



ONE YEAR AFTER THE JAVA EARTHQUAKE AND TSUNAMI:  
**Reconstruction Achievements  
and the Results of  
the Java Reconstruction Fund**



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# One Year after the Java Earthquake and Tsunami: Reconstruction Achievements and the Results of the Java Reconstruction Fund



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Children playing on a road, rehabilitated with JRF-funding

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## Abbreviations

<b>ADB</b>	Asian Development Bank
<b>AusAID</b>	Commonwealth of Australia Agency for International Development
<b>Bakornas BP</b>	National Coordinating Board for Disaster Management
<b>Bapeda</b>	Regional development planning agencies
<b>Bappenas</b>	National Development Planning Agency
<b>BPS</b>	Government of Indonesia's Central Statistics Agency
<b>BTN</b>	State Saving Bank
<b>CGI</b>	Consultative Group on Indonesia
<b>CHF</b>	Cooperative Housing Foundation
<b>CIDA</b>	Canadian Government's International Development Agency
<b>CPI</b>	Consumer price index
<b>CSRRP</b>	Community-Based Settlement Rehabilitation and Reconstruction Project
<b>DAK</b>	Specific Purpose Fund
<b>DAU</b>	General Purpose Fund
<b>DFID</b>	United Kingdom Government's Department for International Development
<b>DRR</b>	Disaster risk reduction
<b>EC</b>	European Commission
<b>ERP</b>	Indonesia Earthquake 2006 Response Plan
<b>GTZ</b>	German Technical Cooperation Agency
<b>IASC</b>	United Nations Inter-Agency Steering Committee
<b>IFRC</b>	International Federation of the Red Cross and Red Crescent Societies
<b>ILGR</b>	Initiative for Local Government Reform
<b>IOM</b>	International Organization for Migration
<b>JBIC</b>	Japan Bank for International Cooperation
<b>JICA</b>	Japan International Cooperation Agency
<b>JRCS</b>	Japanese Red Cross Society
<b>JRF</b>	Java Reconstruction Fund
<b>KDP</b>	Kecamatan Development Program
<b>MDF</b>	Multi Donor Fund for Aceh and Nias
<b>MPW</b>	Ministry of Public Works
<b>NGO</b>	Non-government organization
<b>OCHA</b>	United Nations Office for Coordination and Humanitarian Affairs
<b>PDO</b>	Project development objective
<b>PREM</b>	World Bank Poverty Reduction and Economic Management
<b>RSP</b>	Roof structures project
<b>SME</b>	Small to medium enterprises
<b>TTN</b>	National Technical Team
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program
<b>UPP</b>	Urban Poverty Program



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## Foreword

When the earthquake struck Yogyakarta and Central Java in May 2006 and then a tsunami hit the south coast of Java, we were all devastated to learn of the extent of the damage. A joint team of Indonesian government and experts from various international development partners moved quickly to prepare the Preliminary Damage and Loss Assessment that identified the needs for reconstruction. The assessment documented that the resulting damage and losses placed this crisis among the most serious international disasters of the last decade, comparable to the earthquakes in Pakistan and Gujarat. The scale of the disaster called for a large-scale, coordinated response from the donor community. Building on the positive model of the Multi Donor Fund for Aceh and Nias, the Government of Indonesia requested the establishment of the Java Reconstruction Fund. Six donors came together to contribute \$79.6 million to establish the fund and to develop a model of coordination to ensure the effective and efficient use of these funds. One year later, we are pleased to report on the results of the JRF's activities.

This report summarizes the results of the overall reconstruction effort in Java and the specific contributions of the JRF. It highlights the considerable achievements to date and identifies the remaining tasks and challenges ahead. Transitional shelters have been built and the construction of permanent houses is advancing at a good pace. Communities are taking the lead in the reconstruction program and this is aiding the healing process. Now, we need to focus on reviving livelihoods to ensure a sustainable recovery.

We would like to take this opportunity to congratulate the Indonesian government, both at the central and the local levels, on the progress of the reconstruction so far. Much has been learned from the experience of Aceh and Nias, allowing the Government to move quickly and effectively in assessing the damage, defining a reconstruction strategy, engaging the affected communities, and implementing a reconstruction program. The JRF donors will continue to support the Government to ensure that this critical work is completed as planned. And we are committed to work together with all stakeholders in the field to achieve a rapid and sustainable recovery of this vital region.

**Joel Hellman**  
**Co-Chair Java Reconstruction Fund**  
**Acting Country Director - World Bank Indonesia**

## Statement from the Government of Indonesia



Local Government is involved in the day-to-day decisions and implementation of the JRF projects, under overall guidance of the National Government

While Indonesia was still recovering from the devastating impact of the tsunami and earthquake in Aceh and Nias in 2004, in 2006 we were confronted with another strong earthquake and tsunami affecting Yogyakarta, Central and West Java. More than 5,000 people died, more than 280,000 houses damaged, and almost a million people were left homeless.

The Government of Indonesia (GoI) responded quickly by entrusting the Coordination Team chaired by Coordinating Minister of Economic Affairs with the reconstruction and rehabilitation strategies and planning. The coordination team includes ministers from the line ministries and Governors of Special Region of Yogyakarta and Central Java. The Governors were appointed to chair the Implementing Teams. The central government committed \$570 million to finance the reconstruction. Funds were quickly disbursed to the provinces and reconstruction was initiated very quickly.

Given the nature and scale of the devastation, the GoI's initial focus has been on reconstructing housing through a community driven approach. This has resulted in one of the largest community driven housing reconstruction programs in the world – we have undertaken the task of constructing 200,000 houses in the disaster affected areas. This work is progressing well and at a rapid pace as families are also investing their own resources to return to their homes.

Following on the success of the Multi Donor Fund for Aceh and Nias, we welcomed a similar approach for donor response and support. This resulted in the formation of the Java Reconstruction Fund. We very much appreciate the contribution of the six donors, the European Commission, the Netherlands, United Kingdom, Canada, Finland and Denmark.

JRF contributions have allowed remaining housing needs to be met to a large extent. There are challenges ahead in making sure safe and quality housing is provided to families that have gone through so much. We also now look forward, with the JRF, to assisting in restoring livelihoods of both the earthquake and tsunami affected families and businesses.

We would like to thank all the stakeholders supporting our efforts and coordinating with us in the field to ensure the reconstruction of the devastated areas can be done as quickly as possible so that affected families can restart their lives as soon as possible.

### National Coordination Team for Reconstruction and Rehabilitation

## Statement from the Donors of the Java Reconstruction Fund

“As the contributors to the Java Reconstruction Fund (JRF), we reiterate our support for its goal: to respond to the most basic needs of the households affected by the 2006 Java earthquake and tsunami in terms of rebuilding housing, recovering livelihoods and increasing disaster preparedness. The scale of the damage, valued at US\$3.1 billion, and the government’s leadership of the reconstruction, warranted our support.



Donor representatives at work, reviewing and funding proposals

Building on the success of the Multi-Donor Fund for Aceh and Nias as a financing mechanism and a forum for enhanced coordination and effectiveness, we decided to pool our funds to support the reconstruction process. As 51 percent of damage was in the housing sector and 31 percent in the productive sector, we decided to concentrate our support on these two priorities. As the contributors to the Java Reconstruction Fund, we feel results on the ground are encouraging: 5,000 families have received roof structures; 8,000 permanent houses are under construction; and 60 villages have received funds for the rehabilitation of community infrastructure, such as roads and water and sanitation facilities.

We welcome the central and leading role that local governments are playing in the reconstruction efforts in Yogyakarta, Central and West Java. We also appreciate the close cooperation that the JRF’s projects have developed with local governments,

ensuring our contributions are in support of government plans and initiatives. We will continue to work together to empower local communities, ensuring that their needs are met and that reconstruction is sustainable.

We would like to thank the secretariat of the JRF for writing this report, highlighting the JRF’s many achievements over the past year and showing us what remains to be done. We look forward to continuing our close cooperation and remain committed to addressing any challenges that come before us.”

  <b>H.E. Jean Bretéché</b> Ambassador, Head of Delegation European Commission Indonesia	  <b>H.E. Nikolaos Van Dam</b> Ambassador of the Netherlands	  <b>Shantanu Mitra</b> Head of DfID Indonesia
  <b>H.E. John T. Holmes</b> Ambassador of Canada	  <b>H.E. Markku Niinioja</b> Ambassador of Finland	  <b>H.E. Niels Erik Andersen</b> Ambassador of Denmark

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The report was prepared, under the supervision of Christian Rey, by a core team led by Sarosh Khan, together with Ahmad Fahmi Zaki and Jock Mckeon. The following colleagues contributed to the report Sabine Joukes and Diane Zhang (JRF), Enrique Blanco Armas, Wolfgang Fengler, Dian Nuaini Melati (World Bank Economic Team); George Soraya, Indira Dharmapatni, Hongjoo Hahm, Sri Probo Sudarmo, Purnomo Sutantyo, Parwoto Sugjanto, Tri Dwi Budi Rianto (World Bank Infrastructure Unit). The project implementing team includes Manfred Profazi, International Organization for Migration; and Kelly Van Husen, Cooperative Housing Foundation.



The JRF project teams and other partners, in meeting with the Partner Agency

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Last but not least, we would like to thank the donors of the Java Reconstruction Fund: the European Commission and the governments of the Netherlands, United Kingdom, Canada, Finland and Denmark for their contributions, as well as their delegates for their active participation in all aspects of the fund.

## Executive Summary

The earthquake in May 2006 hit the Java provinces of Yogyakarta and Central Java, claiming more than 5,700 lives and destroying over 280,000 homes. The total damage and losses were estimated to be around Rp 29.1 trillion (US\$3.1 billion). Two months later, a submarine earthquake created a three-meter-high tsunami that hit the southern coast of West Java, Yogyakarta and Central Java. The tsunami claimed around 650 lives and destroyed an estimated 1,908 houses, initially displacing some 28,000 people. Estimates of damage and losses in the tsunami affected areas were Rp 1.004 trillion (US\$110.3 million).

**The Government of Indonesia and the international community responded swiftly to the disasters.** The government established a steering team with provincial implementing teams, through which it quickly channeled funds. The total financing now available for the reconstruction program in Yogyakarta and Central Java is estimated to have reached Rp 7.95 trillion (US\$883 million). Of this sum, 78 percent is provided by central government.

**The European Commission and the governments of the Netherlands, United Kingdom, Canada, Finland and Denmark stepped forward to contribute to the Java Reconstruction Fund (JRF) managed by the World Bank, providing Rp 724 billion (US\$79.6 million) in support.** The trust fund was established at the request of the Government of Indonesian to support the central and provincial governments' reconstruction and rehabilitation efforts in the earthquake and tsunami-affected areas.

**The housing sector was by far the most damaged, and has consequently received the largest allocation of reconstruction funds** (76 percent), followed by the education sector (9.5 percent). However, on a sectoral basis, the available financing remains short of core minimum needs, particularly for livelihoods and the education and health sectors.

