### Project Information Document

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<tr>
<th><strong>Project Name:</strong></th>
<th><strong>Indonesia – Support for Poor and Disadvantage Areas in Aceh Nias</strong></th>
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<td><strong>Region:</strong></td>
<td>East Asia and Pacific Region</td>
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<td><strong>Sector:</strong></td>
<td>Other Social Services, Sub-National Government Administration</td>
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<td><strong>Project:</strong></td>
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<td><strong>Recipient</strong></td>
<td>Government Republic of Indonesia</td>
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<td><strong>Executing Agency</strong></td>
<td>Reconstruction and Rehabilitation Body for Aceh and Nias (BRR)</td>
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<th><strong>Implementing Agency:</strong></th>
<th>Ministry for Development of Disadvantage Areas Republic of Indonesia</th>
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<td>June 10, 2006</td>
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### 1. Country and Sector Background

Between 1998 and 2002 Indonesia went through an exceptionally turbulent transition, with both the overall East Asian economic crisis and the Indonesia-specific collapse of the New Order regime triggering outbursts of conflict across the archipelago. By late 2001, the country was experiencing large-scale violent conflict in seven of thirty-one provinces, and more than one million people were officially registered as having been displaced, and even by early 2005 the UN estimated that there were still nearly half a million conflict-related IDPs in Indonesia.

The new government formed after the 2004 elections formed a special state ministry to deal with poor and disadvantaged areas. Working closely with Bappenas (the planning ministry), this ministry has produced a long-term strategic action plan to support better governance and effective poverty reduction in the 100 poorest districts of the country, which includes all of the districts that suffered from significant outbursts of civic violence. The core of the strategy consists of policies and investments that will build local capacities; provide basic services to poor communities, promote growth by removing distortions and by providing public infrastructure, and support appropriate processes of local-level reconciliation and recovery. Although the strategic plan includes a number of peacebuilding and reconciliation activities that will inhibit
future conflicts from re-emerging, the general focus is on long-term reconstruction and
development, not on humanitarian and short-term post-conflict support.

The national SPADA program is supported by a World Bank/IDA loan package that supports the
ministry’s objectives of improving development planning and management in the country’s
poorest districts. Five of these were in Aceh, although because of the uncertainties created by the
conflict, their launch was delayed to the project’s outer years when SPADA was finalized in
2004/2005. However, the combination of the 2004 tsunami disaster and the cessation of hostilities
following the signing of an MOU between the government and the GAM, a number of
stakeholders in the BRR, GOI and donor community recognized both the need and the
opportunity for introducing a district level development program such as SPADA.

Following the tsunami and the establishment of the BRR, the government accelerated SPADA’s
launch preparation. Indonesia’s national parliament (DPR) reviewed the overall SPADA project
in early September, 2005, and proposed that the project be expanded to cover all 17 kabupaten
plus two kabupaten in Nias. The Government has also asked that SPADA’s programs for
post-conflict reintegration and development be substantially strengthened for Aceh. These include
damage and vulnerability assessments, support for local justice sector reform, and practical
training to help local governments mediate conflict successfully

2. Objectives

SPADA’s overall objective is to provide a mechanism by which participatory planning
procedures can be incorporated into district government-decision making. The project will deliver
significant quantities of economic infrastructure and improved social services to recovering areas,
and it will allow for an extended public discussion of long term recovery planning across the
participating districts. SPADA Aceh will

build on the participatory processes put in place through the Kecamatan Development Project
and other successful community development projects, but its value added is to align bottom-up
planning procedures with the newly empowered district governments of Indonesia.

SPADA’s design solves three particularly challenging problems for supporters of local level
development management. First, while community development projects such as KDP are fine
for building small-scale infrastructure such as farm roads, primary schools, and simple irrigation
systems, they are not suitable for projects that require more technical input or long-term network
planning, such as larger, secondary infrastructure, teacher training, or health diagnostics. Second,
for local projects to be sustainable, they must fit into local government planning and budget
support. Aceh’s reconstruction for the moment is benefiting from the large-scale donor presence,
but for the longer term development will be planned and managed by district governments
empowered by Indonesia’s decentral! zation laws. Third, while community development projects
have a good track record of delivering high quality infrastructure and services to villages, all too
often the economic environment that they work in remains highly distorted in ways that block
local trade and growth among the poor.

