ECONOMY
Turning the Wheel of Life
THE EXECUTING AGENCY OF REHABILITATION AND RECONSTRUCTION FOR ACEH AND NIAS (BRR NAD–NIAS)

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With this BRR Book Series, the Indonesian government, its people, and BRR wish to express their deep gratitude for the many kind helping hands extended from all over the world following the December 26, 2004 earthquake and tsunami in Aceh and the March 28, 2005 earthquake in the islands of Nias.

Four years on, the once devastated landscapes are again vibrant with the sporadic rhythm of human life. This achievement is the result of a steadfast commitment of the local, national and international community, combined with the resilience of the people who lost so much.

The dynamics and challenges encountered during the massive undertaking of rebuilding homes, hospitals, schools and other infrastructure, while striving to empower those who survived to reshape their future and redevelop their way of life, provide an important understanding of the disaster-recovery process in Aceh and Nias.

In light of this, within the pages of this book, BRR would like to share those experiences and the lessons learned as a small contribution to return the favor to the world for the invaluable support it contributed to building Aceh and Nias back better and safer; as a history of the humanitarian journey of a united world.
I am proud, that we can share the experiences, knowledge, and lessons with our fellow countries. I do hope that what we have done can be a standard, a benchmark, for similar efforts at the national and international levels.

Speech of President Susilo Bambang Yudhoyono at the Official Closing Ceremony of BRR at the State Palace, April 17, 2009 about the BRR’s trip to the Tsunami Global Lessons Learned Conference at the United Nations Headquarters in New York, April 24, 2009
The hustle and bustle of fish trading at the Lampulo Fishing Port, Banda Aceh, 6 September 2006. Planned since 2000 during the President Abdurrahman Wahid’s administration, the completion of this project is a strategic milestone to develop a sustainable economy for the fisheries sector. Photo: BRR/Arif Ariadi
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Introduction

FOR a period of three days, beginning on December 27, 2004, the Indonesian flag was drawn to half mast, and a nation was in mourning. A national disaster was declared and the world watched in disbelief. An earthquake, followed by a series of tsunamis, struck the western-end of Indonesia, causing an unprecedented loss of life and the obliteration of whole communities. For those who survived, their homes, livelihoods, and prospects for the future were swept out to sea.

The earthquake, one of the largest in recent history measuring 9.1 on the Richter scale, was the result of a convergence between two tectonic plates beneath the ocean floor. Although dormant for over 1,000 years, with the buildup of pressure caused by one plate slowly sliding under the other at an estimated rate of 50 mm per year, on December 26, 2004, these two tectonic plates ruptured along a 1,600 km length of what is known as the Sunda mega-thrust.

The epicenter of this earthquake was located 250 km south-west of the Indonesian province Nanggroe Aceh Darussalam. Its rupture - a slippage of up to 10 meters, resulted in the ocean floor being (permanently) lifted and dropped, pushing the entire water column up and down, and generating a series of powerful waves. Tsunamis swept violently up to 6 km inland over the shorelines of Aceh and surrounding islands, beginning less than half-an-hour after the earthquake. A total of 126,741 lives were lost and, in the wake of the disaster, an additional 93,285 people declared missing. Some 500,000 survivors lost their homes, while as many as 750,000 people lost their livelihoods.
In the private sector, which constituted 78 percent of the destruction wrought by the earthquake and tsunamis, up to 139,195 homes were destroyed or severely damaged, along with 73,869 ha of land with varying degrees of productivity. A total of 13,828 fishing boats vanished, up to 27,593 ha of brackish fish ponds disappeared, and 104,500 small-to-medium businesses ceased to exist. In the public sector, 669 government buildings, 517 health facilities, and hundreds of educational facilities were either destroyed or rendered non-functional. The loss to the environment included 16,775 ha of coastal forests and mangroves, and 29,175 ha of reefs.

The loss and damage of these regions did not end there and, on March 28, 2005, another major earthquake measuring 8.7 on the Richter scale struck the nearby islands of Nias in the Indonesian province of North Sumatera. This second natural disaster resulted in the death of 979 people and the displacement of 47,055 survivors. The proximity of this earthquake, a result also of two tectonic plates rupturing, slipping a length of 350 km, directly beneath the Simeulue and Nias islands, resulted in massive damage to the islands’ infrastructure.

The eyes of the world once again watched in disbelief as the devastation of these regions unfolded, and helping hands began arriving from all corners of the globe to assist in the rescue and relief operations. Individuals of every race, religion, culture and political persuasion across each and every continent worldwide, along with governments, the private sector, non-government organizations and other national and international bodies, reacted in an unprecedented show of human concern and compassion.

From the scale of the devastation wrought by both disasters, it was clear that it would not be enough to simply replace the homes, schools, hospitals and other infrastructure. The rehabilitation and reconstruction program would need to embrace the rebuilding of the social structures that once thrived along the shores of Aceh and within the hinterlands of Nias. The trauma of losing friends, family and a means to support those who survived required that the recovery program focused not only on physical, but also non-physical, development, and on rebuilding an economy to a level that would ensure a firm foundation for future (re)development and growth.

On April 16, 2005, the Government of Indonesia, through the issuance of Government Regulation in Lieu of Law No. 2/2005, established the Agency for the Rehabilitation and Reconstruction (Badan Rehabilitasi dan Rekonstruksi, BRR) to coordinate and jointly implement a community-driven recovery program for Aceh and Nias. BRR’s mandate was to design policies, strategies and action plans, within an atmosphere of transparency and
accountability, and to implement them through effective leadership and coordination of the combined domestic and international effort to rebuild Aceh and Nias back better and safer.

The rehabilitation and reconstruction of Aceh and Nias have constituted a challenge not only for the people and Government of Indonesia but for the entire international community. That this challenge was overcome successfully is reflected in the conclusions drawn in evaluations concerning the recovery program. In the final months of the program, the World Bank among others concluded that the recovery was an *unprecedented success story* and a *model for international partnership* - outcomes which were realized through *effective government leadership*.

The nation’s management of the recovery program gained the confidence of donors, both institutions and individuals, and through BRR’s anti-corruption policies and processes, the trust of the international community. And without the cooperation of the international community, the post-disaster situation in Aceh and Nias - the unparalleled devastation - could never have been reversed.

In recording this humanitarian achievement, BRR has produced the BRR Book Series containing 15 volumes that detail the processes, challenges, solutions, achievements and lessons learned during the rehabilitation and reconstruction program in Aceh and Nias. It is hoped that these books will function to capture and preserve the experience of the recovery, and to establish guidelines for future disaster-recovery programs across the world.

This book titled *Turning the Wheel of Life* discloses the dynamic rising of economy and business that, after the conflict, once even weakened due to tsunami. Subsectors of agriculture, husbandry, fishery, and entrepreneurship, were dismayed or many were even destroyed. The economic impact that affected the community forced the government to immediately draft a set of comprehensive policies and strategies to recover the economy in whole: turning the wheel of social economy, especially for the survivors, so that it evolves faster.
## 4-Year Achievement

### Rehabilitation and Reconstruction

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<tr>
<td>Small-medium enterprises (SME)</td>
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<td>Houses destroyed</td>
<td>139,195</td>
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<tr>
<td>Hectares of agricultural lands</td>
<td>73,869</td>
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<tr>
<td>Teachers killed</td>
<td>1,927</td>
</tr>
<tr>
<td>Fishing boats destroyed</td>
<td>13,828</td>
</tr>
<tr>
<td>Religious facilities destroyed</td>
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<tr>
<td>Schools destroyed</td>
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<td>Ports destroyed</td>
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<td>Airports or airstrips destroyed</td>
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<tr>
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<tr>
<td>Schools built</td>
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<tr>
<td>Health facilities constructed</td>
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<td>Government buildings constructed</td>
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<td>Airports or airstrips constructed</td>
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The Rise and Fall of Aceh’s Economy

The End of Aceh’s Glory

ANY discussion about the former glory of Aceh’s economy cannot be separated from the success story of Sultan Iskandar Muda Meukuta Perkasa Alam, popularly known as Sultan Iskandar Muda (1607-1636). According to Professor Dennys Lombard (2006), Sultan Iskandar Muda’s administration was a glorious period of extraordinary development. The Sultan is known for having built the Acehnese Sultanate into an expansive and powerful kingdom that was respected by other kingdoms throughout the archipelago and the world.

In the defense sector, Aceh was the only kingdom in the archipelago that had elephant troops in addition to cavalry. In the Acehnese Sultanate, the elephant troops numbered 500. Other rulers in Asia who had elephant troops were the emperor of Vietnam, the king of Ava in Burma, the king of Ayuthia in Thailand with 5,000 elephant troops, and the great Moghul emperor, Akbar of India with 15,000 elephant troops.

Sultan Iskandar Muda also built an army, mostly comprised of young soldiers. The strength of his army enabled Sultan Iskandar Muda to conquer Deli, Johor, Bintan, Pahang, Kedah and Nias from 1612 to 1625.
The Sultan was skilled in economics and paid a lot of attention to economic management and regulations in his kingdom. He built an 11-kilometer channel from the river to the sea to irrigate his people’s rice fields, and also to supply water to the kingdom.

Historical records indicate that more than half of the pepper traded globally came from Aceh. Annual pepper production was about 150,000 pikul, the equivalent of nine tons. The pepper was exported to various countries, with America and Britain being the biggest buyers. The commodity was exported through Ulee Lheue Harbor and Meulaboh (Reid, 1969).

At that time, Singkil was known as a harbor city. Dennys Lombard said that a French sailor, Admiral Augustin de Beaulieu, wrote in his memoirs on his trip to East India (1619-1622) that Singkil was one of Sultan Iskandar Muda’s harbor cities. Beaulieu called the city Cinquel. Like Pasaman and the area from Tiku (Pariaman) to Padang, Singkil also produced pepper, kemenyan (incense derived from gum benzoin), camphor and saltwater and freshwater fish. Singkil was also said to produce salt.
According to historian Ong Hok Ham (1933-2007), Aceh’s trading ships sailed as far as Gujarat, India. Aceh’s high-quality gold coins were accepted all over the world as one of the currency yardsticks, much like the U.S. dollar and Japanese yen today. The Sultan also established the baitul mal, a sharia-based financial institution. He also initiated trade reforms by increasing export customs fees to improve the people’s welfare.

However, Aceh’s thriving trade was shaken at the end of 2004. The earthquake and tsunami of Dec. 26, 2004 pulverized a large part of Nanggroe Aceh Darussalam Province and Nias Island and claimed 127,707 lives and saw another 93,285 go missing.

The economic pulse of Aceh stopped abruptly when the earthquake and tsunami took place more than four years ago. The disaster destroyed everything that was in Aceh. Aceh’s economy indeed returned to zero.
Economy that Triggers Upheaval

The increase of the Netherlands-Indie’s economy strengthened the Aceh’s economy. Reason being was the presence of the Dutch Army in Gayo Land in 1904 which was followed by the Dutch businessmen who opened many plantations.

1904

Coffee plantations were opened, replacing tea and pepper plantations that were not of the Dutch’s interests. Palm plantations were also opened in Singkil. In the 1940-ish, the colonial government started to bringing in farmers from Central Java and East Java.

Conflict-Torn Aceh

After Sultan Iskandar Muda’s death, the Acehnese Sultanate experienced a decline. Things got worse when the Netherlands and Britain signed the London Treaty in 1824, in which Britain transferred its authority over the Sumateran coastal areas to the Netherlands. In return, the Netherlands would give up all trade rights to Britain north of the Strait of Malacca and promised to withdraw its claim on Singapore. The Dutch government, which had conquered almost the entire archipelago, later launched an attack to defeat Aceh, which led to the Aceh War (1873-1942).

Historian Pierre van der Eng noted that the Dutch East Indies economy stagnated in the period 1880-1900, before enjoying high economic growth from 1900 to 1930. It should be noted that the 1880-1900 period was the time when the colonial war in Aceh was at its peak, while during 1900-1930, the costly war was over. At the same time, the construction of a transportation network in the archipelago had been completed. (*Tempo* Magazine 25/XXXII Aug. 18, 2003).

The strengthening of the Dutch East Indies economy affected Aceh. The presence of Dutch troops in Tanah Gayo in 1904 was followed by the arrival of Dutch merchants, who opened coffee plantations in the area located 1,000 to 1,700 meters above sea level.
Before the coffee plantations, Tanah Gayo had many of tea plantations and pepper plants. Seeds of the pepper plants in Tanah Gayo were brought directly from Madagaskar during Sultan Iskandar Muda’s administration. But the Dutch preferred to grow coffee in Tanah Gayo, so the farmers gradually stopped planting tea and pepper.

The Dutch also abandoned the oil palm plantations in Singkil. It was not until the 1940s that the colonial government started to bring in workers from Central and East Java to work on the oil palm plantations, which remain important in Aceh to this day.

Besides opening plantations, the colonial government also built a railroad. Initially, the railroad was built to transport military equipment from Ulle Lheue Harbor to Kutara (now Banda Aceh). But it later supported economic activities in connection with the construction of a railroad line along the whole length of East Sumatera, the oil and rubber producing area, from Kutara to Rantau Prapat in 1940. The opening of the railroad line in South Sumatera was linked to the beginning of oil drilling activities in Prabumulih, Muara Enim and Martapura. In 1940, the railroad was extended to Teluk Betung and Lubuk Linggau.

Even though it was hit by prolonged war, Aceh’s economy continued to thrive. President Soekarno was even compelled to ask Acehnese merchants in June 1948 to support the Unitary State of the Republic of Indonesia. The merchants later collected gold to buy a Dakota aircraft, named RI Seulawah 001, which became the first airplane of the national airlines Garuda Indonesia.

1948

In June 1948, President Soekarno requested some aids from the Aceh businessmen to support the Unitary State of the Republic of Indonesia. The businessmen collected golds and procured Dakota aeroplane that was named “RI Seulawah 001” and later became Garuda Indonesia.

1974

Natural gas reserve was found in North Aceh, triggering conflict between the Central Government (in Jakarta) and Aceh. As a result, Jakarta applied the Military Operation Zone (Daerah Operasi Militer, DOM) status to fight Aceh which was at the time led by Hasan Di Tiro with his Free Aceh Movement (Gerakan Aceh Merdeka, GAM).
The huge natural resources potential in Aceh triggered growing conflict between Aceh and the central government. The conflict began between Muhammad Daud Beureueh and the Jakarta administration. Dissatisfied with the central government, the former military governor of Langkat, Aceh and Tanah Karo rebelled. The struggle he initiated lasted for nine years, from 1953 to 1962.

Beureueh’s resistance weakened, but then the Free Aceh Movement (GAM) came into existence, established in 1976 with Hasan Muhammad Di Tiro alias Hasan Tiro as its figurehead. In response to GAM’s opposition, the central government reacted by launching a military operation that resulted in a dark period for the Acehnese, leaving painful historical wounds. It was not until 2001 that Law No. 18/2001 was passed, granting special autonomy to Nanggroe Aceh Darussalam Province in an attempt to settle the conflict in Aceh.

Farmers were often uneasy during the period of conflict, especially when they were working their fields. Fishermen were reluctant to go out to sea and traders were afraid to run their businesses. Day and night they were gripped by fear. This was often the case when there were armed confrontations between GAM and the Indonesian Army. Gunfire at night made farmers reluctant to go to the fields or plantations in the morning. People preferred to wait at home until it was safe to venture out.

“My family and I have lived in this area for 20 years. The government gave us this two-hectare coffee plantation,” said one man who joined a transmigration program in the Gayo Highlands. “But the conflict made it hard for my family and I to work peacefully in the field. We eventually had to evacuate and leave Aceh,” he added, recalling the difficult times he experienced.

A trader in a city east of Banda Aceh toward Medan had another story to tell. Gunfire one evening in 2002 sent customers at his coffee stall running for cover. “After that, I had to close my coffee stall. The sound of gunfire troubled me and made me afraid. Usually, after an incident like that military officers or GAM members would conduct a sweep, making me afraid that something might happen. To avoid that I thought I’d better close my business, even though it meant suffering losses,” he said, trying hard to hold back tears.

This climate of fear and apprehension also discouraged fishermen from going out to sea. “When my colleagues and I were about to go out to sea, gunshots were heard in the distance, so we changed our plans,” said a fisherman from the west coast of Aceh.

This situation led to a decrease in productivity in agriculture, fisheries and commercial forestry, while this sector was in fact the main pillar of the economy and contributor to GDP after oil and gas.

Employees of oil and gas firms and other companies in Aceh also suffered. The pressure caused by the conflict affected security at the workplace. Several cases involving employees who went missing were reported in the mass media in Aceh and North
Sumatera, adding to the long list of excesses that besieged Aceh. Such conditions caused employee performance to deteriorate and affected production targets.

Amid the conflict in 2003, the GDP of Aceh was 2.3 percent of national GDP. The annual GDP was about 3.4 percent, while the per capita income in Aceh Province was Rp 8.7 million.

It was the oil and gas sector that supported Aceh’s economy. Oil and gas production activities also created downstream businesses like PT Pupuk Iskandar Muda, PT ASEAN Aceh Fertilizer, PT Kertas Kraft Aceh and PT Semen Andalas Indonesia in Lhoknga. These factories made a direct contribution in terms of creating employment, paying taxes and other regional fees.

The net export (export minus import) was quite high at about 42 percent of the GDP in 2003, higher than the national level, which was 5.5 percent. Meanwhile, the capital investment ratio in relation to Aceh’s GDP was 7.5 percent in 2003. This was less than half of the national rate at 19.7 percent. Before the crisis, the ratio was also low at 11 to 13 percent.

Besides oil and gas, the fisheries sector is also one of the pillars of the local economy in Aceh. This sector contributed 6.5 percent to the GDP amounting to Rp 1.59 trillion in 2004.
The annual volume of fishery products of non-farmed fish reached 120,209 tons in 2003, while aquaculture products or farmed fish were 15,454 tons in the same year (Aceh Fisheries and Maritime Affairs Agency, 2004). The volume of non-farmed fish and fishery products caught was about the same in the Indian Ocean and the Strait of Malacca.

Aceh Eyes the Global Market

A new phase began when the earthquake and tsunami hit Aceh. The disaster prompted GAM and the central government to put aside their differences for a while. The conflict finally ended with the signing of the Helsinki Memorandum of Understanding on Aug. 15, 2005. Maybe this could be considered the blessing behind the disaster.

With the economy devastated in disaster-hit Aceh, the support that came from the government, Non-Governmental Organizations (NGOs) and other donor agencies was partly directed at stimulating the people's economic activities. One of the income-generating activities to assist those who lost their livelihood was the cash-for-work program. This was followed by efforts to rehabilitate people's productive assets that were destroyed in the disaster in order to quickly restore their means of livelihood. At the same time, activities to support long-term economic activities were also designed to strengthen the future economic foundation of Aceh.
The economic potential of post-conflict and post-tsunami Aceh is huge. Rice fields extend along the eastern coastal areas and plantations in the west. The production of milled rice in 2004 was 1,552,083 tons, harvested from 370,960 hectares of rice fields with each hectare producing an average of 4.18 tons. Aceh has about 572,000 hectares of private farms and 197,570 hectares of big plantations. It yields not only primary regional commodities like Arabica coffee, nutmeg, areca nut, clove, candlenut and patchouli oil, but also primary national commodities such as rubber, coconut, palm oil, coffee and cacao (Aceh Regional Administration, 2007).

The marine potential is also promising. The fishing zone of Aceh extends from the shore to the middle of the Indian Ocean. In addition, fish farms along the east coast have recovered and are quite active. Aceh’s waters, which encompass 295,370 sq km, comprise 56,563 sq km of territorial waters (territorial and island waters) and a 238,807 sq km Indonesia’s exclusive economic zone (EEZ). The territorial and island waters have the potential to produce 220,090 tons of marine products and EEZ has the potential to produce 203,320 tons, a potential total of 423,410 tons for Aceh. It would be a shame if this potential could not be fully exploited by the fishermen of Aceh (Aceh Regional Administration, 2007).

Aceh indeed has a huge opportunity to enter the global market. This is supported by its geographical location at the tip of Sumatera island. Aceh shares borders with several countries like Malaysia, Thailand, Myanmar and India. In addition, there is its proximity to busy sea lanes. Cargo ships traveling from Europe and Africa to East Asia and Japan or visa versa always pass through Aceh’s waters before entering the Strait of Malacca.

The earthquake and tsunami that swept Aceh are in the past. Four years have elapsed and the Reconstruction and Rehabilitation Agency for Nanggroe Aceh Darussalam and Nias has completed its task. During the four-year period, many programs have been implemented and have shown results. Along with the recovery, there has been growth and development in the people’s economy in various sectors and people’s business activities have also increased. Fishermen have returned to the sea, farmers have returned to the fields, fish farmers have started to sow fish spawn, the markets are more enthusiastic, financial institutions have started to revive and roads are bustling with commercial trucks, while various other economic activities continue to develop.

With the improved security situation after the signing of the Helsinki agreement, it is expected that the people’s economy will continue to improve, and will ultimately support the whole Aceh economy. The huge number of investors interested in investing in Aceh also gives new hope for better economic development.
Devastation of Economic Infrastructure and Facilities

The earth shook violently in Aceh on that fateful Sunday morning of Dec. 26, 2004. Most buildings were unable to withstand the force of the earthquake that measured 9.1 on the Richter scale. But the disaster was not over. Fifteen minutes later, the sea inundated the land. Waves of more than three meters high swept the mainland. The tsunami crushed everything that stood in its way.

The city of Banda Aceh was shattered. Debris from the earthquake and tsunami was scattered everywhere, protruding from beneath piles of black mud. Dead bodies lay sprawled over the entire city; some drifted along the Krueng Aceh River.

"I haven’t eaten for three days," said one displaced person while crying at the internally displaced persons camp set up at Baiturrahman Grand Mosque. To take the edge off his hunger he foraged for food in houses or stores that had survived the tsunami.

The black Sunday disaster left 565,384 displaced persons scattered throughout 20 districts and municipalities in Aceh (Tsunami Recovery Indicators Package 2, TRIP-2). There was a pressing need for food supplies during the emergency period. During the first three

Tsunami waste clean up where a traditional market once stood in Lhok Nga, Aceh Besar, June 12, 2005.
Photo: BRR/Arif Ariadi
months after the tsunami hit, 17,504 tons of rice was needed. While between the fourth and the ninth months, 35,008 tons was needed. From the 10th to the 20th month this increased to 64,182 tons. This meant that 116,694 tons of rice was needed to ensure the availability of food for 20 months after the disaster.

The tsunami also shattered the hopes of the people of Aceh. The disaster reportedly wiped out 5,176 small and medium enterprises (SMEs), 7,529 food stalls, 1,191 restaurants, 25 banks, four small-loan banks (BPR), 20 microfinance institutions and 195 markets.

Even former U.S. Secretary of State Collin Powel, during a visit to Aceh in January 2005, expressed shock after seeing the devastation that Aceh had experienced.

"I have been in war and I have been through a number of hurricanes and tornados and other relief operations but I have never seen anything like this," he said (BBC News, 2005).

A few days after the tsunami, a trader, Muhammad, sat pensively trying to hold back tears while retelling what happened that tragic Sunday. His store on Jalan Muhammad Jam in Banda Aceh city had been flattened by the tsunami. “Five photocopy machines and other items, such as office stationery, were destroyed and carried away by the tsunami. But all of us are safe. Perhaps all this is a trial from God. My losses amount to tens of millions of rupiah," he said with head bowed.

A kiosk owner in Simpang Ajuen Jeumpit, Greater Aceh, told his story. “My kiosk was flattened by the tsunami. Now I can no longer earn a living, not until I get another kiosk and financial support," he said, his voice wavering.

Aceh Flatten to Ground

Aceh was hit by the 9.1 Richter scale earthquake, December 26, 2004. The seawater was spilled over the land in the form of waves with more than 3 m in height. The city of Banda Aceh was ruptured. Corpses were found everywhere.
One month after the tsunami, money did not mean very much either. Peunayong Market, the biggest market in Banda Aceh, was entirely destroyed. Other markets such as those in Neusu in Banda Aceh and Lambaro Market in Greater Aceh were not affected by the tsunami, but trading had been halted as most of the traders had been displaced. Consequently, the people of Banda Aceh had to struggle to find foodstuff and fuel to travel all the way to Indrapuri or Saree in Greater Aceh, a distance of about 39 kilometers. The scarcity of basic commodities and fuel made prices soar. For instance, a packet of instant noodles that would normally cost only Rp 1,000 had skyrocketed to Rp 5,000 a packet. The price of fuel had jumped to Rp 10,000 per liter from the previous Rp 2,400. Some of the displaced had eaten nothing but instant noodles for a week.

Fishes Disappeared
Ocean and fishery assets such as Coastal Fishery Seaport Lampulo, brackishwater facilities in Ujung Batee, community shrimp ponds, fish catching boats, and fisherman villages or settlements were lost or severely damaged. Total loss is estimated at Rp 2.8 trillion.