**The JRF has adopted a mandate to support two platforms of activities, namely housing and livelihoods** and to date 85 percent of the JRF pledged contributions have been programmed.

**The reconstruction of permanent safe houses has been the main focus of the government's initial phase of reconstruction based on a community-driven approach,** with support from the World Bank. **The JRF has stepped in to meet the funding gap for permanent housing and to provide transitional housing for families while permanent housing construction is underway.** The projects have been built centered on the strong community spirit '*gotong royong*' • a local tradition whereby families jointly take decisions and work together. **The focus of reconstruction is on building back to higher standards of safety and sustainability.** This has resulted in one of the largest community based public housing reconstruction programs in the world.

**Reconstruction and rehabilitation has been swift.** The relatively rapid rollout of the housing program in Java compared to Aceh and Nias, combined with families also investing personal resources and communities coming together to rebuild their permanent houses has yielded quick results on the ground. The total number of permanent houses completed up to March 2007 is estimated to be 146,173 or 52 percent of those required. JRF's housing projects are targeted to deliver 18,000 houses in earthquake affected Yogyakarta and Central Java and tsunami affected West Java. In addition, 24,000 families are to receive transitional housing. Within the first six months, the JRF has provided 5,000

families with safe and durable transitional housing, and construction of houses for 8,000 beneficiary families in 156 villages is underway. Through JRF support, communities have also opted to rehabilitate, to conditions better than before, more than 123 km of village roads, 30km of retaining walls, 6,000 water-supply facilities, 200 sanitation facilities, 1097 community centers, one health center and one market based on approved community plans.

**Moving forward**, it is clear that coordination and cooperation between stakeholders will become more important as the reconstruction progresses. Therefore, needs assessments should be conducted on a regular basis to ensure decisions on programming are based on accurate and up-to-date information. With housing reconstruction proceeding at a strong pace, attention now needs to turn to rebuilding livelihoods lost due to the disasters, where significant needs remain. This will be a key focus of the IRF going forward. The JRF plans to direct approximately US\$7 to 11 million towards this.



Small infrastructure like this road, is rehabilitated through community block grants, financed by JRF's Permanent Housing Project



A girls looks at what is left from her neighborhood after the earthquake

# 1 The 2006 Java Disasters and Where We Stand Today

JRFR

## 1.1 Overview

In mid-2006, in a grim reminder of Indonesia's continual exposure to natural catastrophes, two disasters struck the southern and central regions of the densely populated island of Java, within the space of just two months. In the early morning of 27 May, an earthquake measuring 5.9 on the Richter scale struck the province of Yogyakarta and an area of the province of Central Java, claiming more than 5,700 lives and destroying over 280,000 homes.

Just two months later, on 17 July, a second major submarine earthquake of magnitude 7.7 on the Richter scale struck off the southern coast of Java, creating a tsunami that displaced over 28,000 people and taking more than 650 lives. The worst impact of the tsunami was felt in the district of Ciamis, West Java, although damage was suffered as far as Central Java to the east. Along the coast of Ciamis close to 6,000 families were displaced. In total over 1,900 houses were destroyed and 514 heavily damaged. Some 1,200 trade facilities and other public facilities were destroyed.

One year later, the affected regions are recovering fast and it is clear that lessons have been learned from the reconstruction effort in Aceh and Nias following the devastating tsunami in December 2004. In particular, over 146,000 houses have been built in the first year alone, and transitional housing has been provided to over 72,000 eligible families.

But despite this impressive progress, the funds available for rebuilding the affected regions are still insufficient. Funding of the overall reconstruction program currently stands at close to US\$900 million and is still somewhat short of the US\$1.35 billion total financing requirement as stated in the government's master plan. Key funding gaps remain to compensate for losses to the private sector and in health and education. More than half the affected businesses have still not recovered to their full pre-earthquake sales levels and unemployment has risen substantially.

## 1.2 The Consequences of the Yogyakarta Earthquake and the Java Tsunami

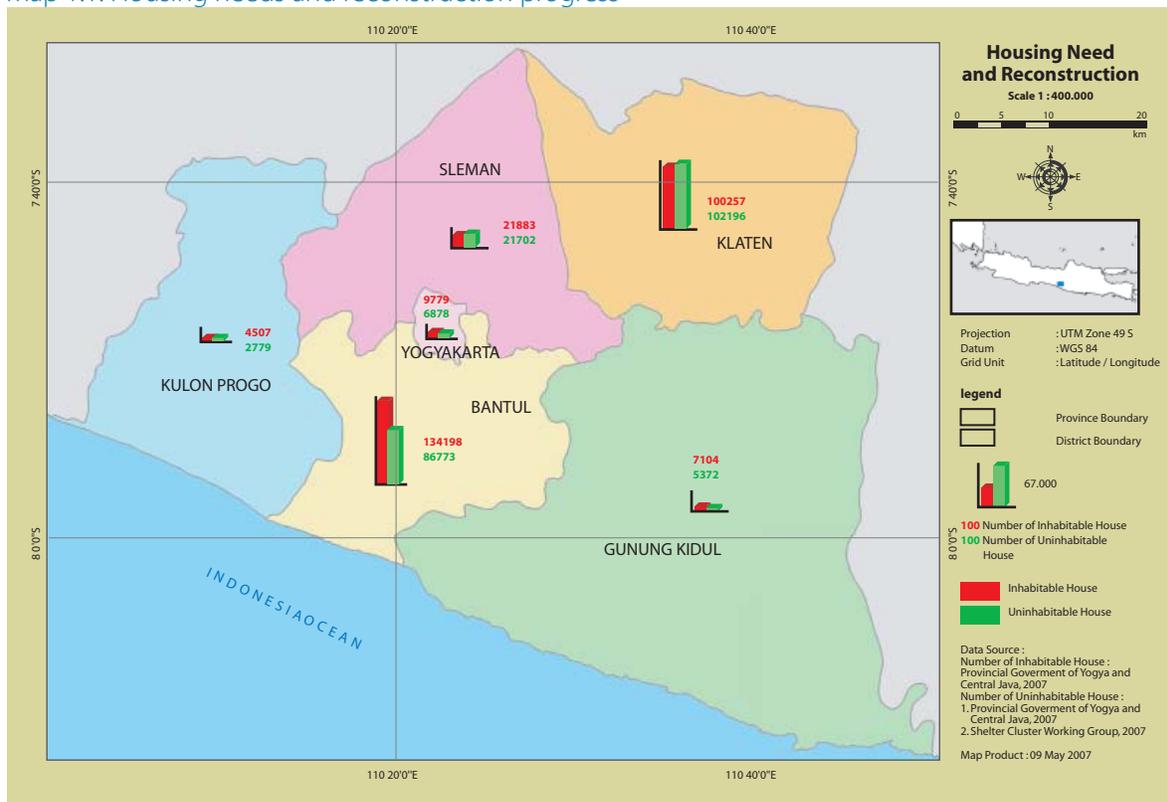
A joint team drawn from the Indonesian government and experts from various international development partners prepared a full assessment of the earthquake damage and losses as a precursor to determining the overall needs for the rehabilitation and reconstruction phase. The total damage and losses were estimated to be around Rp 29.1 trillion, or US\$3.1 billion. This is similar in scale to the earthquakes in Gujarat (2001) and in Pakistan (2005). The worst damage was concentrated in three sectors (housing, with over 60 percent of total damage, SMEs and the social sector) and in two districts (Bantul and Klaten).<sup>1</sup>

The earthquake hit one of the most densely populated areas in Asia and, as a result, the damage heavily affected housing and private-sector buildings. Private homes were the hardest hit, accounting for more than half of the total damage and losses (Rp 15.3 trillion). Private-sector buildings and productive assets also suffered heavy damage (estimated at Rp 9 trillion) and were expected to lose significant future revenues. Damage to the social sectors, particularly health and education, was estimated at Rp 4 trillion. All other sectors, particularly infrastructure, suffered comparatively lower levels of damage and loss.

<sup>1</sup> See Preliminary Damage and Loss Assessment, Yogyakarta and Central Java Natural Disaster; a joint report of Bappenas, the provincial and local governments of D.I. Yogyakarta, the provincial and local governments of Central Java, and international partners, June 2006.

The July submarine earthquake, while not causing any damage directly, created a three-meter-high tsunami that hit the southern coast of West Java, Yogyakarta and Central Java. According to the damage and loss assessment conducted by government ministries with support from the World Bank, the estimate of damage and losses in heavily effected Ciamis district (which bore an estimated 86 percent of total damage) amounted to Rp 860.1 billion<sup>2</sup> (US\$95 million), bringing the total damage and loss figure to about Rp 1.004 trillion (US\$110.3 million).

Map 1.1: Housing needs and reconstruction progress



Source: World Bank

### 1.3 Emergency and Relief Response

The government's National Coordinating Board for Disaster Management (Badan Koordinasi Nasional Penanganan Bencana, or Bakornas PB), together with provincial and district authorities, led the emergency response. During the emergency phase, the government distributed a one-off cash transfer of Rp 90,000 and 10kg of rice per person, amounting to Rp 200 billion (US\$22 million) in total. In addition, it also provided free healthcare facilities to the injured, supplied emergency accommodation for schools and tents were provided as temporary trading places for traders who had lost their permanent business premises.

The international community played an important role in the emergency response, strengthening the government's effort and those of national civil society groups. United Nations agencies, the International Federation of the Red Cross and Red Crescent Societies (IFRC), the Japanese Red Cross

<sup>2</sup> Government of Indonesia line ministries and World Bank assessment, based on ECLAC methodology, August 2006.

Society and NGO partners helped by supporting the national effort in three main ways:<sup>3</sup>

- 1) Concentrating their limited resources on meeting the urgent unmet relief and early recovery needs of the most vulnerable to achieve a greater collective impact;
- 2) Bringing technical capacity to improve the quality of the response (both international and national) – for instance, in helping to define and publicize messages about better building practices; and
- 3) Coordinating the international response with the national response to achieve a greater collective impact.

Many agencies had set up stockpiles for the possible eruption of Mount Merapi in northern Yogyakarta only weeks before the earthquake. The IFRC, various United Nations agencies and at least 35 international NGOs, supplied personnel and materials from their pre-existing Indonesian programmes, particularly ongoing programs in Aceh, in addition to new relief assistance. In the emergency shelter sector alone over 358,000 tarpaulins, together with a large supply of associated non-food items including tents and tool-kits, were distributed, reaching over 1.5 million people.<sup>4</sup> At the same time, several organizations provided transitional shelters, in particular roof structures, to provide durable shelter while permanent housing was being constructed.

The United Nations' Humanitarian Coordinator and the Inter-Agency Standing Committee (IASC) Country Team established a number of cluster groups to help the government formulate strategies and ensure greater predictability and accountability in responding to the earthquake. The cluster groups formed were Health, Emergency Shelter, Water and Sanitation, Protection, Logistics, Early Recovery, Food and Nutrition, Education, and Agriculture. One of their first tasks was to conduct a rapid needs assessment in late May, which subsequently became the basis for the development of the Indonesia Earthquake 2006 Response Plan (ERP), launched on 2 June 2006.