SPADA’s design, therefore, is intended to eventually supersede KDP by anchoring bottom-up
planning in local government institutions. The project design addresses all three problems
identified above. It provides a link so that community and kecamatan proposals that are too large
or complex for KDP have a mechanism so that they can feed into kabupaten decision making.
SPADA also provides a strong role for local government agencies both by making local
governments chair the decision-making body that reviews proposals and by providing incentives for technical agencies to collaborate with kecamatan representatives. Third, SPADA provides both analytical work on local trade distortions and a large investment component to help local governments rehabilitate or upgrade basic productive infrastructure.

3. Donor coordination

In a large, comprehensive project such as this one, ensuring that project activities do not replicate or contradict similar programs supported by other donors is key. SPADA is using a number of mechanisms to minimize overlap, maximize coordination with donors and government agencies, and identify opportunities to work cooperatively with other programs that are contributing to Aceh and Nias recovery. The following sections summarize the general strategy.

Inter-donor preparation -- Preparation of this project concept note involves participants from several donor agencies. They include USAID, AusAid, DFID, UNDP and the International Finance Corporation (IFC). A primary purpose of their participation is to provide them with a hands-on overview of the entire project so that they can assess where convergence or overlap would be most likely to occur. But an equally important purpose is for them to identify existing donor funded projects that could be extended to SPADA-Aceh/Nias. USAID will take the lead within the SPADA group to prepare a donor capacity program “map,” while AusAid is working with the SPADA team to design programs for kecamatan level capacity work. Project design will work on the mechanisms needed to simply extend existing capacity programs to SPADA locations, and the project appraisal team will again include representatives from the major donor agencies.

The second major mechanism to support donor coordination is the proposed planning process that defines the project. Because SPADA is based in the Bappeda, it sits at the center of where donor coordination should happen. SPADA contracting and activities are nearly all located within the kabupaten itself, which means that project activities do not face the normal problems of higher level commitments that cannot be changed. If a different donor already has an operating program in place, the kabupaten can re-allocate SPADA funds to other priority activities.

The third major mechanism lies in the domain of the project’s transparency policy. Donor duplication and double dipping often takes place because information is missing, whether deliberately or simply because information is not easy to come by. SPADA Aceh builds on KDP’s experience to promote broad-based information sharing. Because SPADA is coordinated through each district’s planning board, proposals coming to the district forum can be discussed in a multistakeholder forum before final decisions are made by the representatives. Provided that all stakeholders in Aceh’s reconstruction are providing full information to the district planning boards, the strengthened district planning boards (“bappedas”) will for the first time be able to provide effective coordination through local government strategic planning and oversight.

4. Description
   Overview of the SPADA Aceh Project

SPADA’s investment activities are intended to contribute to a transitional program for promoting post-conflict reconciliation and re-starting development. They do this through three linked activities. First, the bottom-up planning process supported through the block grant components encourages direct negotiations between project stakeholders -- the idea is that cooperative activity
that leads to positive benefits spills over into new patterns for resolving conflicts. Second, the project has a multi-tiered capacity development program so that weakened institutions can become more capable and responsive. Third, the project has some highly targeted activities that can either reach highly vulnerable groups who will not recover from the effects of conflict without special help, or else activities such as the dispute resolution program that provide new mechanisms for resolving conflicts peacefully.

The planning cycle is described below. SPADA's full planning cycle is described in some detail because the project's entire logical and financial structure is designed to support this sequence.

**Step 1. Establish the Provincial Team**

In most instances, the roles of the province will be to influence and clarify province policy, manage monitoring and audits, and encourage inter-district learning. Therefore, in terms of technical assistance, a Coordinator supported by a Deputy and a Secretary should be sufficient. There are some cases where the district is so weak that the province will host the district team until some basic capacities have been restored.

