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2006 Progress Report on the European Commission Post Tsunami Rehabilitation and Reconstruction Programme



Map: European Commission-Joint Research Council

EXECUTIVE SUMMARY

1. The earthquake and resulting tsunami that struck the Indian Ocean countries on 26 December 2004 was one of the most devastating natural catastrophes in one generation. Apart from the tragic cost in lives, the tsunami wiped out thousands of kilometres of coastal areas including human settlements. More than one million people became homeless and the total housing, rebuilding of infrastructures and revival of economic activities costs will exceed €10 billion to reconstruct. The international response was also unprecedented.
2. The **EU played a leading role** in the overall international response, and pledged and deployed funds and resources quickly: €60 million for humanitarian assistance and €1.5 billion for medium and long-term reconstruction. The Commission alone has committed €23 million in humanitarian aid and €350 million in rehabilitation and reconstruction.¹ The EC support has focused on the three worst affected countries: Indonesia, Sri Lanka and the Maldives (the other affected countries, India and Thailand, indicated that they would not need EC support).
3. As noted in the First Year Progress report on the EC's Response to the Tsunami², the emergency response was quick, and focused action by international donors working with national and local authorities ensured that affected people benefited from access to food, improved sources of water, sanitation and health services. The general consensus for the first year was that emergency relief successfully met the immediate humanitarian needs of the affected people.
4. Two years after the tsunami, the EU acting in cooperation with the international community is recognised as an effective partner in the reconstruction efforts. Building on the success of the humanitarian assistance phase, the focus of the assistance during the last eighteen months has been on **creating the foundations for sustainable medium and long-term reconstruction**, and starting the governance structures and projects in the critical areas of the recovery: recreating communities and livelihood, rehabilitation of the environment including waste management, rebuilding infrastructures and transports, strengthening local governance.
5. In the case of **Indonesia** the reconstruction process is well underway. The consolidation of the **Aceh peace process**, which has significant support from the EU, provides a strong political basis for sustainable reconstruction.³ The multi-donor trust fund (MDF) - an initiative led by the EU - is now gathering about €20 million in grants (85% from EC and Member States). It has already launched reconstruction projects in strategic areas for a value of €385 million (74% of total) and disbursed €171 million to materialise project activities.

¹ In addition the European Investment Bank is making available specific loan financing to the affected countries (www.eib.org)

² <http://ec.europa.eu/comm./world/tsunami/index.htm>

³ http://ec.europa.eu/comm/external_relations/indonesia/assistance_to_aceh/index.htm

The MDF already is a main contributor to support livelihood and community recovery in Aceh and Nias by integrating employment creation and wealth generation in specific projects. This includes cash for local community work, full time employment in major projects such as waste management, infrastructure reconstruction, creation of alternative income in agriculture, etc. In combination these activities have already created the equivalent of 48,000 full-time jobs, making the Multi-Donor Fund the largest non-governmental employer in the recover process.

Key achievements include:

- Over one million m³ of tsunami waste cleared, almost 100,000 m³ of municipal waste collected and 620 hectares of rice fields cleared through the Fund's waste management project. This initiative has introduced or re-established municipal waste collection systems in 8 districts;
- Establishment of a network of 13,000 facilitators for local community projects that reach all villages in Aceh and Nias. This network facilitated a democratic decision-making process for communities to plan and prioritize need in their area. Through this process, communities have built over 1,900 km of roads, 740 bridges, 240 school buildings, 1,143 irrigation and drainage units, 570 water units and 632 sanitation units, 40 health posts and have granted scholarships/apprenticeships to 7,082 people and micro-credits to 3,685 recipients.

The MDF is the best recent example of **effective donor coordination** and largely promoted by the EU. As stated by the representative of the Aceh Reconstruction Agency during the recent Aid Effectiveness Forum held in Manila, Philippines, in October 2006 "in the context of the Aceh reconstruction effort, we can identify the MDF as the fastest disbursing of recovery funds in their projects, the quality of the current projects is high and they are set-up in response to the needs of the people, with a strong focus on community-driven development projects. Further we feel the MDF is currently the best forum for government and recovery dialogue, leading to a better coordination overall among donors and the government in the reconstruction of Aceh and Nias".

6. In **Sri Lanka**, despite the recent deterioration of the security situation, the EC continues in its efforts to help communities recover and develop their livelihoods alongside the rehabilitation of major infrastructure and the environment.

Key achievements include:

- About 1500 people were employed in the reconstruction and clean-up activities in the North and East;
- re-establishment of the livelihoods of 150 families (agriculture, handicrafts, education, tourism, construction etc.) living in the wetland areas of Maandugange and Madampegange (Galle district);
- assistance to 700 farmers and daily labourers from 15 villages in Jaffna growing millet and pulses; another 190 farming families received help in repairing cattle sheds and purchasing livestock in Ampara district;

- improved community services including 30 km of access roads improving access for communities facilitating trade and availability of public services; and the reconstruction of 4.25 km of drainage channels further improving the sanitary conditions of target areas and reducing the risk of water borne communicable diseases; 5 Batticaloa villages benefitting from renewable energy programme (solar panels); and 3 schools reconstructed in Killinochchi and Mullaitivu;
- 6 large scale infrastructure projects being implemented, including the construction of a main coastal trunk road, renovation of rural roads and minor water tanks; and the reconstruction of 2 bridges reconnecting Tamil and Muslim communities in Ampara;
- the market place reconstructed in Jaffna.

7. **The Maldives** was the most affected country in per capita terms, and the EC is providing assistance to the immediate restart of livelihoods on affected atolls; and support to the longer-term regional development strategy ('safe islands' concept) with a focus on environmental infrastructure and the strengthening community services.

Key achievements include:

- establishment of agriculture extension services in 14 islands; 6 fish processing centres constructed; 5 fish markets constructed; around 1200 women have received cash grants, training and tools enabling them to resume business.
- inter-island regional development: 16 waste management centres under construction including waste collection and disposal; preparations for the construction of a further 22 island waste management centres and a Regional Waste Management Facility.