## 1.4 Rehabilitation and Reconstruction

One year after the disaster, Yogyakarta and Central Java are recovering fast. The reconstruction programs have been largely led by the two provincial governments. Presidential Decree No. 9/2006 established a coordination team for rehabilitation and reconstruction of the post-earthquake provinces, comprising a steering team and two provincial implementing teams each chaired by their respective governor. The steering team, under the leadership of the Coordinating Minister for the Economic Affairs, provides guidance to the implementing teams and makes strategic decisions that deal with potential obstacles that transcend provincial boundaries. In carrying out its duties, the steering team is assisted by a national technical team (*tim teknis nasional*, or TTN). The TTN has been particularly active in implementing a monthly technical coordination meeting and conducting monitoring and evaluation activities.

The municipal government of Yogyakarta also allocated funds for the direct assistance of SMEs affected by the disaster. Affected businesses can receive a cash assistance grant, ranging from Rp 100,000 to Rp 2 million following government assessment.

In Ciamis district, the government allocated Rp 120 billion from the central government budget to rebuild 1,908 houses damaged. The total reconstruction funding including donors and NGOs of about

<sup>3</sup> Indonesian Earthquake 2006 Response Plan Revision, Interagency Steering Committee, July 2006.

<sup>4</sup> Yogyakarta and Central Java Shelter Cluster, Revised Shelter Strategy 23 February 2007.

US\$15 million falls a long way short of the about US\$100 million preliminary estimate of damage and losses. The Java Reconstruction Fund (JRF) is the only large non-government player involved in the reconstruction effort, with a project to build 1,000 houses.

The reconstruction program has been based on the Preliminary Damage and Loss Assessment, which identified three broad areas of concentration, namely housing, public infrastructure (including health and education), and economic recovery. It also provided the implementation arrangements for reconstruction, with the governors of both provinces acting as the heads of the implementing teams in their respective province.

While donors have been instrumental in the emergency phase, local NGOs and universities also played an important role by assisting with coordination and implementation. Some key donors including AusAID, JICA, GTZ the Dutch Government and JRF contributors, together with the IFRC, continue to play an important role in the ongoing recovery process. These players are involved in projects such as rebuilding schools, improving livelihoods, and improving access to finance.

## 1.5 Financing for Reconstruction

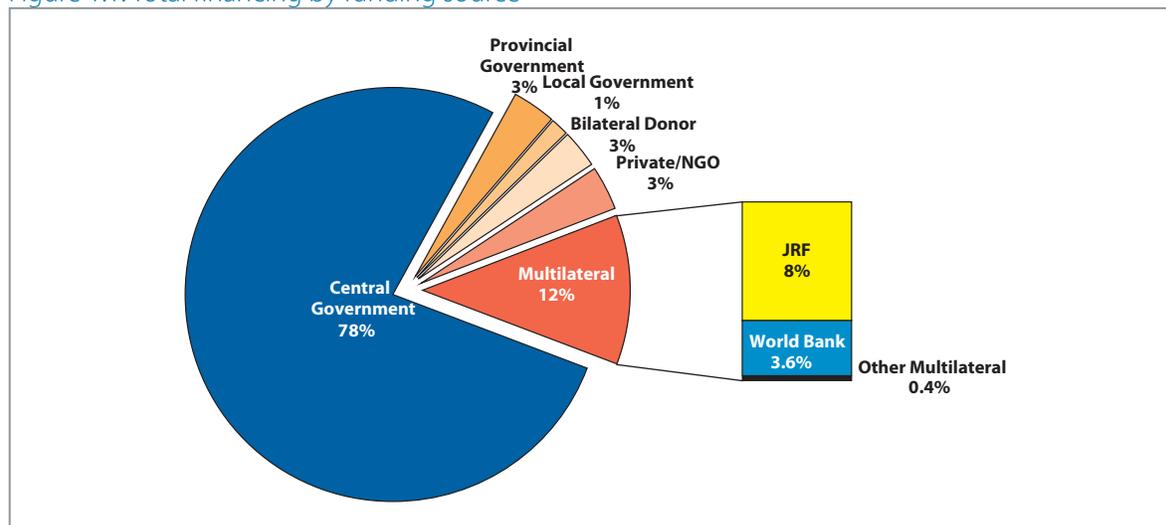


The earthquake caused enormous damage and rehabilitation is on its way

Substantial financial contributions were made by the international community towards the emergency phase of the recovery, and those contributions are not recorded here. This report focuses on the ongoing reconstruction financing. The total financing made available for reconstruction program in Yogyakarta and Central Java is estimated to have reached Rp 7.95 trillion (US\$883 million). Of this sum, 78 percent is provided by central government, while the Java Reconstruction Fund (JRF) is the second largest player with a reconstruction portfolio of about Rp 625 billion (US\$69.2)<sup>5</sup> bringing together six bilateral donors: the European Commission and the governments of the Netherlands, United Kingdom, Canada, Finland and Denmark. The World Bank, through the government's Urban Poverty Program (UPP), the Kecamatan Development Program (KDP) and the Initiative for Local Government Reform (ILGR), contributes Rp 289 billion or 3.6 percent of the overall reconstruction program, matching the combined contributions of the two provincial governments, NGOs/private donors, and bilateral donors (Figure 1.1 below).

<sup>5</sup> In addition, the JRF also provided funds for the provision of transitional housing.

Figure 1.1: Total financing by funding source



Source: World Bank

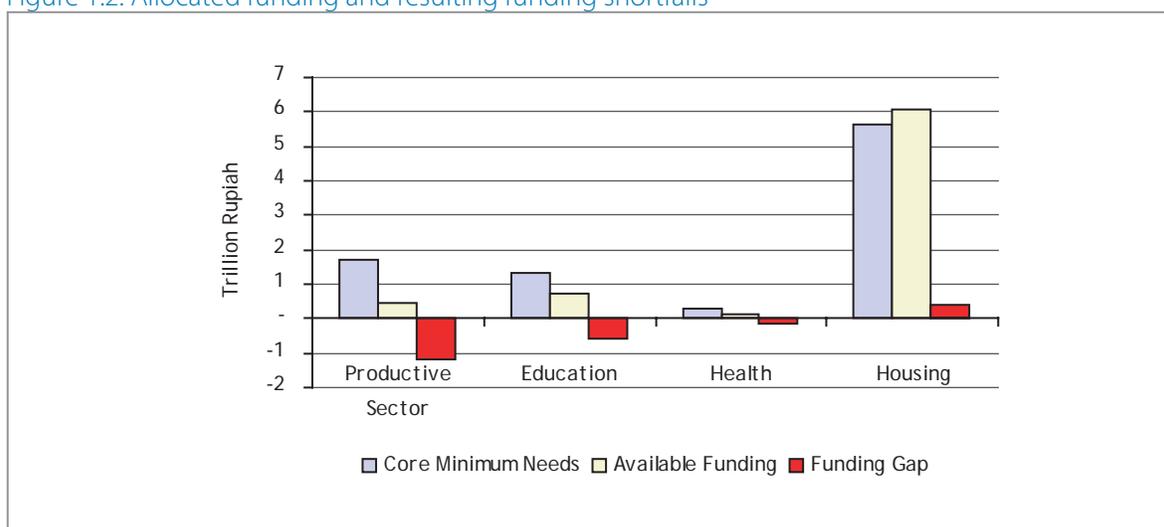
Of this total, almost all the funds have been allocated to specific sectors (98.2 percent). Only about US\$27.8 (less than 2 percent of the total portfolio) in funds from the JRF and AusAID have not yet been allocated to specific projects. Housing has received the largest allocation (76 percent), followed by the education sector (9.5 percent). Full details of financing by sector and sources of funds can be found in Annex 1.

The central government has used a variety of mechanisms to channel funds into the reconstruction program. This has expedited the progress of reconstruction. The bulk of central government funds has been placed in a specific reconstruction fund for Yogyakarta and Central Java (Rp. 5.2 trillion), which is under the management of both governors. There is some flexibility in the use of this fund as its budget does not explicitly specify activities or programs to be funded through the fund. Consequently, in 2007, the provincial government of Yogyakarta chose to allocate part of the fund towards non-housing programs. Reconstruction in the education sector has been largely financed by deconcentrated expenditures<sup>6</sup>, while the health sector (which did not receive central government sectoral funding in fiscal year 2006) utilizes the health sector special allocation fund (DAK).

Figure 1.2 below shows the gap between needs and funds allocated to key sectors. On a sectoral basis, the available financing remains short of core minimum needs, particularly for the productive and education sectors, while the housing sector appears to be sufficiently funded. In the productive sector, the financing gap is still very large. However, due to a lack of data, the current financing data do not take into account private-sector financing, which may be very large. Several banks have made soft loan facilities available on concessional terms. However, actual credit absorption data are not yet available.

Physical inventory data from the government further highlight the under-funding of some sectors, with some 43 health facilities (health centers, hospital, etc) in Central Java and 79 health centers in Yogyakarta not yet receiving rehabilitation and reconstruction support. In the education sector, 214 schools in Central Java received no assistance in 2006.

<sup>6</sup> Deconcentrated expenditure is central government development spending in the region, carried out by the province or local government as part of line ministries' responsibilities.

Figure 1.2: Allocated funding and resulting funding shortfalls<sup>7</sup>

Source: World Bank, April 2007

In the particularly under-funded productive sector, 85 percent of the existing financing comes from central, provincial and district governments, with bilateral donors and NGOs contributing a further 7 percent.<sup>8</sup>

## 1.6 Housing Reconstruction

Some 70 percent of the uninhabitable damaged houses in Yogyakarta and all the uninhabitable houses in Central Java have been, or will be, receiving some form of assistance from the government, JRF, or NGOs as of March 2007 (see Table 1.1). Different approaches are being taken by the two provinces, with Central Java distributing its shelter grant evenly among affected households, while Yogyakarta provided a government grant to community groups that were then able to prioritize funding distribution among members of the community.

By March 2007, beneficiaries in Yogyakarta had received on average Rp 15 million through two tranche disbursements, whereas in Central Java the first tranche of disbursements averaged Rp 4.41 million. It is expected that beneficiaries in Central Java will receive an additional Rp 5.7 million in a second tranche, followed by a final tranche of Rp 10.1 million, bringing the total contribution to Rp 20 million.

<sup>7</sup> The core minimum need is defined as the total financing requirement as stated in the government's master plan. However, the housing core minimum needs is adjusted due to the lower number of actual uninhabitable houses, and is defined as the number of uninhabitable houses multiplied by Rp. 20 million (the average support received by each of the uninhabitable house) plus 10 percent for program management cost.

<sup>8</sup> The remaining 8 percent is funded by the World Bank.

