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Report No. 32716-ID

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED MULTI DONOR TRUST FUND FOR ACEH
AND NORTH SUMATRA GRANT

IN THE AMOUNT OF US\$ 28.50 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR THE

RECONSTRUCTION OF ACEH LAND ADMINISTRATION SYSTEM PROJECT

June 22, 2005

**Rural Development and Natural Resources Sector Unit
East Asia and Pacific Region**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 25, 2005)

Currency Unit = Indonesian Rupiah
IDR 1,000 = US\$ 0.105
US\$ 1 = IDR 9,470

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONIMS

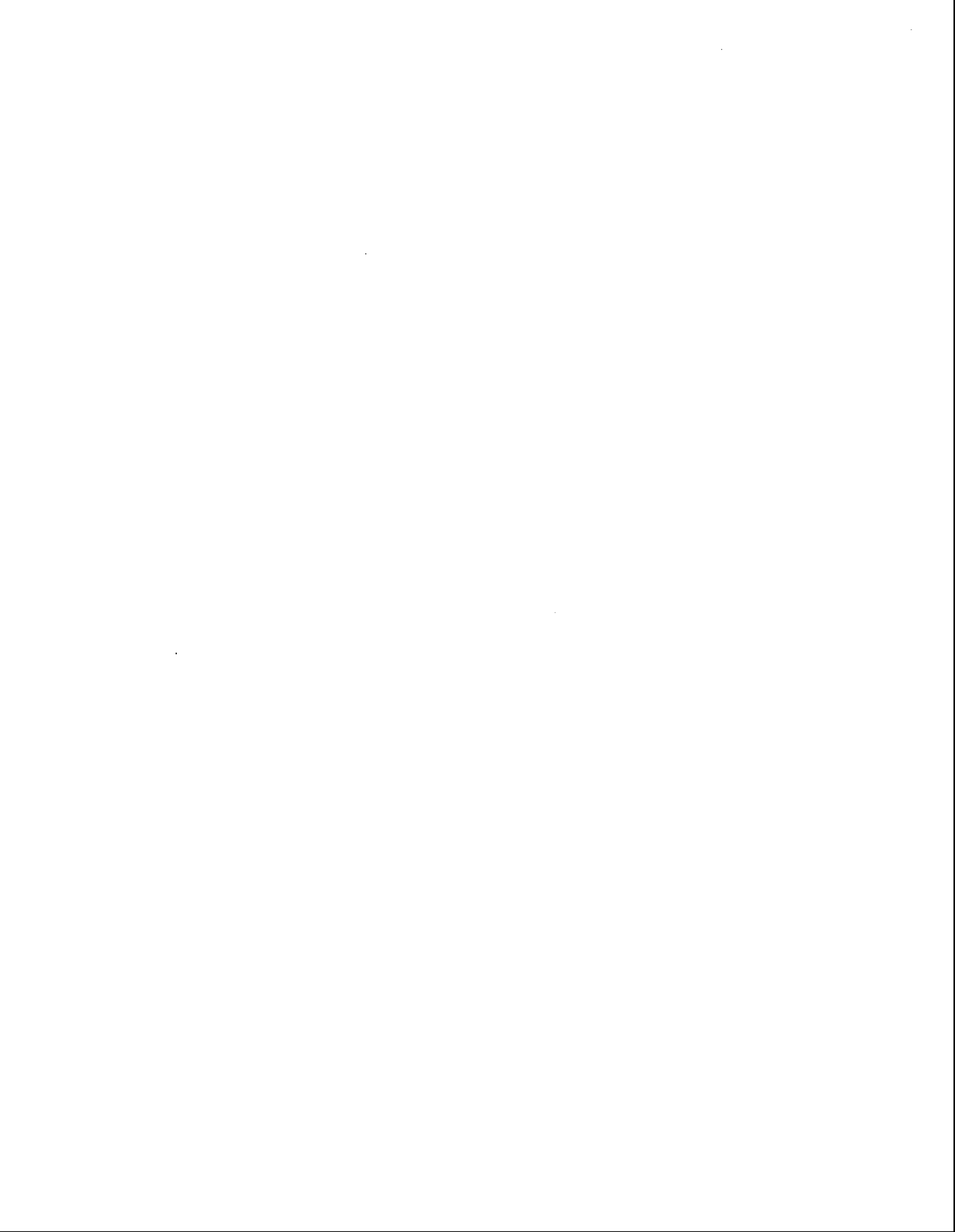
AusAID	Australian Government Overseas Aid Program
AWP	Annual Work Plan
Bapel	Aceh Reconstruction Agency (also called BRR)
Bappenas	National Development Planning Board
BPK	Supreme Audit Agency
BPKP	Development Finance Controller
BPN	National Land Administration Agency
BRR	Bureau for Rehabilitation and Reconstruction for Aceh and Nias
CDA	Community-Driven Adjudication
CQ	Selection based on Consultants' Qualifications
CSO	Civil Society Organization
DIPA	Daftar Isian Proyek Pusat (Approval for Release of Funds)
EIA	Environmental Impact Assessment
FMR	Financial Management Report
GAM	Free Aceh Movement
GOI	Government of Indonesia
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IC	Individual Consultants
IDA	International Development Association
JICA	Japan International Cooperation Agency
KDP	Kecamatan Development Program
KPK	National Anti-corruption Commission
LAPI	Land Administration Project I
LCS	Least Cost Selection
LMPDP	Land Management and Policy Development Project
MDTFANS	Multi-Donor Trust Fund for Aceh and North Sumatra
MOF	Ministry of Finance
NBF	Not Bank Financed
NCB	National Competitive Bidding
NGO	Non-Government Organization
NS	National Shopping
PCAR	Procurement Capacity Assessment Report