**Step 2. Establish District Team**

The initial SPADA team at the district level will consist of:
- Community development consultants
- Health consultants
- Education consultants
- Private Sector Development consultants

These consultants will divide into multidisciplinary teams that will each cover a cluster of sub-districts (roughly 5 to 7 sub-districts per team). The aim is for the teams to travel and work together as much as possible. This greatly reduces logistical problems and the need for repetitive village and sub-district events.

**Step 3. Find and Train Effective Facilitators**

In each village the project must seek out people who can facilitate the inter-village reconstruction and reconciliation process. It is essential in post-conflict areas that these facilitators are known and respected by all sides of the conflict. Particular attention must be given to ensuring that good women facilitators are identified. These facilitators must (a) help socialize the project, and (b) assist the representatives (below). Facilitators will also assess whether conflicts are still too "hot", these assessments will be used to finalize the list of participating subdistricts and to propose additional confidence building exercises.

**Step 4. Strengthen Village and Sub-District Institutions**

Where KDP and other community development projects are already active and effective much of this preliminary work may already have been done. The chief difference from standard community programs is that facilitators must also be able to prepare and invite district line agency and NGO representatives to the initial and decision making inter-village meetings.

**Step 5. Strengthen District Institutions**

- Development Council — is a decision-making body chaired by the district planning board (Bappeda II) consisting of representatives from inter-village fora, government agencies, NGOs, and local leaders. The council ratifies collectively prioritized proposals from the inter-village forum that could not be funded from the subdistrict grant. This council allocates funding from the district grants provided by SPADA; however, only the Bappeda and representatives of the inter-
village fora vote. The council has the right to challenge proposals and reprioritize them where it
deems necessary. The council is responsible for overall supervision of activities, through its local
membership.

- **District Boards and Committees** – are special interest groups dealing with, *inter alia:*
  community development, health services, education services, private sector development; e.g.
  business forums. They are linked to the Development Council as a technical/advisory resource.
  These groups are responsible for the technical verification of the feasibility of proposals. They
  may also be used for supervising progress on individual activities. The project will provide
  training and other capacity building programs for these committees.

**Step 6a. Map existing resources**
In order for decision-making forums to make informed rational decisions, it is essential that these
forums be informed on the use of resources (and planned use) in their areas. To this end, the
component will provide technical assistance in resource mapping to ensure that information on
district plans and other available resources are provided to the forums and communities in a user-
friendly format. These resource maps will be the basis for resource mobilization. With the
collaboration of the local government (e.g. line agency, Bappeda II), NGOs and private service
providers, district consultants will map existing resources (human, financial, infrastructures,
equipment and materials) and programs operating in the relevant sectors. This will be conducted
using standardized formats for each sector. These maps will also include the results of surveys of
transportation taxes and local trade tariffs that adversely affect local investment climates.

**Step 6b. Socialization of project components**
Simultaneously with Step 6a, the socialization of the project components will be conducted by
district consultants and village facilitators at all levels. A wide range of communications media
will be used, including radio, meetings, posters, etc.

**Step 7. Thematic Rapid Needs Appraisals**
Supported by the district consultants, the District Boards/Committees will send out teams to
undertake a rapid assessment of needs. In some areas this may not be necessary (e.g. pilot
locations or where similar exercises have already prioritized needs) – in those cases this step may
be skipped or shortened. Using simple standardized formats, the facilitators will collect
information in the village, and hold discussion groups with male and female village members.
The standardized formats will identify main problems, use of basic services, and service
coverage. Different techniques will be required to access information from the different interest
groups.

**Step 8. Inter-village/sub-district level Preliminary Prioritization of Needs.**
The interest groups meet with village representatives in public meetings to discuss priorities and
how these should be grouped into inter-village needs. This dialogue may be a crucial step towards
getting groups who previously opposed each other to discuss development issues. Technical
advice will be sought from sub-district and district levels as required. The list of needs will fall
into three main categories: those that will be sent for district grant support, those that will be
referred to other sources, and those that will be supported from sub-district grants. Subdistirct
proposals will tend to be smaller and simpler.