Table 1.1: Housing progress

Province	Key	Yogyakarta	Central Java	Total
Number of damaged houses	1	98,343	103,868	202,031
Number of destroyed houses	1	88,249	68,414	156,662
Number of uninhabitable houses	2	177,471	104,804	281,555
Number of households receiving assistance from government sources	2	106,393	96,303	202,696
Number of households receiving assistance from non-government sources	3	17,111	9,720	26,831
<b>Total households receiving assistance</b>		<b>123,504</b>	<b>106,023</b>	<b>229,527</b>
Number of houses completed (government scheme)	2	105,983	32,245	138,228
Number of houses completed (non-government scheme)	3	5,109	2,836	7,945
<b>Total houses completed</b>		<b>111,092</b>	<b>35,081</b>	<b>146,173</b>

Source:

1. Preliminary Damage and Loss Assessment, Yogyakarta and Central Java Natural Disaster.
2. Revised assessment: Provincial Government Presentation at Technical Coordination Meeting, March 2007.
3. Shelter Working Group Database, 24 April 2007, and provincial government.

The total number of houses completed up to March 2007 is estimated to be 146,173 or 52 percent of those required. In Yogyakarta 62,5 percent of uninhabitable houses have been completed compared with 33 percent in Central Java (see Table 1.1). The Rp4.41 million in cash grants received by beneficiaries to date falls short of the amount required to finance the houses completed to date. This suggests a significant level of self-financing by the beneficiaries. In fact, 22,892 of the beneficiaries received some reimbursement for the homes that they themselves rebuilt.

In comparison, two years after the disasters in Aceh and Nias, 45 percent of required houses had been rebuilt. The relatively faster reconstruction in the housing sector in Java can be attributed to a number of factors, as follows:

- Unlike the Aceh tsunami, the earthquake did not wash away functional materials. Instead, re-usable objects were left behind and could be salvaged by the affected communities (Box 1.1).

### Box 1.1: How did affected communities rebuild their homes?

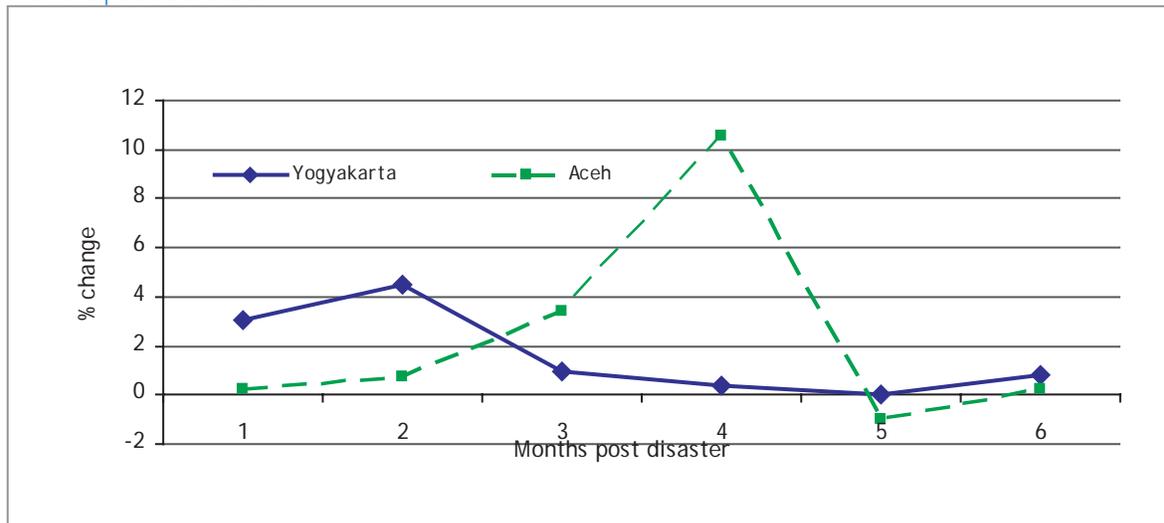
“Suginem, who lives in Pleret, is tired of promises of housing assistance. Her family could not sleep forever under the ramshackle tent where they currently live, so she finally brought her land certificate to the pawnshop and received a Rp 2 million loan. According to Suginem this was enough to start rebuilding.” (*Kompas*, 22 August 2006)

“Instead of waiting for assistance that might never come, Edhi Gandhok from Sleman took the initiative and used existing materials. He uses all usable materials, including timber, bamboo, nails and roof tiles. Even then, he can only rebuild one of the three rooms his family previously occupied, but at least he now has a habitable house. ‘Just wait for the finishing touch’, he says.” (*Kedaulatan Rakyat*, 8 August 2006)

“Even though she’s already in her sixties, Ngadiyem still walks many kilometers to sell cookies and snacks (*tenongan*) to her long-time customers in the city of Yogyakarta. Over the years she has developed a strong relationship with her customers. When the earthquake flattened her home last May, she received no reconstruction funds, but her customers help her, and so did her employer.” (*Kompas*, 4 April, 2007)

- Transitional housing provided material inputs for the reconstruction of permanent housing. The role played by transitional shelters should not be understated, both in providing a safety net while houses were being rebuilt and material inputs for permanent house reconstruction. Provision of transitional shelters has largely been managed by international NGOs under the coordination of the UN-led Shelter Cluster working group who have so far distributed 72,546 temporary shelters. The transitional shelter program is particularly important in Central Java, as the government has still to distribute 77 percent of the cash grants. The transitional shelter program provided in Java was substantially different to that used in Aceh and Nias after its tsunami. Further details on the Java temporary shelters can be found in section 2.2.1.
- The capacity of the government and the condition of infrastructure were less severely affected in Java, enabling a relatively faster roll-out of the government housing program than in Aceh and Nias. While there was some public criticism of the government over administrative matters, delaying the first tranche, the disbursements proceeded with relative ease, particularly in Yogyakarta. By the end of February 2007, 95 percent of the first and second tranches had been disbursed to affected households in Yogyakarta, while in Central Java the distribution of first tranche to all affected household was completed in December 2006. Funds from this first tranche combined with additional material input from transitional shelters and their own resources enabled those affected to start their rebuilding effort.
- Another mitigating factor is the relative price stability in Yogyakarta in the months following the disaster. Unlike Aceh and Nias, Yogyakarta did not experience drastic inflation (Figure 1.3). The relatively undamaged infrastructure and proximity to sources of labor and material inputs appear to have facilitated the mobility of goods and services from outside the regions, which may have served to dampen the inflationary effect often witnessed following disasters.

Figure 1.3: Comparative (month on month) change in the cost of housing in Yogyakarta and Aceh, six months post disasters.



Source: Badan Pusat Statistik (BPS) (based on housing price index in provincial CPI)

## 1.7 Restoring Livelihoods

A recent study by the UN<sup>9</sup> on the impact of the disaster on local enterprises suggests that most businesses have resumed their income generating activities in some form or the other. The study's findings, however, indicate that current business activity is characterized by significantly lower production capacity with sales falling far short of pre-earthquake levels. While the furniture manufacturing sector has defied this trend, mainly due to increases in local demand, there has been a general erosion of working capital as savings and other assets have been re-directed into the rehabilitation of housing assets. The status of non-performing loans is nearly twice that of the national average and high levels of indebtedness has further constrained affected businesses' in their recovery efforts.

Around 95 percent of enterprises in the affected area reported complete or partial destruction of their business premises and productive assets with as many as 40 percent reporting the complete destruction of their places of work. Twelve months on, 45 to 50 percent of all affected businesses premises are yet to be fully replaced or repaired and for 17 percent, rehabilitation has not yet commenced. Against this backdrop, while 85 percent of enterprises ceased their income-generating activity immediately following the earthquake, most of these have now resumed albeit at much lower levels of productivity. It should be noted, however, that the majority of these enterprises are informal home-based businesses characterized by low levels of capitalization and where the business premises are often integrated into the entrepreneur's house. Consequently, the focus on housing rehabilitation has assisted these micro enterprises recommence their activities.

The Government at all three levels has provided various mechanisms to relieve the burden of loss of income and is about to embark on a community based livelihoods rehabilitation program. The Food and Agriculture Organization (FAO) has provided rice seed, livestock and fertilizer to the most devastated rural communities and has developed an 'action plan' to re-energise the rural sector. GTZ has developed and implemented pilot program integrating technical assistance and training with

<sup>9</sup> This section draws largely on the recent findings of the Draft UN IASC Livelihoods Cluster report: Livelihoods Survey of Businesses Affected by the 21 May 2006 Earthquake, Situation Analysis and Needs Assessment, Gaibnebet & Poisson, April 2007.

micro-loans for impacted MSMEs. Through local NGOs, UNDP has been working to provide grants for various livelihood restoration programs. AusAID is about to embark on an extensive livelihoods program involving training and finance for housing construction materials and may extend this program into developing community-based development strategies. Many local and international NGOs have incorporated some livelihood activities into their housing reconstruction components and IOM and CHF are currently preparing livelihood programs for the post-housing reconstruction phase.

The potential to develop a broad range of commercial financial products to stimulate livelihood activities is extensive. While the State Saving Bank (BTN) has allocated Rp 275 billion (US\$30 million) in soft loans at 5.5 percent interest rate for the rehabilitation of business premises,<sup>10</sup> the long-term challenge is to improve access to formal financial institutions by MSEs who need smaller loans and less onerous collateral requirements.

A recent re-assessment of livelihoods affected by the earthquake<sup>11</sup> recommends some possible interventions: an integrated approach to rehabilitating micro and small enterprises with a package of associated assistance that includes training, technical assistance and market access. Other proposed approaches include providing assistance to defaulting viable MSMEs to create viable budgets, SME managed credit schemes; agri-based rehabilitation, establishment of viable construction sector clusters, and the provision of soft loans for medium size enterprises and community groups.

Twelve months on from the earthquake it has surprised many development agencies how quickly, and with limited assistance, communities have restarted their pre-earthquake activities. For a effective return to pre-earthquake productivity, however, communities and MSMEs require some form of stimulant intervention. It is timely, therefore, that the post-earthquake rehabilitation program move quickly to develop and implement programs involving the restoration of livelihoods. These recovery efforts must, however, be sustainable.



A beneficiary takes up her livelihood activities in front of her transitional house

10 Kompas, 4 October 2006

11 A JRF Report: Rehabilitation of Livelihoods in Earthquake Affected Yogyakarta and Central Java, May 2007.



Beneficiary in front of her permanent house still under construction.



A transitional house ready for tiles on the roof.

# 2 Results of the Java Reconstruction Fund

JRFR

## 2.1 Establishment of the Java Reconstruction Fund

At the 15<sup>th</sup> meeting of the Consultative Group on Indonesia (CGI) held on 14 June 2006 following the earthquake, a jointly produced preliminary Damage and Loss Assessment of the Yogyakarta and Central Java<sup>12</sup> earthquake was presented. At the meeting, the Minister of Finance called upon the donors to mobilize donor support through a multi-donor trust fund, similar to the Multi Donor Fund for Aceh and Nias (MDF). The aim of this strategy was to build on the positive experience and comparative advantages of the MDF, such as: the ability to rapidly develop, finance and implement projects; coordinate international resources around common objectives; avoid duplication of effort; and create synergies and reduce transaction costs for both donors and the recipient. In particular, the Indonesian government appreciates the flexibility of funds inherent in such an approach as these funds can be used to complement its own resources through financing of reconstruction and development activities both on- and off-budget.