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PMM	Project Management Manual
PMU	Project Management Unit
PIU	Project Implementation Unit
QBS	Quality-Based Selection
QCBS	Quality and Cost Based Selection
RALAS	Reconstruction of Aceh Land Administration System Project
RFP	Request For Proposal
SFB	Selection under a Fixed Budget
SOE	Statement of Expenditure
SSS	Single-Source Selection
TA	Technical Assistance
TNI	Indonesian National Army
UN	United Nations
UNDB	United Nations Development Bulletin
UNDP	United Nations Development Program
UPP	Urban Poverty Project
UN-Habitat	United Nations Human Settlements Program
USAID	United States Agency for International Development
YIPD	Foundation for Aceh Governance and Development Program

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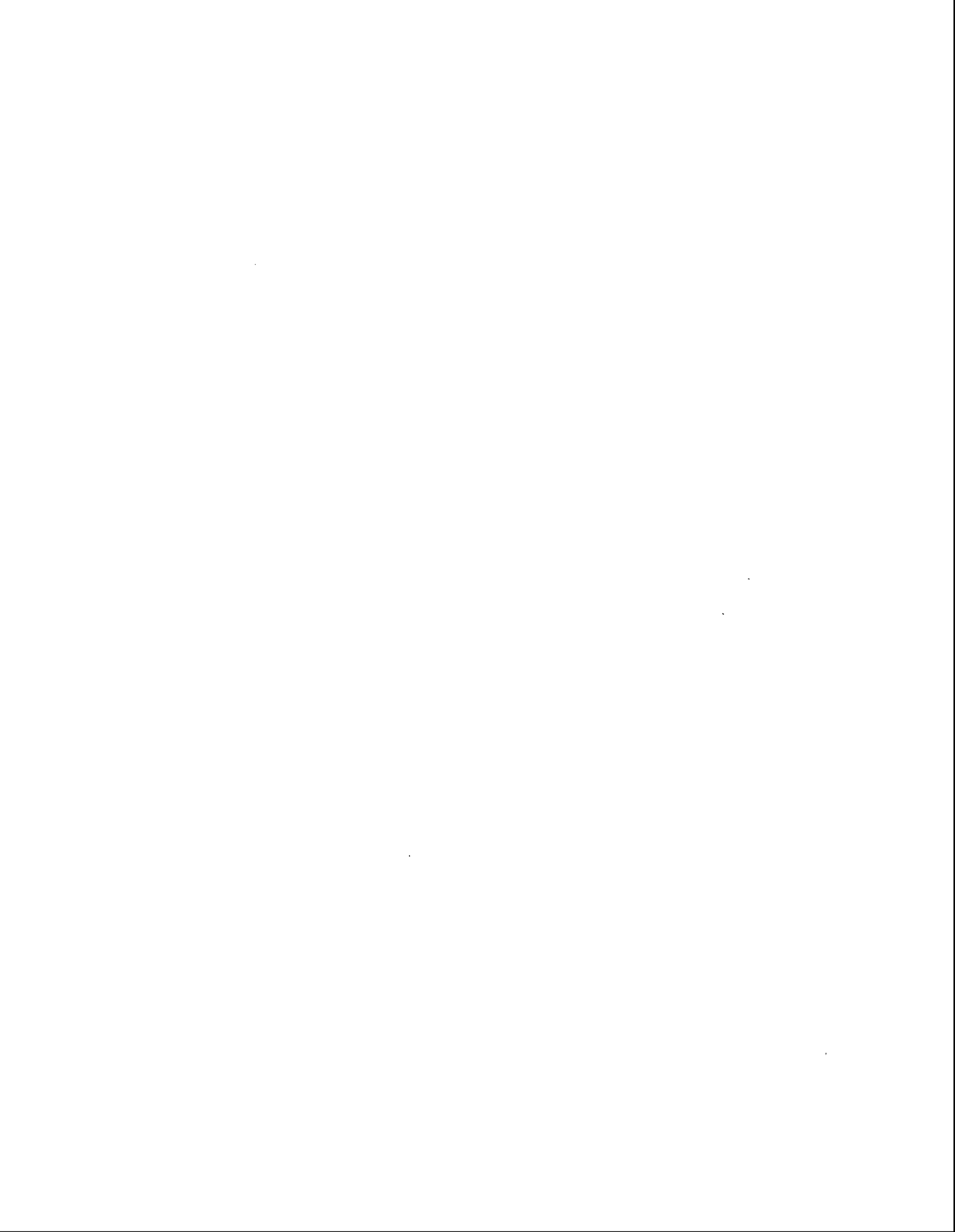
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**INDONESIA
RECONSTRUCTION OF ACEH LAND ADMINISTRATION SYSTEM PROJECT**

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INDONESIA

Reconstruction of Aceh Land Administration System Project

PROJECT APPRAISAL DOCUMENT

East Asia and Pacific

EASRD

Date: June 22, 2005 Country Director: Andrew Steer Sector Director/Sector Manager: Mark D. Wilson/Rahul Raturi Project ID: P095883 Lending Instrument: Emergency Recovery Loan	Team Leader/ Co-Team Leader: Wael Zakout/Keith Bell Sectors: Central Govt. Admin (100%); Themes: Land Administration and Management (P) Environmental Screening Category: Partial Assessment Safeguard Screening Category: Limited Impact			
Project Financing Data				
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:				