**Step 9a. Proposal Preparation and Selection – Sub-district proposals.**
Interest groups in the communities will prepare simple sub-district level proposals with technical
support from the district level consultants, line agency officials and others as required. line
agency officials, NGOs and private businesses are also invited to these meetings and can submit
proposals. These proposals will be prioritized at the inter-village level and checked at the district level to ensure that these are not things covered by another district plan.

**Step 9b. Proposal Preparation – District proposals.**
Each of the relevant technical Boards/Committees at the district level will discuss the identified needs, and prioritize the problems or gaps in services that must be addressed in each geographic area.

Proposals for the district grants will come from the subdistrict forums, which can include proposals submitted by line agencies, the business forums, and NGOs. Proposals that include higher local contributions or mobilize other resources receive priority, and subdistricts are also allowed to use their subdistrict grant to leverage district funds. The district level thematic Boards/Committees will then prepare more detailed proposals with the help of a technical cell attached to them. Elements that must be considered include the local policies and plans of relevant line agencies. All proposals must include a process for service user feedback integrated into each proposal. Proposals are then reviewed by the project verification team to ensure that they meet criteria of technical soundness, consistency with other government programs, and safeguard procedures. SPADA block grants cannot be allocated for sub-projects that have other sources of funding (other than as matching grants).

**Step 10. Proposal Selection and Review – District proposals.**
The appropriate Boards/Committees will present their priority lists to the Development Forum. If the Development Forum approves the list (e.g. it is in line with the current development plans; it passes a technical review/verification; and it does not overlap with other activities), then it is ratified and will receive an allocation of funds.

**Step 11. District Activity – Bidding.**
The procurement of services, materials and equipment under most of the district level proposals will require a bidding process. Assisted by the project consultants, the relevant Boards/Committees will draft relevant bid invitations and other necessary documentation for the bids. An objective Bid Committee will be created including a small number of representatives of the communities and the respective thematic Board/Committee. Because of weak capacities, procurement will initially be through a procurement agent, whose terms of reference will involve developing a training and certification function so that procurement functions get turned over to qualified personnel over the course of the project. Members of the Boards/Committees are not allowed to bid.

**Step 12. District Activity – Channeling Funds**
The district grant funds will be channeled directly through the treasury office. From there, disbursements will be made either to the sub-district level (via a small financial management unit) for the sub-district grants or to the suppliers and contractors for the district level activities.

**Step 13. District Activity -- Project Implementation**
Projects are overseen by the sponsoring District Board. Each project forms a Project Implementation Unit, which reports back to the Development Council. Projects are monitored by a monitoring team and local NGOs.

**Step 14. Quality Control and Technical Support**
The project consultants will assist the relevant government agencies (line agency) as the primary institutions with the responsibility of quality control and monitoring the services.

**Step 15. Monitoring of Implementation**
All proposals will have community (or service user) feedback processes built into their fund-flow mechanisms. The service user feedback will be reported back to the Development Council on a monthly basis through the Project Management Unit, and this reporting will be linked with the clearance of each tranche of funding or payment. If there are serious complaints, the Development Council will meet to decide actions to deal with the problems. Funding will cease until acceptable solutions are found.

Step 16. Local Assessments of Sub-projects and Evaluation
A concise review will be made of each sub-project based on standard formats. The relevant Board/Committee will issue a statement regarding the quality and usefulness of each activity. These statements go to the Bappeda and to the DPRD. The technical review will be required at the end of each year to justify further support from the project. Third-party, independent financial and technical reviews will be held by consultants hired by the project's national management team to cross-check the accuracy of these assessments.

5. Technical Structure of SPADA Aceh Nias

Component A: District Grants (US$ 26.422 million). The purpose of the district grants is to support larger or more technical proposals emerging from the subdistrict planning process that also contribute to reconstruction, cooperation, and development. Projects are selected by the district development forum on a quarterly basis using criteria that include demonstrable broad-based benefits, cost and local contribution, and their technical and financial feasibility. Projects that benefit more than one subdistrict are favored by the scoring system, but there is no absolute rule requiring this. For the first two years of the project, the maximum size of an individual proposal is US$50,000 (a procedure will be developed to allow exceptions in special cases). Subdistricts are encouraged to partner their proposals with line agency or NGO funding. Thirty percent of the district grant is reserved to support quality improvements in health and education. Both sectors have developed pre-defined positive lists of eligible activities. Results from the quarterly meetings are published in local newspapers.