During the weeks following, six donors: the European Commission, the governments of the Netherlands, United Kingdom, Canada, Denmark and Finland, pledged US\$80 million<sup>13</sup> to assist in rebuilding the earthquake and tsunami-affected areas of Yogyakarta, Central Java and West Java through the Java Reconstruction Fund (JRF), a multi-donor trust fund established to coordinate the funds to support the government's post-disaster recovery program.

In October 2006, the Java Reconstruction Fund (JRF) commenced operations with the mandate to support the rehabilitation and reconstruction of housing and livelihoods.

### Governance Structure

Using a governance structure similar to the MDF, the JRF is governed by a steering committee responsible for (i) endorsing overall priorities; (ii) endorsing project financing proposals; (iii) reviewing fund progress; (iv) ensuring coherence and collaboration with activities funded by the government's action plan; and (v) the results framework. The steering committee also serves as a forum for policy dialogue with the government on issues relating to the reconstruction and development efforts.

The steering committee is composed of voting members that include a representative from the National Coordinating Team, formed to coordinate and implement the Yogyakarta and Central Java reconstruction efforts; the World Bank as trustee; and the contributing donors to the JRF. The steering committee invites other participants from non-contributing bi-lateral and multilateral agencies, the UN, civil society, and local and international non-governmental organizations, to join the steering committee as observers. The Indonesian government representative co-chairs the steering committee, along with the European Commission as the largest donor<sup>14</sup>, and the World Bank.

The day-to-day operations of the JRF is managed by a joint secretariat that also manages the MDF. Specific duties of the secretariat include monitoring and evaluating the JRF's portfolio, coordinating the JRF's activities and administering its funds. By only charging actual administrative costs and project implementation support costs, including appraisal and supervision costs, the JRF is estimated to operate at less than three percent of the value of the fund.

12 A joint team led by the Indonesian Government's National Development Planning Agency (Bappenas), Yogyakarta and Central Java Provincial Development Planning Agencies (Bappeda) and the international community, including the World Bank, Asian Development Bank, GTZ, Japan Bank for International Cooperation (JBIC), United Nations Development program (UNDP), UN Habitat and others, prepared a preliminary Damage and Loss Assessment.

13 Total pledges have increased from \$76 million, at the time they were announced, to \$80 million due to exchange rate fluctuations.

14 Based on amount pledged.

## 2.2 Portfolio of Projects

Based on the Damage and Loss Assessment, the Java Reconstruction Fund was established with a mandate to support two platforms of reconstruction and rehabilitation activities – housing and livelihoods. This portfolio focuses on building back to higher standards of safety and sustainability.

### Housing

In Yogyakarta and Central Java, more than 280,000 houses were destroyed or damaged, with up to one million people left homeless. This was mainly due to lack of adherence to safe building standards, poor quality of construction and high population density in the earthquake-affected areas. The main focus in the initial phase of the overall reconstruction has been on restoring safe housing. The JRF stepped in to meet the funding gap for permanent housing and also to ensure transitional housing for families while permanent housing construction is underway.

This resulted in JRF financing housing projects valued at US\$66.64 million to rebuild 18,000 earthquake-resistant houses and deliver 24,000 transitional houses. The projects have been founded on the strong community spirit of *gotong royong*, a local tradition whereby families jointly take decisions and build together.

Past experience demonstrates clearly that community-based programs, through a community accountability and consultation process, allow the poorest of the poor and the most vulnerable to be targeted and prioritized to receive support. This process has been found to be the most effective in building consensus to distribute resources.

Community-based programs in Indonesia have also clearly demonstrated significantly lower unit costs and lower incidences of corruption in the provision of infrastructure than other approaches. Moreover, community-based projects and operations are already active in the affected districts with a large base of volunteers, community facilitators, and mechanisms for fund transfers in place.

The decision to program most of the funds to housing was largely based on the fact that the funds could be quickly implemented using structures already in place from the Urban Poverty Project and the Kecamatan Development Project,<sup>15</sup> as well as the existing shelter implementation strategies of JRF's implementing partners, International Organization for Migration (IOM) and the Cooperative Housing Foundation (CHF).

<sup>15</sup> The UPP program provides block grants directly to urban neighborhoods to develop community based local infrastructure.

KDP is a nationwide program that provides funds to rural communities so they can make poverty-reducing investments based on their own plans and management.

## 2.2.1 Transitional Housing Projects

Grant Amount	US\$6.64 million
Date Approved	25 November 2006
Implementation Period	December, 2006 to July, 2007, December, 2006 to June 2007
Funding Stages	2006 US\$1.27 million, 2007 US\$5.37 million
Geographic Area	Earthquake-affected Yogyakarta and Central Java
Partner Agency	World Bank
Implementing Agencies	International Organization of Migration (IOM) (US\$4.26 million, and Cooperative Housing Foundation (CHF) US\$2.38 million)

### ***Providing safe and durable transitional housing to 24,000 eligible earthquake-affected families while permanent houses are rebuilt.***

The provincial governments of Yogyakarta and Central Java, together with the UN-led Early Recovery Cluster, developed a joint strategy to accelerate the reconstruction process addressing the need for temporary housing, while adhering to the government's plan for permanent housing reconstruction. In response to this strategy, and building on pre-existing programs of the implementing agencies, this project provides 24,000 families with safe and durable transitional houses, partially meeting the overall project demand in September 2006 for more than 45,000 shelters.

The projects manage the preparation of prefabricated housing kits, and the targeting and distribution of the kits to families in need, and also assists families in constructing their roof structure houses. Roof structures consist of bamboo columns, roof trusses, bamboo sheet walls and clay roof tiles. Most of these materials can be later reused in building permanent houses.

The implementing agencies coordinate closely with the relevant stakeholders to identify locations not receiving any assistance from other organizations. They also focus on the identification of beneficiaries to ensure all those living in the earthquake-affected area have adequate shelter while rebuilding permanent homes.



Beneficiaries enjoying living in their transitional houses while preparing their permanent houses

## Results

- The JRF has provided 2,641<sup>16</sup> earthquake-affected families with safe and durable transitional housing through these projects, working closely with the provincial governments in the Yogyakarta and Central Java.
- More than 85 percent of both male- and female-headed beneficiary families are satisfied that the transitional shelters have allowed them to resume their normal household activities, including informal economic activities, while their permanent houses are being rebuilt.
- 62 percent of beneficiary families that have transitioned to permanent houses have re-used their shelter materials for permanent housing reconstruction.

## Outlook and Challenges

- Since the construction of permanent housing has been progressing very quickly, the demand for transitional shelters has decreased from an initial estimate of 24,000 to approximately 8,500. This project, therefore, needs to adapt to the changing needs of the beneficiaries by regularly re-assessing the status of the affected communities to ensure that the funds are spent to address identified priorities.
- Coordination with other reconstruction stakeholders becomes more important as the reconstruction progresses. As more results are achieved, needs will change and it will be crucial to have a strong understanding of all activities in the affected areas so that remaining gaps can be identified and duplication of activities avoided. Identified gaps may also become more geographically dispersed, which may result in a more difficult implementation environment.
- The remaining demand of 3,500 families needing transitional shelters shall be served in the next several months.

<sup>16</sup> Additional 2,300 families were provided transitional housing under the Permanent Housing and Community Infrastructure Project

### Box 2.1: Starting life anew in a T-Shelter house

Life has been delightfully challenging for the family of 28-year-old seamstress Tuti Mardiasi of Kali Tirta village in Sleman district, about 2km east of Yogyakarta's Adi Sucipto airport. She and her family moved to their new house in February 2007, a T-Shelter semi-permanent house provided for them by the International Organization for Migration (IOM).

"We've just moved from the makeshift tent to this new house, and we've started our new small business, too," she says. "We've been very busy, anxious and ecstatic, all at the same time."

Tuti has started to sell gasoline in bottles shortly after they moved in. She says profit gained from gasoline sales is still smaller than the amount she earns from sewing, which is also still in its recovery stage following the quake.

"Many people still can't spend much after the disaster," she says.

"But I'm sure business will pick up again soon. Our new house sits strategically by the main village road, a good exposure for my stall."

The stall where she sells her bottled gasoline is nothing more than a wooden rack that stands right next to the house's front door.

Above the rack she hangs a large blue-painted sign board that advertises her sewing services.

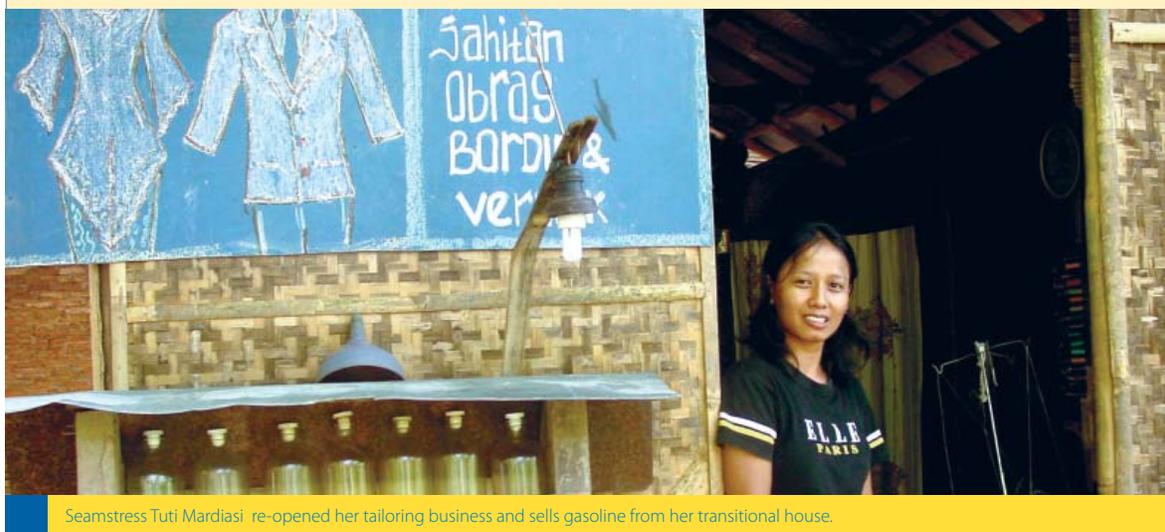
Tuti is very proud of her new 3x6 meter one-bedroom, cement-and-vinyl-floored and bamboo-mat-walled house. Tuti and her husband, 28-year-old Prasetyo, who works at a local animal husbandry, finished building the house using materials mostly provided by the IOM.

