

Harmonization After the Tsunami

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Thank you Minister Benn,
Thank you Mr. Malloch-Brown,
Thank you President Kuroda,

Excellencies, Ladies and Gentlemen, Friends,

It is a pleasure and an honor to be at this important event. Harmonization of Government and donor systems, and harmonization among donors themselves has been an urgent priority for a long time. But in the present situation for us in Aceh and North Sumatra it is no longer an option, but an absolute necessity if we are to get the job done.

It was at 8.20 on a Sunday morning that the tsunami struck. Mothers and children, fishermen, craftsmen and traders were engaged in their normal morning activities close to the sea. As of today more than 120,000 bodies have been found and buried, and another 100,000 are still missing. We will never know the full loss of this great tragedy, but we do know that it has

challenged us profoundly as a nation, and changed the future of Aceh for ever.

The task ahead of us is immense, but so is our resolve. The Government is determined to rebuild a better Aceh than before – focusing not only on bricks and mortar, but also on community life and family livelihoods. If we are to succeed we will need to act differently from the past. Business as usual simply won't get this job done. This applies to the Government of Indonesia, and also to the donor community.

The outpouring of generosity in response to this disaster has been unparalleled in human history. On behalf of the Government of Indonesia I would like to express our deep gratitude for this generosity – both from your official pledges, and those of your individual citizens and NGOs. Today I will make suggestions about how we can work better together, but this in no way negates our appreciation of the very generous international assistance you are providing.

The issue of effective coordination will determine the success of our reconstruction efforts. And frankly, I am worried. I am worried that the well-motivated desire by so many donors to plan their own programs quickly is overwhelming the staff of our Government agencies, and even delaying our preparation for the future. I am especially worried that as the local governments in Aceh get back on their feet, they will simply not have the capacity to cope with all the different sources of assistance on offer. We clearly need to get much more serious about genuine harmonization of the different efforts.

Let me suggest four difficult areas where we need to act if we are to get the job done.

First, if we are serious about harmonization, then donors should channel a higher share of their funds through the Government budget, and the Government must demonstrate that it is worthy of this trust.

We recognize that some donors prefer to put funds outside of the budget and we respect this preference. However, it is through the budget that we will develop and implement a comprehensive, multi-year plan for the reconstruction of Aceh. It is through the budget that the Indonesian people and their representatives get to give input into how the Government plans to spend the reconstruction money. And it is through the budget that we can monitor, track, and evaluate funds flows. Let's be realistic. Coordination does not happen by bringing donors together for weekly coordination meetings. It happens by bringing donor funds into the budget under a well-formulated recovery and reconstruction strategy.

We recognize that the Government must demonstrate the integrity of the budget processes. Indonesia's President Susilo Bambang Yuhoyono has made restoring trust in government the hallmark of his administration. To achieve this, we understand that we will need to put in place a strong and independent governance framework to ensure accountability, transparency participation, fairness, effectiveness and integrity. This week we will be announcing governance arrangements for the reconstruction that are unprecedented in the history of Indonesia. This will involve an independent oversight board composed of Acehnese representatives, donors and

specialists in fiduciary management. This will be supported by independent auditors, complaints mechanisms, and procurement oversight agents.

I would thus invite donors to join us “on the inside” in helping us to ensure accountability, transparency and efficiency in a common approach.

Second, whether or not donors choose to place their funds through the Government’s budget, we should all agree on a common plan, common oversight and monitoring of funds, and common standards of behavior.

We don’t want to impose a rigid blueprint on donors as to how they should channel their funds. The important thing is that all the donors support a commonly understood and agreed reconstruction strategy, and adhere to some common standards for executing their programs in areas as procurement, auditing, reporting, local pay standards, and monitoring and evaluation procedures. It is too hard for my own staff – let alone the local governments in Aceh that have been so devastated by this crisis – to have to deal with the additional challenge of different standards and rules for so many different donors. “On” and “off” budget funds should be tracked on a common data-base, and coordinated within a common framework. Ideally, all procurement tenders and awards would be tracked on a common e-Aceh website.