8. The Commission is undertaking a number of projects at a **regional level** in the Indian Ocean countries (including India and Thailand), to share experiences and implement best practices regarding the recovery of the environment and local communities in a sustainable way.

Indeed, the tsunami disaster highlighted the need for effective early warning systems. The Commission, Member States and other donors are working with UN/ISDR⁴ and other international organisations, to strengthen the national institutional capacities in disaster risk reduction and to increase public awareness and knowledge on tsunami risks. These Commission-supported activities are in support of the local communities' action programmes to protect their lives and livelihoods.

⁴ UN inter-agency secretariat for the International Strategy for Disaster Reduction (ISDR)

COUNTRY BY COUNTRY AND REGIONAL ACTIVITIES

1. INDONESIA

1.1 Introduction

The European Commission allocated over €200 million for post tsunami reconstruction activities in Indonesia, in addition to the €53 million provided for emergency work under EC Humanitarian Assistance.

In order to maximize efficiency and effectiveness, the Government of Indonesia (GOI) and the international community agreed to pool funds through the Multi-Donor Fund for the Post Tsunami Reconstruction of Aceh and Nias (MDF), which is administered by the World Bank (WB) as trustee. In addition the Government of Indonesia established the Aceh-based government agency responsible for the overall coordination and planning of the reconstruction: the "Badan Rehabilitasi dan Rekonstruksi (BRR)".

The MDF has supported since the very beginning the operations of the BRR providing financial assistance and international best practice expertise. In this way the MDF has contributed significantly in helping the BRR to set up the overall reconstruction planning and implementing policies. Since its inception the BRR has coordinated donor and NGO funds for €2.8 billion, in addition to the own government allocated funds for Aceh reconstruction that in 2005 and 2006 amounted to €1.77 billion (\$2.2 billion). The total funds under coordination and supervision by BRR, therefore, has reached €3.85 billion (\$4.8 billion). This amount represents 75% of the total amount needed for the rehabilitation and reconstruction program estimated at €4.8 billion (\$6 billion)

The MDF started its operations on 10 May 2005. The initial pledges to the Fund are approximately €440 million (\$540 million) from 15 bilateral and multi-lateral donors (European Commission, Netherlands, United Kingdom, World Bank, Sweden, Denmark, Norway, Canada, Asian development Bank, United States, Germany, Belgium, Finland, New Zealand and Ireland). The European Commission contribution to the MDF is €203.5 million and in the overall the EU contributes with 85% of the MDF total funds.

The EC co-chairs the MDF together with BRR and the World Bank, and has as particular responsibility: to engage with other members of the Steering Committee, especially all other contributors, to ensure that a consensual and constructive spirit is maintained, and facilitating the Steering Committee's policy dialogue with the Government on special issues as tasked by the Steering Committee - such as the Aceh Peace Process. The EC is playing a very active and successful role in relation to these coordinating issues.

Eighteen months after the creation of the MDF, the fund is fulfilling its objective of helping the people of Aceh and Nias to build back better. The Fund has already allocated €385 million (\$482 million) to finance critical projects of the BRR's reconstruction master plan for Aceh and Nias (2005-2009). Already €171 million (\$214 million) have been disbursed to materialize project activities in the field (44% of total grant amount). In addition, the BRR is contributing with approximately €185 million (\$231 million) for the co-financing of joint projects with the Fund, in particular in the infrastructures sector where the MDF has an advantage for leveraging large financing and to mobilize high-quality international expertise to work in tandem with local specialists. Building local capacity on the required technical

needs and co-financing also implies that BRR benefits, in particular, from the strong anti-corruption systems and quality control and assurance systems put in place by these partners.

The MDF is the best recent example of effective donor coordination in providing quick high quality international assistance, and the EU has taken a leading role in its creation and financing. As stated by the BRR representative during the recent Aid Effectiveness Forum held in Manila, Philippines, in October 2006 "in the context of the Aceh reconstruction effort, we can identify the MDF as the fastest disbursing of recovery funds in their projects, the quality of the current projects is high and they are set-up in response to the needs of the people, with a strong focus on community-driven development projects. Further we feel the MDF is currently the best forum for government and recovery dialogue, leading to a better coordination overall among donors and the government in the reconstruction of Aceh and Nias".

1.2 Approach and Strategic Framework

In the first 18 months the funding strategy of the MDF has been characterized by community development and local capacity empowerment. In the next two years, the Fund's portfolio will also be focusing on building key infrastructure, such as roads, ports, drainage facilities and meeting other associated local infrastructure needs, both at provincial and local level, where the financing needs are enormous. Finally, the challenge will be to support long-term economic developments in the Aceh Province such as improving the area's investment climate and promoting agriculture and industrial development. Indeed, further efforts in favour of the protection and management of the environment (including more resilient protection for future disasters) will also be needed.

In recognition of the Multi Donor Fund's success, four donors have pledged additional €80 million (€8 million from the Netherlands, £13 million from UK, SEK 70 million from Sweden and €3 million from Germany). This will allow further financing of critical projects of the reconstruction long-term plans, including the sustained economic development and environmental protection of the Province of Aceh. In total the MDF will manage a portfolio of approximately **€700 million in grants** (\$870 million) from 2005 to 2010 – including the co-financing with BRR.

The MDF is a very good example of the use of international best practice to identify quality criteria for projects that improve transparency and effectiveness of the recovery process:

- Community participation – The MDF projects have been providing good practice through their effective mechanisms of community participation and involvement. The community-driven approach used, while requiring significant investment in capacity building, has resulted in greater beneficiaries satisfaction, more rapid disbursement and local empowerment. The empowerment of local communities to take charge of their own rehabilitation needs through participatory process will improve the effectiveness and sustainability of the reconstruction process.
- Gender – The MDF projects have sought to include gender sensitivity in their design where appropriate. The focus is on creating participatory mechanisms for women in order to ensure protection of their rights. In practice the effective involvement of women in local decisions is proven very difficult due to social constraints. Nevertheless, donor have been influential on BRR for the launching of the policy on joint land titling (co-ownership

of the land by spouses): while joint titling is not prohibited by Indonesian law, or *syariah* and *adat* law, it is not commonly used. BRR's policy statement aims to introduce joint-land titling as an important facility for dealing with land ownership issues in post-disaster situations, and will work with the National Land Agency and local government to ensure that women are included as beneficiaries of its land parcels under joint titling.