"It feels good to have your house built with your own hands. Not with our money, of course, as we don't have much. We can't thank God enough for sending his blessing through IOM," she says.

Tuti, Prasetyo, and their 8-year-old son Agung had lived in the house of Prasetyo's mother for the past few years. But her mother-in-law's house was destroyed by last year's quake.

"My husband and I were so frustrated at that time. But, look at us now. We now live in our own home sweet home. Even better, we have now set up a new home business. Isn't that amazing?" she says.

She and Prasetyo plan to live in their T-Shelter for at least the next two to three years. "We hope we'll have enough money to convert this house into a permanent one by then."



Seamstress Tuti Mardiasi re-opened her tailoring business and sells gasoline from her transitional house.

### Box 2.2: Blessings flow with a T-Shelter house

Munarsih, 36, is a mother of two children. Her husband, Ari Warsono, is a seasonal farm laborer, who has recently migrated with her full blessing to Jakarta from their village of Dengkeng in Klaten district, Central Java, to find a better paying job.

Together with their children, they have survived the earthquake that struck Central Java in May 2006.

Since February 2007, Munarsih, her 11-year-old daughter, 10-year-old son, and her 75-year-old mother have moved from a makeshift tent to live in a T-Shelter house provided by the Cooperative Housing Foundation (CHF) International.

Hers is a 3.25x6-meter house, which she says has proved to be anti-earthquake and provided security and comfort to her whole family in the past few months.

She and her husband assembled the house themselves, with some materials and half-assembled housing frames provided by the CHF.

"We are still young, so we can work with our own hands, no need to cause further trouble to other people in the village," she says.

Her husband even still managed to make himself available to help his fellow villagers make their housing frames based on CHF's design.

When she saw her husband planning to assemble their transitional house, Munarsih saw an opportunity to use a part of the new house as her stall (warung), something which she always hoped to have in the past.

So, she asked her husband to make a 2x3 meter space available for her in front of the house.

Now, Munarsih has a place to sell her home-cooked rice meals and other assortments of snacks. In time, she says she will convert her stall into a full-scale grocery shop.

She remembers she used to sell her goods in the heat of the sun, while sometimes having to run away from the rain. She also took sewing orders to help her husband make ends meet. She says she used to earn up to Rp 80,000 a day, enough for the whole family to eat decently.

After the earthquake, however, her income has become smaller, just enough for her children to buy snacks at school's break. That was the reason why her husband migrated to Jakarta, she says.

She sees the bright side of it all, however. She says at least now she no longer has to worry about having to run from the rain with her merchandise. Now, she can also spend more time with her children.

That is really a luxury she could not have before, she believes.

When hoping to live in a permanent house one day, Munarsih says she plans to stay in their T-Shelter house for as long as possible.

"This is a house we will always remember."



Ibu Munarsih with her family live in a transitional house, where she sells her home-cooked rice meals

## 2.2.2 Permanent Housing and Community Infrastructure Project

Grant Amount	US\$60 million
Date Approved	28 November 2006
Implementation Period	December 2006 to December 2008
Funding Stages	2007 US\$42 million, 2008 US\$13 million, 2009 US\$5 million
Geographic Area	Earthquake-affected Yogyakarta and Central Java and tsunami-affected West Java
Partner Agency	World Bank
Implementing Agency	Ministry of Public Works (MPW)

***Rebuilding 18,000 earthquake-resistant houses and community infrastructure, and implementing disaster preparedness and mitigation investments in 60 villages, using a community-driven approach to planning, prioritization, and implementation.***

The project builds on the community-based mechanisms of the Urban Poverty Program and the Kecamatan Development Project at village level in urban and rural areas, respectively. It supports community planning and development. The same structure of operations is used to enable families to rebuild their homes to higher seismic standards.

Affected households form community groups which identify vulnerable households meeting the eligibility criteria. The groups select and prioritize beneficiaries, and develop community settlement reconstruction plans that include spatial planning and hazard risk management strategies. In addition to reconstructing core houses for families, communities invest to improve drainage, roads and the water supply, and address remaining needs for transitional housing, and other communal facilities. Communities receive block grants according to needs and funds are disbursed in tranches based on progress achieved. This approach supports effective targeting and transparency through social accountability.

To harmonize recovery activities, the project partners with the Ministry of Public Works and the provincial governments and works with the National Coordinating Team for Housing. It also coordinates with the Shelter Cluster Group, which brings together over 30 donors and NGOs. This avoids duplication of efforts and maximizes on reaching the eligible beneficiary families.



Rebuilding permanent housing is the main focus of the JRF

Rebuilding community infrastructure like these sanitation facilities, small roads, community centers and others are part of the JRF's -Permanent Housing Project

## Results

- Permanent houses for approximately 8,000 beneficiary families in 60 villages is under construction.
- The JRF has provided more than 2,300 earthquake-affected families with safe and durable transitional housing through this project, working closely with the provincial governments in the Yogyakarta and Central Java.
- 629 housing groups formed and used the community-driven decision-making process to identify vulnerable households, develop community settlement plans and carry out construction training programs.
- In addition, 33 housing task force teams were mobilized to assist families in reconstructing earthquake-resistant houses.
- More than 123 km of village roads restored to conditions better than before the disasters; 30km of retaining walls, 6,000 water-supply facilities, and 200 sanitation facilities have been restored; 1097 community centers, one health center and one market rehabilitated based on approved community plans.
- Project team mobilized to assist communities in preparing pilot plans for disaster risk reduction and mitigation in 20 villages.

## Challenges

- Continued focus on effective identification and verification of beneficiaries to prevent people making multiple claims from different agencies building permanent houses.
- An important element of avoiding duplicate claims is for the continued coordination in the field between the relevant housing sector agencies (in particular with the Indonesian government). Strong coordination may also facilitate sharing of information on lessons learned and building programs that are complementary to each other.
- To ensure that the quality of houses built meet building and earthquake-proof standards. This will be achieved by ensuring that strong field supervision mechanisms are used and by providing technical expertise to the communities.
- As the pilot plans for disaster risk reduction (DRR) activities are being rolled-out, it will be necessary to closely monitor them to ensure sustainability of the design.

### Box 2.3: Rebuilding a house and business in the loving memory of a wife

After the death of his wife Sudarmi in the earthquake of 27 May 2006, Gondo Sunarno, 65, has vowed not to dwell in prolonged sorrow and to work instead to rebuild his house and livelihood in a loving memory of his wife.

Gondo dreams of restarting the business he and his wife once ventured into hand-in-hand, making and selling traditional Javanese crispy rice snacks called krupuk karak.

"I am sure my wife will love the idea. I am sure she'll be happy if I can really restart this business," he says.

But first he says he needs to have his house completely rebuilt. So, he is grateful that he and over 300 of his other fellow villagers of Mlese hamlet, Klaten district, received JRF assistance for rebuilding permanent houses.

He seems optimistic that he will manage to jump start his snacks business once his new house is ready, despite some other concerns, such as the rising price of rice (the base material of his snacks).

"I'm sure I can manage. I have the skills, experience and network."

Having his new house rebuilt on time is now his main concern, he admits. "On this I will have to count on the JRF to some extent, because there's no way I will be able to rebuild the house with my own money alone. The JRF's assistance is my only hope,"

Gondo is among the JRF permanent housing beneficiaries in Mlese who received the first installment of JRF grant worth Rp 6 million in January 2007. They have used up the money.

"As soon as we got the money transferred to our account, my group took it out and went together to shop for building materials, split them evenly amongst us, and started to work on one member's house after the other," explains Gondo. He is the team leader.

He says he now really appreciates the JRF requirement that they work in groups and that they follow the scheme's accounting procedures, although there was initial reluctance on his and the villagers' part that the procedures were too demanding for simple folk like them.

"It turns out to be virtuous to us all as it taught us to be responsible," he says.

"We now feel that our new houses are not simply freebies, but that we also have worked hard on them, by playing our roles responsibly and by dedicating our time and energy on them," he adds.

Gondo and his fellow JRF beneficiaries have finished the first stage of their house reconstruction.

"We really look forward to receiving the second installment so we will be able to continue the development."

Gondo says he has sought to match the JRF grant he received with loans to help expedite the construction of his new 24-sqm house. "I really need the house rebuilt sooner because I need it to revive my business, for my wife."



Gondo Sunarno, 65, from Mlese village in Klaten rebuilds to restart the business he and his wife had before the earthquake.

### Box 2.4: Rebuilding a future legacy house

When the earthquake hit Mutihan village, Klaten district, on Saturday morning 27 May 2006, Sugi Wiyono lost his house and almost his life.

The traumatic experience turned him from an optimistic person into a gloomy and grumpy old man.

The 75-year-old grandfather of seven says his world seemed to have come to an end when the earthquake caused his house to collapse on him and left him severely injured that fateful morning. The house was the only property he had always thought would be his proud legacy for his children and grandchildren.

"I thought that morning was the end of my world," he says.

Pak Sugi says he has survived living alone in his former house after his wife left him when their three children were still small.

Now his children and grandchildren live far away from him, in Lampung and in Jakarta.

Pak Sugi's life spirit returned after he learned from his nephew that he might be eligible for assistance made available under the JRF for permanent housing, which could help him to rebuild his house.

Pak Sugi says he and his group of 11 villagers received the first Rp 6 million JRF installment in January 2007, after having applied for the grant in late 2006.

"Without the JRF assistance, there is no way I would have been able to rebuild my house," says the man who earns his modest living by working on whatever jobs offered him.

Over the past few months, he and other JRF beneficiaries have been working to slowly rebuild their houses. Now, Pak Sugi still has to make do with living in his donated temporary house, which he also uses to keep construction materials, mostly leftovers from his neighbors.

He says some of his fellow villagers have almost completed their house reconstruction, either because they have their own money to match the JRF grant or they dare to take out loans.

"Whereas for me, how can I afford that? Even to have meals for today I have to struggle very hard," says Pak Sugi.

But he says the best policy today is to remain steadfastly patient, rather than be grumpy about whether or when the next installments will come.

"I believe the money will come and my house will be standing there again in time," he says.

To share the burdens, Pak Sugi and other JRF beneficiaries have worked together to rebuild their homes.

"I help them, they help me. We are rebuilding our houses together. They were especially helpful with the preparation of the necessary report. I'm just too old for an administrative thing like that," he says laughing.

Pak Sugi says his future 24-sqm house will have two bedrooms, one small living-room and a kitchen.

"I really look forward to hosting my children and grandchildren in my house in the next Lebaran holiday season."



Sugi Wiyono – Mutihan village in Klaten – rebuilds his house and looks forward to enjoying Lebaran in his new home, hosting his children and grandchildren.

### Box 2.5: Making the right decision helps improve road access

Most parts of the earthen main access road in the earthquake-affected Mutihan sub-district in Klaten district, Central Java, used to turn into pools of mud during the rainy season.

Thanks to a JRF grant for village infrastructure improvement (via the permanent housing project), villagers from seven villages have been able to improve the road into a more permanent one, using concrete as the base.

