recently initiated by ADB).

9. Along with the completion of the joint damage and needs assessments, ADB is working closely with the Government and donor partners in developing the modalities for immediate support. It is our belief that the quality and speed of delivery of support, given the urgent needs, are quite critical. At the same time, adequate safeguards should be in place to ensure that the support goes to the most critical needs and the most vulnerable groups, and that it is utilized in a fully transparent and accountable manner.