Our overall reconstruction strategy will contain arrangements for all these measure. It is being prepared jointly in Jakarta and Aceh , and is being discussed with stakeholders in Aceh this week. It is benefiting from strong donor input and will be completed in mid March.

Third, if we are serious about coordination, we need to devise some mechanism to include non-official aid flows into our planning and coordination. One of the most remarkable things about this disaster has been the tremendous sums raised by domestic and international NGOs and the private sector. At this point, we don't know how much money has been raised by these groups for Aceh, but it clearly well over \$1 billion. But there are strong indications that non-official flows may equal or even exceed the official assistance to Indonesia for Aceh.

Most of these organizations, though highly committed and well-intentioned, do not have a significant permanent presence in Indonesia. Of course, we are grateful for their efforts and their enthusiasm. But given the size and scope of these non-official funds, the success of our recovery and reconstruction strategy will be depend on how well these funds are integrated into a broader framework.

We cannot yet track these funds on our own and we don't want to place unnecessary restrictions on their activity. Here, we need the help of the donor countries. We are requesting each of the embassies to work with us to create a tracking system for non-official assistance from organizations in their respective countries. We also ask the multilateral organizations – the World Bank, ADB and UN – to work with the largest international NGOs to encourage them to include their funds in the broader tracking system.

Finally, if we are serious about coordination, then our coordination mechanisms must reach down to the ground level in Aceh. The President has always stressed that the reconstruction of Aceh should be determined

and implemented by the people of Aceh. And with decentralization, the local governments will have a major role in rebuilding the local infrastructure and restoring essential public services. That's why real coordination needs to begin with donor coordination on the front lines.

We strongly support the efforts of donors to strengthen local governments, but if donors compete to build alliances with local governments, then the programs are likely to be too donor-driven and not locally owned. And we think it is important to send consistent signals from the donor community to local governments about the standards for receiving and implementing assistance programs.

Let me finally give a few practical suggestions for moving forward. I'm pleased that many of these are already starting to be implemented.

- **We are using our existing Consultative Group mechanism to coordinate fund-raising and policy discussions.** This mechanism has served us well in the past, and this year was under full Indonesian leadership. At January's official donors pledged \$4 billion for the tsunami recovery, of which \$1.8 billion was for 2005. These pledges will be refined and allocated when the reconstruction plan is complete.
- **We are setting up a multi-donor trust fund.** This will enable funds to be allocated quickly, and under a common set of procedures, towards high priority investments. The investments will be mainly executed by the Government, while the Fund would be managed by a joint Government-donor-Acehnese Board. So far around 12 donors

have expressed a strong interest in participation, and we expect the number will grow.

- **Regular communications between the Government and donors is being systematized.** We have established 11 working groups for the reconstruction planning phase, and donors have mapped their expertise to these groups. In addition, I have established a regular bi-weekly meeting with all donors. A unitary web-site – e-Aceh – is now operational, and will play a central role in information sharing.
- **A multi-donor office is being established in Banda Aceh.** Not all donors will (or even should) co-locate together, but this is one helpful way in which donors can avoid duplication of effort and relationships. The plans build on existing recently opened multi-donor offices in Jakarta (for assistance to local governments) and in Makassar (for Eastern Indonesia).
- **Donors, NGOs and Government are working on a set of “Common Operating Principles”.** These will cover a range of practical issues ranging from the importance of participatory approaches to measures to prevent harmful competition among donors for projects and staff.

The stakes moving forward are high. Donors are accountable to their taxpayers for money well spent, and real impact on the ground. The Government of Indonesia is accountable for results to the citizens of Indonesia and especially those affected by the tragedy. This is a very difficult challenge for us both, and we will be more effective if we work together and fully harmonize our efforts. You have provided us with your

pledges of funds, and now we must ask more; for a genuine harmonized partnership.

I wonder how history will judge us – a year or five years from now. Will the newspaper stories be full of how money was wasted as donors competed against each other for the best projects, and the Government failed to coordinate or lead the effort. Or will they record how together we introduced a new way of doing business, in which we work in harmony for genuine results on the ground. I believe it can be the latter, and that it can spread beyond Aceh to all our efforts to reduce poverty across the country. I would like to offer you our full partnership towards that end.