The project is budgeted to cover all 17 kabupaten in Aceh plus 2 kabupaten in NiasDistrict grant amounts begin at an aggregate of Rps. 5.0 billion (approx. US$500,000) in the project's first year. Each year an independent audit commissioned by the national management unit under TOR acceptable to BRR reviews the physical and financial performance of the grants. Satisfactory performance allows the size of the district grant to increase by an additional billion rupiah, up to a maximum of 8.0 billion rupiah in the project's final year. Districts receiving a qualified audit are demoted to Rps. 1 billion until the qualifications have been lifted. Districts that do not fix the problems after a reasonable period will be dropped from the program. Final preparation and appraisal the government agreed for counterpart fund contribution in the project's later years.

Projects that are approved by the forum are passed over to the Project Implementing Unit. This management unit includes a privately contracted engineer and a procurement specialist as well as relevant members of the district line agencies. Project proponents must form a three-person project implementation team per approved proposal to supervise project implementation and to provide accountability reports to the PMU and the sponsoring forum. These teams are made up of representatives of the project's proponent and a technical specialist. The PMU reviews the detailed project proposal, cost estimate, implementation procedures, and implementation team before tendering the contract. Project implementation is independently monitored by a monitoring unit attached to the district forum, and by local NGOs that are contracted for that purpose.
Component B: Capacity Development (US$ 2.925 million). SPADA is working in districts and subdistricts of extremely low capacity. They require a substantial investment in improving the capacity of local stakeholders. SPADA’s tackles capacity questions through a combination of training, practical exercises, professional technical support, and by developing learning networks. It is expected that, as defined below, SPADA will partner with pre-existing donor programs such as USAID’s Local Government Support Project. Additional technical capacity support provided to local governments and the communities through SPADA include health and education diagnostics, support for the private sector forums, and training district legislators in public expenditure analysis and formulation. At the local level, SPADA will work closely with the AusAid program of support to kecamatan governments. The project will also fund support to the provincial government, particularly for monitoring progress on improving local investment climates.

Project preparation has identified a potential mechanism by which local governments can screen capacity programs already underway in Aceh that are funded by other donors. Rather than launch and develop entirely new programs, SPADA could then approach a donor to amend its program to cover SPADA areas. The technical mechanisms for such an approach are relatively simple; the challenge is finding the appropriate fiscal transfer system, which would have to be ready prior to appraisal. However, such a system would be very desirable. It would make capacity work entirely demand-driven, and it would be an excellent way to coordinate the many donor capacity programs already operating in Aceh.

This component also includes several activities specifically related to post-conflict reintegration. The two key features of the law and alternative dispute resolution program are a program of facilitated mediation and court referrals so that disputes can be resolved peacefully; and a provincial and district working group that involves representatives from the police, the Attorney General’s office, the Ministry of Home Affairs, and legal NGOs. Smaller pilot programs that work to develop community-based reconciliation activities, youth employment and other incentives to promote nonviolent dialogue, and pilot work on community-based land mapping for dispute resolution will be launched in the project’s second and third operational year.

Component C: Implementation Support (US$ 8.135 million) -- SPADA includes three major types of implementation support. The different levels of government are backed by a technical assistance structure that includes a national management team, an oversight and monitoring unit in each province, and a multisectoral support team in each participating district. Linked to this management structure is an internationally recruited procurement agent, who will manage procurement during the project’s startup period and gradually hand over procurement functions to local counterparts who complete a certification and internship program. The second consists of the technically specialized services needed to carry out baseline inventories, investment climate surveys, and needs assessments, deliver the educational and health services, and to provide training and operational support for an alternative dispute resolution program. The third type of implementation support covers programs for information dissemination, including radio and public awareness programs that address issues related to reconciliation.