Total Project Costs: US\$28.5 million MDTFANS Grant Amount: US\$ 28.50 Government Contribution: N/A				
Financing Plan (US\$m)				
Source	Local	Foreign	Total	
Borrower				
MDTFANS	18.50	10.00	28.50	
Total	18.50	10.00	28.50	
Grant Recipient: The Republic of Indonesia				
Responsible Agency: National Land Agency (BPN)				
Address: Jl. Sisingamangaraja No. 2, Jakarta, Indonesia				
Contact Person: Dr. Lufthi Nasution, Chairman, BPN				
Tel: (62-21)-722-8723/3, Fax: (62-21)-726-7531				
Estimated disbursements (CY/US\$m)				
CY	2005	2006	2007	2008
Annual	5.00	11.00	8.00	4.50
Cumulative	5.00	16.00	24.00	28.50
Project implementation period: Start: July 1, 2005 End: July 1, 2008				
Expected closing date: December 31, 2008				
Does the project depart from the CAS in content or other significant respects? [] Yes [X] No				
Does the project require any exceptions from Bank policies? [] Yes [X] No				
Have these been approved by Bank management? [] Yes [X] No				
Is approval for any policy exception sought from the Board? [] Yes [X] No				
Does the project include any critical risks rated "substantial" or "high"? [X] Yes [] No				

Does the project meet the Regional criteria for readiness for implementation? [X]Yes [] No

Ref. PAD

Project development objective **Ref. PAD: Part II - Para 1**

The proposed project is to improve land tenure security in Aceh after the devastation caused by the tsunami and the destruction of evidence of ownership. The specific objectives of the proposed project are: (i) to recover and protect ownership land rights of the people in the affected and surrounding areas; and (ii) to rebuild land administration system.