- Conflict Sensitive Approach (see also section 1.6) – All MDF projects have been designed with a conflict sensitive approach. In addition, two years after the Tsunami, it is very crucial to ensure a shift from humanitarian to sustainable development. This is the phase where there is convergence between tsunami recovery process and peace process. In view of the convergence, the distinction between tsunami-affected recovery and non tsunami-affected/conflict-affected recovery process appears to be no longer relevant. As a consequence, the MDF donors agreed that their approach for support should not be based on this distinction any longer since not only it will become less effective, but also it will potentially create new conflicts among the Acehnese. It is now time to think about Aceh as an area that needs an integrated support to develop its overall social and economic life.
- Anti-corruption and fiduciary oversight - For all MDF funded projects, it is imperative that comprehensive anti-corruption mitigation measures are followed at all levels. Individual projects are designed with strong and specific anti-corruption measures: international standards for procurement, financial management and disbursement are applied to all programmes in the portfolio. Grants are subject to several levels of internal as well as independent auditing and supervision. In particular, the Partner Agencies of the MDF (World Bank, UN Agencies) are responsible for ensuring that all project funds are utilized in a proper manner. The strong mechanisms instituted by the Partner Agencies have minimized the risks of corruption in the portfolio's projects. Apart from the stringent administrative and financial regulations, the Fund also has a feedback mechanism in place that allows communities to submit complaints on possible corruption cases. So far, several cases of corruption were brought forward and have been resolved at the community level.

1.3 Sectors and Project portfolio Overview

The Fund portfolio of projects are spread to the following sectors:

<i>Sector Allocation (Dec2006)</i>	Grants Million €	% of total allocation	Disbursement Million €	% disbursed (work in progress)
(1) Recovery of Communities	167	43%	120	72%
(2) Management of environment, including waste management	25	7%	12	48%
(3) Infrastructure and Transports	140	36%	23	17%
(4) Capacity building and governance	53	14%	16	40%
Total	385		171	45%

(1) Recovery of Communities

The Multi Donor Fund supports an integrated approach to community recovery through a package of projects that re-establish property rights, rebuild homes, empower community decision-making, and improve neighbourhood infrastructure. This integrated approach is already delivering important results through community-based mechanisms:

- Preparation of more than 138,000 land titles to enable communities to rebuild homes, business and public facilities;
- Over 6,000 houses rebuilt or under construction and over 8,400 houses repaired or under repair;
- Preconstruction of 1,915 km of village roads and 710 bridges;
- Financing of key local facilities, including 1,143 irrigation and drainage units, 688 clean water and reservoir projects, 632 sanitation facilities, 240 schools, 40 health posts and 118 community centres;
- Provision of 7,082 scholarships and micro-credits to 3,685 individuals and 340 vulnerable groups;
- Generation of over 10 million person-days of employment.



(2) Sustainable Management of the Environment

The MDF is one of the largest financiers of initiatives promoting the sustainable management of resources in relation of the rehabilitation and reconstruction activities, and for the long-term protection of the environment:

- The Tsunami Recovery Waste Management Programme builds government capacity in waste management, provides a coordinated response to the public health concerns and environmental impacts of tsunami and earthquake waste, and municipal solid waste. The project has already cleared over one million cubic meters of debris, collected more than 88,000 cubic meters of municipal waste in eight districts, rehabilitated 627 hectares of rice paddles. In addition, about 17,000 cubic meter of tsunami wood waste has been recycled as finished materials for use in rehabilitation and reconstruction.
- A Forest and Environmental Project is already helping to protect precious Aceh's environmental assets, including the timber monitoring, natural water supply sources, biodiversity and erosion control. All of this will result in the protection of the largest contiguous forested area in South East Asia.

(3) Infrastructure and transport

A necessary requirement for promoting recovery in Aceh, and for expediting the rehabilitation and reconstruction process, is the rehabilitation of essential infrastructure that has been destroyed or badly damaged by the earthquake and tsunami disasters. Once rebuilt, this infrastructure will have a major influence on the long term economic recovery and development of the province, as well as help to speed up the reconstruction and recovery process:

- A shipping cargo service has delivered 88,000 metric tones of construction goods to Aceh and Nias since the earliest moments of the reconstruction works in the absence of commercial carriers;
- The design and procurement specifications of three port facilities on the west coast of Aceh has been completed and one other is near completion. Complete ports designs are submitted to the BRR and ports authority for its financing, and the construction of ports essential for the economic revitalisation and people's communications may start in 2007;
- Installed 11 flood valves and three pumping stations to protect vulnerable areas of Banda Aceh from flooding;
- Keeping open a 52 km stretch of road from Lamno to Calang by conducting emergency road and maintenance works while the permanent road is under construction.



In addition, a major Infrastructure Reconstruction Enabling Program of \$300 million has recently been launched to provide assistance to the BRR and Local Government for the design, implementation and management of critical new infrastructure investments in underserved areas such as Nias and the West coast and for the elaboration of Annual District Plans. Based on these plans the Infrastructure Reconstruction Financing Facility, jointly co-financed by the BRR and MDF, is providing key funds for the reconstruction of basic infrastructures to each of the disaster affected districts ensuring the involvement of local governments in the design, supervision, implementation and maintenance of infrastructure work.

(4) Capacity building and governance

In this sector, the Multi Donor Fund has succeeded to ensure a sustainable partnership with the BRR while simultaneously strengthening the role of other local actors in the recovery:

- the Fund has strengthened from its inception BRR's capacity for planning, coordination, technical design and implementation capabilities in the different specialised areas of the reconstruction; built local government capacity in specific areas (land administration, waste management), assessed the institutional needs of civil society organizations, and outlined the training needs of local contractors.