Component D: Monitoring, Evaluation, and Studies (US$ 0.414 million). SPADA requires a sophisticated system for monitoring and evaluation (see Annex 2 of the main PAD for more detail). Project managers need to know in more than casual ways whether the project is on course and whether interventions are having their desired effect. But more than in most project designs, policy makers also need to know more about how to deal effectively with conflict and recovery. The core of this component is a package of quantitative and qualitative baseline and intermediate surveys and case analyses that can track impacts due to project interventions. This category also
includes programs for conflict resolution that show promise but should be piloted on a two or three province scale before expanding across the conflict regions, such as community land mapping or options for community based trauma recovery. $0.2 million is budgeted for independent audits that will begin in the project’s second year.

Summary of SPADA M&E Activities

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<th>Monitoring activities</th>
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<td>Community participatory monitoring and evaluation</td>
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<td>Regular field supervision and monthly progress reporting by project staff, MIS</td>
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<td>Independent monitoring by civil society groups including public expenditure reviews by NGOs</td>
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<td>Health and education monitoring</td>
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<th>Evaluation Activities</th>
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<td>Impact study – qualitative and quantitative HH survey</td>
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<tr>
<td>Technical/sectoral studies (EIRR, facility and user surveys, etc)</td>
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<td>Private sector development assessment tools (also for monitoring purposes)</td>
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<td>Conflict incidence mapping</td>
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<td>Training tracer impact assessments</td>
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<td>Supervision missions</td>
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<td>Financial audits</td>
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6. Institutional and Implementation Arrangements

All components of SPADA support the same bottom-up facilitated planning process to identify and prioritize perceived reconstruction needs. Subdistrict and district decision forums will identify these in the form of results (i.e. children vaccinated, bridges rebuilt, etc). There are, however, different ways to respond to these needs once they are identified. For simple infrastructure, grants given directly to communities are sufficient for small works and simple services. For health and education services, communities may be clear about the results they want, but specialized advice and oversight will be needed to help identify the activities which would bring about those results. For bigger subprojects that benefit larger groups, proposals must receive a technical verification before they are contracted out to qualified contractors.

SPADA’s planning and implementation framework are built around Indonesia’s formal bottom-up planning process. That is, all of the planning and decision making units -- village councils, inter-village fora, district planning boards etc -- are part of Indonesia’s formal administration. However, under SPADA, each level is enriched with various mechanisms intended to provide additional participation and technical support to planning and implementation. These are explained below.

National Government. Bappenas is the executing agency for SPADA because of its demonstrated skill in project management, but implementation will be through the Ministry of Disadvantaged Areas. The Ministry will issue the General Guideline (Pedoman Umum) and an Operational Manual (Juklak) for the project. Both have been reviewed by IDA and will be issued before effectiveness. To provide policy advice, solve implementation bottlenecks, and ensure that results from SPADA are monitored and fed back into policy, the Ministry of Disadvantaged
Areas will also chair a coordinating committee that includes the Ministries of Home Affairs, Bappenas, and Finance.

**BRR.** BRR will form a coordination committee that is responsible for overall project supervision, technical oversight, and evaluation. This function will eventually move to the provincial planning board (Bappeda). All SPADA funds are recorded in the provincial books, but they do not enter provincial accounts, proceeding directly to the districts or subdistricts. The project will provide capacity support to the province's monitoring and evaluation wings within their planning boards, and also, through the dispute resolution activities, to the provincial courts, where these are operating.

**District Governments.** District governments are key to the success of SPADA. The policy and decision-making body for SPADA at the district level is the district planning committee. This body is made of representatives selected from each subdistrict forum, and is chaired by the head of the district planning board. Nonvoting representatives from NGOs, the private sector, and citizen groups are invited. Each planning committee is supported by a project secretariat that synthesizes the technical inputs provided by the sectoral assessments, and also manages detailed designs and contracting (Figure 1 provides an overview of the overall implementation design). Once designs are finished, subprojects are contracted out through project implementation teams made of the relevant executing agency and the project proponent, supported by the procurement advisory team.