Project description [*one-sentence summary of each component*] **Ref. PAD: Para II – Para 2**

Component A: Reconstruction of Property Rights and Issuance of Land Titles (US\$22.10 million): The objective of this component is to reconstruct the land administration records system in the tsunami-affected provinces and to recover the property rights of both formal, and informal land holders

Component B: Reconstruction of BPN Institutions in Aceh (US\$3.9 million): This component will supports the reconstruction of BPN facilities and its human resource base in Aceh.

Component C: Project Management (US\$2.5 million): The objective of this component is to support BPN's Aceh provincial office to implement the project in an efficient and transparent way.

Which safeguard policies are triggered, if any? **Ref. PAD: Part IX**

Environmental Assessment (OP/BP/GP 4.01)

Involuntary Resettlement (OP/BP 4.12)

Significant, non-standard conditions, if any, for: **Ref. PAD: Executive Summary**

Nil

Loan/Credit Effectiveness:

- BPN establishes a Project Implementation Unit and Appoints a Project Manager with skills and qualifications acceptable to the Trustee;
- BPN issues a revised adjudication regulation to lower the requirements for documentary evidence, since many people lost most of their documents (such as personal ID, tax receipt, etc);
- BPN and Ministry of Finance (MoF) issue a circular exempting the tsunami affected people from paying tax and fees for the replacement/issuance of land titles;
- CDA Manual, acceptable to the Trustee, has been issued by BPN; and
- A financial Management Manual and an Adjudication Manual, acceptable to the Trustee, have been issued by BPN.

Executive Summary

The earthquakes and tsunami which struck Indonesia and several other countries in the Indian Ocean region on December 26, 2004, resulted in one of the worst natural disasters in recorded human history. Indonesia bore the major brunt of the disaster. In Aceh and North Sumatra, the disaster left more than 230,000 people dead or missing, caused an additional 700,000 homeless, washed away hundreds of communities, collapsed many local governments, and devastated normal social, economic, and political life in the affected area.

The damage to property rights and land administration system is severe. The nature of the destruction, combined with the large death toll, has wiped out any marks on the ground which defines property rights, land boundaries and people's memory of the location of these boundaries. Furthermore, the destruction of land books and cadastral maps in several land offices will make the reconstruction of property rights even more difficult. In addition, several land offices were either completely destroyed or structurally damaged. In Banda Aceh alone, the land office lost 41 staff, approximately, one third of its staff.

This widespread destruction has resulted in significant insecurity in land and property rights. After suffering huge economic and emotional losses from the tragedy, for many people, land may be the only thing of value they may still have. There is a risk of land grabbing, particularly in urban areas where the communal traditions are weak, and opportunists seek to take advantage of others' misery. Almost immediately after the disaster, many survivors started to install marks on sites where previously their houses had stood – a behavior symbolizing worries over the security of their land and property rights. However, physical demarcation of the possessory rights is not sufficient and these rights require both physical marking and official recording (registration) by the government to ensure its legality and security. Land rights recovery and protection clearly should be an urgent and priority task tackled.

Linkage with Other Reconstruction Projects. The RALAS project is proposed as part of a group of four projects, which have the overriding objective of accelerating the process of community rehabilitation in Aceh. The restoration of the land administration system and land rights of communities is an essential first step in this process of rehabilitation, which is also closely linked to the proposal presently being finalized for the provision of housing for the affected communities. Separately, two other proposals are being processed for supporting rural and urban communities respectively, in recovering their livelihoods. The preparation of the RALAS project proposal has been closely coordinated with other donors' activities related to land, notably, restoration of land records financed by Japan International Cooperation Agency (JICA), development of aerial photography maps for Aceh, funded by the Government of Norway, as well as programs supported by United Nations Development Program (UNDP), the Australian Government Overseas Aid Program (AusAID) and UN Habitat. The project will help bring consistency to the Community-Driven Adjudication (CDA) process (often referred

to as “community mapping”), working with and supporting the other donors who are working with communities in doing this; and the National Land Administration Agency (BPN) will be able to complete the surveying, titling and registration of communities supported by the other donors, on the same basis as proposed for the project.