The project portfolio foresees the completion of operations in 2010. It should be noted that the work in progress for the first 18 months of projects operations is satisfactory in relation to the overall work plans, as proved by the level of disbursements (45% from current contracted amount as of December 2006)

1.5 Coordination, monitoring and visibility

1.5.1 Coordination and policy dialogue with stakeholders

The MDF Steering Committee consists of representatives from provincial and central governments, 15 of the largest bilateral and multi-lateral donors in Aceh and Nias, an international NGO representative, United Nations and members of Aceh Civil Society. This broad representation and the regular meetings both at a policy and technical level make the MDF an ideal coordination and policy dialogue forum.

The EC, in view of its responsibility as MDF co-chair, played an important role in advocating for more coordination and dialogues on policy issues within the MDF and the BRR. Thereby the MDF is in the position to contribute to the GoI's policy-making process, and therefore to leverage its impact to the overall reconstruction and rehabilitation in Aceh and Nias. In November 2006 the EC prepared and hosted the first policy dialogue meeting focusing on forestry and environment issues, seeing these as key for the sustainability of the reconstruction effort.

1.5.2 Monitoring and Evaluation

The EC has significantly contributed to improve the process of monitoring and evaluation in order to ensure that MDF projects are carried out with high standards of relevance, effectiveness and efficiency. For this purpose, during the summer 2006, the EC launched an external evaluation mission to assess the MDF supervision, monitoring and evaluation mechanisms in place. At present, the EC is working to ensure that the findings and recommendations provided by the evaluation mission, in particular to strengthen the regular project monitoring system, are taken into account and followed-up the Steering Committee level.

1.5.3 Visibility

The MDF communications strategy places special emphasis on information to projects beneficiaries and strong visibility for donors. The MDF is currently conducting a radio and newspaper campaign in targeted areas of Aceh and Nias to ensure that the people there are aware of their entitlements.

The EC Delegation in cooperation with the University of Indonesia's Centre for European Studies organised a seminar aimed to give an overview of the challenges faced by Indonesia, and EC's role to support Indonesia, both in the field of disaster relief and in support of the peace process. The seminar was titled "Beyond the Tsunami: From Recovery to Peace" and was held on the 3 May 2006. The event was organized to highlight the EC's strong commitment and involvement in both peace process and reconstruction efforts in Aceh and was attended by high-level political figures and prominent experts in both fields of peace and reconstruction. The occasion managed to contribute in increasing EC profile as an institution that has made strong efforts in supporting peace process and tsunami reconstruction in Aceh and Nias. The EC is co-chairing MDF together with BRR as the representative of Government

of Indonesia, and World Bank as trustee, and as such the EC is playing a significant role in the whole recovery policy making process.

In addition, the Europe House based in Banda Aceh is making a pivotal role in ensuring EC and Member States participation in workshops, seminars and other donor co-ordination meetings in Aceh, ensuring visibility of EU financed programs and operations and participation in high-profile media events.

1.6 Challenges for long-term development

1.6.1 The importance to continue to support the Aceh Peace Process

The European Union (EU) has been very supportive of Aceh peace process that is a critical element to make reconstruction successful. Aceh has been the site of one of Asia's longest running internal conflicts and several peace attempts have been made between the Government of Indonesia and the Free Aceh Movement (Gerakan Aceh Merdeka, GAM) over the years. The last set of peace negotiations was initiated in Helsinki, Finland, between the Government of Indonesia and the GAM under the auspices of the Crisis Management Initiative (CMI) chaired by former Finnish president Martti Ahtisaari.



Five rounds of negotiations, financially supported by the EU, resulted in the Memorandum of Understanding (MOU) signed by the two parties on 15 August 2005. The agreement covers governance, political participation, economy, rule of law, human rights, amnesty and reintegration of GAM members into society, security arrangements, monitoring and dispute resolution.

In July 2005, the Indonesian authorities asked the EU to monitor the implementation of the MoU. A similar request was made to five ASEAN countries. A joint, EU-led civilian crisis management operation (the Aceh Monitoring Mission or AMM) was launched following the signature of the MoU in Aceh.

In addition, in response to a request in August 2005, the EU - through European Commission (EC) funds - provided assistance in support of the immediate reintegration needs of ex-GAM combatants and political prisoners (direct cash payments, health screening) as well as to villages/communities to which they would return, focusing on small enterprises and livelihoods.

1.6.2 EC assistance to the Aceh Peace Process

By December 2005, the EC had approved the financial package in support to the implementation of the Helsinki Memorandum of Understanding (MoU), bringing EU assistance to the Peace Process to approximately €25 million. The package in support of the Aceh Peace Process is now being implemented and aims to assist to lay the foundation for sustainable development and peace in Aceh. The package is made up of five interlinked components:

1) Elections - "Support for the preparation of the Aceh Local Elections of 11 December". The new law on Governing of Aceh allows for the first time in Indonesia for independent candidates to participate in elections for the offices of governor, district heads and mayors. The EU initiative provides support to the Aceh Election Process by supporting the work of the local election commission (KIP) in the areas of: training of electoral officials, voters' information and education, a media centre as well quick counts. Based on an invitation received from KIP, the EU is also deploying a team of 80 independent European election observers.

2) Police - "Support to Police reform in Aceh". In the transition from a society in conflict to one in peace, the police force plays a key role. In order to support peace and the implementation of the MoU, this component will assist in the reform of the national police in Aceh. The reform process includes the promotion and integration of international human rights standards into the policy and daily operational practice.

3) Justice - "Support for the reform of the Justice sector". The establishment of this component aims at improving citizen's access to justice and supporting the evolution of a more responsive justice system. This programme also covers recommendations and technical advice for a Truth and Reconciliation Commission (TRC) and Human Rights Court (HRC) as outlined in the Helsinki peace agreement.