Farmlands and Livestocks Sinking
20,101 ha of rice fields, 31,345 ha of non-irrigated agricultural lands, and 56,500-102,461 ha of plantations (FAO and Ministry of Agriculture data) were damaged. 78,189 cows, 66,323 sheep/goats, and 1,742,784 poultry were killed.

Foods Needed
486 thousands of Internally Displaced Persons (IDPs) were scattered in 16 districts/municipalities in Aceh. To ensure that the food supply were there for the next 20 months, 116,694 tons of rice must be maintained.

Hopes Shaken
Some 5,176 SMEs, 7,529 stalls, 1,191 restaurants, 25 banks and 4 People’s Credit Banks (Bank Perkreditan Rakyat, BPR), 20 microfinance institutions, and 195 market places were destroyed by the tsunami.

Ocean and fishery assets such as Coastal Fishery Seaport Lampulo, brackishwater facilities in Ujung Batee, community shrimp ponds, fish catching boats, and fisherman villages or settlements were lost or severely damaged. Total loss is estimated at Rp 2.8 trillion.
Amin, a citizen of Banda Aceh, complained about the soaring prices of staple goods. He could no longer afford to buy even a kilogram of rice to feed his wife and child who had survived the disaster. He was resigned to waiting submissively for rice to be distributed by the government and NGOs. However, Amet only received his ration after lining up for hours along with other displaced persons.

Serious damage was also experienced in the agricultural sector. The damage to farmland encompassed 20,101 hectares of rice fields, 31,345 hectares of dry fields and an estimated 56,500 to 102,461 hectares of plantations (Food and Agriculture Organization - FAO, and Ministry of Forestry data). The main plantations destroyed were rubber, oil palm, coffee, clove, nutmeg, cocoa, patchouli and ginger. The number of dead or missing livestock consisted of 78,450 cows, 62,561 water buffalos, 16,133 sheeps, 73,100 goats and 1,624,431 fowls.

"My rice field cannot be sowed anymore. It contains too much mud and sand carried by the tsunami from the sea. It is also filled with debris from collapsed houses. We cannot farm until the fields are cleared. For the time being, all we can do is wait for assistance from the government or an NGO that cares enough to help us clear our fields," said a farmer from Lhoong sub-district in Greater Aceh.

Another story was told by a cattle breeder from Meulaboh, West Aceh. "I had several cows and goats that I was planning to sell today to pay for my child’s schooling. All of them are missing now, they were carried away by the tsunami. As a matter of fact, I am the only one left, as my wife and children were also swept away by the tsunami," he said while gazing blankly at the sky.

The fisheries sector also suffered severe damage. Based on information from the Assessment Team and Maritime and Fisheries Ministry Taskforce that had worked in the field since Dec. 28, 2004, the assets that suffered serious damage in the maritime and fisheries sector were the Lampulo Fishing Port, the Ujung Batee Brackish Water Fish Cultivation Center, the Laboratory for the Development and Quality Control of Fishery Products in Lampulo, fish hatcheries, community shrimp farms, fishing boats and fishermen’s settlements in several areas.

The losses suffered in this sector were exceedingly high. Apart from calculating the extent of the damage, an estimate of the losses incurred by businesses due to production failure and a calculation of the production level in the years prior to the disaster were also conducted. For non-farmed fish and fishery products, the production value in 2003 was used as a basis for estimation, while for cultivated fishery products it was fixed at 500 kilograms per hectare per annum. The total estimated losses were Rp 2.8 trillion, comprising the production value of non-farmed fish and fishery products at Rp 600 billion, the production value of cultivated fish and fishery products at Rp 1.6 trillion and the value of other fishery businesses such as fish hatcheries and ice factories was estimated at Rp 600 billion.
Nurdin, a fisherman living in Aceh Jaya, was sitting and pensively gazing at the vast Indian Ocean. He felt like swimming out into the open sea to look for fish, but fishing was impossible now as the 5 gross ton boat he had inherited from his parents had been carried away by the tsunami. “I cannot do anything else, the only skill I have is fishing,” he said faintly.

The fish ponds that had extended across the eastern coastline of Aceh from Idi in East Aceh to Banda Aceh were all destroyed by the tsunami. “We have lost our means of livelihood. Our ponds are covered with sludge and sand. The trenches are all destroyed and the levees are gone,” said one fish pond owner.

One fish pond worker in the western district said that his ponds had totally disappeared with the change in the coastline. “The trunk of that coconut tree in the sea is evidence that before the tsunami the place was actually land,” said the man while pointing at the sea.

The above stories told by the farmers, fish pond owners and fishermen illustrate how the tsunami destroyed their productive assets. Efforts to rehabilitate and reconstruct these assets became a priority in order to enable them to regain their livelihoods so they could return to work and get on with their lives.
The damage and losses in the fishery sector described above are limited to physical losses, whereas the impact of the disaster on human resources was vast. Those who died or were reported missing and assumed dead were heads of households, civil servants, employees, farmers and fishermen. Some of them were productive workers who were highly skilled.

The number of fishermen who died or were reported missing was 14,936, while 920 fish pond owners and workers died or were reported missing. The Office of Agriculture reported that of the 1,457 civil servants working there, 93 people died and 157 were reported missing. Of the Office of Industry and Trade's 271 staff, 72 died or were reported missing. The number of staff who died or were reported missing in the Aceh Office of Maritime Affairs and Fisheries was 36. In the Technical Operation Unit of Ujung Batee Brackish Water Fish Cultivation Center, nine died/were reported missing, in the Technical Operation Unit of the Fisheries Business High School in Ladong, Great Aceh, three died/went missing and in the Technical Operation Unit of Sultan Iskandar Muda Fish Quarantine Station one person died (Master Plan, 2005).
Unemployment Soars, Employment Opportunities Plummet

It is difficult to estimate how many workers were lost, let alone obtain data on the loss of livelihood opportunities. The calculation below is based on the assumption that the level of open employment is constant. From a total population of four million, based on the assumption that 2 percent of the population is deceased or missing, this means that the livelihood opportunities as well as unemployed persons also declined by 2 percent. This means that open unemployment remains at the same level as before the disaster, at 11.2 percent.

The second assumption is that the impact of the disaster resulted in a loss of livelihood opportunities. The impact of the disaster on unemployment in Aceh Province could be analyzed in various ways. For example, if the livelihood opportunities decreased by 10 percent, a total of 220,900 people would have lost the opportunity to earn a living. So the total number of unemployed would be 499,300 and open unemployment would be 20 percent.

From the records that have been collected, the death toll in Aceh was 126,741 people or more than 3 percent of Aceh’s population. To estimate the impact on the labor market, it would be safe to assume that the number of deceased did not affect the level of open unemployment. In other words, those who were employed and those who were unemployed would be equally affected. From the three scenarios applied in relation to a decline in Gross Domestic Product (GDP), findings have shown that if 20 percent of the income generating opportunities are gone, then the level of unemployment in Aceh would rise from 11.2 percent (the actual figure in 2003) to 29 percent. As a result, the national level of unemployment would rise from 9.5 percent to 10 percent. The negative impact on the unemployment level would decrease with the new employment opportunities generated from the ongoing rehabilitation and reconstruction activities.

The impact on poverty is analyzed using the same three scenarios. For instance, for the second scenario it could be estimated that non-oil and gas GDP would decrease by 20 percent. Based on this assumption, the number of people living below the poverty line would rise to 600,000 and the level of poverty per individual would rise by 0.3 percent. However, it should be noted that this assumption does not include the positive effect of the growth and potential employment opportunities generated by the reconstruction activities.

The cessation of economic activities would also have an impact on the rise in the number of people unemployed. From a total workforce of 2,254,155 people, it could be assumed that between 600,000 and 800,000 experienced a loss of livelihood due to the disaster, comprising some 300,000 in the agricultural sector, 170,000 in small and medium enterprises, 130,000 in the fishery sector and 60,000 due to death (Master Plan, 2005).
Aceh’s Economy Weakens

In the national context, the level of economic growth of Aceh and Nias is generally below that of other areas in Indonesia. According to a World Bank report, the 2005 per capita income in Aceh dropped by 32 percent. This was caused by the 40 percent correction in non-oil and gas GDP of Indonesia. Meanwhile, the economic forecast for Aceh fell 5 percent and that of Nias dropped 20 percent.

There are three scenarios related to Aceh’s economic growth in 2005. The first is based on the assumption that non-oil and gas GDP decreased 20 percent and the oil and gas related GDP remained stable, thus there would have been a 7 percent drop in economic growth in Aceh in 2005. The 7 percent decrease in Aceh’s GDP would result in a 0.1 percent decline in national economic growth. If the projection for national economic growth in 2005 was set at 5.5 percent, then with the disaster in Aceh the growth would be estimated to be just 5.4 percent.

The second scenario is based on the assumption that conditions remained the same but with a decrease of 20 percent in non-oil and gas GDP, thus national economic growth would have dropped 0.2 percent (with national economic growth projected to remain at 5.5 percent, then after the tsunami the GDP would have been 5.3 percent). The third
scenario is based on the same assumption but with a 40 percent slump in non-oil and gas GDP, thus the national economic growth would have fallen by 0.4 percent (from a projected 5.5 percent the GDP would have been 5.1 percent).

The disaster had a huge impact on the capability of human resources as well as on their economic capability. As already stated, about two-thirds (67 percent) of non-oil and gas GDP was generated in the areas afflicted by the disaster. Based on a preliminary assessment by the World Bank using the three different scenarios related to Aceh’s economic growth in 2005, the decrease in non-oil and gas GDP was set at 10, 20 and 40 percent respectively. Based on this scenario, Aceh’s GDP would have experienced a 7 to 28 percent decline in 2005 compared to 2004, setting Indonesia’s economic growth at 0.1 to 0.4 percent less than the initial growth projection.

Assuming that the GDP (for non-oil and gas) decreased 10 percent and the oil and gas sector remained unaffected, Aceh’s economic growth would have dropped 7 percent in 2005. The 7 percent decline in Aceh’s GDP would have resulted in a 0.1 percent decline in national economic growth. Under the same conditions and assuming that the gas and oil sector remained unaffected, if there was a 20 percent decline in non-oil and gas GDP, then national economic growth would have decreased by 0.2 percent (from a projected 5.5 percent it would have been only 5.3 percent).

Using the same assumption but with a decline of 40 percent in non-oil and gas GDP, the national economic growth would have experienced a decline of 0.4 percent (from an initial 5.5 percent to 5.1 percent after the disaster). Whichever scenario is applied, it will ultimately also influence the creation of employment opportunities.

The impact of the natural disaster can also be assessed through several sectors closely related to Aceh’s economic activities. This sector includes income per capita. GDP from the oil and gas sector does not immediately return to the local people but is received as shared income and the remainder is transferred from the government. To study the impact of the tsunami on per capita income, we would have to add the shared income from the oil and gas sector (in 2004) to the GDP per capita using the aforementioned scenarios.

Aceh’s population was estimated to grow 1.5 percent in 2004, minus the people who died in the disaster (126,741 based on current calculations). If there had been no tsunami, the earnings per capita would have reached Rp 8.7 million (based on 2003 reports). By estimating that there was a 40 percent decline in non-oil and gas GDP, then the per capita income dropped 32 percent.
Two basic issues became the focus of the main task in post-tsunami economic recovery. The first was to boost activities, which could restore people’s income through the rehabilitation of income-generating productive assets. This step was necessary as the people’s productive assets had been destroyed in the disaster, which paralyzed all income-generating activities. To stimulate economic growth, the circulation of money in society was essential. The circulation of money and an increase in income would only be possible if the people’s productive assets as the income-generating engine could be restored.

The second issue was the importance of seeing the overall picture of an economic system. This was important because economic sustainability had to be ensured even after the rehabilitation and reconstruction activities were completed. It was therefore imperative that the activities be of a long-term nature in order to strengthen the economy’s foundation.

The Deputy for Economic and Business Development formulated two main missions. The first was the recovery of people’s productive assets and public assets, which included the rehabilitation of rice fields, plantations, fish and shrimp farms, boats, and public assets such as fishing ports, fish breeding facilities, markets and slaughterhouses. These activities were conducted early in BRR’s tenure (2005-2006).
strategy and policymaking

Almost every sector of the economy felt the impact of the disaster, from the agricultural sector to fisheries, commercial forestry, industry, trading, cooperatives, SMEs, labor, tourism and forestry. Due to the broad impact on the economic sector, the main focus in the policy for rehabilitation and reconstruction of the economic and business sector was directed toward five aspects, namely, empowering the community-based economy, raising the added value of SME products, recovery and development of trade activities, capacity-building for players in the economic and business field and the facilitation and stimulation of investment.

Empowerment of a Community-based Economy

The focal point of this activity lay in the community’s direct involvement and the immediate benefits that they could receive. This approach was applied as direct consultation was far more effective in meeting their needs. In addition, by involving the community as the project implementer it could provide them with an immediate income to meet their needs and restore their self-confidence.

This activity also provided the needed capital to restart the victims’ businesses, which indirectly opened up new employment opportunities. The activities included within this category were the rehabilitation of rice fields and fish ponds, provision of agro-input, provision of boats, provision of business capital, as well as the empowerment and development of microfinance institutions.

Community-based economic development also absorbed the largest fund allocation during the rehabilitation and reconstruction period. In the first two years, almost all of the activities of the Deputy for Economic and Business Development fell into this category.

Raising the Added Value of SME products

SMEs have always been the backbone of Aceh’s economy. The main key in building and strengthening SMEs was raising their productivity and the added value of their products. Production stability and quantity was of course vital, but further development was no less important. Raw commodities have added value once they are processed. The value of a product also increases if it is attractively packaged. Capacity building for production and technology and improvement in packaging and branding were the two main areas
of focus of the Deputy for Economic and Business Development in raising the added value of SME products. The activities undertaken to raise production capacity included establishing a small mill, an Aceh batik production house, the Samahani handicraft center and fish processing centers. Assistance was provided for packaging and branding by establishing the Packaging and Branding Center. This organization has since designed and re-packaged hundreds of SME products.

**Recovery and Development of Trade**

The damage to markets or the places where people usually conducted business influenced the balance of supply and demand. If demand exceeded supply, it would trigger higher inflation and the burden on the disaster victims would be even greater. The scarcity of goods due to damaged infrastructure (especially roads and means of transportation) and the damage to centers of trade inevitably led to soaring inflation. Therefore, the repair of infrastructure to facilitate the circulation of goods and services and the reconstruction of markets and trading centers became a priority in the recovery of trading activities.

In the early phase, the recovery of the trade sector was done by reconstructing traditional markets, fish auction markets, transit warehouses and by building larger markets such as the Bireuen Wholesale Market. Furthermore, in 2008 the Deputy for
Economic and Business Development also established a center for export development to explore and open export opportunities and to prepare the market players in Aceh to run export businesses.

**Capacity Building for Economic and Business Players**

The rehabilitation of infrastructure, business capital, productive assets and market access alone would not be sufficient to revitalize Aceh’s economy. In the end, the difference between the strong players and the weak ones lies in the human resources. The knowledge and skills of the human resources determine the level of productivity and profitability. However, building human resources is not like building infrastructure. It takes a higher degree of seriousness and longer term planning, although the result is not necessarily immediately visible.

Success in human resources development is very much determined by the motivation, perseverance and seriousness of each individual involved. Naturally, all this needs to be backed up by material, a training system and qualified instructors.

Generally, human resources capacity-building activities were in the form of training and internships. The training programs given ranged from those on baking cakes, embroidery, sewing, construction and automotive mechanical skills to technical tips on how to enter the export market. The training’s early phase generally focused on activities that could be immediately put into practice and that were suitable for rehabilitation and reconstruction needs, such as training for carpentry, bricklaying and construction. The later phase focused on preparing skilled workers, which required more time, with certified results and which was conducted outside Aceh.

**Promoting and Facilitating Investment Growth**

The big question in the disaster recovery program concerned the sustainability of economic activities after the rehabilitation and reconstruction period. During the rehabilitation and reconstruction period, the massive inflow of funds, intensive infrastructure development activities and the presence of many organizations, both local and international, accelerated economic activities in the disaster-afflicted areas. However, toward the end of BRR’s four-year tenure, the rehabilitation and reconstruction process would begin to slow down, trading transactions would decline and the employment field would narrow. To maintain the economic progress and development, efforts were needed to promote growth in the private sector and incoming investment, while routine government expenditure through the development budget would still be required.

Unlike donors or NGOs whose work is based on humanitarian concerns, investment generally involves a business and commercial approach. This means that the ability to generate profit is an absolute necessity. In this context, the Investor Outreach Office was established to provide services to investors. These services included the provision of information on investment potential, partnerships with local entrepreneurs, assistance
in legal requirements and authorization, and giving input to the local government on investment matters. Below is a diagram of the five areas of focus in economic and business development presented in figure 3.1.

The Deputy for Economic and Business Development' strategy for developing the economy and the business sector involved revitalizing economic life and empowering local wisdom. This was supported by the provision of economic and business facilities, the provision of infrastructure and efforts to improve the quality of human resources. These steps were implemented in the 2005-2006 period.

In 2007, the strategy was aimed at the integrated development of economic and business activities through raising production, institutional capacity building and stimulating the growth of SMEs and economic centers. While in 2008-2009, the strategy focused on creating a sustainable economy and strengthening the local market in order to gain entry to the international market. The strategy for developing the economic and business sector is presented in Illustration 3.2.

The following section outlines the strategy and policy for developing each sector, namely agriculture, fisheries, commercial forests and business.

**Agriculture**

The first strategy in the agricultural sector was to sustain the availability of food for people displaced by the tsunami as a vital element in ensuring their survival. This strategy was conducted during the emergency response period and was coordinated by the Coordinating Minister for Social Welfare. The second strategy was the restoration of
The third strategy was the recovery of the agricultural sector economy, which covers the development of prime commodities such as food crops, horticulture, livestock and plantations. This strategy was created to maintain the sustainability of the agricultural economy in order to keep up with the market demand.

The fourth strategy was aimed at accelerating the rehabilitation and reconstruction of agricultural infrastructure such as agribusiness road access, agribusiness irrigation systems, main seedling centers and core seedling centers. Without proper infrastructure, agricultural activities on a rural scale would not develop. Without road access, farmers could not take their harvest to the markets, and rice fields would remain dry if there was no irrigation system.

The fifth strategy was to strengthen the economic foundation by raising agricultural production through the development of agricultural production centers and zones. The objective was to ensure an adequate supply of agricultural products in terms of both quality and quantity, to ensure a sustainable economic foundation.

Meanwhile, the first policy undertaken was the recovery of the people's productive assets and public assets that had been destroyed by the tsunami. This was done upon

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**Figure 3.2. Economic and Business Sector Development Strategy**

- **2005**
  - Provision of economic and business development
  - Improve quality of human resources
  - Revitalization of economic life
  - Local Wisdom Empowerment

- **2006**
  - Development of integrated economic and business activities
  - Raise production
  - Institutional capacity building
  - Economic and business management
  - Stimulate growth of economic centers
  - Stimulate growth of SMEs

- **2007**
  - Create a sustainable economy
  - Strengthen the local market in order to gain entry to the international market

- **2008**

- **2009**

viewing the extensive damage to rice fields and public assets. Second was the repair and improvement of agricultural facilities and infrastructure. These facilities and infrastructure were essential to boost economic recovery in the agricultural sector.

The third policy was the recovery and boosting of the agricultural economy through the development of prime commodities in the food crops, horticulture, livestock and plantations sub-sectors. This policy was aimed at supporting product continuity, both in terms of quality and quantity. Last was a policy to prevent and tackle the anticipated problem of food scarcity in case of failed harvests due to the unstable food production system in the wake of the disaster, in particular rice as the staple food.

**Fisheries**

The first strategy that was carried out was the restructuring of seawater, brackish and freshwater cultivation areas, and the development of the exploitation of the marine resources of territorial waters. The restructuring was necessary as the boundaries of the cultivation plots were no longer clearly defined. Second was the rehabilitation or reconstruction of fishing facilities, infrastructure and supporting resources, which focused on repairing or rebuilding facilities and infrastructure damaged in the disaster. Apart from these, a fourth policy was the recovery and boosting of the agricultural economy through the development of prime commodities in the food crops, horticulture, livestock and plantations sub-sectors.
from that, the quality and added value of fishery products was developed to fulfill local and international market demand. The third strategy included the rehabilitation and restructuring of fish-farming businesses that were damaged as a result of the disaster. This strategy was important in order to restore the livelihoods of the fish pond owners/workers.

The last strategy was the rehabilitation of fishing ports and the development of standardized facilities for fishing ports where fishing boats could dock, thus supporting fish exports. This export commodity needed to be supported by a fish processing industry in order to boost the products’ added value and product diversification.

Meanwhile, the first policy in the fisheries sector was the recovery of public services assets and the people’s productive assets and the creation of labor-intensive activities as a temporary source of income for the people. The second policy was the restoration of livelihoods and raising fishing communities’ income by developing a strong and

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**Fauziah: Rising with Kayu Fish of "Tsunami Boat" Brand**

*LIFE* as a husbandless widow with five children to bring up is not an easy thing. Such was the situation of Fauziah, 45 years old, shortly after the tsunami. For a year she took shelter at her parents’ house as her own had been swept away by the tsunami. For a year she struggled economically, barely scraping together enough to send her children to school.

Then BRR Aceh-Nias and the Department of Industry and Commerce of Aceh opened a new path in Fauziah’s life, and she is now able to put her children through college. Formerly a naïve housewife with no clue about what to do or how to begin her own business, Fauziah now owns a home industry that employs ten people.

One day in October 2006, Fauziah enrolled in the training held by BRR in conjunction with the Department of Industry and Commerce on how to process and package tuna fish for sale. After the training, no one participating really took any advantage of the information they had received, except Fauziah. She realized that she should not let such a valuable experience go to waste. Just a month later, Fauziah was already stubbornly “fighting” to win a chance at recovering her life in the wake of the devastation of the tsunami.

With startup capital of Rp. 500 thousand, Fauziah started buying fish for processing into the popular food known locally as keumamah, or kayu fish, and invited several women from her neighborhood to help with her fledgling enterprise. At the time Fauziah had a gas stove, a wok and a steamer donated by BRR. Through Oxfam, she was able to take part in a rolling credit program involving funds of up to Rp. 66 million with Rp. 2.5 million disbursed in the first phase.

That was how the skilled hands of neighborhood housewives came to help Fauziah prepare the tuna fish to finally be cut lengthwise as long as a child’s pinkie finger before being cooked, further processed, packaged and sold. BRR not only supplied the necessary equipment, but also aided Fauziah in matters of attractive packaging. BRR designed the packaging via its own Product Packaging and Branding Clinic (KKM), and Fauziah received 2,500 packaging boxes that were simple yet chic. The keumamah kayu fish were then given the brand name Ikan Kayu Cap Kapal Tsunami or Tsunami Boat Kayu Fish.
dependable fishery industry. The development of the fish processing industry provided added value for fishery products so that they would be accepted by the market, while at the same time improving the quality and availability of the product. The third policy was the development of dependable fishery infrastructure in order to stimulate investment in the industry. Damaged fishery infrastructure needed to be immediately repaired as without such infrastructure it would be difficult to attract investment and ultimately economic activities would be difficult to develop.

**Industrial Forestry**

The strategy adopted in this sector was the rehabilitation and building of the coastal region, particularly buffer zones, fish farms and forests in compliance with existing zoning plans and the coastal characteristics. The next strategy was recovery of the community’s economic activities based on natural resources by providing basic construction materials. This strategy aimed at anticipating forest logging by involving the community and

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**Why the Tsunami Boat brand?**

Fauziah explains it this way: When the second tsunami wave crashed in, Fauziah was rescued by a boat while cradling her youngest child in her arms. The remains of the boat may be seen until now, perched atop a house in the Lampulo region of Kuta Alam.

Within two years, Tsunami Boat Kayu Fish had gained widespread popularity. At least seven popular snack shops in Banda Aceh, at Sultan Iskandar Muda airport, and in Sabang, carry the kayu fish made by Fauziah. Her products have even reached Java Island. Some of her consumers come right to her house on Kenari I Street, Dusun TT Pulo Lampulo Lr I in Banda Aceh, while, as fate would have it, she also has received offers from distributors in Thailand to sell her Tsunam Boat Kayu Fish in the Land of the White Elephants.

Fauziah proactively tries to participate in every exhibition possible. This has paid off. In one expo in Banda Aceh, Indonesian President Susilo Bambang Yudhoyono took notice of Fauziah’s products. She has also had the opportunity to join with the Penang Fair. And during the pilgrimage season, Fauziah’s keumah kayu fish flew into the Holy Land together with the pilgrims in their lunchboxes.

Although Fauziah’s turnover now averages Rp. 4 million a month, and she acknowledges that she sometimes finds it almost impossible to fill all of the orders she receives. She has also found it difficult to precisely duplicate the packaging initially provided by BRR. Currently, Fauziah relies on plain plastic packaging that costs Rp. 12 thousand per 100 grams (the boxes cost Rp. 15 thousand per 100 grams). For this reason, Fauziah hopes for a loan to expand her business.