**Figure 1: Primary Implementation Group**

Subdistrict Fora (FAD). also known as *Forum Antar Desa*, or FAD, are made of the elected representatives from each village council, plus a number of respected leaders who are selected in the beginning of the planning cycle. In Aceh, KDP now covers every kecamatan in the province; along with a number of NGOs, kecamatans are receiving an intensive program in capacity development. For KDP, each subdistrict is supported by an experienced consultant who disseminates project rules, provides basic training in book-keeping and financial management,
and helps implement the referral system that passes proposals from the subdistrict to the district. KDP will collaborate with the SPADA team to transparently select the kabupaten representatives and to ensure that proposals too large for KDP are referred upwards to the kabupaten board.

**Private sector involvement.** To provide a mechanism for introducing private sector priorities into the planning cycle, SPADA facilitators will form subdistrict and district business focus groups using a methodology developed and tested during project preparation. Based on focus group discussions, business fora propose public economic activities, goods and regulatory reforms that would remove constraints on investment. Proposals are submitted to the subdistrict fora ("FAD" in the diagram), where they are evaluated using the same criteria as everyone else's proposal (contribution to rebuilding and reconciliation, poverty benefits etc) Proposals likely to be too large for subdistricts are passed up to the district business fora for approval and prioritization. (Regulatory reforms proposed by the business forum go to the district parliament and Bupati). Figure 2 describes this process. The selected projects are then verified by the district technical verification team, which is supported by experienced private sector engineers and procurement specialists. Finalized proposals can then be cosponsored through a subdistrict fora SPADA grant, or else forwarded to other funding sources available in the district or province. All contracting and cost information is shared with the business forum, which must form its own project oversight team as part of project implementation for its proposals which are approved.

**Figure 2: Private Sector Proposal Process**

**Education** -- Sub-district education and health working groups will be established (or strengthened if already existing). The role of these bodies is to prioritize the needs and provide technical recommendations to the decision-making forums at the respective levels. Sub-district and district decision-making forums are shared with other SPADA components. These decision-making forums will receive recommendations and technical support from the sub-district education working group and district school board during their deliberations over which proposals to fund.
The sub-district education and health working groups will compile proposals and prioritize them based on needs. This working group will also create sub-district education and health proposals that addresses issues proposed by multiple schools or clinics and which could be combined as one proposal to achieve economies of scale and resource pooling (e.g. teacher or midwife training, etc). Prior to the decision-making subdistrict meeting, verification teams will review all proposals. District verification teams will verify sub-district proposals, and a team from the province will verify proposals going to the district (see Figure 3).

Most health proposals will require technical support. In these cases contracts will be awarded to NGOs, private professionals, etc. The implementation team will include at least one local government sectoral official. Contracts will be signed by the implementation team and held by the procurement unit at the respective levels. Grants can also be used to provide incentive payments to government providers, but government agencies cannot be contracted to provide services for which they are already paid. The sub-district education and health working groups and the district education and health committees will serve as an advisory body when the implementation teams need technical advice.

Figure 3: Implementation Design for Education and Health

7. Project Costs (US$mill)

- District grants ($26.422)
- Capacity Development ($2.925)
- Project Implementation Support ($8.135)
- Monitoring and Evaluation ($0.414)
- Government Incremental Cost ($1.704)

8. Financing (US$mill)
Multi Donor Fund ($25)
Government of Indonesia ($14.60)
Total Project Cost: $39.60

9. Sustainability
This project is intended to help conflict affected provinces return to normalcy. Sustainability will come from three sources: institutionalization of the community-led planning process; resumption of sectoral service delivery; and restoration of private sector investment. The project is not expected to be sustainable in the sense of repeater projects or becoming a mainstay of local programming. It is meant to bridge the period between the end of hostilities and the resumption of normal development. At that point the project would "hand over" to the models being developed through ILGRP and USDRP. The reforms that SPADA introduces should contribute to the development of institutional approaches to conflict resolution in Indonesia.