4) Governance - "Support to Local Governance reform". This initiative aims at enhancing capacity of the local authorities at province and district level to meet the challenges of special autonomy, to effectively execute their core competences and to fulfill responsibilities with regard to the implementation of the New Law on the Governing of Aceh - a milestone in Aceh and Indonesian history and a crucial step forward for the peace process.

5) Reintegration – "Support to the Aceh Reintegration Agency and Peace-Building in Aceh". Building on reintegration assistance provided in 2006 (meeting the immediate needs of amnestied prisoners and ex-combatants and the communities/villages of return), this project will assist the Aceh Reintegration Agency (BRA) in executing its responsibilities in relation to the reintegration and peace programmes using funds from the State budget.

1.6.3 Sustainable development

The adoption of the new Special Autonomy Law for Aceh on the 11 of July 2006 and the democratic election for Aceh Governor that took place on 11 December 2006 are milestones reaffirming the political success in the on-going implementation of the peace process.

Equally important to sustain the stability and peace in Aceh is for the region to have sustained economic development and poverty reduction. Therefore, the ongoing critical challenge for Aceh is to promote sustainable economic growth in the regions affected both by the tsunami and by the years of conflict. The Multi Donor Fund will seek to assist the BRR and local governments to develop administrative capacity and strategies for providing long-term employment and income generation opportunities.

The MDF should now shift its focus from project design and preparation to full quality implementation, ensuring that projects go ahead according to plan and achieve their objectives in the time available, within a strong monitoring and evaluation framework.

Finally, the MDF will need to work to prepare BRR's exit strategy, foreseen in 2009, ensuring that local governments are empowered and have the necessary capacity to take over the reconstruction work, which, given the scale of the disaster and the impact of the years of conflict, may take some additional years to complete.

Overall EC Assistance to Aceh

No.	Title of the project	Implementing Agency	Amount € Million
1	Humanitarian Assistance (ECHO)	Various	53,000,000
2	Reconstruction Assistance	WB, various	207,898,228
3	Aceh Peace Process Support	Various	24,694,000
	TOTAL		285,592,228

2. SRI LANKA

2.1 Introduction

The relief effort in the immediate aftermath of the Tsunami was overwhelmingly positive with strong responses from government, private citizens and international agencies. However, the record of the reconstruction phase is more mixed – with an acceptable performance in the south but unacceptably limited progress in the north and east, largely because of escalating conflict is focused in the north east of the country.

In addition to immediate relief, the reconstruction phase in Sri Lanka was estimated to need some €1.5 billion and would take 3-5 years. Sri Lanka received this full amount in pledges. On this second anniversary, nearly 100% has been committed and over half of it has been disbursed onto specific contracts.

One main focus of reconstruction is in rebuilding road, communal and housing infrastructure. This is well underway. 135 kms of National Highways and five major bridges are nearing completion on the southern coast. Tenders have to be awarded for another 149 kms of National Highways and procurement is likely to be completed by March 2007. Over 1000 kms of national B and C roads are under or entering construction. But the major roads stop after Ampara District as the conflict prevents further construction to the north.

Around 50% of the initial 95,000 houses requiring repair or full reconstruction have been completed. The Government of Sri Lanka (GOSL) expects the remaining units to be finalized by mid 2007. 160 schools have already been rehabilitated. The construction of 218 affected health institutions is either in progress or at the design stage. The performance on restoring livelihoods for tsunami victims is similarly impressive at first glance. 100% of damaged fishing boats have been repaired and 95% of destroyed boats have been replaced. Regarding agriculture, 75.5% of the affected paddy cultivation land is back in use.

2.2 The EC response

The European Commission has allocated over €100 million for reconstruction activities in Sri Lanka, in addition to the €42 million provided for emergency work under EC Humanitarian Assistance.

The EC Post-tsunami Reconstruction Program in Sri Lanka has focused on four main objectives: (i) regenerating communities, including basic socio and productive infrastructure for communities to function again, (ii) restarting livelihoods so people can get back to supporting themselves, (iii) repairing major infrastructure, such as roads so coastal economies can operate properly again and (iv) strengthening the natural resources/environment base by addressing tsunami related and chronic solid waste management, water and sanitation and environmental restoration priorities.

The EC reconstruction package allocation by sector is as follows:

<i>Sector Allocation (Dec2006)</i>	Grants Million €	% of total allocation	Disbursement Million €	% disbursed (work in progress)
(1) Recovery of communities including livelihoods	45.5	44%	5.8	12.7%
(2) Major infrastructure works	39.5	39%	14.4	36.4%
(3) Management of environment	17.3	17%	2.3	13.3%
Total	102.3		22.5	22%

In line with the Tsunami Indicative Programme that prioritized reconstruction of infrastructure, communities and livelihoods, the basic elements of the EC tsunami programme are: (i) major trunk road construction from Matara in the south around the coast to Ampara in the east, not only repairing tsunami damage but opening up the eastern Districts which previously were not well connected with the rest of the country; (ii) construct secondary roads linking communities to the main trunk road; and, (iii) finance livelihoods, environment and social socio-economic projects in those communities along the road.

Geographically, the EC allocated relief funds throughout the 13 tsunami affected districts and on reconstruction focused on the south east and eastern Ampara Districts which were the worst affected by the tsunami.

Some of the results that the EC reconstruction programme has achieved already include:

(1) Social and productive infrastructure

- Provision of large infrastructure machinery to assist infrastructure clearing and rebuilding – including over 20 graders, rollers, garbage compactors and dumpsters.
- Reconstruction of 2 bridges reconnecting Tamil and Muslim communities in Ampara.
- Over 30 km of access roads rehabilitated, improving access to/within communities, facilitating trade and public services.
- 4.25 km of drainage channels reconstructed, further improving the sanitary conditions of target areas and reducing the risk of water borne communicable health problems.
- 6 large scale infrastructure projects - including the construction of main coastal trunk road renovation of rural roads and minor water tanks - now entering implementation.
- 5 Batticaloa villages have benefited from renewable energy programme (solar panels).
- 3 schools reconstructed in Killinochchi and Mullaitivu.
- The market place reconstruction in Jaffna.