She says that she is very thankful that in the past two years she has been able to employ ten staff to cut up the fish and process it into kayu fish at a rate of Rp. 500 per two kilograms. She is also grateful to have been able to renovate her house (CARE aid, type 45) by “magically transforming” the terrace into a living room, and to purchase a motorcycle and to put two of her children in college.

Fauziah never sits still. She also owns a wedding attire rental business, and spends time operating the KSM Tuna cooperative for women, which has a membership of 50.

Despite the fact that Fauziah may now “breathe easier”, there are still times when an ill wind blows. During high tide and strong winds, Fauziah may only be able to procure 40 to 50 kilograms of fish because the price skyrockets(normally she can afford 100 to150 kilograms at a time). But Fauziah holds strong to her principle that production must go on for the sake of her customers. In addition, Fauziah is now saving up rupiah to be able to buy the type of packaging initially provided by BRR. According to her, an order of 3,000 boxes is equal to Rp. 5 million, a considerably hefty sum for a small-scale businesswoman.
utilizing the local socio-cultural values in the preservation of protected forests and other controlled forest exploitation. The last strategy was the recovery of the government institutional system of the Forestry Ministry and Provincial and District Forestry Offices. This was done because the disaster had paralyzed the institutional system.

The policy implemented included the restoration of the coastal region, buffer zones, mangrove areas, coastal and natural forests that were destroyed by the natural disaster or had already begun to degrade. The second policy was to beef-up protection of the government’s protected forest areas. The third policy was the revitalization of the people’s economy based on forest resources considering that the people living in the forest areas played a key role in forest conservation. Without economic recovery, forest conservation could not be guaranteed. The last policy was the upgrading of human resources and technical staff development in the forestry sector.

Business Development (Industry and Trade, Cooperatives, SMEs, Workforce and Tourism)

Industry and Trade

The first strategy adopted was the rehabilitation of trade facilities destroyed by the disaster. Without rehabilitation of the trade facilities, such as markets, economic activities would come to a standstill or would stop running. The second was the nurturing of SMEs. The paralyzed SMEs needed immediate full support so that economic activities could be revived. The third one was the revival of trade activities as a key strategy to support the development of the business sector.

The policy implemented to develop SMEs was based on the existing potential within the community, such as embroidery, making kopiah (male Muslim cap), renceng (traditional Acehnese dagger) and traditional snacks. Second was the provision of trade facilities and infrastructure to market products related to basic needs or what the people had produced. The third policy was the development of trade system and product information through booklets, leaflets and brochures. By disseminating information about the products, it was hoped that the people and investors would become more familiar with the prime products that had investment potential. The fourth was the development of a market-oriented and technology-based economy through developing competitive quality. The last policy was the development of industry, trade and investment within the framework of raising competitiveness, especially for SMEs.

Workforce

The strategy in the labor sector was the development of post-disaster labor services, such as work skills training centers. The goal of the training centers was to produce dependable skilled workers. This strategy was aimed at reducing the tension caused by
the high unemployment rate after the disaster. The second strategy was technical skills training based on the existing competence within the community. The final strategy was the provision of tools for the workers who had undergone training so that they could work independently. This strategy was aimed at enabling participants to directly implement the skills they had learned during the training so that they could start to work independently.

The initial policy adopted was the expansion of various work opportunities by creating various prospective jobs. This was done to enable those who were unemployed to gain employment faster. The second policy was to coordinate the labor plan and information about the job market with the related authorities (the manpower agency) that already had links with the broader business sector. This was done considering that many people did not have access to information about work opportunities and therefore faced difficulties in gaining employment. The last policy was to hold competence-based training and internship programs to improve the skills of workers in cooperation with various businesses.

Cooperatives and SMEs

In this area, the strategy implemented was the provision of incentives or capital for members of cooperatives. Generally speaking, members have insufficient capital to expand their businesses. The second strategy was to help establish both traditional and wholesale markets in order to boost the community’s economic activities. The third strategy was to get the cooperatives to function as distributors of basic needs in Aceh with the funds available. The provision of capital for each cooperative could be used to maintain the supply of staple goods. The last strategy was to build cooperatives based on the principles of sharia by involving all stakeholders, such as cooperatives, agencies and local government.

Another policy was also adopted to empower the local economy, especially SMEs, by building networks with major companies. The SMEs could be self-reliant if they formed business partnerships with major companies that had extensive experience in running a company.

Tourism

The strategy adopted in this area was the rehabilitation and reconstruction of tourist facilities and infrastructure. Second was the restoration of tourist areas and development of facilities at tourist sites. Third was to create and nurture an atmosphere and positive image conducive to the development of tourism. This was deemed necessary in view of the fact that Aceh’s image in terms of tourism tended to be negative due to the prolonged armed conflict. The last strategy was to develop local businesses in the tourist sector, such as culinary tourism to support the self-reliance of the business players.
A policy adopted in this context was the rehabilitation and reconstruction of damaged or underdeveloped tourist facilities and infrastructure. This was implemented to support the economy of communities actively involved in tourism. The second policy was to develop services and sites that took into consideration the environment and that were based on local values and culture. The third policy was institutional capacity-building and empowerment of tourism agencies. Last was planning for the development of tourism in Aceh and Nias Island.

Program Management

Planning

One of the functions of the Deputation of Economic and Business Affairs was the planning of priority programs that could be incorporated into the work plan. The main reference used as the basis of planning was the Master Plan.

The program planning was done in two stages. The first step was to analyze the programs and activities included in the Master Plan. The findings in the form of data then had to be verified by each division working in the field. This process involved the community as field workers. To ensure that the programming was solid, intensive coordination with related agencies was required. Coordination was important as these related agencies were members of technical teams responsible for monitoring the results of the programs implemented.

In the next step, after the program and target stipulated in the Master Plan passed through the verification, validation and interpretation process, the program was incorporated into the working plan also known as the Budget and Work Plan for Line Ministries (RKA-KL). RKA-KL was based on the budget quota allocated in the Issuance of Spending Authority (DIPA) to the respective Project Implementing Units (PIUs) in the Deputy for Economic and Business Development.

Priority programs were determined based on the Master Plan by using the matrix of Determining Priority Programs in Business and Economic Development (Illustration 3.3). This matrix acted as a guideline for the focus of the program and activities in the rehabilitation and reconstruction phase.

During the rehabilitation phase (2005-2006), the programs and main activities were those that were stipulated in the Master Plan and were essential, even though not ongoing (Quadrant 1). Conversely, programs and activities that were not explicitly mentioned in the Master Plan and were not ongoing needed to be avoided (Quadrant 2). Examples of the programs included in the first Quadrant were rice field rehabilitation, fish-pond rehabilitation, provision of agro-input, boats, livestock and capital.
During the reconstruction phase (2007-2008), the prioritized programs and activities were those stipulated in the Master Plan and those that would be continued (Quadrant 4). Programs and activities that were not stipulated in the Master Plan but were to be continued were to be considered for future implementation (Quadrant 3).

Examples of business development programs included in Quadrant 4 were the rehabilitation and reconstruction of skills training centers, followed by training programs to counter unemployment in Aceh. Another example of a program in the trade sector to support the sustainability of the people’s economic activities on a larger scale was the construction of Bireuen Wholesale Market.

The priority program in the agricultural field was the repair and construction of the Main Seedling Center and Core Seedling Centers to produce superior seedlings. Another program was the development of a livestock area to fulfill local and export market needs.
In the fisheries sector, the deep-water Lampulo Fishing Port in Banda Aceh was constructed to allow large fishing vessels (30 to 100 gross tons) to dock. BRR also provided several boats of 30 gross tons each equipped with modern equipment with the aim of increasing fishermen’s yields so they would no longer be passive bystanders while foreign vessels operated in the Indian Ocean. In fact, foreign fishing vessels are often arrested by security forces for trespassing in Indonesia’s Exclusive Economic Zone. It is not difficult to imagine just how much the potential of Aceh’s waters has been exploited by foreign fishermen.

Among the programs categorized under Quadrant 3 were the Packaging and Branding Center (KKM), Export Development Center (EDC) and Investor Outreach Office (IOO). The KKM provides consultancy services to enable Aceh’s prime products to be accepted by the local and export market. The packaging produced by KKM can compete with other products entering Aceh. Meanwhile, the EDC is geared toward supporting the development of Aceh’s prime export commodities.

To support the sustainability of the people’s economy and the regional economy, the Deputy for Economic and Business Development formed the IOO with the goal of acting as a mediator between Aceh entrepreneurs and local and international investors. Incoming investment would open up new fields of employment and reduce the unemployment rate while raising Aceh’s regional budget on a sustainable basis.

However, there were some planning obstacles encountered during the initial phase (rehabilitation). The program planning that was based on damage and loss reports in the Master Plan tended to be difficult to implement. Meanwhile, there were also difficulties in obtaining valid data on the value of the losses and damage to economic assets in the limited amount of time available. Another problem was the difficulty in assessing the losses experienced by businesses. For instance, in the fisheries sector, it was difficult to obtain data on the value of damaged boats as the sizes of boats varied. There were even disparities between the size of the boats already in operation and those listed in the documents of the relevant government agency. This was the same for the agricultural sector and other business sectors.

Due to the limited time, the Deputy for Economic and Business Development used loss and damage data analysis that had been crosschecked with loss and damage reports from different sources, such as from the central and local authorities. This step was taken to accelerate the recovery of income and livelihood sources in the rehabilitation phase.

Later, to enrich the planning process in the following years, in early 2006 coordination forums were held to familiarize people with the 2006 financial year programs and collect input for the 2007 program. In the agricultural and fisheries sector, technical meetings were conducted involving stakeholders in Aceh and Nias. Meanwhile, a special program planning mechanism was applied in the agricultural and fishery components for funds provided by the Earthquake and Tsunami Emergency Support Program-Asia Development Bank (ETESP-ADB), with ADB as the appointed donor (via tender), Uniconsult International
MANY marketing experts these days regard packaging as part of an important marketing strategy. According to Hermawan Kartajaya, Indonesia’s own marketing expert in his book Marketing Plus 2000 Ways to Win Amidst Global Competition, technology has advanced so much that the function of product packaging has changed. Packaging no longer serves as a mere cover or container, but also functions to promote the product it holds inside. The packaging presented must have its own specific charm, and there must also be a promise of product quality and after-sales service, to guarantee a good level of sales.

Realizing the vital role of product packaging, BRR Aceh-Nias, together with the Nanggroe Aceh Darussalam (NAD) provincial government, the Department of Commerce and Industry, and the local Chamber of Commerce and Industry, initiated the Packaging and Branding Clinic (Klinik Kemasan dan Merek, KKM) to aid small to medium business owners in Aceh in designing packaging and brand images for their products so they would seem more modern and take on increased sales value. With a brand image and packaging design that are more creative and innovative, it would become increasingly certain that the products of small to medium business owners from Aceh would become more competitive on both the domestic and international markets, thus increasing the income of the Acehnese people.

From May 2007, the Packaging and Branding Clinic began providing consultations and branding services for eleven small and middle scale enterprises in Aceh. Structurally, the Packaging and Branding Clinic is positioned under the Investor Outreach Office (IOO), a unit formed by the economy and business deputy of BRR. After a period of seven months, to be precise, on December 5, 2007, the Packaging and Branding Clinic was officially opened and offered a number of services, such as packaging consultation, and advocacy in branding-copyright, packaging design, brand image development, and product promotion.

In carrying out its duties, the Packaging and Branding Clinic secured partnerships with a number of related bodies, including the Department of Industry and Commerce and Department of Cooperatives, for information on all the small and medium scale businesses in Aceh; the Human Rights Department, for information on the regulation of intellectual property rights; the Department of Food and Drugs, for certification from the Health Department; the Ulemas Council halal (acceptable under religious law) certification; and the Body of Research and Standardization, for matters related to Indonesia’s national standard regulations, barcodes and ISO standards.

In Aceh, small and medium scale enterprises qualify for free Packaging and Branding Clinic services once they have been operating for more than a year, have quality products, and have a strong desire for company development, as well as being willing to undergo screening and surveys by the Clinic team. The results of such screening will be deciding factors as to whether any of the small and medium scale companies becomes eligible for a full package of Clinic services and facilities.

Although only recently developed, the presence of the Packaging and Branding Clinic is highly valued as significantly helpful in marketing the products of the small and medium scale enterprises in Aceh. It is not surprising that right after BRR’s term of service ended, the Packaging and Branding Clinic was taken over by the Aceh provincial government, as were the Investor Outreach Office (IOO) and the Export Development Center (EDC).
WE BRING ACEH TO THE WORLD

Contact Us:
EDC (Export Development Center)
Jl. P. Nyak Makam, Banda Aceh,
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Phone 62 – 651 – 638222, 62 – 651 – 636021
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E-mail info@exportaceh.org

PARTNERS: PRR, DISPERINDAG, KADIN NAD, Invest Office, KK&M
FOR a long time, the aroma of Aceh coffee has tantalized the olfactory senses of the Starbucks Coffee Company, of Seattle, United States, with its extensive network of stores worldwide. In the past ten years, Starbucks has been procuring coffee beans from the farmers of Aceh, but there has sometimes been a gap between the company’s expectations and the actual quality of the beans.

For a company of Starbucks’s calibre, quality is an element they are reluctant to compromise. For that reason, the company has promised to become more involved in helping the Acehnese coffee farmers increase the quality of their coffee.

“We admit that we had never actively helped with this before. Our buying group, under the umbrella of Starbucks Coffee Trading Company (SCTC) located in Switzerland refused to involve itself in Aceh due to security reasons. Now the condition has changed so much so that there is no more reason for us to not come to Aceh,” says Scott McMartin, the Director of Coffee and Tea Education & Green Coffee Sustainability, Starbucks Coffee Company.

According to a report Serambi Indonesia on September 24, 2007, he was speaking while meeting with the Governor of Aceh Irwandi Yusuf and entourage at the Starbucks’ central office.

The quality of local products has always been a problem in entering the export market. In order to support the export of produce and potential products from Aceh overseas, The Body for Rehabilitation and Reconstruction of Aceh-Nias (BRR) launched the Export Development Center (EDC) on February 21, 2008.

EDC is the export department unit founded by BRR backed by the Government of NAD Province, the Department of Industry and Commerce, and the Chamber of Commerce and Industry of NAD Province. Information concerning export commodities available in Aceh, export department regulations, and simple export procedures for exporters and buyers is accessible through EDC.

Other than being a source of information, EDC’s role is as a mediator between seller and buyer in business transactions and in aiding the Aceh entrepreneurs to break through into the international market. As well, this agency carries out various marketing activities to promote Aceh commodities at various trade expos both at the domestic and international levels, and body also encourages the producers and exporters of Aceh to develop their commodities to be more responsive to market demands.

Aceh’s commodity potential exists in a wide variety of sectors: fishery and agriculture, as well as local arts and crafts. Commodities include export products, such as coffee, resin, charcoal, brooms made from the ribs of palm trees, crabs, patchouli, nutmeg oil, virgin coconut oil (VCO), rattan, cacao, uric fertilizer, ammonia, and urea formaldehyde. Aceh is targeting number of countries for commodity exports, including Canada, the United States, Mexico, England, Holland, Germany, Australia, Japan, China, Taiwan, Thailand, India, Pakistan, Malaysia, Singapore, and the Philippines.

Hopefully the presence of EDC will benefit the growth and development of the export business and facilitate business transactions between exporters and buyers to the point that Aceh will become less dependent other provinces by opening direct trade transaction paths to international buyers.
Aceh Sprucing Up, Investors Reaching Out

In the Acehnese language, diwana means to travel while sightseeing, while cakradonya means news for the whole world—thus, Diwana Cakradonya was the theme heralded by the Government of Nanggroe Aceh Darussalam (NAD) Province in welcoming Indonesia’s Tourism Year 2008 and Aceh Investment Year. The Diwana Cakradonya event, held from April 12 to 18, 2008, opened the door of the “Balcony of Mecca”, as Aceh is known, wide to tourists and businesses alike.

After being burdened by centuries of internal conflict and the double tragedies of the earthquake followed by the tsunami at the end of 2004, Aceh, Indonesia’s westernmost province, was like a young woman dressing to put her best foot forward as the redevelopment via various programs under BRR coordination for almost 4 years had begun attracting curious and eager glances from the rest of the world.

The number of investors rose steadily from day to day, considering the very conducive investing climate in Aceh, after the signing of the Memorandum of Understanding (MoU) in Helsinki on August 15, 2005 and the formulation of Law No. 11/2006 concerning the Aceh Government. It seemed appropriate for the provincial government to utilize this golden opportunity to leverage the revival of Aceh’s economy.

Investigating developments towards such a trend, since the end of 2006, BRR, together with BKPMD of NAD Province, International Finance Corporation (IFC), and NAD Province’s Chamber of Commerce and Industry, initiated the foundation of the Investor Outreach Office (IOO). The IFC and Foreign Investment Advisory Service (FIAS), are both part of the World Bank, and play the role of providing technical assistance to the IOO. Even former president of the United States of America Bill Clinton gave out a statement of support via a letter he mailed in the middle of December 2006.

With the motto of “Serving Investors”, the IOO provided information on potential opportunities in Aceh to curious investors, while promoting Aceh’s possibilities, lending a hand in seeking out investment opportunities for interested investors, conducting sectoral studies, aiding in the process of permits and licenses, and providing a variety of services to investors once they were in Aceh.

Other than befriending the investors, the IOO, which was officially opened on April 16, 2007, attracted businessmen to invest in Aceh by holding the Aceh International Business Council I, the Regulation and Incentive Seminar, the Aceh Merchants Abroad Congress (with the Chamber of Commerce and Industry of NAD Province), and the Aceh Investment Summit 2008.

The welcome to entrepreneurial circles was very positive. In the first half of its first year, the IOO provided services to more than 40 potential investors and business partners from both inside Indonesia and among the international community, including Malaysia, Canada, Singapore, Thailand, India, the United States of America, Holland, the Czech Republic and Australia. So far, the favorite business sectors in Aceh include plantations; manufacturing; the mining of tin, coal, and iron ores; biodiesel fuel; agricultural product processing, and power plants. With the many investment facilities offered by the IOO, it is hoped that the potential held by Aceh may be further developed and to able to elevate Aceh’s economy.
Ltd (UCIL) as a consultant for the agricultural sector and the Network of Aquaculture Centers in Asia-Pacific as a consultant for fisheries. The two consultants devised the sub-project preparation report, the sub-project appraisal report and the activity design report. These documents became the basis of the Budget and Work Plan for Government Ministries, Agencies and Institutions devised by the Deputy for Economic and Business Development to be incorporated into the Issuance of Spending Authority (DIPA).

**Evaluation and Target Adjustment**

After further observation, some of the targets specified in the Master Plan were stated in quantitative terms while most of them were qualitative. Consequently, the programs specified in the Master Plan required additional interpretation. For example, in the agricultural sector, there were programs to provide agricultural facilities that were designed to reinitiate the production of food crops, horticulture, plantations and livestock.

However, there were no specifications of the quantifiable targets or which facilities were to be replaced or repaired. Apart from that, there were also some activities that needed to be done in the field that were not quantitatively specified in the Master Plan. Moreover, the community involvement in the programming process through proposals that were sent directly or indirectly to the Deputy for Economic and Business Development required further adjustments to bring them in line with the programs and activities being provided.

The implemented programs were evaluated through a Mid Term Review in 2007. The evaluation process concluded that adjustments were required to the targets specified in the Master Plan. Changes in the targets were made through an audience with local government (relevant agencies), the people and other stakeholders. The target adjustments were followed by changes in activities and targets in accordance with field requirements. The target and activities adjustments were then validated by Presidential Regulation No. 47/2008 regarding Revision to Presidential Regulation No. 30/2005 on the Master Plan for the Rehabilitation and Reconstruction of the Regions and the Lives of the People of Nanggröe Aceh Darussalam and of Nias Island in North Sumatra Province.

**Funding**

**Funding Commitment**

The total funds required to rebuild Aceh and Nias were estimated at Rp 48.7 trillion. The funds needed for economic and business rehabilitation and reconstruction were estimated at Rp 1.49 trillion (Master Plan, 2005). In 2005, the funding commitment for economic and business activities sharply increased with an additional US$32 million in funding from ADB for the agricultural sector and $30 million for the fisheries sector. The total commitment of $62 million for the two sectors was formulated through ETESP-ADB programs for agriculture and fishery components. So the total funds for economic and business activities reached Rp 2.1 trillion.
There was an increase in the funding commitment for business development, such as the development of loans and revolving funds distributed through microfinance institutions/cooperatives to the amount of Rp 200 billion, development of integrated cooperatives to the amount of Rp 90 billion and institutional development for the Aceh Micro Finance Agency, the Packaging and Branding Center, the Export Development Center and the Investor Outreach Office to the amount of Rp 20 billion.

In the fisheries sector, an additional funding commitment was also made to build several fishing ports such as the Lampulo Fishing Port in Banda Aceh, the Idi Fishing Port in East Aceh and the Lhokseumawe Fishing Port. Meanwhile, additional commitment in the agricultural sector was allotted for the development of plantations and livestock zones.

**Funding Allocation**

The funding for the economic and business sector in the 2005-2009 period allocated through the government of Indonesia’s annual national budget reached Rp 2.65 trillion, while the amount estimated in the Master Plan was only Rp 1.5 trillion. The budget allocation through the annual budget was sourced from two funding schemes: moratorium funds amounting to Rp 2.04 trillion and international grants amounting to Rp 610 billion.

**Budget Disbursement**

The rehabilitation fund for the economic and business sector came from two different sources, the annual national budget (on-budget) and off-budget. The off-budget funding was coordinated based on incoming reports through the RAN-database. These donations were from local companies and organizations, international donors and individual donations that were directly delivered to the public. The total on-budget funds earmarked for the rehabilitation and reconstruction of the economic and business sector from 2005 to 2008 was Rp 2.65 trillion. This was equivalent to 6.4 percent of the total budget quota allocated for the entire rehabilitation and reconstruction activities in Aceh and Nias that was set at Rp 42 trillion. The total budget disbursed by the Deputy for Economic and Business Development was Rp 2.13 trillion or 80.2 percent of the allocated budget quota for the 2005 to 2008 period.

In 2005, the activities were conducted by seven PIUs and by 2006 the number had increased to 13. In 2007 there were 10 PIUs, with three teams under central supervision (Deputy for Economic and Business Development) and seven supervised by the regional

### Table 3.1 Funding Requirements for Rehabilitation and Reconstruction in the Economic and Business Sector

<table>
<thead>
<tr>
<th>No.</th>
<th>Subsector</th>
<th>Estimated Damage and Loss (Rp. billion)</th>
<th>Total (Rp billion)</th>
<th>Funding Needs (Rp billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture</td>
<td>1,490.00</td>
<td>230.00</td>
<td>1,720.00</td>
</tr>
<tr>
<td>2.</td>
<td>Fisheries</td>
<td>4,729.00</td>
<td>23.00</td>
<td>4,752.00</td>
</tr>
<tr>
<td>3.</td>
<td>Industry and Trade</td>
<td>3,988.00</td>
<td>165.00</td>
<td>4,153.00</td>
</tr>
<tr>
<td>4.</td>
<td>Workforce</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>SMEs and Cooperatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.</td>
<td>Tourism</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td><strong>10,207.00</strong></td>
<td><strong>418.00</strong></td>
<td><strong>10,625.00</strong></td>
</tr>
</tbody>
</table>
head (Deputy for Operations). In 2008, there were eight PIUs, with two working under the Deputy for Economic and Business Development and the remaining six under the regional head (Deputy for Operation).

**Post-BRR Funding Sustainability**

The sustainability of funds for the economic and business sector would greatly depend on the local government’s needs in developing the economic sector. One of the major breakthroughs of the Deputy was the allocation of Rp 500 billion in development funds through the Multi Donor Fund (MDF) for the Economic Development Financing Facilities (EDFF) program.