The Proposed Project. The overall goal of the proposed project is to improve land tenure security in Aceh after the devastation caused by the tsunami and the destruction of evidence of ownership. The specific objectives of the proposed project are: (i) to recover and protect ownership land rights of the people in the affected and surrounding areas; and (ii) to rebuild land administration system. The project would rely in the first instance on getting active community engagement of the affected communities to help sort out ownership rights, and to initiate the adjudication process. This would be done using facilitators available from existing projects (Kecamatan Development Program - KDP, Urban Poverty Project – UPP, other donors and NGOs financed community mapping), and where these are not available, by hiring using RALAS funding NGOs and other qualified members of civil society. This process would be guided by a manual, to be issued by BPN, which will standardize procedures for communities to follow. The recently established Aceh Bureau of Reconstruction and Rehabilitation Agency (BRR or BAPEL) will help prioritize the phasing of areas where the project would engage. The first priority would be given to areas designated as settlement and housing areas. In doing so, the project will harmonize land parcel inventorying and boundary demarcation to enable housing construction under the proposed Housing Project to be expedited. Service standards have been agreed with BPN, which will be responsible for project implementation, for the completion of survey work and the award of titles. Finally, the project includes provisions aimed at securing transparency and accountability to respond to the concerns on potential corruption and mismanagement. The proposed project will include the following three components:

Component A: Reconstruction of Property Rights and Issuance of Land Titles (US\$22.10 million). The component would provide support for: (i) reconstruction of land records and provision of support to ensure that the recovered documents are usable; (ii) CDA to sort out ownership rights, land boundaries and inheritance issues within the communities, led by the community leaders and with the support from NGOs and facilitators; (iii) surveying and mapping, registration of rights and issuance of title certificates for around 300,000 parcels in tsunami affected areas, and around 300,000 in other urban and low agriculture land that are not affected by the tsunami. Resettlement and housing areas will be completed within 6 month, tsunami affected areas will be completed in 18 months, and the rest will be completed within 3 years; and (iv) assistance in policy, legal and regulatory issues which may potentially slow down project implementation.

Component B: Reconstruction of BPN Institutions in Aceh (US\$2.20 million). The component would provide the support for: (i) reconstruction and rehabilitation of minimum three land offices that were destroyed, structural strengthening and renovation of the remaining land offices, and provision of computer and other necessary office equipment and furniture; (ii) training and capacity building for BPN staff, especially those who are recruited to replace the deceased staff; and (iii) computerization and

development of a back-up system to ensure that all land-related data will have a proper off site back-up so that property rights will be protected in case of another catastrophic event.

Component C: Project Management (US\$1.50 million). This component would include: (i) support to project management to ensure that the project is implemented in a transparent and effective way; (ii) monitoring and evaluation, and complaint handling mechanism; and (iii) technical assistance to project implementation.

The total project costs are US\$28.5 million. Government contribution will include staff salaries which will be around US\$1.44 million. These costs are not included as part of project costs, as the latter only includes the incremental costs associated with the project.

The Adjudication Process. Agreement on the ownership rights, land boundaries, and any inheritance issues will be reached at the community level through CDA, facilitated by community leaders and with the support from NGOs. The project will assist in this process through hiring NGOs in areas identified by Bapel, heading project Steering Committee, as priority for housing and settlements. The process would also be facilitated through support from existing projects (such as UPP and KDP, which are already under implementation in some parts of the affected areas, and will be further expanded with a support planned from the MDTFANS), other donors and NGOs. A CDA manual is being developed through a consultative process between BPN and the NGOs, and will provide guidance to the various NGOs/facilitators, who would also be provided up-front with essential training. A BPN/NGO secretariat was already established to coordinate the CDA activities. BPN will survey the areas after the completion of community driven adjudication and will issue temporary title certificates no later than 30 days after the survey is complete. Full title certificates will be issued no later than 90 days after completion of the survey.