(2) Livelihoods

–About 1500 people received immediate income through employment in the reconstruction and cleanup activities in the North and East.

–Re-establishment of the livelihoods of 150 families (agriculture, handicrafts, education, tourism, construction etc.) living in the wetland areas of Maandugange and Madampegange (Galle district).

–700 farmers and daily labourers from 15 villages in Jaffna district assisted to cultivate millet and pulses.

–190 beneficiaries in the livestock sector were supported in cattle shed preparation and cattle purchase in Ampara district

(3) Environment

–19 mangrove nurseries have been established and more than 60,000 trees are growing.

–52 youth leaders have been trained on wetland conservation.

–Over 100,000 palmyrah trees have been replanted along the eastern coastline areas.

In the spirit of “build back better” which underpinned all our tsunami work, the EC assistance not only repairs tsunami damage but also tries to link the east to the south to provide to the affected communities, the livelihoods and social infrastructure to help them realize their long-term development potential. The EC continues its work as planned because work in Ampara is still possible. However, the main road and similar accompanying measures would have been continued by other donors northwards into Batticaloa and Trincomalee but the work has been recently halted due to conflict.

2.3 Challenges for long-term development

The results referred above still hide some procedural problems and critical issues experienced from the beginning of the reconstruction process and the security problems that has now brought reconstruction in the north east to a near standstill. Transparency here is key so lessons for the future can be learned by both donors and governments in similar crisis situations:

- Buffer zone: the government prohibited construction in the 100-200 meter zone from the shoreline in an effort to avoid construction in areas at risk of being struck by similar disasters in future. However, this prevented victims from returning to their original houses and livelihoods and ultimately was infeasible – it has now been relaxed but has delayed housing reconstruction at great cost to the tsunami victims.
- PTOMS: a Post Tsunami Operational Management Structure (PTOMS) was proposed in early 2005 whereby the government and LTTE would share decisions on tsunami aid allocations in the north and east. But discussions were drawn out on this until finally it was shot down by the Supreme Court at the end of 2005. This caused a major delay for many donors' work in the north east, including for the EC who had earmarked all its north east support via the PTOMS.
- Security: The security situation was tense from the outset in the north and east but has worsened from late 2005 which has constrained reconstruction efforts. UN agencies and ICRC have restricted access to LTTE controlled areas and INGOs have no access at all. Work continues in Ampara but is limited or frozen entirely in other Districts of the north and east. Tsunami victims who were just beginning to regain their livelihoods after the tsunami have now been displaced or affected again by the mounting conflict. In addition to the some 400,000 people displaced by the tsunami, we can now add a further 200,000 people displaced by the conflict.
- Inequity: beyond the basic inequity of south versus north/east, there is an inequity between the tsunami “haves and have-nots” along the coast line. By its nature, the tsunami struck a narrow coastal belt so aid naturally focused in this limited area and artificially stopped a few hundred metres inland. This caused clear frictions with the interior communities, often within the same village. This was especially true in the north and east where the interior communities were in a dire state themselves after 20 years of civil war. In 2006, however, corrective action was taken by the majority of development partners who now target whole districts – regardless of proximity to the coast.
- Coordination has been far from ideal by donors, NGOs and government. NGOs came in their hundreds to Sri Lanka – they often did not coordinate effectively their actions. Government suffered from under-resourced ministries and overlap between ministries – especially the competition between line ministries and Sri Lanka's Reconstruction and Development Agency (RADA) that was set up for tsunami. Development partners, in some cases, failed to (i) coordinate with government authorities at the central and local level, (ii) link up actions and (iii) do cross-sectoral programming.

On the second anniversary of the tsunami, we see a situation where the south has gone ahead relatively well while the north and east has not advanced as far. The North and East of the country sustained about 60 percent of the damage but has received less financial assistance comparatively than the South which suffered 40 percent of the damage. The government is working on precise statistics but it is likely that the South received about 60% of aid. In addition, the aid that did go to the north and east affected districts has been less effective because of disruption by conflict and more recently by the effective freezing of operations. The situation is made particularly acute because the north east suffered a double hit – not only hit by tsunami but also by effect of 20 years of conflict.

The EC and other Donors are seeking to take mitigation measures to keep on their work in the north and east – such as focusing on areas where work can continue for the present, such as in Ampara – but the fundamental truth is that, without peace, tsunami reconstruction in the north and east will not be completed effectively. It is telling that UN tsunami envoy President Bill Clinton in his final trip around tsunami countries will not visit Sri Lanka, citing the above problems.

Overall EC Assistance to Sri Lanka

No.	Title of the project	Implementing Agency	Amount € Million
1	Humanitarian Assistance (ECHO)	Various	42
2	Reconstruction Assistance	International organisations and NGOs	102.3
	TOTAL		144.3

3. The Maldives

3.1 Introduction

Considerable progress has been made in the economic recovery of the Maldives nearly two years after the Tsunami. The vast majority of tourist resorts are open again for business, most of the homes are being rebuilt and livelihoods restarted. However, the recovery process remains under-funded in certain key sectors -notably transport (€30 million), housing (€15 million), livelihoods (€9 million) and power and energy (€9 million). The Maldives tsunami recovery programme still requires approximately €60 million to bridge the funding gap.

The Maldives faces several challenges to recover from the economic consequences of the tsunami: the financial impact was equivalent to 62% of GDP or €75 million (\$470 million⁵). The tsunami disaster has highlighted several longstanding development challenges but at the same time the significant financial assistance received by the country is an opportunity to 'build back better' and invest in long term solutions. These challenges include:

- Rising sea levels due to global warming.
- Dispersion of the population across the archipelago, which raises the cost of delivering social services to the population. There are significant regional disparities in the living conditions as many of the more remote, poorer island communities have little or no access to basic social facilities.