10. Lessons learned from past operations in the country/sector
SPADA builds on a large body of research and experience, only small amounts of which can be summarized here. SPADA has tried to draw on the Bank's increasingly broad experience with conflict work, and has benefited from advice from the Bank's Conflict Prevention Unit as well as the LICUS Secretariat. Some general lessons reflected in the proposed design are:

- the importance of a strong state presence to restore and maintain peace in areas of natural resource rent grabbing;
- ensuring that post conflict work as much as possible embeds good governance and economic practices from its beginning;
- it is important to build upon existing cultural resources and institutions that promote peace. This implies strengthening existing institutions (formal and informal) rather than creating new ones;
- there is a need to include marginalized individuals and groups in decision-making and as beneficiaries, but this is better done through having inclusive processes than by targeting aid, which can easily fuel future resentment.
- for the program to function well, there needs to be strong support from local government, while ensuring that there is not elite capture of the project processes.
- avoiding economic and trade distortions in post conflict recovery programs;
- early delivery of at least some development benefits is more convincing than protracted planning and training programs to develop full capacity before any funds are released;
- demand-based programs are less wasteful and more appreciated than are most top down supply driven programs;
- projects in conflict areas should have an exit strategy in case conflict resumes.

For the village and inter-village activities:
- the broad availability of accessible, high quality information is essential for CDD.
- planning should begin from a facilitated assessment of needs;
- CDD consultants should come from the private sector or NGOs;
- villagers should be held to high fiduciary standards;
- village financial management is highly responsive to different incentive and sanctioning regimes.

For private sector development in conflict areas
- high quality facilitation is critical to the success of business fora;
- existing private sector survey instruments require modification for conflict areas;
- business investment in post-conflict areas is highly responsive to improved regulatory environments;
d. the line between public goods and subsidies must be drawn sharply.

For health and education

a. local oversight and competitive supply of service increases quality and improves user satisfaction;

b. school and health committees provide a foundation for channelling demand;

c. advantages of local purchases of core materials often outweigh the economies of scale of central procurement for post conflict regions.

11. Environment Aspects (including any public consultation)

Issues: SPADA supports the environmental policy objectives of the Bank. It is classified as a "B" project. No significant impacts vis a vis safeguards are anticipated. Investments are either very small or else they primarily involve the reconstruction and rehabilitation of existing infrastructure. Overall environmental benefits from a successfully implemented SPADA are likely to be significant since research suggests that conflict related pressures on the environment can be substantial as enforcement vanishes, natural resource dependency rises, and economic actors concentrate on short-term extraction. Subproject investments are not known in advance and none will have been designed before loan effectiveness. As required by Bank procedures in such cases, the project has developed a framework for avoiding or mitigating whatever adverse impacts might result specifically from its construction activities. To the extent possible, the framework copies those used for district platform projects such as ILGRIP and USDRP since a policy objective of the Bank's environmental work is to develop standardized procedures for projects working at these administrative levels. Details are provided in Annex 15, but, by way of summary, the framework includes a screening procedure, guidelines for the preparation, review, and implementation of subproject management plans, standard operating procedures in the Operational Manual, procedures for addressing adverse impacts, a policy framework for addressing land acquisition and resettlement, and guidelines on consultation and transparency.

District level investments are limited to a maximum of $50,000 per proposal for the project's first two years, although most are expected to be less than this. The 30% that is earmarked for health and education software will have no environmental impact because it is committed for "software" items such as contract teachers, nurses, training, etc., not construction. For the first two years of the project only proposals that involve repairing existing infrastructure will be allowed. The project also does not anticipate any significant adverse environmental impacts from subdistrict investments. For construction, the project uses the project manuals and procedures developed for KDP, which have been reviewed in the field by qualified environmental specialists. The project includes a negative list that forbids project funds being used for environmentally destructive activities such as fish poisons, chainsaws and the like. Technical designs include provisions for dealing with asbestos discovered during building rehabilitation. KDP's manuals and field operations have been widely discussed in the NGO community, which has carried out independent site assessments. KDP manuals and procedures have been widely discussed in each province where the project operates.

The main risk emerging from the environmental preparation is that the regional environmental review boards (Bappedal-da) have extremely limited capacity and in many areas do not exist at all. For this reason, the project relies more heavily on its Standard Operating Procedures and oversight structures, as well as the independent monitoring by NGOs.
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