The EDFF program supports the efforts of the Aceh administration to prevent retardation in economic growth or an increase in the unemployment rate after the completion of the

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Total Allocation</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture, Crops, Food NAD</td>
<td>126,500,200,000</td>
<td>125,441,500,000</td>
<td>93,047,959,000</td>
<td>22,176,485,000</td>
<td>367,166,144,000</td>
<td>13.74%</td>
</tr>
<tr>
<td>2.</td>
<td>Plantation NAD</td>
<td>-</td>
<td>68,648,000,000</td>
<td>100,827,889,000</td>
<td>68,455,366,000</td>
<td>237,931,255,000</td>
<td>8.90%</td>
</tr>
<tr>
<td>3.</td>
<td>Animal Husbandry NAD</td>
<td>-</td>
<td>48,721,500,000</td>
<td>73,967,240,000</td>
<td>24,301,250,000</td>
<td>146,989,990,000</td>
<td>5.50%</td>
</tr>
<tr>
<td>4.</td>
<td>Forestry NAD</td>
<td>-</td>
<td>81,340,136,500</td>
<td>62,983,143,000</td>
<td>4,118,855,000</td>
<td>148,442,134,500</td>
<td>5.56%</td>
</tr>
<tr>
<td>5.</td>
<td>Tourism NAD</td>
<td>-</td>
<td>17,693,335,500</td>
<td>39,245,123,000</td>
<td>10,997,788,000</td>
<td>67,936,246,500</td>
<td>2.54%</td>
</tr>
<tr>
<td>6.</td>
<td>Fisheries NAD</td>
<td>225,470,680,000</td>
<td>285,133,001,000</td>
<td>262,850,563,000</td>
<td>122,761,345,000</td>
<td>896,215,589,000</td>
<td>33.54%</td>
</tr>
<tr>
<td>7.</td>
<td>Small – Medium Industries NAD</td>
<td>13,385,500,000</td>
<td>40,534,000,000</td>
<td>46,907,043,000</td>
<td>6,509,810,000</td>
<td>107,336,353,000</td>
<td>4.02%</td>
</tr>
<tr>
<td>8.</td>
<td>Trade and Investment NAD</td>
<td>30,985,000,000</td>
<td>23,250,135,500</td>
<td>46,435,965,000</td>
<td>9,478,894,000</td>
<td>110,149,994,500</td>
<td>4.12%</td>
</tr>
<tr>
<td>9.</td>
<td>Cooperatives and SMES NAD</td>
<td>85,592,000,000</td>
<td>71,753,000,000</td>
<td>154,852,728,000</td>
<td>9,940,465,000</td>
<td>322,138,193,000</td>
<td>12.05%</td>
</tr>
<tr>
<td>10.</td>
<td>Workforce NAD</td>
<td>34,510,235,000</td>
<td>43,887,855,500</td>
<td>19,386,645,000</td>
<td>4,971,325,000</td>
<td>102,756,060,500</td>
<td>3.85%</td>
</tr>
<tr>
<td>11.</td>
<td>Nias Economic Development</td>
<td>29,660,385,000</td>
<td>36,355,490,000</td>
<td>88,786,885,000</td>
<td>10,434,465,000</td>
<td>165,237,225,000</td>
<td>6.18%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>546,104,000,000</td>
<td>842,757,954,000</td>
<td>989,291,183,000</td>
<td>294,146,048,000</td>
<td>2,672,299,185,000</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**Table 3.2 Funding Allocation for Economic and Business Sector Based on 2005-2008 Annual Budget**

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation</th>
<th>Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Rp 546,104,000,000</td>
<td>Rp 397,915,874,120</td>
</tr>
<tr>
<td>2006</td>
<td>Rp 842,757,954,000</td>
<td>Rp 612,946,316,970</td>
</tr>
<tr>
<td>2007</td>
<td>Rp 989,291,183,000</td>
<td>Rp 876,792,673,232</td>
</tr>
<tr>
<td>2008</td>
<td>Rp 294,146,048,000</td>
<td>Rp 262,281,512,545</td>
</tr>
<tr>
<td>TOTAL</td>
<td>Rp 2,672,299,185,000</td>
<td>Rp 2,149,936,376,867</td>
</tr>
</tbody>
</table>

**Table 3.3 Disbursement of 2005-2008 Budget**
rehabilitation and reconstruction program. EDFF consists of two components that will be implemented from 2009 to 2012. The first component is a program to support subprojects that will overcome the critical problems influencing Aceh’s economic development by contributing toward post-tsunami economic recovery, by building a more competitive business environment, and by supporting what needs to be done to create opportunities and growth in private sector employment, specifically targeting the poor and other vulnerable groups. The second component will fund project management and raise the capacity of local human resources as well as engage international consultants to assist the Aceh administration in project management.

In addition, there are several programs earmarked for 2009 with a fund of Rp 160 billion to be channeled through the Aceh Province Rehabilitation and Reconstruction PIU, under the supervision of the Minister of Finance.

These programs include the construction of the deep-water Lampulo Fishing Port (Rp 69.5 billion), the development of a livestock zone in Aceh Besar (Rp 2.4 billion), the development of a center for small-scale industry in Samahani, Aceh Besar (Rp 768 million), construction of a market in Banda Aceh (Rp 20 billion), development of an organic coffee research plantation (Rp 4.1 billion) and construction of an animal health laboratory, Type A
(Rp 1.78 billion). Other programs include the rehabilitation of severely damaged rice fields, for which Rp 6.4 billion has been earmarked, rehabilitation of damaged fish ponds (Rp 3.6 billion), oil palm cultivation (Rp 2 billion) and the building of a cold storage facility in Susoh, Central West Aceh (Rp 1.2 billion).

Program Implementation

In accordance with Law No. 17/2003 regarding government finances, after the Issuance of Spending Authority (DIPA) and the Budget and Work Plan for Government Ministries, Agencies and Institutions were approved, the program and activities implementation could be carried out by the PIUs formed by the BRR Implementing Agency. The PIUs were assisted by a few Program Preparatory Officers (PPK), treasurers and officers in charge of the Payment Order Letters (SPM). Each PPK was assisted by several staff.

In the implementation of field activities, the PIU was supported by a technical team provided by the relevant authorities and field workers, both at the provincial and district level.

Generally, there were two kinds of work that the PIU implemented. The first was contractual projects using a tender mechanism and the second was community-run projects. The supervision for contractual work was done by a consulting supervisor while community-run projects were supervised by field assistants and a member of the technical team. The PIU reported to the Deputy via its direct superior (relevant director). The director was assisted by field managers to ensure that the program ran on course.

The community-managed projects were provided with technical implementation guidelines prepared by the Deputy. The technical guidelines were needed as a reference for implementing activities in the field.

Program Monitoring, Evaluation and Supervision

Monitoring and evaluation activities were required to assess how far the target of building economic infrastructure and creation of employment opportunities were able to be absorbed by the post-disaster development programs. In the long term, the evaluation was also intended to appraise whether the program implementation was in line with the planned rehabilitation efforts.

Monitoring and evaluation were continuously carried out so that program implementation in the following years could be more focused. These activities were carried out with the involvement of various parties, including the people themselves.

Monitoring and evaluation were conducted to assess the level of success in the implementation based on the existing system and mechanism, as well as the program’s achievement based on progress indicators and projected output, such as monitoring reports and the annual report.
The monitoring and evaluation process was executed both internally and externally. Internally, this was done by forming a monitoring team in each directorate. In 2006, for instance, a monitoring team was formed in the agricultural, fisheries, forestry and business development sectors. Meanwhile, external monitoring and evaluation was conducted in cooperation with independent parties, such as consultants or a university. For example, program evaluation for the Deputy for Economic and Business Development in 2006 was conducted by the School of Economics of Syiah Kuala University, Banda Aceh.

BRR also had a unit of its own that monitored and evaluated the activities that each Deputy conducted. For example, the Center for Construction Quality Control (PPMK) conducted monitoring activities as well as quality control on the results of the activities conducted. Then the PPMK evaluation findings were reported to each deputy, thereby providing input to improve the quality of the work. Monitoring and evaluation was also executed by the National Development Planning Board (Bappenas) to review the developments and constraints in the rehabilitation and reconstruction carried out by BRR, including the activities that the Deputy conducted.

**Program Monitoring**

Program monitoring was important to ensure that a projected target could be achieved. This was done by forming a risk management unit and a follow-up settlement unit. The risk management unit was also a management tool that functioned to identify various constraints and problems that occurred from program planning until it was operational. The advantage of risk management was that it reduced the risks in the implementation of activities.

In practice, risk management involved a process of analysis based on the results of problem identification in the form of assumptions of what would happen if the given recommendation was not executed, who would be responsible for following up this recommendation and the level of risk involved if the recommendation was not applied. Meanwhile, the role of the follow-up settlement unit was to encourage, provide guidance and motivation to the examined parties. This was done to provide comprehensive follow-up settlement on Examination Report Findings by both the internal and external Subervisory Board as well as the Anti Corruption Unit. The issues that needed to be given attention in the follow-up of the examination report findings were to study, analyze and then comprehend the recommendations made by the report findings that had to be followed up or evidence that had to be attached.

From the financial year 2005 until the time of writing this report, the Deputy for Economic and Business Development had received 209 reports of cases involving a total of Rp 12,977,690,158 from the Deputy for Supervision. From this figure, 141 or around 67.46 percent of the cases were followed up, valued at Rp 9,910,186,499 or 76.36 percent of the total value of all cases.
Meanwhile, the Supreme Audit Agency (BPK) found inconsistencies in 50 cases involving Rp 1,465,114,151. From the overall reports, 24 cases or 48 percent were further investigated amounting to Rp 62,143,670 or 4.24 percent. Meanwhile, the anticorruption PIU recommended a follow-up on its findings related to 77 cases involving Rp 19,278,251,756, of which 62 cases were followed up.

Findings in the Deputy for Economic and Business Development implicated one of the PIUs, including the head of the PIU, program preparatory officers, auction committee, goods examination committee, as well as the partners and directorate. One of the examples of the cases was the auction committee did not make corrections to an auction participant’s offer. To avoid a recurrence of this, the deputy asked the PIU to beef up monitoring at procurement. In another case, the procurement committee neglected to set out the technical specifications as well as the work plan and requirements (RKS). In this case, the head of the PIU was reprimanded and the committee was ordered to be more precise in arranging the RKS and technical specifications.

If the program preparatory officers and controlling consultants neglected to monitor their colleagues, the Head of the PIU had to reprimand them in writing. Meanwhile if the work colleagues did not work in accordance with what was stipulated in the contract, the PIU head would instruct the program preparatory officers to hold the person accountable.
If there was a delay, the program preparatory officers would penalize the person responsible. If the working terms of reference were not well set out, the PIU head and program preparatory officers had to reexamine the working terms of reference and make detailed adjustments between the program’s mission, objective and projected output.

In addition, the Deputy for Economic and Business Development also imposed sanctions on subordinates if they intervened in PIU activities or abused their authority.

**Program Sustainability**

The rehabilitation and reconstruction program in the economic and business sector was aimed at achieving sustainability even though BRR was to complete its task in April 2009. In the initial phase (2005-2006), the program was aimed at repairing the community’s productive assets damaged by the disaster. The main thrust of the program was to restore people’s sources of livelihood. Meanwhile, the rehabilitation of public assets was aimed at stimulating continuous economic activities within the society.

In 2007-2008, programs were focused on reinforcing a sustainable economic foundation. Programs expected to support the economic sustainability of the community and regional economy included the construction of the deep-water Lampulo Fishing Port in Banda Aceh, the development of the Samahani small-scale industries center in Greater Aceh, Bireuen Wholesale Market, skills training centers, development of Blang Ubo-ubo livestock area in Greater Aceh, and the establishment of the Packaging and Branding Center, the Export Development Center and the Investor Outreach Office.

The key programs above were continuously monitored and coordinated with the relevant authorities to ensure continuity and sustainability. The local government also showed strong commitment to supporting the program’s sustainability.

**Adjusting to Demands in the Field**

The Deputy for Economic and Business Development was structured to settle problems in the field, requiring it to be dynamic and capable of adapting to the changing conditions it faced. It underwent changes to its organizational structure several times. Since 2005, the lower structure of the Deputy was restructured five times.

The story of the changing structure within the Deputy started from the time the BRR was formed. In Presidential Regulation No. 34/2005 on Organizational Chart, Work Structure and Financial Rights of the Agency for the Rehabilitation and Reconstruction of the Regions and the Lives of the People of Nanggröe Aceh Darussalam and Nias Island of the Province of North Sumatra it is stipulated that BRR shall be provided with a Deputy for Economic and Business Empowerment. The deputy was mandated to manage rehabilitation and reconstruction activities in the economic empowerment and business development sector.
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<td>BRR-Aceh food availability and distribution</td>
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<td>BRR-Aceh seawater resources and fishery</td>
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<td>BRR-Nias district’s economic and business areas</td>
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<td>BRR-Aceh food agriculture production</td>
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The deputy’s function was to prepare and formulate technical policies, formulate and implement work plans, conduct monitoring and evaluation, analysis and reporting. The personnel composition for the BRR Implementing Agency was stipulated in Presidential Decree No. 63/2005 on Membership of the Advisory Board, Supervisory Board and Implementing Agency for the Rehabilitation and Reconstruction of Aceh-Nias.

Initially, the deputy’s office was named the Deputy for Economic and Business Empowerment. The Deputy was supported by four directorates, namely, the Directorate for Business Development, Directorate for the Environment, Directorate for Natural Resources and Directorate for Professional Training. This structure was based on a regulation issued by the head of the BRR Implementing Agency in Aceh and Nias, No. PER-01/BRR/VII/2005.

In late 2006, regional PIUs were formed in Aceh Province and Nias Island. Region I to VI was established by the BRR PIU for Economic and Business Affairs to implement all the programs incorporated under the Issuance of Spending Authority (DIPA). Several strategies were also formulated to respond to the changing organizational structure. First was the assigning of some programs from the central to the regional level, especially programs and activities that would have a direct impact on the districts or municipalities located in regions I to VI, while strategic and large-scale programs initiated under international grants were still managed directly by the Deputy for Economic and Business Development.

Some programs and activities that continued to be managed directly by the Deputy were the deep-water Lampulo Fishing Port, the development of centers of small-scale industries, development of livestock centers, development of plantation areas and the ETESP-ADB Fishery and Agriculture program.

Furthermore, several more directorates were added under the Deputy, namely the Directorate for Marine and Fisheries Development, the Directorate for Business and Development, the Directorate for Industrial Forestry and Donor Partnership, the Directorate for Agricultural Development, the Directorate for Monitoring and Evaluation of Economic and Business Affairs Programs, and the Directorate for Economic and Business Affairs Planning and Programming.

The Deputy distributed its personnel from the central office to the regions and from the regional program monitoring unit to the Deputy for Operations. The third strategy was the repositioning and redistribution of human resources to strengthen the existing structure.

Starting in January 2008, the Deputy for Economic and Business Development also headed the Directorate for Program Functioning and Transition and the Directorate for Program Monitoring and Donors, as well as the secretariat, asset settlement and documentation. This step was taken as BRR had begun handing over the completed
programs to the local governments of Aceh and Nias. Meanwhile, the Directorate for Program Monitoring and Donors was still completing its projects up until the end of 2008. The projects included in this category were those of the agricultural, fisheries, trade, labor, forestry and tourist sectors.

Toward the end of its tenure, the BRR Aceh-Nias Implementing Agency experienced changes to its organizational structure two more times. In essence, the rehabilitation and reconstruction activities in the economic and business sector were placed under the supervision of the Deputy for Operations. This deputy had three vice deputies, the first of which was the Vice Deputy for Operations for Economic, Institutional and Community Development who headed the Directorate for Economic Development; the second headed the Directorate for Agriculture and Fisheries; and the third headed the Directorate for Institutional and Community Development.

Toward the completion of BRR’s mission in April 2009 and the end of implementation activities, the organizations within the Deputy for Economic and Business Development were assigned to conclude four main aspects, namely asset handover, findings and administrative settlement, preparing the final term report, and conducting a transitional program to be continued by the relevant government agencies.
Three PIUs were formed to facilitate this, namely one for the settlement of findings and administration, the second for the handing over of assets and the third for report writing. The changes in the organizational structure and work procedures were related to the budget items and financial reports so that eventually all PIUs could be dissolved.

**Risk Management**

The Deputy’s journey illustrates just how weighty was its mandate of rehabilitating and reconstructing Aceh. Every drop of energy, time, thoughts and emotions were mustered to achieve the best results, although there were inevitably shortcomings that needed to be addressed. The heavy load started from the time the Master Plan was formulated right through to the planning, implementation, monitoring, evaluation, supervision and compilation of the final reports.

The weight that BBR bore is not mentioned with the intention of vindicating any shortcomings or in self-defense. The challenges that BRR encountered may well be experienced by others working in rehabilitation and reconstruction work in a disaster area (although we pray that nothing like this will ever happen again). Disaster recovery work is not as easy as “a snap of the fingers”. This historical documentation may be beneficial for those involved in future rehabilitation and reconstruction efforts. Some of the challenges encountered are elaborated in the following section.

**Disaster Management Using a Mechanism for Normal Conditions**

Four years have passed since the rehabilitation and reconstruction process began. The implementation of all projects was done in accordance with strict regulations as applied under normal conditions, such as Presidential Decree No. 80/2003 and its amendments as well as other constitutional rulings. There were two kinds of activities run by the Deputy, namely tendering projects and community-run projects.

All programs and activities were accelerated to achieve the mandate stipulated in the Master Plan, considering that the given timeframe was only four years. Aside from that, the demand to act fast also came from the community and governmental agencies in Aceh. Community members who had lost their source of livelihood due to destroyed rice fields, damaged fish ponds, ruined markets, damaged boats and the absence of capital were keen to see their productive assets repaired as quickly as possible. Not only that, the public assets in the economic sector had to be immediately rebuilt.

However, all these activities were bound by the annual national budget mechanism, violations of which carried implications of legal penalties or imprisonment. Consequently, the staff of the Deputy for Economic and Business Development was often chastised and criticized for working slowly. Only the actual budget disbursement of 80.45 percent from the Rp 2.67 trillion allocated budget for the Deputy could raise the spirits to dispel the impression that the Deputy’s work was sluggish.
In terms of its mechanism, the national budget was also quite complicated since the timeframe was limited to one financial year. If a program was not finished then the allocated funds could not be released. This was also exacerbated by potential differences in perception between the PIU and Special Office for State Services and Treasury (KPPN-K) in the process of fund disbursement.

On the other hand, there was a facility within the national budget mechanism for long-term projects that required more than one financial year to complete, such as for construction projects. However, this kind of project was often hampered by inefficient planning and ineffective information dissemination concerning long-term projects to the PIU and Deputy.

Admittedly, from the physical realization standpoint, some activities or projects were completed past the scheduled deadlines due to conditions in the field. This was also the case with community-run projects such as direct aid for restoring fish ponds and rice fields that could not be completed on time due to the level of damage, difficulty in deploying equipment and unstable social conditions.

Another complication was related to the auditor’s policy to apply standard procedures in auditing activities implemented under post-disaster conditions. This often made the implementing agents fearful and they tended to be extra careful in running the programs and activities. This consequently affected the speed of the programs and activities. Ideally, the auditing process should have been adjusted in accordance with post-disaster conditions to facilitate the execution of activities. It is important to note that it would have been prudent for the government to devise a National Annual Budget APBN mechanism for disaster-afflicted areas.

Overstretched Management

The area afflicted by the disaster in Aceh was expansive, stretching from the east to the west coast, spanning from Sabang to Simulue Islands. All of these locations need to be identified and monitored by the limited staff in the Deputy for Economic and Business Development.

The rice field rehabilitation program located some 400 kilometers from the city of Banda Aceh, for instance, required five hours to reach traveling overland along the west coast (Lamno-Aceh Jaya). If the middle route was taken (Geumpang-Tutut), it would mean cutting through the Bukit Barisan mountains and take seven hours. When monitoring activities were done in Singkil, Tapak Tuan and Northwest Aceh the distance would be even greater and the trip more exhausting.

Likewise, when conducting monitoring activities in the east coast area, which stretches fromPidie, Lhokseumawe, Aceh Tamiang and East Aceh to the central area in Bener Meriah, Central Aceh, Gayo Luwes and Southeast Aceh, the trip was also long and tiring. To travel to the islands, such as Simulue, one had to take a flight. However, the flights were not operating daily and one often had to wait days for a reservation.
The extensive area to be managed often created problems in monitoring and site visits, thus jeopardizing the effectiveness of some monitoring and supervisory activities. Such a situation was anticipated by BRR with the issuance of the regionalization policy for targeted areas in 2007. However, there were three PIUs that remained under the direct supervision of the Deputy for Economic and Business Development until 2008, namely the PIU for Economic Empowerment and Business Development, the PIU for ETESP-ADB Agriculture and the PIU for ETESP-ADB Fisheries.

The Deputy for Economic and Business Development, the community and relevant authorities, as the beneficiaries, shared a common commitment to work together to achieve the programs’ goals. However, sometimes problems arose, for example meetings that had been scheduled could not be conducted on time as the travel time needed to reach the appointed location was hard to predict.

One day in 2007, when the Deputy team visited West Aceh 2007 on a monitoring trip, the team experienced a near fatal accident. At that time, the surface of the road in Babah Hiwe Aceh Jaya mountains had not yet been asphalted so it was very slippery and full of sharp bends. The driver lost control of the car and it crashed into the mountain after spinning 360 degrees to avoid the ravine on the other side of the road. The hysterical screams of the staff and the screeching sound of the car sounded like a bull running amok and pawing the ground. Fortunately, all the staff members were safe aside from some bruises and minor injuries. As a result, the meeting with the farmers had to be rescheduled.

The extensive area to be managed also affected the speed of verification and formation of beneficiary community groups. Frequently, it took from one to two weeks to obtain accurate results, even though there was already support from the technical team in the field.

**Problems in Beneficiary Selection**

Beneficiaries are one of the active agents of rehabilitation and reconstruction in the field. The success of a program is determined by the beneficiaries’ active involvement and their backgrounds. Although verification steps had been taken, there were still some hindrances because some of the beneficiaries were not transparent. This made it difficult to identify whether a beneficiary was actually a fisherman, a farmer or a trader. A farmer, for example, could have received aid in the form of a boat but lack the skill to sail it on the open seas. On the other hand, a fisherman who was given a rototiller would not be able to use it optimally in the rice fields. A mistake in determining the beneficiaries could result in failure in the implementation in the field.

The selection of a beneficiary was done based on a mechanism incorporated in the technical guidelines. The head of a farmers’ or fishermen’s group would propose group members to a field worker assigned by the PIU (based on the recommendation of the head of the relevant agency) to provide routine assistance. The list of proposed
beneficiary groups then had to be verified by the PIU and Deputy. After everything was found to be in order, a letter was signed by the relevant agency head upon the recommendation of the PIU appointing that particular group as an aid recipient. This procedure appeared simple but if not done carefully the results would not be optimal.

Observation showed that it was difficult to distinguish whether a beneficiary was a fisherman or farmer since the person concerned did not provide information on his or her true background. Some members of the community who learned there was assistance available for farmers would claim to be a farmer in order to receive aid. Conversely, some who were actually farmers claimed they were fishermen in order to obtain aid in the form of a boat or fishing equipment. Potentially this could have resulted in a doubling of the number of beneficiaries and at the same time deprive other farmers and fishermen of the chance to receive assistance.

The commitment of each group member was crucial in dealing with this problem. Honesty was sometimes cast aside by some beneficiaries who wanted to obtain more than the others by dishonest means.

Managing High Expectations

Many expectations and demands were addressed to BRR to implement the rehabilitation and reconstruction work quickly and comprehensively. This ranged from humanitarian relief, infrastructure development and economic recovery to human resources development.

It is important to realize that BRR was no superman or magician that could change the post-disaster economic conditions in Aceh overnight. The responsibility of rehabilitating and reconstructing the economy and business sector in disaster and conflict areas is extremely weighty and is not as easy as a snap of the fingers.

Once, in a seminar on economic development in Aceh in the post-disaster era, one of the participants commented that the Deputy for Economic and Business Development of BRR was unable to solve Aceh’s economic problems. To make his point, he cited the high poverty rate in Aceh. He criticized BBR for not succeeding in improving people’s welfare. This was one example of society’s high expectations of the Deputy, the belief that the agency should be able to solve all of Aceh’s economic and business problems.

The fact is that the poverty rate dropped from 32.6 percent in 2005 to 26.7 percent in 2007. This decline occurred following the cessation of hostilities in Aceh and the massive reconstruction attempts in Aceh (World Bank, 2008). The problem was that the people had unrealistic expectations that the Deputy for Economic and Business Development would be able to reduce the poverty rate to the average national level. This, of course, would be difficult to achieve within BRR’s four year tenure. Poverty reduction should be a collective responsibility involving the government and the private sector as well as the community. The government’s program and support from private institutions to tackle poverty would be difficult to execute without a high work ethic on the part of the people.
On the other hand, there were also people who submitted proposals to receive assistance from the Deputy for Economic and Business Development and expected their demands to be fulfilled regardless of their proposal’s suitability. They had a hard time understanding that the distribution of aid was tied to the APBN mechanism, which was based on the programs stipulated in the RKA-KL. The existing programs in a particular financial year were not always able to fulfill all the demands of the community.

In the fishery sector, for instance, hundreds of incoming proposals were personally delivered by members of the community to the Deputy. The proposals received were for aid to rehabilitate fish ponds, but the programs included in the RKA-KL (2005-2006) and the budget available in the DIPA Issuance only covered 6,447 hectares of fish ponds, and all the beneficiaries of this aid had already been identified. Therefore, the requests submitted by other members of the community could not be fulfilled as it would have exceeded the quota. However, many were unable to understand this problem. They tended to think that assistance funds were readily available from Deputy for Economic and Business Development and could be instantly disbursed upon request. It was not uncommon for the Deputy staff to receive reproaches and insults accusing them of refusing to distribute aid.
Resolving Misunderstanding

The disaster prompted a sudden influx of government and UN agencies, NGOs and international aid into Aceh to provide relief for the victims. The huge volume of free humanitarian aid that flowed into Aceh for quite a long time led to the widespread perception among disaster victims that any form of assistance was a form of humanitarian relief.