The long term strategy of the Government to address these two problems is to attract the population to the so-called *focus or safe islands*. This policy aims to mitigate the risks of future disasters and help realize economies of scale in the provision of public and private services in the selected islands.

- Salinization: the tsunami resulted in saltwater intrusion into fresh water lenses on almost all of the 1,200 islands, resulting in vegetation browning and dieback.
- Waste management: current practices on the islands are poor, and include open burning of waste, stockpiling of hazardous waste including clinical waste, dumping of waste on islands, beaches and the open sea. The current policy and legal framework is insufficient.
- Limited human resources, in particular a lack of suitably trained personnel in the Government's line Ministries when roles and responsibilities are determined.
- Increasing number of unemployed youth, having regard of the economic consequences originated by the tsunami (collapse of tourism sector, etc), and the poor education and the limited job opportunities available.

The EC's current tsunami programme as well as the development strategy for 2007-2013 will continue to support the government's policy of regional development (i.e. *safe islands*) addressing these challenges through environmental sustainability and income-generating activities, the strengthening of community services (education, health, reduction of drug use.. etc) and promotion of good governance.

⁵ Joint Needs Assessment by World Bank-Asian Development Bank-United Nations on Tsunami Impact and Recovery

3.2 The EC Response

Building on EC's Humanitarian aid contribution of €2.7 million during the Maldives' emergency phase, the EC Post-tsunami Reconstruction programme in the Maldives amounts to 1.9 million EUR. The EC strategy focuses on three areas (i) repair of damaged houses (ii) immediate restart of livelihoods on affected atolls, including the Muli ('safe/focus island') and (iii) support to the longer-term regional development strategy -'safe islands' concept- with a focus on environmental infrastructure and strengthening community services (including solid waste management, education and health).

These sectors correspond to the strategic objectives of the Commission as specified in the Tsunami Indicative Programme. The EC reconstruction allocation by sector is as follows:

<i>Sector Allocation (Dec2006)</i>	Grants Million €	% of total allocation	Disbursement Million €	% disbursed (work in progress)
(1) Housing	0.90	5.4 %	0.9	100%
(2) Recovery of Communities including livelihoods and solid waste management	2.00	11.8 %	1.2	60%
(3) Regional development including financial management, social sector support and the environment	14.00	82.8 %	6.95	49.6%
Total	16.9		9.05	55%

Selected **outputs** from the EC reconstruction programme include:

(1) Housing

–134 houses constructed or repaired providing stronger and safer houses on "Muli" island.

(2) Recovery of communities including livelihoods

–14 islands have benefited from community agricultural nurseries and training through the establishment of agriculture extension services.

–6 fish processing centres have been constructed

–5 fish markets have been constructed

–Around 1200 tsunami-affected women have received cash grants, training and tools allowing them to resume/start a diversity of business enterprises.



(3) Regional Development including solid waste management

- 16 waste management centres under construction including waste collection and disposal.
- Design drawings, specifications, terms of reference and cost estimates have been completed for the construction of 22 island waste management centres and a Regional Waste Management facility.
- Civil works tendering has been completed for the construction of a Residential Learning Centre and a multi purpose building and the provision of equipment for schools.

Projects are at different stages of implementation and overall progress is satisfactory (55% disbursements from total grant amount). The housing project has already been completed and the livelihood and regional development programme are now making the first-year of progress.

3.3 Challenges for long-term development

The tsunami has created challenges that far exceeds the capacity available at the government in relation to planning and public finance management, and for the private sector in delivering good quality construction and infrastructure services, in terms of skilled personnel, logistics and materials. Moreover, the islands communities of the Maldives have little experience of participative planning and development work using community initiatives.

All these constraints should be addressed by the government of the Maldives' in its long-term development plans. Indeed having regard of the small population of the country, better regional integration of Maldives' economy with its neighbouring countries should be pursued.

Overall EC Assistance to the Maldives

No.	Title of the project	Implementing Agency	Amount € Million
1	Humanitarian Assistance (ECHO)	Various	2.7
2	Reconstruction Assistance	WB, various	16.9
	TOTAL		19.6

4. Regional and Horizontal Activities

4.1 Support to environmental rehabilitation and protection in the Indian Ocean (Asia Pro Eco Post Tsunami Program)

In response to common regional problems and the urgent need to rehabilitate areas affected by the Tsunami of 26 December 2004, in particular regarding environmental rehabilitation, the Commission adopted a specific Asia Pro Eco II- Post Tsunami Assistance Programme to mobilise NGOs (non-profit organisations), local institutions and private sector to work in partnership. The EC Programme provides funds for partnerships and capacity building project proposals, which respond to the urgent need for reconstruction and rehabilitation efforts in the areas of the Asian countries which have been affected by the catastrophe (India, Indonesia, Maldives, Sri Lanka and Thailand). Funds are disbursed through open call for proposals mechanism that started in 2005. The EC contribution to the Post-Tsunami Pro Eco Programme amounts to €15 million.

The selected projects being implemented (2005-2009) are the following⁶:

- Monitoring and managing the marine resources of Laem Son National Park following the tsunami (Thailand)
- Contributing to sustainable reconstruction and development in the tsunami hit regions of Thailand
- Ensuring environmental and livelihood security of tsunami affected villages in Andaman Islands (India)
- Participatory disaster proofing of tsunami affected target villages (India)
- Upgrade Environmental Infrastructure by Restoring Livelihoods - A Revolving Fund Approach (India)
- Green post tsunami action for coastal districts of Tamil Nadu (India)
- Disaster Reduction through awareness, preparedness and prevention mechanisms for coastal settlements (India and Thailand)
- Community Managed Sustainable Energy and Water Systems Promoting Resettlement and Recovery for Tsunami affected Areas (Sri Lanka)
- Post Tsunami Restoration of Mangroves, Education & Reestablishment of Livelihoods in Sri Lanka and India
- Optimizing the sustainable use and management of construction waste in Sri Lanka
- Contribution towards rehabilitation of coastal areas affected by the tsunami through participatory promotion of local initiatives in waste management (Sri Lanka)
- Water and Sanitation for settlements in Eastern Sri Lanka
- Re-building sustainability by supporting community-based intervention in Kalmunai (Sri Lanka)
- Restoration of ecological balance in tsunami affected areas in Trincomalee (Sri Lanka)