Now, as far as the eye can see, what lies ahead is a 2.75 meter-wide concrete road, running for more than 1.8km.

It stretches from Somopuro village in the north to Tegal Mutihan village in the south, passing through five other villages and some public facilities including a school and a market in between.

That road gives most villagers' access to the vital Yogyakarta-Solo artery street.

Harsono, 53, of Jetak village, says he was glad the sub-district-level public deliberation early this year decided to allocate a larger chunk of the World Bank grant (Rp 136 million out of Rp 200 million) for improving the road.

Harsono, who is the coordinator for local environment management unit, or UPL, of Mutihan sub-district, explains that representatives of villagers initially discussed together with community leaders and the local administration about what kind of public infrastructure they needed most.

"Otherwise we will simply hear the same old story being told: complaints of the narrow earthen village road turned into pools of mud during rainy season," says Harsono.

He has high hopes that the road that passes his village will help villagers hit by earthquake to restart their livelihoods more quickly.

"The road is one the main reasons why our economy could grow again," Harsono says.

Another villager, Astuti, of Tegal Mutihan village about 1km away from Harsono's, also shares her neighbor villagers' views and hopes.

Hundreds of villagers started to build the road in the gotong royong fashion (Javanese tradition of sharing the burdens of work by working together) in January 2007, finishing the project within one month.

She says the road makes it faster and more convenient for villagers to reach the local market, schools and other nearby public facilities.

"The new road has also helped to accelerate house reconstruction activities in our villages because trucks can easily reach areas located far from the main district road to deliver housing materials," she says.



A rehabilitated road in Klaten

## 2.3 Finance

### Pledges

The Java Reconstruction Fund has received a total of US\$79.6 million in pledges from six donors. Of the pledges, the JRF has received \$36.5 million. The only outstanding payment is US\$42.89 million from the European Commission and the trustee is expecting to receive the funds in the second half of 2007. Table 2.1 shows the breakdown of funding commitments made by donors to the fund; along with the cash received by the fund to date.

Table 2.1: Sources of Pledges and Cash

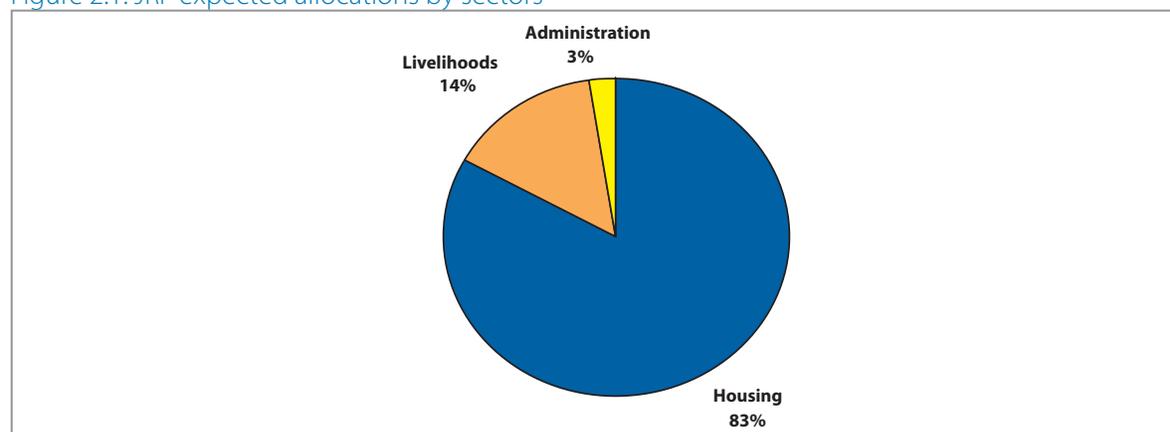
Source	Total Pledges \$ million	% Total Pledges	Cash Received \$ Million
 European Commission*	46.7	59%	3.8
 Government of the Netherlands	12.0	15%	12.0
 Government of the United Kingdom	10.8	13%	10.8
 Government of Canada*	6.5	8%	6.3
 Government of Finland	2.0	3%	2.0
 Government of Denmark	1.6	2%	1.6
<b>Total Contributions</b>	<b>79.6</b>	<b>100%</b>	<b>36.5</b>

\* Exchange rate as at 31 March 2007; Source: World Bank

### Allocations

The Java Reconstruction Fund has allocated US\$66.64 million to two projects: the Transitional Housing project and the Permanent Housing Project. This represents 83 percent of total pledges. After deducting expected administration costs, about US\$11.64 million remains unallocated<sup>17</sup>. The remaining funds are expected to finance activities that support livelihoods and economic development in the disaster-affected areas.

Figure 2.1: JRF expected allocations by sectors



Source: Java Reconstruction Fund

<sup>17</sup> The value of unallocated funds fluctuates depending on prevailing exchange rates.



Beneficiaries enjoying their snack together in a transitional house

## Disbursements

During the first six months, the Java Reconstruction Fund has disbursed \$9.91 million to projects. The housing project has been implemented through retro-active financing and has spent US\$8 million on the building of permanent houses in the disaster-affected areas.<sup>18</sup>

Table 2.2: Disbursements to Projects - as of 31 March 2007

	Disbursements \$ million
Transitional Housing Project	1.91
Permanent Housing and Community Infrastructure Project*	8.00
<b>Total Disbursements</b>	<b>9.91</b>

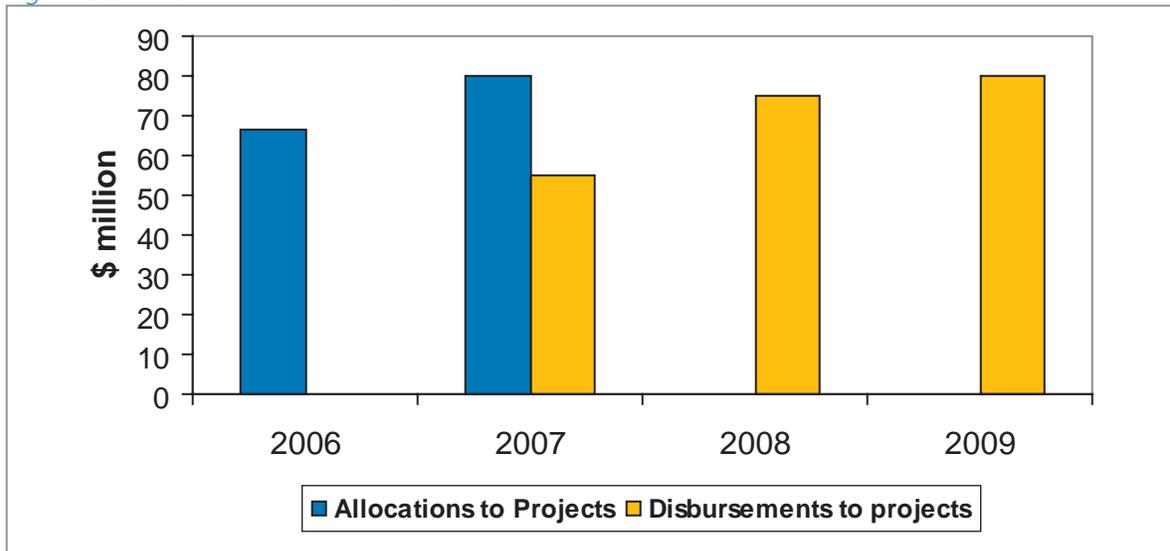
\* Through pre-financing by the GOI

## Outlook

Figure 2.2 shows the expected timing for allocations and disbursements during the lifetime of the Java Reconstruction Fund. All funds will be allocated by 2007 and all funds will be disbursed by 2009. As the graph shows, the majority of the activities are expected to take place in 2007 as 65 percent of total funds are expected to be disbursed by the end of this year.

<sup>18</sup> The project will seek reimbursement of this \$8 million from the JRF once the Government Special Account for this project has been set up.

Figure 2.2: JRF allocations and disbursements



Source: Java Reconstruction Fund



A new generation in front of a transitional house



JRF-donors, project teams and other stakeholders, discussing the projects.



# 3 Lessons Learned and Moving Forward

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## Lessons learned

Some valuable experience has been gained from the recovery efforts in Yogyakarta, Central and West Java. The following points reflect some of the pertinent lessons learned:

- Reconstruction and rehabilitation can be swift and effective where there exists a committed government with good capacity and proven pre-existing program methodologies and approaches. The national government gave reconstruction authority to the two provincial governors providing ownership at the local level. This provided the required on-the-ground knowledge to verify damage assessments and more accurately orchestrate the reconstruction process. It has also enabled the provinces to design localized strategies suited to their respective provinces.
- The existence of the Multi-Donor Fund for Aceh and Nias (MDF)<sup>19</sup> provided an effective structure and secretariat that enabled the rapid establishment of the Java Reconstruction Fund. This trust fund provided a successful funding mechanism that minimized delays in the funding of reconstruction projects and assisted in the more effective coordination of donor funds.
- The community participation planning process used by the government and the JRF when reconstructing houses has delivered positive results to those communities. Satisfaction levels are high as communities take ownership of the process, make consensual decisions on their needs and distribute resources to those most vulnerable.
- The Aceh experience demonstrated the need for transitional housing while permanent dwellings were under development. Of particular success in Java was the pace at which transitional and permanent housing were built. The ability of many home-run small enterprises to resume business activities in transitional shelters whilst their permanent home is under construction has aided those affected to recover their livelihoods more quickly.
- The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) implemented the “cluster approach” for the Java earthquake operation. The model has been lauded as a success as the approach has aided OCHA and the UN to work closely with government ministries and agencies, particularly Bakornas PB, to strengthen their response capacity. Liaison and coordination with local and international NGOs and cluster group members has been beneficial. The output from these clusters has provided valuable input to agencies in developing and implementing projects.  
One challenge that remains is for the clusters to adapt quickly to a rapidly changing environment. Further, to facilitate the progression between the emergency and early recovery phases, consideration could be given to integrating these two cluster groups.
- The World Bank estimates that up to 50 percent of the total financing for Yogyakarta reconstruction may come from private sources, including personal savings and insurance. More research into this area of private financial contributions would enable a better understanding of how to accommodate these funds in future disasters most effectively.

<sup>19</sup> As one of the mechanisms to ensure efficient and coordinated delivery of financial support to Aceh and Nias after the 2004 tsunami, the Indonesian government of Indonesia requested the World Bank to set up a Multi-Donor Fund for Aceh and Nias, which to date represents over US\$500 million from 15 donors.