This misunderstanding caused disruptions in the rehabilitation and reconstruction process. The community tended not to take full responsibility for the provided assistance. The repayment of loans provided through revolving capital channeled through microfinance institutions was slow. The excuse given for not returning the funds was that the recipients considered them to be a grant, while in fact the revolving capital and loan system was intended to help other groups and individuals who had not yet been assisted through the provision of start-up capital.

The same also applied to the assistance provided in the livestock sector. The cattle and goats that had been distributed to the community living in the livestock areas were actually a type of revolving assistance. From the number of cows and goats given, some of them were intended for other community groups. After the cows and goats had reproduced, some their offspring was supposed to be passed on to other groups who had not yet received livestock. However, there were obstacles experienced within this scheme as some of the livestock community groups perceived this assistance as free aid.
This misunderstanding had a negative effect on the program’s sustainability as it had a domino effect. Other members of the society who were easily provoked shared this attitude and ignored what had been agreed to under the program.

Creating Programs with Limited Data

Data is the main source of information as input for planning programs. A good program is developed from reliable and comprehensive data; some even say that planning without data is pointless. This illustrates how important planning is in producing good programs. Data should also be verified in the field to determine its validity.

The Master Plan was the point of reference for the Deputy for Economic and Business Development in setting up its programs. However, some of the data presented in the Master Plan was quantitative, while much of it was qualitative in nature. The possible reason for this is because the Master Plan was made in a relatively short time, within a period of only three months. The team no doubt worked day and night to complete the Master Plan. Subsequently, the qualitative data needed to be re-interpreted by the relevant departments within the Deputy for Economic and Business Development.

The limited time given for formulating the Master Plan resulted in a dilemma during the implementation. On one hand, the disaster situation drove the people involved in rehabilitation and reconstruction efforts to accelerate all their activities. If the response to public demand was not quick enough, then the Deputy would be accused of being slow and indifferent toward the victims in the disaster-afflicted area. On the other hand, the acceleration also created many obstacles and tended to result in an output that was unsatisfactory.

It was not until 2006 that planning involved professional consultants, so that the data analysis could be easily applied in the field. One example of this is the planning of a program based on a study of the level of damage to rice fields as a result of the tsunami. There was also a planning program on Detailed Engineering Design of the fish ponds that were to be rehabilitated. There were also plans made based on more reliable data that could then be used as a reference in creating other programs.

Disproportionate Number of Managers and Budget Size

Following well-designed planning, the success of an activity is also determined by the available human resources. The Deputy for Economic and Business Development had limited human resources in comparison with the budget to be managed.

Indeed if viewed from the implementation standpoint, the activities stipulated in the Budget and Work Plan for Government Ministries, Agencies and Institutions were to be implemented by the PIUs along with their apparatuses. But in terms of the program implementation effectiveness, the supervisory function should remain within the relevant directorate.
The Deputy for Economic and Business Development headed various directorates that evolved along with the Deputy organizational changes. The Directorate for Marine and Fisheries Development, for instance, was run by just one director and three managers, while the program that the directorate was in charge of was quite substantial. In 2006, the budget allocated for the program run by the directorate was about Rp 285 billion.

At the Directorate for Agricultural Development, one director and three managers were in charge of a program with a Rp 243 billion budget. Likewise, the Directorate for Business Development, comprising one director and four managers, managed a program with a budget of Rp 235 billion. Apart from the huge budget, the program it managed covered an extensive area. The proportion between the budget, coverage area, and the small number of personnel also made the work difficult.

**Differences in Perception about Coordination**

Coordination is easy to talk about, but difficult to implement. Coordination is deemed successful if both parties are able to implement an agreement. That is called commitment. The ideal perception of coordination, based on experience in the field, was difficult to achieve. Some agencies simply perceived coordination as holding a meeting, without having to make agreements or take follow-up measures. Often, the results of a coordinating meeting were not meaningful and the meeting appeared to be simply an opportunity to sit down together, chat, eat and drink. However, coordination should ideally result in an agreement to be followed up by each party. Herein lies the difficulties in matching perceptions.

On the other hand, there are also those who considered phone calls or face-to-face meetings as a form of coordination, even though there was no follow-up as a result of these conversations. As long as the two parties had not made any commitment to one another, it could be said that the coordination had failed. Perhaps this activity could be categorized as the communication phase rather than coordination.

A coordinating meeting in the agricultural and fisheries sectors participated in by foreign NGOs, UN agencies and related authorities was one example of the kind of coordination forum held by the economic and business Deputy. However, while some forums brought results, others produced nothing. The key to success lay in the ability of the Deputy to motivate individuals and groups to actively participate and to carry out agreements within the rehabilitation and reconstruction program. The ability to coordinate must, of course, be supported by strong communication skills so that those implementing the programs do not feel they are working under compulsion. In other words, the parties invited to work together with the Deputy must be positioned as equal working partners.
Dealing with Interference During Implementation

The PIU in the Deputy for Economic and Business Development was at the vanguard in the field. The PIU was assisted by a Commitment of Program Preparatory Officer and other staff. The PIU and its staff were often pressured by certain elements who wanted to intervene in program implementation. This interference was sometimes very serious and affected implementation in subsequent phases.

Harassment by certain criminal elements caused one of the members of the PIU to be highly stressed for several weeks. One afternoon, dozens of people crowded around the Deputy for Economic and Business Development office in Banda Aceh to witness the announcement of the winner of a tender bid at 5 p.m. that day.

All of a sudden, about 25 people surrounded the office and the crowd dispersed. Three people from the group entered the office and one of them tried to hit the officer who was about to announce the name of the bid winner. The officer managed to dodge the attack, but a commotion ensued.

The Deputy staff contacted the BRR security unit to report the incident. Unfortunately, the response was not quick enough. Then the Deputy staff took the initiative to report the incident to the BRR secretariat. A short while later, two trucks from the Police Mobile Brigade came to secure the location. However, the group that had besieged the building had already left.

Did it end there? No. After the incident, the staff member was followed on his way home. He felt threatened and from then on he rarely slept in his house. He would often spend the night at the office or sleep over at a relative’s place.

The fear he experienced spread like a virus. Other PIU employees also felt threatened after the incident. “How are we supposed to work under these conditions? While at the same time work is piling up and needs to be finished. I have no problem with tiredness, but to work while my life is at risk is another matter,” he said.

Supported by Heaps of Patience

BRR staff not only carried out development projects but was also expected to become a good community service provider, as elaborated in the following story.

One day a man from East Aceh visited the Deputy for Economic and Business Development’ main office in Banda Aceh. As soon as he stepped inside the office he flew into a rage. He questioned why the proposal he had delivered to the Deputy had not been processed, even though he had sent it a long time ago. His friends, on the other hand, had already received assistance.

The BRR staff member responsible for proposals was naturally shocked by the reproach. She explained that she had not received his proposal. However, the man did not want to know about BRR’s administrative process. He insisted that the proposal be found and quickly processed.
"I handed over the proposal to the BRR security guard in BRR Regional II office in Lhokseumawe. Surely the proposal must have arrived here. This is all after all the Deputy for Economic and Business Development," he shouted at the staffer, who was by this time in tears.

One of the directors of the Deputy happened to pass by and saw what was happening. He tried to talk to the man gently. The director explained that he needed to visit the BRR office in Lhokseumawe, not the main office in Lhueng Bata, Banda Aceh, because his documents were kept there. Eventually the man left the office sour faced.

**Information Dissemination**

No matter how well a program is planned, if it is not intensively communicated to all parties it can experience problems in its implementation. The goal of information dissemination is that all parties — particularly agents of rehabilitation and reconstruction such as farmers’ groups and assisting facilitators as well as the relevant authorities — can carry out the program as planned. The Deputy for Economic and Business Development attempted to maximize information dissemination, starting from meetings held in the districts involving government agencies to forums conducted with farmers’ groups. But dissemination does not necessarily guarantee smooth implementation in the field. This is where monitoring activities come in as the key to success.

The following story illustrates how the disseminated information was not fully understood by some of the farmers’ groups, so they were not motivated to implement the rice field rehabilitation program in West Aceh.

One day in July 2006, the Deputy staff held a meeting with a group of farmers in the auditorium of the West Aceh Agriculture Office. The agenda of the meeting was information dissemination on the procedures for submitting proposals of group activities and group budget expenditure planning under the program to provide direct assistance to those working in the agricultural sector. The implementation of an approved proposal was to be assisted by a field worker. The aid provided by BRR was in the form of payments to clear the land, till the land, provide fertilizer and seeds, all of which need to be itemized in the budget expenditure plan.

When the program was under way and it was already planting season, the Deputy staff went to the location to monitor the program. It turned out that in one of the rice fields in Arongan Village, Lambalek, West Aceh, a farmer was still tilling his plot. That stage, in fact, should have been finished by that time, since a recent soil test indicated that the salinity level had decreased, acidity had been neutralized and the sediment was less than five centimeters thick.
“Why are you still moving tilling the land with a rototiller?” the Deputy staffer asked. The farmer immediately responded “I am tilling the land to revitalize the soil. This soil is too salty as the tsunami brought all that salt here. I will plant next week Sir, just relax. The paddy will not die.” He then promised to start planting in early August.

In the second week of August, another meeting was held in the auditorium of the agriculture office. The head of the agriculture office asked the farmers questions about their progress in paddy cultivation and planting. Everyone had followed the instructions except this one farmer. “It’s like this, Sir. It is not that I refuse to plant, but according to the agriculture minister of the United States of America, my soil is not yet ready for planting as the saline level is still too high. So I am still tilling the soil,” he said, smiling.

Naturally his reply sparked laughter among the meeting participants. Everyone knew of course that he had never met the agriculture minister from the United States. He was just trying to find an excuse. But not long afterwards, the farmer started planting rice in his field.

Such behavior was found elsewhere. There were many other similar stories that pushed the Deputy to work even harder in rehabilitating and reconstructing Aceh.
DEVELOPMENT in Aceh slowed down due to the three-decade conflict that made economic development difficult and isolated Nias. The situation worsened when the disaster engulfed the province and destroyed its limited infrastructure. BRR, through the Deputy for Economic and Business Development, then created programs that placed emphasis on four main sectors: agriculture, fisheries, business development and the commercial forestry industry. From these four sectors it was hoped that Aceh’s economy could be restored. In addition, BRR also worked on several key infrastructure elements to get the wheels of the economy moving.

The key infrastructure elements were seaports, fishing harbors, airports, roads, bridges, air, land and sea transportation, electricity, piped water, telecommunications and financial institutions. The development of this economic infrastructure was done in an integrated way.
A five-gross ton capacity boat drift ashore in Aceh Barat. Photo: BRR Documentation

Pursuing Aceh’s Fisheries Potential

The monitoring team and the task force of the Ministry of Maritime Affairs and Fisheries, which had worked in the field since Dec. 28, 2004, recorded that many maritime and fisheries assets had been seriously damaged. Among them were Lampulo Fishing Port, Ujung Batee Brackish Water Fish Cultivation Center, the Laboratory for the Development and Quality Control of Fishery Products in Lampulo, fish hatcheries, people’s shrimp farms, fish farm networks, fishing boats and fishermen’s villages in several areas. The following are several programs that were carried out by BRR to reconstruct and rehabilitate the fisheries sector. The achievement in the fisheries sector is presented in detail in Table 4.1.

Mat Robin, Robin Hood van Aceh

Mat Robin is not Robin Hood, but both of them were widely known and respected by their people. The difference is, Robin Hood was the champion of the poor from Sherwood Forest in England, whereas Mat Robin was the champion of the poor in Kreung (River) Teunom, Aceh.
The Robin that was popular among local fishermen was the name of a boat engine used by fishermen in Alue Ambong village, Teunom sub-district in Aceh Jaya. BRR gave motorized boats and fishing equipment to 64 fishermen in this village through the Earthquake and Tsunami Emergency Support Project (ETESP)-ADB fisheries program for rural areas that began in 2007.

Lhok Teunom leader Said Zainuddin said that the support helped fishermen a great deal. With the Rp 6 million boat, once a fisherman went out onto the river, he could catch four kilograms of ikan pet, a kind of tilapia fish. The fish that lived in the deep and wide Kreung Teunom River could fetch Rp 50,000 per kilogram. That meant that every day a fisherman could earn about Rp 200,000.

The Mat Robin success story that supported fishermen’s families in Alue Ambong village is but a small part of the results of activities initiated by BRR’s Deputy for Economic and Business Development in Aceh to create a livelihood for the people in the fisheries sector. BRR’s also assisted groups of fishermen who used large boats with sophisticated technology. Aceh’s waters — encompassing a 295,370-square-kilometer area with a 1,600-kilometer-long coastline and comprising 56,563 square kilometers of territorial waters and islands and the 238,807-square-kilometer Indonesian exclusive economic zone — are teeming with fish. (Ministry of Maritime Affairs and Fisheries, Aceh, 2007)
Unfortunately, Aceh’s fishermen were unable to fully exploit this potential. In fact, it was foreign fishing boats that benefited from it. This prompted BRR to create a program that offered assistance in the form of boats and fishing equipment. BRR repaired 7,109 fishing boats of various sizes and 17,748 pieces of fishing equipment. In addition, it supplied 197 fish aggregation devices (rumpon) and 302 floating nets.

Two fishermen’s groups in Sabang, Po Nanggroe and Aneuk Nanggroe, were the recipients of two big boats from BRR. The boats weighed 25 gross tons (GT) each and were made with a total budget of Rp 1.6 billion. “They are the best boats. I praise these 25 GT boats because they are really useful. The BRR program is fruitful and I can now feed my family,” said Ahmad Jepang, one of the boats’ captains.

Every time Ahmad goes out to sea, he is assisted by 14 crew members who are on the Aceh Transformation Committee (KPA). On a round trip, they sail for seven days and earn Rp 15 million on average. “A fisherman’s luck is like a tiger’s luck, you can’t predict it. If the wind is good, there will be a lot of fish. On the other hand, we might get nothing during our weeks at sea. Usually there are a lot of fish from October to April,” explained Ahmad.

Unfortunately, even though the boat became operational in early January 2008, the operational permit that will allow it to go farther out to sea is not ready. As a result, Ahmad can only take the boat around Aceh. The Sabang Maritime Affairs Agency is still processing the papers.

BRR also gave big boats to three fishermen’s groups in Samalanga, Peudada and Jangka districts in Bireuen Regency with a grant from the Asian Development Bank (ADB). Each of the three 20 GT vessels is fitted with a mini purse seine, a fish finder and global positioning system that shows the boat’s position with the help of a satellite.

The boat delivery was also followed by the construction of fish processing centers and support to help fishermen market the fish. By the end of its term, BRR had helped construct 252 fish processing centers in tsunami-hit regencies in Aceh.

BRR also trained the fishing community leaders to cultivate crabs, fish and shrimp. In 2007, BRR sent 42 fishermen from 15 regencies or towns in Aceh to Muara Baru, North Jakarta, to study the technology to process fish and make them into products such as fish nuggets, fish sausages, shredded fish meat and fish balls, and the technology to process seaweed.

**Rehabilitation of Hundreds of Hectares of Aquaculture Farms**

Besides providing boats and fishing equipment, BRR rehabilitated 17,444 hectares out of 20,000 hectares of damaged aquaculture farms. In 2006, BRR rehabilitated 323.3 hectares of aquaculture farms. They were located in four districts in Bireuen Regency.
— in Peudada (108.3 hectares), Jeumpa (50 hectares), Gandapura (100 hectares) and Samalanga (165 hectares). BRR’s aquaculture farm rehabilitation projects continued with the involvement of ADB, rehabilitating 540 hectares of fish farms in Padrah, Simpang Mamplam and Jangka districts with a total fund of Rp 7.7 billion.

The fishpond rehabilitation was also followed by the provision of agro input assistance (facilities for aquaculture production) for 19,527 hectares of farms and 62 hatcheries. In Ulee Kareung, Simpang Maplam, for example, BRR and ABD helped 34 fishermen, who were divided into two groups, to manage 18 hectares of fishponds. According to Bustami, head of the Ulee Kareung Group, they received Rp 100 million, which was disbursed in three phases from July 2008. In the first two phases, they received Rp 60 million and in the third phase Rp 40 million. In addition, they also received 20,000 shrimp spawn for their fishponds.
BRR also rebuilt the Regional Brackish Water Aquaculture Development Center in Ujong Batee, Masjid Raya District, Aceh Besar Regency, which was destroyed by the tsunami. AusAID supported the project with a fund of about Rp 35.5 billion. The new building and facility is expected to boost fishermen’s income and create new jobs in Aceh.

**Idi Fish Landing Center**

Improvement of fishing facilities became the focus of BRR in 2007-2008. A total of 22 fish landing centers were built in various places, such as in Idi in East Aceh, Pusong in Lhokseumawe and Sawang Ba’u in West East Aceh.

The Idi Fishing Port in East Aceh, which was built by BRR with a grant of Rp 15 billion, has great potential. Many 20-30 GT vessels load and unload at this port, which can accommodate 20 vessels of 20 GT at one time, or 30 smaller boats.

A 20 GT vessel usually docks once a week, unloading five tons of fish, mostly tuna and mackerel. “On average, that is our catch,” said Sinaga, a fisherman from Blang Glumpang village, Idi Rayeuk District. With five tons of fish, Sinaga can earn about Rp 50 million.

Fish traders at the Idi Fishing Port have a vast marketing network because they have built good communication with traders from other areas over a long period of time. The fish from Idi is marketed throughout Aceh, North Sumatra and West Sumatra.

“If the fish is abundant, it can be sent as far as Riau,” said Alfian, a staffer at the Regional Technical Implementation Unit at the Idi Fishing Port. Likewise, if there are few fish at Idi Fishing Port, traders from nearby areas come to the fishing port and make it a marketing center for their products.

For each transaction, Idi Fishing Port collects a fee based on the number of fish crates brought in by the fishermen or traders. It charges Rp 5,000 per crate.

However, many fishermen are still reluctant to unload their catch at Idi Fishing Port if their catch reaches 10 tons. They prefer to take it to Belawan Port in Medan, North Sumatra. According to the fishermen, the port has adequate facilities and it is easier for them to sell the fish there.

“In fact, not all facilities are available here yet. In the future, we will continue to develop this port. The government has prepared a plot of land for further development,” Alfian said.

Besides building fishing ports, BRR also built hatchery centers in Busung, Simeulue and Fino, Nias. To improve the quality of the fishery products, BRR built an ice factory and donated equipment to the Lampulo Laboratory for the Development and Quality Control of Fishery Products and Sultan Iskandar Muda Fish Quarantine.
Community-Run Ice Factory

Before the disaster, the Aneuk Gampong Fishermen’s Cooperative in Tanah Anoe village in Muara Batu District, North Aceh Regency, used to manage a small ice factory for the use of the local fishermen. Unfortunately, the factory was destroyed by the tsunami.

ADB and BRR then lent a hand. ADB disbursed a grant of Rp 352.8 million to rebuild the factory, and another Rp 1.6 billion for the machines to produce ice with a capacity of 10 tons or 200 blocks per day.

The local community also helped by buying the 200-square-meter plot of land on which the factory was built. They also planned to set up a new forum to manage the ice factory in a more professional way as they felt that the cooperative was not capable of doing so.

“The people have big dreams. Otherwise, they would not have chipped in to buy the land where the ice factory now stands. They saw that the factory had good prospects even before the tsunami,” said Tanoh Anoe village chief Amirullah Basyah.
Restoring the Glory of the Agricultural Sector

Even Sticks and Steel Can Grow

The tsunami brought garbage, metal, wood and other debris and dumped it on the rice fields. It also carried a huge volume of stones (ore), mud and sand and covered the topsoil. This changed the soil structure, the piles of sand and mud making the surface dense.

The result of an analysis conducted by the Soil Research Institute of the Agriculture Ministry using satellite imagery showed that 20,201 hectares of rice fields were damaged. About 24,345 hectares of dry fields were also damaged (Bappenas, 2005).

The damage to agricultural land was caused by several factors: the high soil salinity and sodicity, sea sediment, piles of garbage and rubble, and the damage to irrigation network, drainage and roads.

The disaster had a serious impact on the agricultural sector, like in Lhoong District, Aceh Besar Regency, where 90 percent of the rice fields were damaged. People were left at a loss, not knowing what to do to rehabilitate the rice fields, which were full of sand and scrap metal and wood.

Various aid programs were introduced to the farmers so that they could grow paddy in the fields again. According to Bakhtiar, a farming mentor and campaigner, in the beginning, it was really hard to motivate people to restart their lives from zero. “People in Lhoong are farmers. We asked them to clear their rice fields so that they could farm like before. In the beginning, it was very difficult, but with continuous efforts they were finally willing to act,” he said.

BRR then disbursed a fund to pay farmers who cleared their rice fields. In this way the rice fields were cleared and the farmers had some money to live on before the fields could be planted again.

Now 75 percent of rice fields in Lhoong District can be utilized and the farmers have...
enjoyed three harvests. As for the other 25 percent, the land is unusable because it has not been properly cleared. The main reason for this is the change in the soil composition due to the sand and mud sediment covering the fertile topsoil. The sediment in some areas is more than 40 cm thick. “Specialized technology and equipment is needed to clear and till the land,” Bakhtiar added.

By the end of 2008, BRR had rehabilitated 18,322 hectares of rice fields and 16,875 hectares of dry fields, developed 31,401 hectares of rice fields and 20,435 hectares of dry fields and provided 15,868 units of farming machinery. This was followed by programs to build agricultural facilities and infrastructure such as the canal lining of a 388,031-meter irrigation network. This was very beneficial in improving the effectiveness of water management and usage.

**Boosting Rice Production with SRI**

After most of the damaged land was rehabilitated, the next challenge was how to improve productivity, which had not been optimal. The average rice yield in Aceh was only about 4.5 tons per hectare while a hectare planted with Cihareng hybrid seeds could yield five to six tons. Rice fields in certain locations with a good irrigation system and disciplined farmers could produce a lot, but rice fields that relied on rainwater produced far less than 4.5 tons per hectare.

**Table 4.2 Enhancing the Productivity of Food Crops and Horticulture**

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>UNIT</th>
<th>DISBURSEMENT 2005-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>APBN</td>
</tr>
<tr>
<td>Development of Irrigation Lining network for</td>
<td>m²</td>
<td>74,070</td>
</tr>
<tr>
<td>Farming Business equipment Assitance</td>
<td>Ha</td>
<td>6,200</td>
</tr>
<tr>
<td>Rice Fields Rehabilitation</td>
<td>Ha</td>
<td>15,022</td>
</tr>
<tr>
<td>Rice Field Development (Agroinput)</td>
<td>Ha</td>
<td>18,336</td>
</tr>
<tr>
<td>Dry Land rehabilitation</td>
<td>Ha</td>
<td>2,601</td>
</tr>
<tr>
<td>Dry Land Development (Agroinput)</td>
<td>Ha</td>
<td>14,930</td>
</tr>
<tr>
<td>Forming New Rice Fields</td>
<td>Ha</td>
<td>907</td>
</tr>
<tr>
<td>Development/Reconstruction of Main Seed Center (BBU), Core Seed Center (BBI), and BPP Plus</td>
<td>Unit</td>
<td>20</td>
</tr>
<tr>
<td>Development of Storage and Machine RMU</td>
<td>Unit</td>
<td>75</td>
</tr>
<tr>
<td>Reconstruction of Farmers Assembly Hall</td>
<td>Unit</td>
<td>156</td>
</tr>
<tr>
<td>Reconstruction of Plant quarantine Office Building</td>
<td>Unit</td>
<td>1</td>
</tr>
<tr>
<td>Provision of Farming Equipment (Small Farming Equipment, 4WD tractor and Hand Sprayer)</td>
<td>Unit</td>
<td>4,186</td>
</tr>
<tr>
<td>Alsintan and Saprotan Storage Provision</td>
<td>Unit</td>
<td>24</td>
</tr>
<tr>
<td>Education and Training for Counselors</td>
<td>Person</td>
<td>881</td>
</tr>
<tr>
<td>Restructuring/Strengthening Farming Institutions</td>
<td>Packet</td>
<td>273</td>
</tr>
<tr>
<td>Farmer’s Funds Assistance through SMEs</td>
<td>Packet</td>
<td>32</td>
</tr>
<tr>
<td>Agrobusiness Terminal Development</td>
<td>Unit</td>
<td>1</td>
</tr>
<tr>
<td>Food Crops and Horticulture Area Development</td>
<td>Kwan</td>
<td>4</td>
</tr>
<tr>
<td>Seed Evaluation and Certification Center</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Reconstruction of BPTP Seed Center</td>
<td>Unit</td>
<td>1</td>
</tr>
<tr>
<td>Room and Equipment of BPTP Lab</td>
<td>Unit</td>
<td>1</td>
</tr>
<tr>
<td>Rice Cultivation through SRI Technology Development</td>
<td>Ha</td>
<td>105</td>
</tr>
<tr>
<td>Research Assistance for Organic Farms and Horticulture Nursery Development</td>
<td>Packet</td>
<td>1</td>
</tr>
</tbody>
</table>
In order to boost yield, BRR worked in cooperation with ADB to introduce the system of rice intensification (SRI). SRI is a technique of paddy cultivation that can improve rice productivity simply by changing the plant management, the soil, the water and the nutrients. This method was able to improve rice productivity by 50 percent, and even more than 300 percent in some areas outside Aceh.