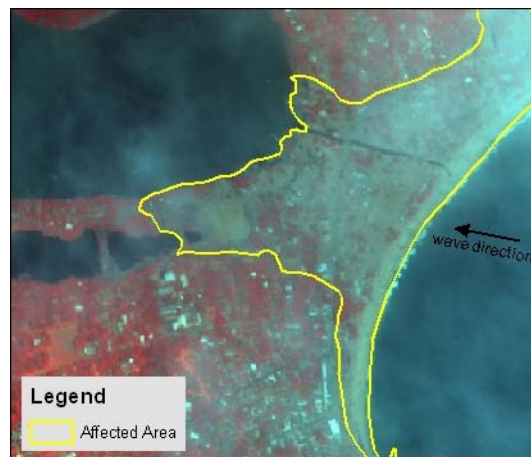
⁶ See more information at http://ec.europa.eu/europeaid/projects/asia-pro-eco2/index_tsunami.htm

- Sustainable management plan and reconstruction of the fishing industry after tsunami in Aceh (Indonesia)
- Demonstrating Environmental Sound Technologies for waste reduction in Indonesia
- Diffusion of sustainable and earthquake-resistant building techniques and best practices for the reconstruction of Nias Islands (Indonesia)
- Improving Women Managing Infrastructure for Tsunami Recovery (Indonesia)
- Improving the living conditions of tsunami affected community through rehabilitation and reconstruction of the coastal environment in South Thailand and North Aceh (Indonesia)
- Trees, Resilience and Livelihood Recovery in the tsunami affected coastal zone of Aceh and North Sumatra (Indonesia)

A regional workshop will be organised in March 2007, in Indonesia, involving NGOs and local authorities of the affected countries to facilitate the exchange of experiences in relation to the above referred projects.



Hambantota area – PRE Tsunami image



Hambantota area – POST Tsunami image

4.2 Support to Tsunami Early Warning System and disaster preparedness in the Indian Ocean

The Indian Ocean tsunami disaster highlighted both the need for effective early warning systems and also the political and technological complexity⁷ of providing them.

The Commission has recently adopted a program of €6 million that has as objective to contribute to build the resilience of communities and nations to natural disasters by strengthening national and local institutions, mechanisms and capacities for disaster risk reduction. The initiative focuses on countries in the Indian Ocean region which need to improve their resilience and capacity to manage and reduce disaster risk. The targeted countries are either tsunami-affected countries or tsunami-prone countries.

⁷ See additional EWS tsunami technical information at EC-Joint Research Council: <http://tsunami.jrc.it>

The main activities of the program to be implemented from 2007 to 2010 with UN/ISDR⁸ are intended:

- To strengthen national institutional capacity in disaster risk reduction.
- To increase public awareness and knowledge on tsunami risk and disaster risk reduction.
- To strengthen disaster risk reduction capacities of local communities
- To advance research and analysis on the risk and impact of tsunamis and other related hazards such as earthquake and cyclones.

4.3 Support to strengthening disaster preparedness and recovery from Earthquake/Tsunami in Java

On 27 May 2006 an earthquake, measured at 6.2 on the Richter scale, struck the island of Java; the heaviest casualties were in the Districts of Yogyakarta and Central Java, with over 5,700 people dead and up to 50,000 injured. Between 0.6 million to 1 million people are estimated to have been left homeless. This was followed on 17 July 2006, in the southern coast of West Java, by another earthquake measured at 7.7 that caused a tsunami which killed at least 660 people, leaving as many as 323 missing and more than 51,500 displaced.

Building on the rapid response and experience of the EU response to Aceh, the Commission has actively promoted the rapid mobilisation of donor resources through the creation of a Reconstruction Trust Fund for Java, managed by the World Bank. The EC provided initial contribution of €6 Million. Desired results include improved housing and livelihood conditions for those affected by the disasters in Yogyakarta and Central Java as well as by the tsunami affected areas of West Java, in full coordination with the local authorities. In addition, the EC proposes to the Government of Indonesia to undertake a comprehensive diagnostic of its disaster preparedness and emergency response capabilities in order to enhance its resources and effectiveness in the future.

Regional and Horizontal Activities

No.	Title of the project	Implementing Organisation	Amount € Million
1	Environmental Rehabilitation and Protection	EC	15
2	Support for Early Warning Systems and Disaster Preparedness	UN/ISDR	6
3	Support to strengthening disaster preparedness and recovery for tsunami/earthquake in Java	WB	6
	TOTAL		27

⁸ UN inter-agency secretariat for the International Strategy for Disaster Reduction (ISDR)

ANNEX 1

**EUROPEAN COMMISSION – STATUS ON TSUNAMI REHABILITATION AND RECONSTRUCTION
FINANCIAL ASSISTANCE AS OF DECEMBER 2006 (€)**

	Pledged	Committed	Contracted	% contracted/ committed	Disbursed	% disbursed/ contracted
Rapid Reaction Mechanism (RRM)	12 000 000	12 000 000	10 000 000	83%	8 300 000	83%
Reconstruction (ALA funds)	338 000 000	338 000 000	329 000 000	98%	128 300 000	39%
<i>Country-related:</i>						
- Indonesia	200 000 000	200 000 000	199 300 000	99.6%	98 700 000	49.5%
- Sri Lanka	95 000 000	95 000 000	94 500 000	99.5%	16 400 000	17.3%
- Maldives	16 000 000	16 000 000	15 800 000	98.7%	8 100 000	51.2%
<i>Regional:</i>						
- Environmental recovery , support for early warning systems, disaster preparedness and disaster recovery	27 000 000	27 000 000	25 030 000	92%	5 100 000	20.3%
TOTAL	350 000 000	350 000 000	334 600 000	96%	136 600 000	41%