## Moving forward

Coordination and cooperation between all reconstruction stakeholders will become more important as the reconstruction program progresses. As needs change, working together will ensure that programs are complementary and activities are not duplicated. Strong cooperation is needed to meet the challenges that programs may face in the future, including:

- As the recovery program progresses, the needs on the ground will be constantly changing as evident in the reduction in demand for both transitional shelters and permanent houses. Therefore, it is important that needs assessments are conducted on a regular basis to ensure decisions on programming are based on accurate and up-to-date information.
- There has been insufficient attention on restoring livelihoods that have been lost due to the disasters. The challenge will be to determine how best to use available funds to rehabilitate, for example, small and medium enterprises (SMEs) and the agricultural sector which represent 89 percent<sup>20</sup> and 8 percent of the productive sector damage and losses. This is particularly pertinent to the JRF portfolio, as it plans to direct approximately US\$7 to 11 million towards the livelihoods sector.
- The speed at which housing reconstruction is moving forward also poses challenges. Ensuring quality in the construction of permanent houses has been a real issue in Aceh and Nias, and will certainly prove to be a challenge in Yogyakarta, Central Java and West Java. It is important that strong monitoring and supervision mechanisms are in place to ensure that the houses meet building standards and are earthquake resistant.
- With the risk of further earthquakes and tsunamis occurring in the affected areas, it is important that measures are put in place to reduce the impact of these events on the communities. Therefore, it is essential in disaster risk reduction (DRR) activities are commenced alongside reconstruction activities to ensure that damage to reconstructed assets are minimized from future catastrophes.
- Despite a strong housing reconstruction program, there are no programs that repair lightly damaged structures. These buildings remain unstable and it is essential that this issue be tackled in a timely manner. One of the reasons Yogyakarta suffered such enormous loss was due the poor structural state of the houses. To ignore the fate of damaged structures puts these households at further risk from continued seismic activity.

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20 Damage and Losses Assessment



A window to the world, from a transitional house

# 4 Annex

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Annex 1: Summary of Yogyakarta reconstruction financing<sup>21</sup> by sources of funds

Rp. billions	Government				Multilateral			Others		TOTAL
	APBN	Prov. APBD	District APBD	JRF	World Bank	Others	Bilateral Donors	NGOs		
<b>Social Sector</b>	<b>530.0</b>	<b>136.3</b>	<b>42.0</b>	<b>0.0</b>	<b>72.6</b>	<b>0.2</b>	<b>63.4</b>	<b>131.8</b>	<b>976.4</b>	
Health	54.8	10.1	19.5	0.0	5.4	0.0	18.1	19.3	127.1	
Community, culture and religion	48.3	0.2	2.1	0.0	44.0	0.0	2.3	0.4	97.2	
Education	426.9	126.0	20.5	0.0	23.3	0.2	43.1	112.2	752.1	
<b>Infrastructure and Housing</b>	<b>5,262.8</b>	<b>58.8</b>	<b>40.8</b>	<b>520.0</b>	<b>171.1</b>	<b>11.1</b>	<b>2.8</b>	<b>112.9</b>	<b>6,180.2</b>	
Housing	5,214.8	58.7	1.4	520.0	160.5	0.0	0.0	97.9	6,053.3	
Transport and communications	48.0	0.1	38.9	0.0	10.6	0.0	0.0	0.0	97.6	
Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Water and sanitation	0.0	0.0	0.5	0.0	0.0	11.1	2.8	15.0	29.4	
<b>Productive Sectors</b>	<b>344.2</b>	<b>53.2</b>	<b>8.8</b>	<b>0.0</b>	<b>35.5</b>	<b>4.8</b>	<b>25.9</b>	<b>6.8</b>	<b>479.2</b>	
Industry and enterprises	242.0	47.4	0.1	0.0	24.6	2.8	25.9	6.2	348.9	
Trade	69.8	0.2	7.6	0.0	0.0	0.0	0.0	0.4	78.0	
Tourism	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	
Agriculture	32.3	5.7	1.1	0.0	10.9	2.0	0.0	0.3	52.2	
<b>Cross Sectoral</b>	<b>8.4</b>	<b>3.3</b>	<b>25.4</b>	<b>0.0</b>	<b>10.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>47.8</b>	
Environment	8.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.4	
Governance and administration (incl. land)	0.0	3.3	25.4	0.0	10.1	0.0	0.0	0.7	39.5	
Bank and finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Not Yet Specified</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>104.8</b>	<b>0.0</b>	<b>0.0</b>	<b>145.2</b>	<b>0.0</b>	<b>250.0</b>	
AUSAID allocation to social, water and sanitation, and productive sectors	0.0	0.0	0.0	0.0	0.0	0.0	145.2	0.0	145.2	
JRF not yet allocated by sector	0.0	0.0	0.0	104.8	0.0	0.0	0.0	0.0	104.8	
<b>Grand Total (Rp billion)</b>	<b>6,145.3</b>	<b>251.6</b>	<b>117.0</b>	<b>624.8</b>	<b>289.4</b>	<b>16.0</b>	<b>237.3</b>	<b>252.2</b>	<b>7,933.6</b>	
<b>Grand Total (US\$ million)</b>	<b>682.8</b>	<b>28.0</b>	<b>13.0</b>	<b>69.4</b>	<b>32.2</b>	<b>1.8</b>	<b>26.4</b>	<b>28.0</b>	<b>881.5</b>	

Source: Java Reconstruction Fund

21 Reconstruction funding excludes the substantial contributions made by UN agencies, the JRF and international community towards the early emergency phase of the recovery program or for transitional housing.

## Annex 2: Summary of West Java tsunami assessment of damage and losses – Ciamis district

Given the importance of damage in the district of Ciamis in West Java, the limited availability of data and the short time-frame to establish a rational assessment, the detailed analysis of damage and losses in August 2006 was confined to the Ciamis district only, as follows:

Sector	Damage	Losses	Total damage and losses	Damage	Losses	Total damage and losses
Rp billion			US\$ million			
Housing	81.9	1.0	82.9	9.0	0.1	9.1
Infrastructure	40.2	9.3	49.6	4.4	1.0	5.4
Social	5.9	3.8	9.6	0.6	0.4	1.1
Economic and other	153.2	564.9	718.0	16.8	62.1	78.9
<b>Total</b>	<b>281.2</b>	<b>578.9</b>	<b>860.1</b>	<b>30.9</b>	<b>63.6</b>	<b>94.5</b>

Source: Government of Indonesia & World Bank Assessment, based on ECLAC methodology, August 2006

### Annex 3: Results Framework for the Java Reconstruction Fund

	Design Summary	Indicators and Targets	Monitoring Mechanism
	<b>Purpose of the JRF/ PDO</b>	<b>Outcome Indicators and Targets</b>	
	<p>To respond to the most basic needs to adequate user satisfaction (men/women) of the households affected by the earthquake/tsunami in terms of rebuilding housing, recovering livelihoods<sup>22</sup> and increasing preparedness to future possible disasters.</p>	<p>Remaining number of households still in transitional shelter. (Target is 0 by 2009).</p> <p>Number of beneficiary households (men/women headed) in 60 villages in Yogyakarta-Central Java and West Java that</p> <ul style="list-style-type: none"> <li>(i) occupy their reconstructed houses. Target of the 18,000 permanent houses to be reconstructed by 2009; 30%, 60% and 80% to be occupied by 2007, 2008 and 2009 respectively.</li> <li>(ii) express satisfaction that their most basic, post-disaster needs on housing and livelihoods have been adequately met. Target by 2009 is 90% of beneficiary households are satisfied. Target is 90% beneficiary satisfaction.</li> <li>(iii) express satisfaction with quality, awareness of improved building techniques and relevance of rebuilt house. Target 90%.</li> </ul> <p>Number of beneficiary households (headed by women/ men) affected by the earthquake/ tsunami that demonstrate a higher level of preparedness to future possible earthquakes (as evidenced by clear understanding of safety behaviors to be adopted).</p>	<p>Independent assessment e.g. UN-Early Recovery Cluster Group.</p> <p>Permanent housing project<sup>23</sup> will report by end of 2007, 2008, and 2009, based on independent survey by Ministry of Public Works.</p>

<sup>22</sup> Impact indicators on livelihood to be added as livelihoods project/s are developed.

<sup>23</sup> permanent Housing and Community, Infrastructure Project

	Design Summary	Indicators and Targets	Monitoring Mechanism
		<b>Output Indicators</b>	
1	<p><b>Recovery of Settlements</b> Reconstruction of 18,000 houses to higher anti-seismic standard for settlements affected by the earthquake/ tsunami in Central Java, Yogyakarta and West Java.</p>	<p><b>Transitional Housing</b> Number of beneficiary households that receive good quality transitional housing that will lead to permanent housing. Target for August-2007 is 24,000,</p> <p>Number of transitional housing constructed. Target for August-2007 is 24,000.</p> <p>Percentage of transitional housing constructed that are occupied. Target is 100% for August-2007.</p>	<p>Monthly report by Permanent housing project MIS<sup>24</sup>, and transitional housing<sup>25</sup>'s report and independent survey</p>
		<p><b>Permanent Housing</b> Number of well functioning housing community groups formed. Target for 2007 and 2008 is 70% and 100% respectively.</p> <p>Number of good quality community plans developed. Target for 2007, 2008, and 2009 is 30%, 70% and 100% respectively.</p> <p>Number of houses owned by both women and men are rebuilt and meet satisfactory basic technical quality as well as seismic-resistant standards. Target for 2007, 2008, 2009 is 10,000, 15,000 and 18,000 respectively.</p> <p>Level of beneficiary (men/women) awareness of entitlements, and need for improved construction.</p> <p>Percentage of houses rebuilt using legal timber. Target is 100% in 2007, 2008 and 2009.</p>	<p>Permanent housing project to report quarterly from January 2007- December 2008.</p>

24 JRF Grant for Transitional Housing Project by International Organization for Migration (IOM).

25 JRF Grant for Transitional Housing by Cooperative Housing Foundation (CHF).

	Design Summary	Indicators and Targets	Monitoring Mechanism
		<p><b>Community Infrastructure</b> Number and type of key community infrastructure completed.</p> <p>Percentage of targeted villages that have restored basic community infrastructure. Target for 2007, 2008 and 2009 is 30%, 70% and 100% respectively.</p>	
2	<p><b>Recovery of Income Generating Activities.</b> Re-starting critical productive activities that have been affected by the earthquake/ tsunami and both men and women benefit equitably.</p>	<p>Number of beneficiaries (male and female headed households) are successfully re/starting their productive activities.</p> <p>Number of women and men targeted for training activities.</p> <p>Percentage of activities that prove sustainable (as assessed 6 months and/ or 12 months after support has been provided).</p>	Project/s to be determined.
3	<p><b>Disaster preparedness</b> Pilot on earthquake/ tsunami preparedness.</p>	<p>Number of emergency preparedness plans prepared.</p> <p>Number and types of emergency preparedness projects implemented.</p>	Permanent housing project MIS will track and report annually.
4	<p><b>Permanent housing project MIS will track and report annually.</b></p>	<p>Number and volume of grants for housing and livelihoods rehabilitation Overall and sectoral disbursement rate</p>	Secretariat to track and report





Republic of Indonesia



European Commission



Netherlands



United Kingdom



Canada



Finland



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