In 2008, SRI technology was applied in 10 regencies in Aceh, covering about 115 hectares (each regency grew rice using SRI technology on 10 hectares of rice fields, except for in Aceh Besar Regency, which grew the rice on 25 hectares of rice fields). The rice was planted in five-hectare demonstration fields (demplot) or in the farmers’ fields.

In the beginning, the farmers were doubtful because the paddy seedlings only had a single blade. But after they planted the seedlings, they found that the seedlings grew fast and had more grains. Other farmers later came to learn about the SRI method. The highest productivity reached was 13 tons per hectare, while average productivity was 9.5 tons.
The above data shows that SRI technology was able to increase productivity by up to 111 percent (from an average of 4.5 tons per hectare to 9.5 tons per hectare). The application of the SRI method in demonstration fields was continued in order to serve as a model and a training ground for farmers who wished to apply the same technology.

Besides the high productivity, another benefit of this technology was that it saved water. Farmers could also save money because they needed only five kilograms of seeds per hectare and did not have to pull up the seedlings and replant them, thereby saving money and energy. The harvest season came early because they could plant the paddy between five and 12 days after the nursery process. Besides, the technology was also environmentally friendly because it used organic fertilizer. The productivity is generally higher compared to rice planted using other technology.

**Peanuts Make a Comeback in Aceh**

BRR’s other program in the agricultural sector was financial support for agricultural enterprises. Let’s take a look at the success story of peanut farmers from Cot Rambong village, Kuala District, Nagan Raya. Salman was head of the farmers’ group who was assigned to manage the fund. In 2005-2006, BRR disbursed Rp 350 million to four farmers’ groups, including Salman’s. They used the fund to manage 25 hectares of dry fields in Cot Rambong and Kuala Tripa.

After three and a half months, Salman and his group enjoyed their first harvest. They sold the yield directly to a peanut processing factory in Nagan Raya for Rp 6,500 per kilogram, gaining a profit of Rp 3 million per 1.5 hectare. “Yes, it depends on the market price,” Salman said. Besides selling the harvest directly to the factory, they also marketed the peanuts to traders in Nagan Raya, Meulaboh and Blang Pidie.

Salman is currently preparing land to grow organic chili. He hopes that the harvest will later be able to enter the markets in other areas like Medan.

**When Acong Met Jaka**

Acong (a typical Chinese name) is not a Chinese-Indonesian and Jaka is not a Javanese. Acong Jaka is the name of a movement to develop crops in Southwest Aceh (Abdya).

“We call it Acong Jaka,” said head of the Abdya Agriculture Agency, Zainuddin. Acong stands for adu carong or the competency of farmers in producing rice, while Jaka stands for palawija dan kacang-kacangan or crops and legumes. To support this program,
BRR built the Alue Peunawa Main Seed Center (BBU) in Abdya to supply crop seeds for Acehnese farmers.

Crops and legumes are not new to Abdya. Early in the 1990s, the farmers were processing peanuts in this area and were even packaging them to be sent to other regions. “But the efforts were halted due to the conflict, during which the seed center in Alue Peunawa was burned down,” Zainuddin revealed.

Abdya now grows not only peanuts, but also soybeans, like the Anjasmoro hybrid from East Java. It is hoped that soybeans will also develop well in Abdya. Zainuddin is confident that the development of crops and legumes will improve the farmers’ earnings.

Zainuddin acknowledged that the new seed center was not functioning as well as it could because the available land could not be utilized for the seedbeds due to irrigation problems. This is understandable because the construction of the seed center had just been completed and handed over to the Abdya administration. “There is four hectares of land around the center, but the drainage system is not yet working well so it is not able to function as expected,” said Zainuddin.
Moreover, the seed center management also faces problems of bureaucracy and funding. The center manager, Mahadi, is hopeful that it will function better in the future. “If we have our own budget, we won’t have to deal with the complicated bureaucracy we have experienced so far,” he said.

Mahadi’s dream is to see farmers in Kuala Batee and Babahrot become enthusiastic again about growing vegetables and legumes. “I remember in the 1990s, this area was a marvelous peanut producer. At that time they harvested well into the night,” said Mahadi.

The Red Fan ‘Hero’

After the tsunami, a red fan ‘hero’ showed up in Bireuen Regency. The red fan is not a martial artist, but the name of a hybrid soybean that can produce up to 3.5 tons of soybeans per hectare with an average yield of 1.8 ton per hectare. Red fan soybeans will become a priority crop at the national level to overcome the shortage of the commodity in the country.

Red fan is the brainchild of the staff at the Core Seed Center (BBI) that was rebuilt by BBR. In cooperation with ADB, BBR is currently building the main office for BBI on a four-hectare plot of land that is equipped with a processing room, a laboratory, a silo, a warehouse, a house and farming equipment (a tractor, a thresher and seed processing equipment). The site also has a seedbed for superior paddy and soybean hybrids.

Team Leader and Agriculture Consultant for ETESP-ADB Dr. Garry A. Shea, who provided training on seeding for BBI staff and farmers’ groups, explained the project’s objective. “Our target is that Aceh should have the capacity to produce enough seeds and that they should be ‘branded’ seeds,” he said.

ADB also built 11 Agriculture Extension Centers in the tsunami-hit area. They are equipped with supporting facilities like multimedia facilities and furniture. Once the ETESP-ADB projects in Aceh are completed it is hoped that the local agriculture agency will be able to continue them. “I am optimistic that with the support of all parties, there will be no problem regarding seeds in Aceh in the future,” said Shea.

An achievement that marked the reemergence of soybean crops in Bireuen was the launch of the red fan soybean in March 2008. Its cultivation has become a priority nationwide in order to overcome the soybean shortage in Indonesia.

BBI Bireuen had seen good times. The years 1999-2000 were the golden era for Acehnese soybeans from Bireuen. During that time, BBI Bireuen released a national hybrid, the white fan soybean. But the prolonged conflict halted BBI’s activities and no more hybrid varieties were produced.
Another important program is the distribution of farming equipment. The farmers are given assistance in the form of vehicles and machines, like four-wheel drive tractors, rototillers and manual sprayers. It is hoped that the machines will help support the farmers’ activities.

**Green Gold in the People’s Plantations**

In the plantation sector, BRR also rehabilitated and developed 33,875 hectares of plantations such as oil palm, cacao, rubber and coconut. The program was conducted in West Aceh, Nagan Raya, Aceh Jaya, Bireun, Aceh Besar and Simeulue regencies. The oil palm plantations that were developed were 1,000 hectares in West Aceh, 1,000 hectares in Nagan Raya, 1,000 hectares in Aceh Jaya and 500 hectares in Simeulue.

Each farmer received a two-hectare oil palm plantation. Currently, the oil palms that were planted by the farmers are about two to three years old. It is expected that the farmers can harvest them in the fourth year.

In addition, training and education was provided for 85 facilitators and field workers. They play a key role in the field in making sure that the programs in the plantation sector run well. This was followed by training for 770 farmers to improve their cultivation skills in the plantation sector.

**Goat Breeding Program**

Etawa goats are making their owners happy. Not only are the meat and milk in high demand, but the urine and manure can also be sold as fertilizer. In an effort to improve the economic condition of the people affected by the disaster, BRR launched a program to provide them with etawa goats.

<table>
<thead>
<tr>
<th>Table 4.4 Development in the Plantation Sector</th>
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<tbody>
<tr>
<td><strong>ACTIVITY</strong></td>
</tr>
<tr>
<td>Production Road Development</td>
</tr>
<tr>
<td>Office Rehabilitation</td>
</tr>
<tr>
<td>Rehabilitation, Intensification, Planting and Nursing Plantation Produce (Palm, Cacao, Coconut, Rubber)</td>
</tr>
<tr>
<td>Plant Seedling Provision (Palm and Caco)</td>
</tr>
<tr>
<td>Education and Training for Fasilitators</td>
</tr>
<tr>
<td>Local Education and Training Person</td>
</tr>
<tr>
<td>Processing Equipment for Locally Produced Harvest</td>
</tr>
<tr>
<td>Reconstruction of Production Quality Analysis Laboratory Building</td>
</tr>
<tr>
<td>Operational Office for Agrobusiness Palm Plantation Area</td>
</tr>
<tr>
<td>Research and Technological Development</td>
</tr>
<tr>
<td>Official Residence for Head of Laboratorium and Staff</td>
</tr>
<tr>
<td>Patchouli UPTD Facilities Development</td>
</tr>
</tbody>
</table>
A total of 1,127 goats were purchased with funding from ETESP-ADB. In the first phase, only 334 goats were distributed because the contractor had difficulty in providing goats that met BRR's standards. The remaining 793 goats were provided for people under the direct aid system. Under this system, the goats were handed over to the people themselves under the supervision of the Regional Project Management Unit.

The management of the goats was handed over to six groups with 161 members, with each group having a different number of members. Four groups were located in Panca village, Aceh Besar Regency: the Blang Leupie Group with 34 members, Lhokkeutapang (26 members), Jambo Kulat (26 members) and Bengga (25 members). The two other groups were located in Panca Kubu village, Aceh Besar Regency; each with 26 members. Each group member received seven goats (six females and one male) under a 7-10-3 rolling system, that is, they received seven goats and had to return 10 goats within three years.

In general, the program is developing well. Some of the goats have given birth. Unfortunately, some of the younger goats died after the adult goats trampled them on because they were not placed in a separate pen.

BRR also developed poultry farm projects. The farms located in Saree village, Aceh Besar, are managed by the Technical Implementation Unit for Poultry of the Agriculture Agency of Aceh Province. A total of 10,000 chickens were handed over. According to M. Nasir, who is in charge of the poultry farms, from a total of 13,000 chickens, 11,500 to 11,600 eggs were produced every day. All the eggs were marketed in Saree and Pidie Regency.

Besides supporting livestock breeding in Aceh Besar Regency, BRR also developed livestock farms in North Aceh and East Aceh regencies. The program was designed to reduce the price of meat in the long term. Held in cooperation with the animal husbandry agency in each regency, the program was implemented by establishing a Project Management Unit, wherein the local administration managed the program and guided the farmers' groups that participated in the program.

To date, the restocking program for livestock and poultry has resulted in an addition of 58,877 heads of livestock and poultry. To maintain the existing population, BRR has examined the health of over 165,000 heads of livestock to control and eradicate contagious diseases.

BRR also conducted a training program for 250 field workers and inseminator staff to improve their knowledge and skills. To support the livestock and poultry program BRR also built supporting facilities like an animal health post, artificial insemination centers, cattle markets, meat markets, animal quarantine buildings and laboratories.
Slaughterhouse Rebuilt

The tsunami destroyed the slaughterhouse in Kedah, Banda Aceh, leveling it to the ground. In its absence, people in Banda Aceh began to slaughter animals anywhere-under a coconut tree or in their fields. As a result, health and sanitation standards were not maintained, even though the meat was distributed to the city markets to meet the residents’ daily needs.

The Animal Husbandry Office then suggested that BRR build a proper slaughterhouse. BRR welcomed the idea in the hope that the meat from the slaughterhouse would meet health, safety and hygiene standards.

The slaughterhouse was built by BRR in 2006 with a Rp 2 billion grant from ADB. It has the capacity to slaughter 15 heads of cattle a day and can accommodate 60 cows. In addition, BRR also built a laboratory to enable the meat to be inspected quickly, provided operational vehicles and a waste processing facility.

The slaughterhouse, which is equipped with a waste processing facility, was built in a deserted area. After it was built, many people built homes nearby. As a result, the slaughterhouse is now located in the middle of a residential area. The waste produced by the slaughterhouse is put in a container. Unfortunately, it is not processed into fertilizer. BRR has installed pipes that empty the liquid waste directly into the sea after being filtered.
Empowering Forest Communities

One of the main programs of the Deputy for Economic and Business Development dealt with forestry. This program was aimed at restoring the government's infrastructure and facilities in the sector of land and environmental resources and forest restoration, including mangrove forests, green belts, green areas and protected areas. It also dealt with the economic empowerment of forest communities and capacity building of forestry workers, such as forest rangers.

Durian-Bearing Marijuana Fields

During the prolonged conflict in Aceh, marijuana was a lingering problem that frequently emerged in various areas in the province. Operations to eliminate marijuana fields had long been carried out. Governor Syamsuddin Mahmud (1993–2000) made continuous efforts during his administration to fight marijuana, but was unsuccessful. Marijuana kept emerging in various areas. This inspired the local government to launch a program to empower farmers and the marijuana mafia so that they would abandon marijuana and become durian farmers instead.
BRR utilized this program in its reconstruction and rehabilitation efforts. In October 2007, it started to work on the program, which cost Rp 1 billion, funded by the DIPA 2007 budget. In the first three months, BRR funded the program until the people could develop it themselves with the available capability. The fund was allocated to clear land and buy durian seeds, farming tools and fertilizer. The farmers also spent some of the fund allocated for the farming tools to buy barbed wire. They installed barbed wire fences to prevent boars and bears from eating the fruit.

It was hoped that the people would be able to end their dependency on the illicit marijuana plants. Moreover, residents in Lamteubam, Seulimeum District, Aceh Besar used to be successful durian farmers and it was hoped they could enjoy a similar success again.

The program was well received by Lamteubam residents. Teungku Muslim Al-Hamsyi, leader of the Darun Nahli Islamic boarding school, said that villagers who formerly grew marijuana could now join the program. Moreover, they could also benefit from the soybean that grew in the durian fields.
Not only did BRR replace marijuana with durian, it also encouraged farmers to grow mango trees to regreen the damaged forests. The fruit would provide extra income for forest communities. BRR gave them seedlings and taught them how to plant them.

Another program conducted by BRR was the rehabilitation of mangrove forests and coastal forests. But the drastic change in environmental conditions due to the tsunami became a problem that hampered the growth of mangrove trees and coastal forests.

As for human resources, BRR conducted training for forest rangers, field workers and forestry facilitators. The training was also held for forest communities to give them an awareness of the function of forests and buffer zones and their importance.

**Boosting Tourism in Aceh**

Forestry economics cannot be separated from ecotourism. Some tourist activities that were deemed important were a tourism development study, tourism training and restoration of tourist sites.

From March 2 to April 2, 2008, BRR held an internship program in Bali for 70 civil servants from the cultural affairs and tourism agency, the regional secretariat and tourism associations throughout Aceh. The training was divided into three parts: organization of the tourism business, tour guides and the souvenir home industry.

The training materials included an introduction to tourism; impacts and the benefits of tourism in the economic, social and cultural sector; tourism and natural and

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>UNIT</th>
<th>DISBURSEMENT 2005-2008</th>
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</thead>
<tbody>
<tr>
<td>Provincial Office Facilities Rehabilitation</td>
<td>Unit</td>
<td></td>
</tr>
<tr>
<td>Establishment of Forestry Area</td>
<td>Km</td>
<td>70</td>
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<tr>
<td>Forestry Data Management and Training</td>
<td>Unit</td>
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</tr>
<tr>
<td>Rehabilitation and Management of Natural Forests and Land</td>
<td>Ha</td>
<td>1,512</td>
</tr>
<tr>
<td>Strengthening Local Businesses in Forest Periphery</td>
<td>Klip</td>
<td>24</td>
</tr>
<tr>
<td>Coastal Forest Rehabilitation</td>
<td>Ha</td>
<td>748</td>
</tr>
<tr>
<td>Local Institution Capacity Building</td>
<td>Packet</td>
<td>8</td>
</tr>
<tr>
<td>City Forest Rehabilitation</td>
<td>Ha</td>
<td>169</td>
</tr>
<tr>
<td>Bufferzone Restoration</td>
<td>Ha</td>
<td>271</td>
</tr>
<tr>
<td>Coral Reef Transplantation</td>
<td>Packet</td>
<td>3</td>
</tr>
<tr>
<td>Climatology Field Laboratorium Reconstruction</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Improvement and development of Ecotourism Facilities (Tourist Area)</td>
<td>Packet</td>
<td>7</td>
</tr>
<tr>
<td>Non-Wood Forest Product Development</td>
<td>District</td>
<td>7</td>
</tr>
<tr>
<td>Waduk Aloe Baroh, Klip Village, Restoration</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Local Forest Development</td>
<td>Kab</td>
<td>13</td>
</tr>
<tr>
<td>STIK Forestry Education Development</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Forestry Technical Personnel Education and Training</td>
<td>Person</td>
<td>160</td>
</tr>
<tr>
<td>Mangrove Forest Development</td>
<td>Ha</td>
<td>8,660</td>
</tr>
</tbody>
</table>
cultural resources; eco-tourism; cultural tourism and tourism related to special interests; development planning for tourist sites; and the management of tourist sites to ensure safety and comfort. Participants also learned about strategies to develop the handicraft industry, community development in tourism, handicraft centers as tourist attractions, information and technology, and product market opportunities.

Simpang Mesra Eateries

When talking about tourism, one cannot overlook culinary tourism. Culinary tourism has been developed in several places in Aceh. One such place is located in Simpang Mesra, Banda Aceh.

This popular site is located near a traffic circle, at the crossroads heading to Krueng Raya and Darussalam. It is called Simpang Mesra, which literally means intimate crossroad, because it is near a sharp bend that makes passengers lean against one another when their vehicle drives around the bend.

Simpang Mesra is about three kilometers or a 10-minute drive from the heart of Banda Aceh. The city administration, which manages the place, rents out 10 grilled fish stalls overlooking the Krueng Aceh River Floodway.

The culinary tourist spot is one example of a BRR success story in improving the tourism economy.
Grabbing Business Opportunities

Aceh was indeed paralyzed by the tsunami. It was recorded that 5,176 small and medium enterprises, 7,529 small business outlets, 1,191 restaurants, 25 banks, four rural credit banks (BPR), 20 microfinance institutions and 195 markets were engulfed by the tsunami. Outlined below are various programs to restore business in Aceh.

Aceh Batik Flies to San Francisco

Batik is not the monopoly of Solo, Yogyakarta and Pekalongan. Aceh also has batik. It has different characteristics from the batik in other areas in Indonesia. Aceh batik usually features a combination of natural and cultural elements in bold colors such as red, green and yellow. The dynamic interplay of colors makes Aceh batik glamorous and beautiful.

BRR has a great interest in developing the potential of Aceh’s batik. It provided support by building the Aceh Batik House (RBA) in Manyang village, Ingin Jaya District, Aceh Besar. The Rp 2.3 billion building has three rooms: a room for fashion shows, an exhibition room and a production room located at the back of the building.

Besides constructing the building, BRR also designed programs to support the marketing of Aceh batik, by selling it at outlets at Sultan Iskandar Muda Airport, Blang Bintang, Aceh Besar, and in Hermes Palace Hotel in Banda Aceh City.

To promote its products abroad, the RBA management set up a website, www.visitaceh.com, in the hope that the batik would “go international”.

As a result, the RBA management received an invitation in August 2008 to a fashion show in Yogyakarta. Batik produced by Manyang residents was also presented at a fashion show in San Francisco, the U.S., in September 2008.

However, RBA still has many problems related to raw materials and human resources. It has to buy the raw materials, from the cloth to the wax, from Pekalongan, Central Java. “We have local products, but the quality is low,” said RBA manager Ega Trenggana Rakasiwi.

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<tr>
<th>ACTIVITY</th>
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<th>DISBURSEMENT 2005-2008</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>APBN</td>
</tr>
<tr>
<td>Revitalization of Tourism Sites and Facilities</td>
<td>Packet</td>
<td>29</td>
</tr>
<tr>
<td>Tourism Training</td>
<td>Packet</td>
<td>13</td>
</tr>
<tr>
<td>Community Gathering</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Development of Tourism (Studies)</td>
<td>Packet</td>
<td>10</td>
</tr>
<tr>
<td>Tourism Business Economy Development</td>
<td>Packet</td>
<td>168</td>
</tr>
<tr>
<td>Culinary Market Center Development</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Development of Culinary Tourism Development</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Reconstruction of Forest Education Facilities</td>
<td>Packet</td>
<td>2</td>
</tr>
<tr>
<td>Lobster Cultivation Development</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Integrated Tour Packages (incl. Tour Bus)</td>
<td>Packet</td>
<td>1</td>
</tr>
</tbody>
</table>
As for its human resources, RBA only has 21 batik artisans and does not have its own batik designer. It has to ask designers from outside RBA to design the batik. The sewing is also outsourced.

**Success with Microfinance Institutions**

Another important issue in the development of small and medium enterprises is capital. Since BRR was established, many people visited its office to submit proposals to get working capital. This forced BRR to think harder because not all the disaster victims fulfilled the requirements to receive support from the existing financial institutions.

This is how the microfinance institution (LKM) came into existence. The LKM was established to fulfill the demand for capital from people who did not have access to banking institutions. The LKM was designed to promote sustainable post-disaster economic empowerment. The mission of the LKM was to provide tsunami survivors with access to working capital through the LKM scheme; to be independent, professional and sustainable after BRR left Aceh; and to create a system for the community-based development and monitoring of LKM.
During the rehabilitation phase (2005-2006), a rolling fund was disbursed for LKMs and cooperatives in disaster-hit areas. One hundred and forty-six LKM/cooperatives received support in the form of commercial and non-commercial financial products, while during the reconstruction phase (2007), 63 LKM/cooperatives and 60 integrated cooperatives in disaster-hit areas received this support. BRR extended the program to empower LKM/cooperatives not only in disaster-hit areas, but also those located outside those areas so that they could also receive working capital. A total of 269 LKM/cooperatives received this facility. In 2008, no further funds were disbursed as the empowerment program was deemed effective.

The strategy for the development of LKMs was to utilize and develop existing LKMs, making them open to various models and approaches and using principles that had proven successful. People were allowed to choose the model most appropriate for them. BRR also conducted supervisory, supporting, monitoring and evaluation activities to change people’s perception about the program, from a charitable program to a sustainable program (asking the people to repay the loans in installments), and strengthening human resources through continuous training. LKMs are also expected to engage in partnerships with various local, national and international institutions.

The program had four phases. The first phase, from 2005 to April 2006, focused on the speed in handling the program by selecting LKMs located near disaster sites, applying a combination of a social welfare model (interest-free loans or loans with a profit-sharing mechanism) and loans with interest or a profit-sharing mechanism, and laying the foundations of a new paradigm in LKM management.
The second phase, beginning in May 2006, was directed to ensure the continuation of the program through various activities, such as the selection of LKMs located close to markets, the disbursement of interest-bearing loans and the abolishment of interest-fee loans, IT-based financial reports and the implementation of an assistance and internship program for LKMs.

The third phase in 2007 focused on the introduction of good cooperative governance (audited by public accountants), managerial and specialized training, LKM restructuring program and the strengthening of the IT system.

The fourth phase in 2008 focused more on the strengthening of the monitoring and anticorruption system, the implementation of a punishment and reward system, the improvement of communication and the involvement of stakeholders, as well as documentation of the learning process throughout the program.

Managing an LKM is not an easy job. There are many hurdles. As a result, about 50 percent of the LKMs are not yet running well.

Among the obstacles and challenges in developing an LKM was the low return on loans. To deal with this problem, a taskforce was set up to familiarize lenders with the program, strengthen the system of debt collection and to implement stricter requirements in the selection of beneficiaries and their business proposals.
Another obstacle was the misconception among the people that it was not necessary to return the rolling fund because they believed that it belonged to them. The Deputy for Economic and Business Development then took various measures, such as tightly monitoring and evaluating the implementation of the program, conducting familiarization activities through meetings, brochures and leaflets, as well as educating people from the start and only later taking legal measures when necessary.

People had very little understanding of LKMs, and BRR therefore conducted familiarization programs through formal and informal media, including the publication of a journal on LKMs (in cooperation with the Aceh International Society of Microfinance or AISMIF), seminars and training so that people learned more about the role and function of an LKM.

As for human resources, LKMs had problems related to the poor capability of LKM management. BRR attempted to improve the quality of the management through the acceleration of technical and management assistance, training, an internship program and the establishment of the AISMIF. Continuous efforts were made to straighten out the operational system and reporting system through the preparation of an operational manual, program manual, loan manual, supervisory manual, personnel manual, the strengthening of the computerization and IT system, mentoring and coaching, and the preparation of a database on LKM activities and performance.

LKMs also had problems with supervision. In an effort to improve supervision, BRR asked an independent public accountant to conduct an audit and follow up on BRR's
internal examination reports and public reports, and set up the LKM Supervisory and Anticorruption Unit and a community-based supervisory mechanism.

The hurdles did not end there. Guidance and assistance also needed to be maintained by improving the quality of the mentors, evaluating the training module and the quality of the training, conducting training for officials in charge of LKM development as well as providing guidance and assistance for LKMs until the end of 2008.

In order to make LKMs attractive workplaces, BRR strived to build a positive image of LKMs, making efforts to ensure that LKMs could become independent and therefore able to give adequate remuneration, and provided incentives for the LKM management who joined training and internship programs. In addition, it was also necessary to prepare carefully for the transition in terms of the mechanism for the institution that would continue to monitor and develop LKMs after BRR left Aceh at the end of the rehabilitation and reconstruction phase.

**Creating Professional LKM Personnel**

For LKMs to work well they need to be supported by qualified human resources. To achieve that end, BRR established the Aceh International Society of Microfinance (AISMIF) in cooperation with the Faculty of Economics of Syiah Kuala University (Unsyiah), Banda Aceh. The institution was established on April 27, 2007 to help the government in strengthening the people’s economy. Its main program was the empowerment and development of LKMs and to help boost the growth and development of small and medium enterprises through the improvement of human resources.

According to AISMIF Director Muslim A. Djalil, AISMIF has three tasks, namely providing training, conducting surveys and research on microfinance, and providing advocacy and support for LKMs so that they remain financially healthy and sustainable. “This institution is about the development of human resources and the capability of economic institutions. So we focus more on shaping human resources, in this case through training and internship programs,” he said.

All of the programs are aimed at improving the capacity of microfinance institutions in order to strengthen the people’s economy. “Because ordinary people are far from banks, we therefore give them access to financial institutions,” he added.

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<tr>
<th>ACTIVITY</th>
<th>UNIT</th>
<th>ACHIEVEMENT 2005-2008</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>APBN</td>
</tr>
<tr>
<td>Trainings</td>
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<tr>
<td>Development of and equipment provisions for BLK</td>
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<tr>
<td>Cash For Work</td>
<td>Person</td>
<td>-</td>
</tr>
<tr>
<td>Employee trainings</td>
<td>Person</td>
<td>138</td>
</tr>
<tr>
<td>Road development in BLK areas in Banda Aceh</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Job and career fair</td>
<td>Packet</td>
<td>1</td>
</tr>
<tr>
<td>Workshop/office equipment provisions for KLK in South Aceh</td>
<td>Packet</td>
<td>1</td>
</tr>
</tbody>
</table>
AISMIF is supported by experts, mostly from the Faculty of Economics of Unsyiah. A member of the AISMIF’s Founding Board who is also the head of the Management Department of the Faculty of Economics, Permana Honeyta Lubis, said that AISMIF also provided a lot of benefits for his institution. The knowledge obtained by the students could be implemented directly in AISMIF’s working program.

Long-Term Programs

Long-term programs are programs aimed at enhancing the people’s economy and regional economic sustainability. They are directed at strengthening Aceh’s future economic foundation, as described below:

**Lampulo Fishing Port, Banda Aceh**

Aceh has great fisheries potential. Unfortunately, this has not been extensively explored. It is the fishermen of other countries who are taking advantage of this potential. To enable the fisherman of Aceh to exploit this potential, the Banda Aceh administration and BRR worked together to build a deep-water fishing port in Lampulo, Banda Aceh.
The port is designed to accommodate large vessels weighing more than 50 GTs. Most of the vessels fly European, Taiwanese, Japanese or South Korean flags and are equipped with fish processing machines and modern fishing equipment. Usually the foreign vessels sell their catch at the nearest ports.

The construction of the Lampulo Fishing Port is expected to encourage the foreign vessels to transit at the Lampulo port and sell their catch or unload it to supply the raw materials for the fisheries industry that is being built in the Lampulo Fishing Port area. In addition, it is expected that fishing companies will base their boats at the Lampulo port. It is hoped that the activities of foreign vessels transiting at the port will help raise revenue for the province and create new jobs.

Once the port is developed it is expected that local fishermen will improve their capability in catching fish. A transfer of technology will also occur with the presence of the large vessels.

**Construction Completion**

The next phase of construction continues as detailed in the 2009 Government Work Plan by the Aceh Rehabilitation and Reconstruction PIU. A total of Rp 69.5 billion has been allocated for this.

<table>
<thead>
<tr>
<th>No</th>
<th>Type of Work</th>
<th>Cost (RP)</th>
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<tbody>
<tr>
<td>1</td>
<td>Preparatory work</td>
<td>1,181,400,000</td>
</tr>
<tr>
<td>2</td>
<td>Fishermen Meeting Hall</td>
<td>1,385,316,000</td>
</tr>
<tr>
<td>3</td>
<td>Breakwater</td>
<td>100,321,295,600</td>
</tr>
<tr>
<td>4</td>
<td>Pier</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Unloading pier (100 m x 8 m)</td>
<td>46,640,150,500</td>
</tr>
<tr>
<td></td>
<td>b. Loading pier (100 m x 8 m)</td>
<td>3,923,948,500</td>
</tr>
<tr>
<td></td>
<td>c. Tuna pier (100 m x 8 m)</td>
<td>3,476,716,500</td>
</tr>
<tr>
<td>5</td>
<td>Drainage</td>
<td>9,783,562,500</td>
</tr>
<tr>
<td>6</td>
<td>Water installation</td>
<td>3,217,170,500</td>
</tr>
<tr>
<td>7</td>
<td>Road</td>
<td>7,806,808,700</td>
</tr>
<tr>
<td>8</td>
<td>Port management office building</td>
<td>9,628,033,700</td>
</tr>
<tr>
<td>9</td>
<td>Cooperative's kiosk and convenient store</td>
<td>1,007,430,700</td>
</tr>
<tr>
<td>10</td>
<td>Public road lightings</td>
<td>2,075,631,200</td>
</tr>
<tr>
<td>11</td>
<td>Digging (755.388 m3)</td>
<td>29,082,438,000</td>
</tr>
<tr>
<td>12</td>
<td>Reclamation (91,433.382 m3)</td>
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<tr>
<td>13</td>
<td>Fish Auction Hall (TPI)</td>
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<tr>
<td>14</td>
<td>Net repair facility</td>
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</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>350,167,277,300</strong></td>
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</table>

BRR continues to coordinate with the Maritime Affairs and Fisheries Agency of Aceh Province and has briefed investors who are interested in the Lampulo Fishing Port project. The Aceh Provincial Government should also see Lampulo Fishing Port as a strategic project in the fisheries sector.

**Peternakan Terpadu Blang Ubo-ubo, Aceh Besar**

Aceh has a high demand for meat, whereas livestock is limited. As a result, prices often soar, especially ahead of religious holidays.

To address this, BRR initiated a program to develop superior livestock in Aceh Besar. The development of cattle breeding areas was carried out in three locations, namely Blang Ubo-ubo in Lembah Seulawah District (for a cow breeding center), Cot Seuribee in Seulimeum District (cow breeding center with community involvement) and Panca in Lembah Seulawah District (Etawa goat breeding center).
The 520-hectare Blang Ubo-Ubo breeding center is equipped with barns, an animal health post, an artificial insemination facility, a waste container and waste processing facility, green fields for cattle feed, housing for technical workers, a regional office and other supporting facilities. A total of 148 heads of cattle have been brought in. Another 320 heads of cattle are expected to arrive this year as detailed in the 2009 Development Working Plan of the Aceh Rehabilitation and Reconstruction Task Force.

The breeding center is managed by two local farmer groups, Blang Ubo-Ubo and Blang Ubo-Ubo I, with a total of 36 members. They are divided into smaller groups of six people each and take turns to care for and guard the cattle, each working for two days at a time. The program, which has been running for nine months, applies an income sharing system between the groups and the Project Management Unit.

**Skills Training Centers**

Unemployment is an alarming problem in Aceh. Each year the unemployment rate tends to increase. According to World Bank data, 9 percent of the population in Aceh was unemployed in 2008. The agricultural sector continues to absorb most of the workforce...
or 50 percent. The number of workers in the service and industry sectors increased significantly because of the many reconstruction projects, especially for small and medium enterprises.

Among the efforts to address the unemployment problem in Aceh is the development of training centers. BRR built a total of four training centers in North Aceh, Southeast Aceh, South Aceh and Aceh Besar. The training center in North Aceh is equipped with motorcycle workshop tools and a lathe to improve the skills of participants who have an interest in automotives. The training center in Southeast Aceh has automotive equipment, sewing machines, embroidery machines and computers. The one in South Aceh has mechanics’ tools and a lathe while in Aceh Besar, BRR only constructed the training center building.

BRR also conducted training for the training center employees. As many as 360 training center employees have received training relevant to their work. The training centers have trained a total of 114,965 people and business circles have shown an interest in them.

In addition, BRR also set up job centers in 23 locations in regencies and cities. These centers enable people to access information on job opportunities through the information system that has been established.
The program of building training centers and supporting facilities is aimed at producing skilled workers so that they can become independent. This is expected to reduce the unemployment rate in post-disaster Aceh.

**Small Scale Industry Center in Samahani, Aceh Besar**

To support small and medium enterprises in the tourist sector, BRR developed a handicraft center in Samahani, Aceh Besar. In the past, Aceh was famous for its handicrafts. However, due to the prolonged conflict the handicraft industry in Aceh had stagnated and was struggling to survive. For years, artisans had faced problems related to capital, marketing and human resources.

This prompted BRR to make efforts to revive the Acehnese handicraft industry. In 2007, BRR provided 200 sewing machines and 14 embroidery machines and built an embroidery handicraft center in Samahani, Kuta Malaka District, Aceh Besar. This building was constructed with a budget of Rp 594 million from the 2007 Issuance of Spending Authority (Daftar Isian Pelaksanaan Anggaran, DIPA) allocation. Construction was completed in November 2007.

The fund to enhance the handicraft industry in Aceh was taken from the state budget. Several projects were included in the development package, which entailed the procurement of Rp 357 million worth of production tools, Rp 846 million for the procurement of raw materials, Rp 458 million for supporting materials, Rp 150 million for marketing and Rp 60 million for product promotion. This assistance aimed at jump-starting the revitalization of the Acehnese handicraft industry.

Samahani has sent its first shipment of 2,700 embroidered bags worth Rp 410 million to Alabama, the United States. Satisfied with the quality of the products, the American importer placed an order for another 1,000 embroidered bags.

**Bireuen Wholesale Market**

Conflict and natural disasters had isolated the economy of Aceh and Nias. This was due to poor infrastructure and an ineffective economic system.

To end Aceh’s isolation, BRR tried to cut the province’s economic dependence on surrounding areas like Medan. BRR’s priority program to overcome the problem of economic isolation was the development of the Rp 7.9 billion Bireuen Wholesale Market, which could accommodate 90 traders.

Besides releasing Aceh from economic dependence, this market is also expected to develop the potential of other smaller localities in the province. Hence, all kinds of commodities produced throughout Aceh and even outside the province could be brought to this market for sale.
Bireuen was selected because the city has a history of being a trade center. Located in the heart of Aceh, it serves as a bridge to connect all areas in Aceh, enabling it to stimulate the flow of goods. Bireuen is a trade transit base for people in Gayo highland, Pidie Jaya and North Aceh. Bireuen also has two-lane roads that were built to facilitate trade.

Larger traders have started to eye Bireuen. The Barata Group has built a new trade center complete with a game and entertainment center.

**Marketing Aceh**

Marketing is the most important aspect of the business world. To boost the business climate in Aceh, BRR set up an Investment and Market Access Unit. This unit has various programs, including the opening of a Packaging and Trademark Consultancy Center (KKM), Export Development Center (EDC) and Investor Outreach Office (IOO).
KKM was established to provide advice to small and medium enterprises on matters such as design, packaging, trademark and printing. KKM also helps clients improve their know-how and knowledge by organizing training, exhibitions and seminars on graphic design, marketing and trademark licensing. These activities have involved non-governmental organizations such as Muslim Aid, World Vision, American Red Cross, Welthungerhilfe, Swiss Contact and CHF.

Launched in early 2008, the program has been well received by entrepreneurs in Aceh. As of October 2008, 207 small and medium enterprises had benefited from the service and 200 others had lined up for advice on packaging design and printing. Because of the huge demand, KKM has been able to give advice only on packaging design.

Thanks to the creativity of the workers at KKM, the products of the small and medium enterprises are attractively packaged and can be found in shopping centers in Pante Pirak, Blang Rakal, Hamami, Maju and Kemang, and even in the outlets at Sultan Iskandar Muda Airport.
To help the enterprises market their products nationally and internationally, BRR established the EDC. It was built as a center for export development for quality products. EDC helps promote the products of small and medium enterprises, facilitates cooperation between producers, exporters and buyers, and also helps them with export regulations and procedures.

To support EDC, BRR also established the Investor Outreach Office (IOO). Built in cooperation with the Aceh Provincial Government, the office was inaugurated on April 5, 2007. On the same occasion, IOO signed a Memorandum of Understanding with the chambers of commerce from eight countries.

IOO was established to build the image that Aceh is open for business. KPPI provides information and data on the investment potential in various sectors like fisheries, agriculture, animal husbandry, mining, tourism, regulations, infrastructure and communications. The data is then packaged in the form of printed materials, video presentations, interactive multimedia, websites, exhibition tools and outdoor media.
IOO also serves potential investors, stakeholders and people looking for data or other information to support investment activities in Aceh. IOO employees not only provide visitors with the necessary information, but also accompany them to places that have the potential to provide the investment opportunity they are seeking. IOO also supports the provincial government’s efforts in drafting laws and regional regulations (qanun) related to investment in order to enhance investment in Aceh.

In 2007 and 2008, IOO conducted seminars and exhibitions and set up a working group to give potential investors a picture of the preparedness of the relevant institutions and the places where they could conduct investment activities in Aceh. It promoted the integrated economic development zone in Blang Ulang, Aceh Besar, Bireuen industrial zone, as well as the potential investment opportunities in each regency or city in Aceh.
LOOKING into some of BRR’s projects and programs, a big question lingers: how do the funds spent and the benefits gained compare? There are benefits to be seen not only from the economic perspective but also from other aspects.

In general, the community empowerment program was able to boost the income of the people, including those outside recipient groups. The cash-for-work program organized by partners in the recovery efforts reached 164,664 people, and was of great assistance to the people in the initial recovery stage. Assistance in the form of capital and productive assets provided for community groups opened up work or business opportunities for people within the groups and the community in general. There is a multiplier effect when a certain line of business develops as it triggers other businesses to support its development.

The hard work of all the stakeholders who worked shoulder to shoulder to contribute to the rehabilitation and reconstruction of Aceh’s devastated economy has shown positive results. Continuity in the rehabilitation and reconstruction efforts has to be sustained, in particular by the Aceh administration after BRR has completed its tenure.
The following are some economic indicators used to measure the impact of BRR’s programs on the people, as well as programs implemented by the Aceh administration, UN agencies and national and international NGOs.

**Gross Domestic Product**

The reconstruction efforts continued to stimulate economic growth in related sectors, such as the construction sector and transportation sector, which saw above average growth. On the other hand, overall economic growth (including growth in the oil and gas sector) dropped by more than 2 percent. This was because of a decrease in oil and gas production, which also affected the processing industries that use gas. It was projected that the economic decline in the main sectors would continue along with the decrease in the oil and gas reserves on Aceh’s east coast (Table 5.1).

The growth in reconstruction-related sectors continued, but there was indication that the growth would slow down. Growth in the construction sector in 2007 was 14 percent, a decrease from the 50 percent growth in 2006. A slowdown in economic growth was also seen in other sectors, such as transportation, trade, hotels and restaurants. This was
supported by data from the Aceh Tourism Agency, which showed a decrease in hotel occupancy from 11,408 rooms in 2006 to 9,753 in 2007.

By the end of December 2007, a total of 100,000 houses and 2,000 kilometers of roads had been built. With the exit of several NGOs and donor institutions and the end of BRR's term in mid-April 2009, reconstruction will play a smaller role as the economic growth engine. However, with the achievement of 91.62 percent of the key performance indicators in the business and economic sector in rehabilitation and reconstruction efforts there has been a resultant growth in non-oil and gas GDP of 5.9 percent compared to the year prior to the tsunami (2004), while in 2007 there was a slight drop of 0.3 percent compared to 2006. Economic growth in the agricultural sector, commercial forestry and fisheries grew by 5.4 percent in 2006 as compared to 2005 and by 3.5 percent in 2007 as compared to 2006. (See Table 5.1 Economic Growth in Aceh 2003-2007.

Agricultural production in the first year of recovery (2005) was still below the production level before the tsunami, or 97 percent. In 2006, it rose to 98 percent and in 2007 it was 6 percent higher than the production level of 2004 (Table 5.2 Agricultural Production in Aceh, 2003-2007). This means that in 2007, agricultural production surpassed the pre-tsunami level for the first time. This figure is also way above the average growth of 2.3 percent in the agricultural sector for Sumatra.

The increase in agricultural production was supported by recovery activities such as the rehabilitation of rice fields, the construction of canal lining for irrigation networks for agribusiness and agro input. BRR and recovery partners succeeded in rehabilitating 18,322 hectares of rice fields. The construction of agricultural infrastructure involved the construction of the canal lining of a 388,031-meter-long irrigation network and the development of 31,401 hectares of paddy fields (agro input). The rehabilitation

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*Adjusted  
**Temporary

Source: BPS

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<th>2006</th>
<th>2007</th>
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</table>

Source: BPS, Constant Price in 2000
of 16,875 dry fields focused primarily on peanut and soya bean cultivation as well as the required agro input. In addition, the farmers were also given assistance with the provision of farming equipment, such as basic farming tools, four-wheel drive tractors, rototillers and hand sprayers amounting to 15,868 units. To support the provision of high quality seeds, 20 Core Seed Centers (BBI) and Agriculture Extension Centers were repaired or new centers built.

In addition, in order to boost rice yields, a demonstration plot of System of Rice Intensification was introduced as a model project, which has been proven to increase production from four tons per hectare to between six and eight tons per hectare.

Growth in the plantation subsector showed an increase of 5 percent in 2005, 5 percent in 2006 and 15 percent in 2007 as compared with production in 2004. This was made possible due to recovery activities such as the construction of 43,020 meters of roads in plantation areas, the rehabilitation and intensification of planting and maintenance of 33,875 hectares of plantation crops (oil palm, cacao, coconut and rubber), the provision of 6,763, 525 oil palm and cacao seedlings, assistance through the provision of processing equipment for community plantations, as well as providing education and training for 770 people.
The fisheries sector has shown positive growth resulting in a 3 percent increase in production in 2007 compared to 2004. Considering the location, naturally the fisheries sector was the worst hit by the tsunami. Therefore, this sector received the largest portion of the budget for recovery in the economic and business sector, namely Rp 896.2 billion or almost 34 percent of the total budget. This government budget was used to build 3,135 boats, for the provision of 17,013 units of fishing equipment, the construction of two fishing ports, the construction of 24 fishing docks/piers, the construction of the deep-water Lampulo Fishing Port, the rehabilitation of 7,775 hectares of fish ponds, agro input for 7,715 hectares of fish ponds and 64 fish and shrimp hatcheries. In addition, assistance from recovery partners included 3,974 fishing boats, 735 units of fishing equipment, nine fishing piers/docks, the rehabilitation of 9,669 hectares of fish ponds and agro input for 11,812 hectares of fish ponds.

The animal husbandry sector has not shown an increase in production from that of 2004. This is due to hurdles in the supply of calves and the fact that the people have yet to optimally develop the pasture grazing model. The same situation exists with non-wood products in the commercial forestry sector.

According to analysts, the structure of Aceh’s economy has changed significantly. This has much to do with BRR’s role in the rehabilitation and reconstruction of Aceh. As a result, it is clearly seen that the economy has now shifted from a dependency on mining and industry, which rely much on oil and gas. The two sectors’ contribution to Aceh’s economy in 2003 was 56 percent, while in 2007 this dropped to 32 percent.

The decrease in the two sectors’ contribution was countered by growth in the service sectors such as trade, construction and transportation. Growth in the trade sector reached 44 percent in 2007 or an increase of 26 percent from 2003. While the agricultural sector’s contribution rose from 17 percent in 2003 to 23 percent in 2007.

### Table 5.3 Aceh’s Economic Structure (2003-2007)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2003</th>
<th>2004</th>
<th>2005*</th>
<th>2006**</th>
<th>2007**</th>
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<td>Agriculture, Forestry &amp; Fisheries</td>
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</tr>
</tbody>
</table>

*Adjusted
**Temporary

Source: BPS
Trade

Aceh’s exports dropped by 6 percent or about US$1.8 billion in 2007, but non-oil and gas exports increased by $84.3 million in the same year. The increase was triggered by the production of fertilizer, which was about 80 percent of the total exports of non-oil and gas commodities.

In 2006, the production of fertilizer and paper was halted but later in the year fertilizer and paper mills resumed operation after the government committed to subsidizing gas needs for the two industries until 2010. The growth in these sectors was mostly triggered by the end of the armed conflict, reconstruction aid and the increase in commodity prices on the international market.

The value of Aceh’s fisheries exports reached $1 million in 2007, showing an increase from the initial post-tsunami years. But it remained far below the highest production level that occurred in 2000 with a total value of $13 million. This was due to the fact that the added value of fishery products was not yet optimal. A disease afflicting shrimp had not yet been overcome, there was limited grouper spawn because the saltwater fish spawn center that had been built was not yet operational and the Lampulo Fishing Port in Banda Aceh was not yet functioning.
Aceh’s imports dropped in 2007. This was mostly because of a drop in the importation of basic materials for gas production and the machines used in gas production. However, foodstuff imports continued to increase in the last three years.

Most of the imported goods, especially for reconstruction needs, came through Medan. As an illustration, there was a significant increase in the importation of building materials, such as iron for housing, which increased 23 percent in 2006 and 18 percent in 2007 (Central Statistics Bureau/BPS, Medan).

BRR and other recovery partners attempted to restore the trade sector by providing capital to as many as 67,594 wholesale traders and market traders. In addition, BRR built 120 wholesale markets. Financial assistance for small and medium entrepreneurs was distributed through the 434 cooperatives/microfinance institutions in Aceh. Furthermore, a training program was conducted for 765 participants to improve the work performance of the institutions’ managements. A training program for 3,152 small-scale businesspeople was also conducted.

Employment Opportunities and Poverty

Reconstruction activities started to wind down after three years. Unemployment is still the main challenge. The unemployment rate increased significantly in 2003 along with the worsening security situation. The unemployment rate remained high over the next few years (Figure 5.1).

The Acehnese people were unable to take advantage of the available job opportunities created by the reconstruction and rehabilitation activities because they lacked mobility and were relatively low-skilled. As a result, the reconstruction sector could only absorb a small number of local workers. Most of the skilled and semi-skilled workers were from North Sumatra and other places in Indonesia.
The end of the rehabilitation and reconstruction period will naturally affect work opportunities. The program to build six training centers by BRR and recovery partners is aimed at raising people’s skills to give them the ability to work independently, with others or in a company. In addition, a community service training program was conducted for 154,588 people and a training program for 694 employees.

The number of local workers in the agricultural sector at one time was 60 percent of the total workforce in Aceh. However, the trend showed a continual decline even before the tsunami. This was due to the decrease in agricultural productivity and the fact that many people were more interested in working in other sectors. This also happened in other areas in Indonesia. The government increased the provincial minimum wage in Aceh, but as commodity prices in Aceh have almost doubled since the tsunami (as measured by BPS), the increase was not enough to strengthen workers’ purchasing power.

The fact that the unemployment rate remained high despite the increase in wages was probably due to the unfulfilled demand for skilled workers in the reconstruction sector. In addition, the workers lacked mobility and the reconstruction projects focused on certain areas.

Figure 5.3 Composition of Employment by Sector (%)
The above economic condition has affected those at the lowest socio-economic level in society. This can be seen in the poverty rate in Aceh, which is relatively higher than the national rate.

The 2004 poverty rate in Aceh was 28.4 percent. In 2005, after the disaster, it rose to 28.7 percent, while the 2005 national poverty rate was 16 percent. When compared to the level of destruction caused by the disaster, the figure is astounding in that the destruction caused by the massive earthquake and tsunami did not significantly increase the poverty rate in Aceh.

In 2006, the poverty rate dropped to 26.5 percent or below the rate prior to the tsunami. This was because the armed conflict had ended and due to the great reconstruction efforts by BRR.

In 2007, the poverty rate reported by the Central Statistics Bureau was 26.7 percent. The poverty rate dropped in 2008 to 23.5 percent, while the national rate was 15.4 percent. People living in tsunami-hit and conflict areas were more likely to become poorer than those living outside the areas, as indicated in the 2005 figures. However, this was not reflected in 2006. This indicated that the impact of the tsunami on poverty was only temporary.

Even though the poverty level in Aceh is still above the national average, the decrease in Aceh’s poverty level was quite pronounced. It dropped in 2005 by five points from 28.7 percent in 2005 to 23.5 percent in 2008, while in comparison the national poverty rate only dropped 0.5 points, namely from 15.9 percent to 15.4 percent. The contribution from the increase in agricultural production was able to bring about a decrease in poverty levels in the rural areas. Poverty in Aceh is similar to poverty in other regions in Indonesia in that it is a rural phenomenon. More than 26.3 percent of the people in rural areas live below the poverty line as compared to 16.6 percent in urban areas in Aceh.

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Table 5.4 Poverty Rate in Aceh

Source: BPS

Economic Challenges after BRR Leaves Aceh

Getting Rid of Economic Dependence

Aceh Province and Nias Island were the areas with the most reconstruction projects in developing countries after the 2004 disaster. In the short term, the influx of a large amount of aid and large-scale reconstruction efforts had a significant impact on the local economy (World Bank, 2008). For the four-year period 2005 through 2008, from a budget of Rp 2.7
trillion for economic sector recovery, Rp 2.1 trillion (80.45 percent) had been disbursed. However, most of the materials to carry out the rehabilitation and reconstruction projects in Aceh and Nias had to be brought in from outside the area.

In fact, this condition existed before the disaster, mainly due to the prolonged conflict in Aceh. Meanwhile, Nias (before the disaster) was really isolated due to the limited infrastructure to support economic activities, such as transportation to and from the island.

Aceh and Nias were economically dependent on other regions because of the low production of various commodities in terms of both quality and quantity. Some popular commodities were not available in large amounts or on a continuous basis to meet market demand. On the other hand, during harvest seasons certain products were abundant, far above demand. As a result, prices dropped drastically, and likewise when there was a product shortage the prices increased.

Another reason behind Aceh’s economic dependence was the lack of industries that made popular products with added value. For example, fishing production fluctuates and is seasonal. The construction of Lampulo Fishing Port in Banda Aceh and Idi Fishing Port
is aimed at developing and improving the added value of fishery products by providing a mooring facility, and by providing the fishermen with a guaranteed market. Aceh has great marine potential, but currently, it is fishermen from outside the area who enjoy the benefits and added value of this. This condition gives a bad impression to investors from outside the area, who might doubt Aceh’s fisheries potential.

Cold storage is needed to improve product quality because it could function as a storehouse so that fish could be stored longer and standard export volume could be met. Due to the lack of cold storage, popular kinds of fish cannot be exported directly, but have to be sent abroad through the help of an exporter from outside of Aceh.

The low level of fish production was also due to the fact that the available fishing port could not serve ships of more than 100 GT. Only smaller fishing boats (5-30 GT) could dock at the port.

Likewise, the production level of other commodities such as eggs, poultry and beef is also low. These commodities have to be brought in from outside in order to meet local market demand, while in fact this situation presents an opportunity that could be exploited by local businesspeople. However, the facilities and infrastructure to support the industry, such as parent stock and broiler chicks, have to be brought in from outside the area.

Handicrafts are a different story. Handicraft workers were able to resume their business activities due to assistance provided by BRR, resulting in the recovery of their source of income. The impact of this was visible, especially in the small industrial centers that were able to purchase raw materials and maintain continuity in production. As an illustration, in 2007 BRR provided 200 sewing machines, 14 embroidery machines and built an embroidery center in Samahani, Kuta Malaka District, Aceh Besar Regency. The handicraft workers were able to produce handicrafts that fulfilled local demand in addition to exporting 1,200 embroidered bags valued at Rp 410 million to Alabama, the United States. The batik handicraft center in Manyang village, Ingin Jaya District, Aceh Besar is a similar success story. The Rumoh Aceh building, which is complete with a production room and an exhibition room, has revived Aceh’s batik industry.

BRR also conducted many other programs to improve economic conditions in Aceh, including the farming zone development program in Aceh Besar and several other districts. To support small and medium enterprises, a small industry center has been built in Samahani, Aceh Besar, while working capital is also available through microfinance institutions. The construction of Lampulo Fishing Port, which is still under way, will support the operation of big ships, while the future development of the fish processing industry and cold storage facilities will improve the quality and quantity of the marine products, give added value and provide fishermen with a guaranteed market.
Efforts to Suppress Inflation

The World Bank (2007) reported that the inflation rate after the disaster in Banda Aceh increased from year to year, reaching a peak of 41.5 percent in December 2005. As for Indonesia, the inflation rate was only 17.1 percent. The inflation rate increased along with the skyrocketing prices of food and transportation costs in Banda Aceh. This was due to the tsunami and obstacles in the flow of the huge volume of goods for the rehabilitation and reconstruction projects in Aceh.

In tandem with the reconstruction of economic infrastructure like roads, inflation in the transportation sector dropped in 2006. In 2007, the inflation rate was at the same level as the national inflation rate. Inflation in the food sector also dropped but was still higher than the national level. This was because of the huge volume of foodstuffs brought in from outside the region.

The rehabilitation and reconstruction activities contributed to the increase in economic activities and gradually helped suppress the inflation rate. In 2008, the inflation rate decreased again and is now below the national inflation rate.
Continuation of Reconstruction Efforts

Aceh Province and Nias Island have already begun to recover. BRR as an institution with a mandate to carry out a humanitarian mission finished its tenure on April 16, 2009. However, the rehabilitation and reconstruction efforts will continue after BRR’s departure from Aceh and Nias. The process will be continued by the provincial Aceh government and the Nias administration with the 2009 Work Plan to be implemented by the 2009 Task Force for Rehabilitation and Reconstruction.

The 2009 Work Plan of the Rehabilitation and Reconstruction PIU has important programs proposed by each district or city administration in Aceh and Nias. The programs must be properly maintained so that the rehabilitation and reconstruction results stimulate a sustainable economy.

On the other hand, it will take a long time to achieve BRR’s vision for public welfare. BRR focused its economic and business mission on programs to repair disaster-torn productive assets and public assets and to continually strengthen the province’s economic foundation.

The programs have been carried out in the best way possible even though the level of social welfare hoped for has not yet been achieved. This is because long-term efforts are required to fulfill this dream along with the continued commitment of all parties involved in this mission of economic development.

The key to continuing the reconstruction accomplished by related parties is to build and maintain the commitment to develop the economy holistically. Several things that might be able to nurture this commitment include creating awareness about the importance of completing the reconstruction process, maintaining and building coordination between all parties who have contributed to the rehabilitation and reconstruction process, creating and maintaining programs that can strengthen and boost the economy, minimizing the sectoral ego in the development process, and maintaining the trust built during the reconstruction process.
DIFFICULT times bring many valuable lessons. This was definitely the case with the rehabilitation and reconstruction work in Aceh. Many lessons were learned in the four years of post-recovery activities in Aceh. Disaster recovery work in itself is difficult, let alone in a conflict area, and the level of difficulty was therefore of the highest order. There are so many lessons that need to be shared and this section covers the major ones.

Main Lessons

Beginning with the End in Mind

How do we end it well? What are our expectations of the end result of the program? Who will continue the work? What needs to be prepared for the future? These questions are linked to the transition or final period of a program.

These things are usually prioritized and given serious consideration only when the end of a program is within sight. This is understandable in view of the fact that during disaster work the ability to work fast is the predominant element. The basic principle is to act first,
and deal with other things later. The most important thing is that the program is up and running and the beneficiaries are able to enjoy its benefits.

Naturally, this kind of logic is justifiable for urgent and short-term activities where the impact needs to be immediately seen. In this context speed is everything. But for programs that are expected to continue in the long term, the elements of continuity and sustainability become part of the goal.

There are several challenges that will be encountered when we do not begin with the end in mind. First, the challenge of the brief time that remains to prepare a good exit. The characteristic of a program that is well managed is the availability of sufficient time to conduct accurate and appropriate planning and assistance. Rashness usually carries a greater risk in implementation. Designing the final stage of the activities right from the initial phase will provide the organization with more time and space to execute planning, to adapt to the situation in the field, as well as to provide assistance for those who will continue the activity in the future.

The second challenge faced is that it requires greater efforts to match perceptions as the beneficiaries have their own expectations and interests based on speculation. This is because there is no strict line that must be followed or a viewpoint that has been the basis from the time the program was initiated. If from day one the beneficiaries are able to see clearly how the program will end and be continued later on, those who want to be actively involved in the program will be psychologically prepared and will tend to follow the rules of the game.

The third challenge is the possibility of a disrupted learning chain and curve during implementation. This may occur because the individuals who designed and implemented the activities in the earlier phases have been replaced, while new employees do not understand the program values as well as those they replaced.

Disaster recovery work is a program that is project-based in nature, hence generally an employee will be contracted to work for only a specific period. Consequently, employee turnover is very high. This is due to the short contract period and because workers leave to take better job offers. The high employee turnover is very common in a project-based organization. As a result, losing the best people who have comprehensive field experience and thorough knowledge of the entire program is a problem in itself, especially if the replacement is new to the job and is still learning about the program.

Ideally, if a strategy for program completion has been established from the outset, the person in charge of designing the program would have also designed an exit strategy. So those who continue the work would only need to follow the design. In addition, the
introduction of the program to stakeholders can be done more effectively and a transfer of knowledge scheme can be planned, thus speeding up the replacement's learning process.

**Changing the Fate of Those Willing to Change their Own Fate**

Developing a community-based program is not an easy task. It is all the more difficult when the program is implemented in a conflict and disaster-affected area. But there is one element that makes it easier and that is the character of the beneficiaries.

This can be explained as follows: in implementing a program we are interacting with a group of people who are determined to change their fate. This determination is reflected in their seriousness and sincerity in making sacrifices. How is this judged? First is the willingness to make sacrifices. A sense of belonging will emerge if the failure of a program would be detrimental to the beneficiaries. It starts from a willingness to spare time without getting paid, to contributing to the program budget.
Second is seriousness in participating in a program. This starts from the smallest details, like attending a meeting every time one is invited, being easy to contact when needed, and being open to new ideas to improve the programs. The third indication is being proactive in looking for solutions when a program experiences hindrances in the field. This means not being passive and handing over the responsibility to the implementing party to solve the problems.

However, more often than not we do not have the luxury of choosing which community needs assistance when it is our responsibility to solve problems.

It is likely that difficulties will be encountered in the implementation when these characteristics are not found in a group of people. When this is the case, it means we are dealing with a community that does not feel the need to change its fate. Consequently, it takes time and great effort to deal with a community like this. It is also necessary to keep the channels of communication open and provide support and assistance until the time comes when they wish to change their fate. Otherwise the program will progress only as long as there is incoming support, and when the supports stops, so too will the program.

**Everlasting Integrity**

The community places more trust in what they have seen rather than what they have heard. The truth of every word will be tested by the community. It is not until after the test is passed that trust emerges.
BRR is an anti-corruption-based organization. From beginning to end, this principle has not changed. This also applies to program implementation. Once a community learns that a budget has been appropriated for the personal interests of the implementing agents, it will be difficult for them to participate regardless of explanations about the importance of the program and the mechanism created for the program implementation. It is unlikely that the program will be sustainable. The community will conclude that the project was not designed in their interests, but only functioned as a vehicle for the personal gain of the implementing agents. Any irregularities at the community level will be difficult to tackle, since the implementing agents would have also committed irregularities.

Apart from that, in the context of integrity it is also very important to keep a promise. No promise that cannot be fulfilled should ever be made, all the more so to encourage a community to participate in something. It is better to say no in the initial phase rather than later having to mend the disappointment caused by unfulfilled expectations.

**What Cannot Be Seen Clearly Will Not Be Implemented Clearly**

One of the greatest challenges in implementing disaster recovery work is matching the objectives and the ability to achieve them. Reconstructing a disaster-afflicted area requires the spirit to change for the better. However, that spirit needs to be managed to avoid high and less focused expectations.

Indeed it is difficult to determine what we want if the objective is too high. This is because objectives are made prior to the implementation phase and therefore challenges in the field have not yet been encountered. However, there are some factors that can serve as a guideline in formulating objectives, from the available time frame and sufficient funds to implementation regulations and the organization’s ability to control the activities in the field. In most cases, vague objectives result in unclear planning, and unclear planning makes implementation unclear.

**Every Phase has its Own Character**

Generally, there are four important stages in disaster recovery work, namely, emergency response, rehabilitation, reconstruction and transition. Each phase has its own characteristic.

In the emergency response phase, the most crucial aspect is saving human lives and reducing the death toll. For economic activities in the rehabilitation phase, efforts are focused on the accelerated recovery of productive assets and other means that can speed up the community’s income-generating activities.

In the reconstruction phase, activities that have a long-term impact are initiated. While in the transitional phase, activities focus on the transfer of assets and knowledge.

Each phase calls for a particular approach. It is difficult to prioritize sustainable aspects during the emergency response or early rehabilitation phase. This is because the sustainable approach takes more time to implement while speed is of the utmost importance at this point.
Normal Indicators cannot be used in Performance Assessment

In a program’s final stage, people often measure the work performance using normal indicators. This is because many of the projects have been completed and signs of the disaster are no longer conspicuous. Moreover, if the person conducting the evaluation did not see the condition immediately after the disaster, the disaster response aspect is often overlooked and performance is deemed as less than optimal.

That is why an overall understanding of the situation is needed during the evaluation, especially at the closing stages. This is because the way recovery work is implemented in a disaster-afflicted area is never the same. What more in conflict-ridden Aceh. Consequently, many of the programs and decisions need to be adjusted to the situation in the field.

In addition, handling disaster situations is very dynamic and complex and thus it is essential to have the ability to adapt, unlike in normal conditions when there is stability and predictability. This means that performance indicators used in normal conditions are not necessarily applicable in evaluating post-disaster work performance. The factors that influence performance in disaster response work are very different and using such indicators would thus reduce assessment accuracy.

Every Organizational Change has its Price

The organizational structure in disaster response work must be flexible, non-bureaucratic and adaptable to field requirements. This structure is designed to solve and settle problems in the field. If the organization does not have the above attributes, it will be slow in responding to situations and problems in the field. Changes in organizational structure need to be well managed.

Some risks might arise if this aspect is overlooked. First, it would take too much time to learn since new employees would have to familiarize themselves with the policy from the beginning. Second, the risk of failure would be greater as the pre-designed policy would not be implemented. This often happens when a new work unit does not consider a formulated program a priority. As a result, the program would either be revised or worse still, not executed.

The third risk is a disproportionate workload. Organizational changes could also result in the cutting back of employees, causing a discrepancy between the number of staff in charge of a program and the responsibility assigned. This causes work to pile up and if it remains unfinished it ultimately affects entire work performance in project implementation.

In conclusion, a disaster response organization must be dynamic in nature and be able to adapt to conditions in the field. Meanwhile, to ensure that the organizational changes are effective, the aforementioned risks need to be managed with care. If not, the price to be paid would be enormous.
**Crisis-Oriented Mindset**

Handling a disaster is like handling a crisis. The crisis situation covers the implementation tasks from beginning to end. Handling critical situations calls for speed and flexibility in taking action. The main threat to this is bureaucracy as it slows down the process and hampers flexibility.

In the first phase, the crisis-oriented mindset is very much felt because of the short span of time from the disaster. Visually, the effects of the disaster can still be seen and found, both in terms of physical damage and victims’ emotional state during interaction. This situation greatly affects the implementing agents’ outlook and conduct. The motivation and ability to make faster changes and breakthroughs are shared by all parties.

In the course of time, reconstruction begins to yield results and the disaster victims’ emotional state starts to stabilize. Thus the crisis-oriented mindset begins to weaken and slowly the approach shifts to a mode of handling used under normal conditions. When that happens, bureaucracy gradually materializes, causing a slowdown and setting limits on flexibility, while in reality the disaster response activities are still far from completion and have not even reached the halfway point.

When this happens the implementing agents start to lose spirit. The capacity and enthusiasm to act fast and to be flexible gradually change into the objective to keep up with regulations, a mode that is only suitable under normal conditions. People even start to forget that they are actually dealing with a disaster.

When a decision is made, the spirit to solve problems starts to shift to an interest in anticipating future problems. The capacity to take risks also weakens as compliance with regulations becomes more important.

Hence, the crisis-oriented mindset must be maintained until the end of the working period, since this is the main asset in problem solving and implementing activities. The community must always remember that the work at hand is post-disaster development.

**There is no Perfect Planning**

A disaster always hits without warning and there is no way to predict exactly when one will happen. In handling post-disaster reconstruction, a climate of crisis will occur. A crisis is an event that is beyond our control and under which situations keep changing. This is exacerbated by the difficulty in collecting data after a disaster. All of this is related to planning.

One indication of good planning is the ability to anticipate what is going to happen next. It is easier to anticipate when the factors influencing a project’s implementation are constant and steady, and there is reliable data available. When these factors are hard to predict and are dynamic and variable, naturally it will be difficult to have good planning. This is because the situation in the field keeps changing and what has been planned can be very different when the program is actually implemented.
This is due to the time lapse between planning and implementation that can alter the assumptions made during the planning stage.

Planning for a disaster response program should have a high level of flexibility so that it can adjust with the changes and dynamics in the field. There may be some things that were not planned that need to be done and some activities that were planned may not be implemented. The situation in the field becomes the determining factor in decision-making. Planning that is too rigid and detailed, although it looks good on paper, will encounter obstacles during implementation. However, this does not mean that planning is not needed at all and neither should plans be too general.

Here we need to distinguish the types of plans and the phase in which they should be implemented. Ideally, during the first year, all activities should focus purely on planning arrangements. As a result, only a few activities may be conducted in the first year. If this approach is applied, then another mechanism is needed to meet the community’s needs until the activities are implemented.

In the case of Aceh and Nias it was impossible to employ this approach, since the community demanded that BRR move fast. Consequently, implementation and planning was done simultaneously. Even evaluation ran parallel with the operations. Therefore, the approach used in this context was to move fast and deal with any shortcomings during implementation or after the program was finished.

Program Supervision Supported by Detailed Information

The program supervision system during a disaster period should be strong and detailed. This is required so that the information received in the decision-making process is as accurate as possible. Naturally this is not an easy thing to do, yet it does not mean that it cannot be done.

The detailed supervisory approach is by nature quantitative. Disbursement is calculated weekly and the areas where there are impediments in disbursing the budget must be clearly detected. It is not enough to know what is happening at the level of the work unit or taskforce, but it is also necessary to know what is happening even with the smallest of activities. The aim is to find out how much needs to be disbursed, what are the activities, where is it being implemented, when it will be completed and who is responsible for the implementation, starting from the lowest to the highest position in terms of supervision and responsibility.

If the project implementation is contractual, then it is necessary to know who the contractor is, including the name of a contact person who can be reached easily and when the contract begins and ends. If it is a self-managed project it is necessary to know who is the head of the group, including his/her name, address and contact number.
Detailed supervision is principally done to prepare all the information needed in problem solving and decision-making, as well as follow-up actions. All information needs to be in the form of facts and figures so that the possibility of making decisions based on assumptions is reduced. Comprehensive information should minimize responses such as “unknown or no data available”. If this sort of response often comes up then complete and detailed supervision is not yet optimal. As a consequence, in the detailed supervisory system, there should be a special team in charge of making periodic on-site visits for all projects implemented. This is important, especially for projects that are potentially problematic or are already experiencing problems.

Any special work unit formed to implement a detailed supervisory system should have direct communication with the highest leadership. A detailed supervisory system can only function effectively if it enjoys the full support of the highest authority and is granted sufficient authority to perform its tasks.

In addition, the database system must also be well prepared so that it can be easily accessed during periodic internal meetings.
Adapting to Risks

Dealing with a disaster means dealing with a crisis situation and therefore there will be a risk factor in every activity. This includes the risk of project failure, risks that involve reputation, finances, audits, social factors and so forth. Risk is an inseparable part of the work, thus the ability to adapt to risks is imperative. Seen from a normal perspective, there may be many activities that carry a high risk and are not worth doing. The issue here is that in dealing with a disaster, it is impossible to choose between high-risk and low-risk activities. Risk is unavoidable; it must be faced and managed.

How to manage the risks to minimize the impact? The key lies in the ability to identify the risks and to understand the extent of the impact should it materialize. Second is the ability to identify which steps need to be taken and to ensure that the risk management steps are taken and evaluated. If the decisions made or the implemented policy has proven to be ineffective, there should be an evaluation to adjust to other available alternatives.

Problems in the Field Solved in the Field

The decision-making process must be done as close as possible to the locations where the activities are being carried out. The authority to make technical and situational
decisions has to be delegated so that if a technical or non-policy problem arises in the field, it can be solved on location. If the whole decision-making process is centralized at the main office there is a risk that decisions will be delayed and inaccurate. This is because of the distance between the location where the incident took place and where decisions are made, compromising the sense of urgency or comprehension of the situation in the field.

What usually happens is that matters perceived as urgent in the field are deemed unimportant by the main office and vice versa. On the other hand, the main office should focus on making decisions on policy and strategy while the authority to make technical and situational decisions is delegated to the work unit closest to the location where the activities are being carried out. Speed and accuracy in addressing the challenges and problems in the field must be the basis of the division of authority between the main office and the work unit in the field.

**Acquiring the Best Human Resources**

In principle, disaster recovery work is a humanitarian mission that needs to be implemented in the best way possible. There are at least four main criteria that can be used as a guideline in recruitment, namely professionalism, integrity, sincerity and constructive spirit.

Professionalism means the person hired is prepared and has the experience and capability to complete his/her task. This is important because the activities have to be conducted quickly and accurately, thus the time spent in studying the task at hand can be shortened. Meanwhile, personal integrity is imperative in order to ensure that the program implementation is free of corruption and any form of personal gain.

Sincerity means the willingness to work with only one objective in mind, that is, to handle the disaster and not merely to find a job with a reasonable salary. In addition, the person hired should also be willing to work outside normal office hours, without consideration of the time and make oneself available whenever needed. Sincerity also means the willingness to sacrifice personal interests for the sake of organizational interests and to follow the policies applied by the organization, including a change in status or workplace.

A constructive spirit means the willingness to give more than what is stated in the contract and to be fully motivated in building a better Aceh and Nias. Moreover, one must also have the willingness to make breakthroughs, and possess a job satisfaction that lies not only in getting the job done but also in building something that the society and the region can take pride in and reap great benefit.
Closing Reflection

Four years have passed since rehabilitation and reconstruction efforts in the business and economic sector first began. There are many things to learn and lessons can be taken not only from the success of the program but also from its weaknesses.

It must be acknowledged that not all efforts to achieve the vision and mission went smoothly. A lot of time and energy was taken to deal with the obstacles, which were quite complicated and difficult. The solutions varied from just an agreement among the beneficiaries to the commitment of all parties to complete the job. The hard work was indeed fruitful.

The (first) mission to rehabilitate the people's productive assets and public assets that were damaged by the disaster was carried out in the first two years (2005-2006) and this showed encouraging results. Most farmers, fishermen, traders and other people have started to run their businesses again. This boosted the revival of people's economic activities. The second mission (2007-2008), that is, to strengthen the people's economic foundation, started with the implementation of priority programs of which people have already enjoyed the benefits. The programs have brought visible results even though the impact was still small. This was because of the short time available for implementation.

Assets were able to be repaired and built due to the contribution of all parties. Beneficiaries should continue to seriously maintain the productive assets and public assets that have been repaired and built. This is the mandate that must be maintained.

This also applies to the priority programs such as the development of the deep-water Lampulo Fishing Port, training centers, the Samahani Industry Center for Small Enterprises, Bireuen Wholesale Market, the Investor Outreach Office, the Export Development Center, and the Packaging and Trademark Consultancy Center. They should be supported and continued. The regional government and the people are expected to work hand in hand to promote and guard the programs' sustainability. It is hoped that at a certain point these programs will become well established so that the people's economic foundation is strengthened, which in turn will help eliminate poverty and improve the people's welfare.

Aside from that, another challenge facing all rehabilitation and reconstruction agents is the endless criticism. However, this criticism should motivate us to work harder and faster.

The lessons learned during the program management in the context of a disaster situation have been extremely valuable for those involved, particularly those related to the process of formulating a vision and mission; the planning, implementation, monitoring and evaluation; evaluation of the success indicators within the time constraints; complexities in understanding the State Budget mechanisms; limited human
resources; and difficulties in carrying out monitoring and evaluation due to the extensive control mechanisms. These lessons could be used as a reference for disaster mitigation efforts in the future, although hopefully there will be no more disasters.

It must be acknowledged that the rehabilitation and reconstruction activities in the economic and business sector had shortcomings. Beneficiaries’ feedback on shortcomings in assistance, on the need for more familiarization activities and on assistance not being offered at the right time proved to be valuable input. This happened even though activities to anticipate these shortcomings had been conducted through familiarization campaigns for the community and group leaders, involvement of mentors and technical teams from related institutions and the establishment of a Joint Secretariat.

Lastly, we hope that the rehabilitation and reconstruction process in the disaster-hit area will continue even though BRR’s term ended in April 2009. The continuation of the process can contribute significantly to the improvement of the people’s welfare in general and help keep unemployment and poverty rates down, as well as create jobs.

Let’s work shoulder to shoulder to complete the rehabilitation and reconstruction work and to achieve the dream of a future prosperous society.
Bibliography


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<tr>
<th>Abbreviation</th>
<th>Indonesian</th>
<th>English</th>
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<td>Aceh Barat Daya</td>
<td>South West Aceh (A District Name)</td>
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<td>Bank Pembangunan Asia</td>
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<td>Association of Southeast Asian Nations</td>
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<td>Aman, Sehat, Utuh, dan Higienis</td>
<td>Secure, healthy, round, and hygiene</td>
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