Implementation Arrangements. The BPN will be the agency responsible for project implementation. To ensure local ownership, BPN will manage the project through its provincial office in Banda Aceh and the project manager will be delegated a full authority to manage project activities. Also, to ensure a full coordination with other reconstruction programs, a locally based Steering Committee will be established, chaired by BAPEL, and will include representatives from the relevant national and local government institutions.

Transparency and Accountability. The project includes several layers to ensure full transparency and accountability in all activities carried out under the project. These are: (i) the use of a computerized accounting system to monitor all payments; (ii) the procurement committee will include a member of the Bapel and a civil society representative; (iii) a hotline will be established to receive any complaints with regard to project implementation; (iv) NGOs hired for the CDA will also be used to monitor implementation activities and report to the Steering Committee and the Bank any irregularities.

Effectiveness Conditions. To ensure that project implementation starts as quickly as possible, the following are the effectiveness conditions:

- BPN establishes a Project Implementation Unit and Appoints a Project Manager with skills and qualifications acceptable to the Trustee;
- BPN issues a revised adjudication regulation to lower the requirements for documentary evidence, since many people lost most of their documents (such as personal ID, tax receipt, etc);
- BPN and Ministry of Finance (MoF) issue a circular exempting the tsunami affected people from paying tax and fees for the replacement/issuance of land titles;
- CDA Manual, acceptable to the Trustee, has been issued by BPN; and
- A Financial Management Manual and an Adjudication Manual, acceptable to the Trustee, have been issued by BPN.

Key Agreements Reached During Appraisal. Key agreements reached during appraisal are outlined in this project appraisal document and the draft grant agreement. These include: (i) project design parameters; (ii) pre-implementation activities (outlined above as effectiveness conditions); and (iii) measures to ensure transparency and accountability in project implementation.

Technical Report

PART – I: Background

1. **Overview of Damage to Land Administration System.** The disaster-affected area is about 220 km long and around 5 km wide along the coastline of Aceh and North Sumatra. In Kota Banda Aceh, the tsunami affected area accounts for 70% of the district's geographic area. In Kabupaten Aceh Besar and Kabupaten Aceh Barat, over 90% of their geographical areas were affected by the tsunami. Within the affected area, there was a severe damage to the land administration system:

- **Significant loss of BPN staff:** In Aceh Province, more than forty BPN staff lost their lives, most of them from the Kota Banda Aceh Land Office which suffered about a 30% staff loss;
- **Destroyed and damaged land offices:** Land Offices, including District Land Office in Banda Aceh were completely demolished or damaged at different degrees and need to be rehabilitated;
- **Loss and serious damage of land books:** BPN estimates that about 10% of land books were lost. However, a significant amount of the remaining 90% of land books were found in a critical condition (e.g., flooded with sea water and mud) requiring urgent (within a short period of time) conservation and restoration work. In addition to the land books, there was also a serious loss of other land documents;
- **Almost complete loss of other land documents, including cadastral maps:** BPN assessed that about 80% of land documents were lost, including almost all cadastral maps;
- **Serious shortage of office facilities:** There was a severe damage and destruction of office facilities, and currently, there is a shortage of computers, photocopiers, scanners, digital cameras, printers, and stationery to support urgent record recovery;
- **Damage and disappearance of property rights evidence:** The tsunami destroyed much of the physical evidence of property boundaries. Moreover, the disaster also washed away the witness evidence held in the minds of many of the land occupants, who were among the hundreds of thousands of human lives lost in the tsunami; and
- **Large number of parcels was affected:** Approximately 300,000 land parcels have been affected by the tsunami. These comprise 170,000 urban land parcels and 130,000 rural land parcels. As is the case in many areas of Indonesia less than 25% of land parcels can be expected to be titled. Therefore, of the total number of affected land parcels, approximately 60,000 have been titled (40,000 being urban and 20,000 being rural). It is also estimated that 5% of titled land parcels were mortgaged, and these mortgages have been registered by BPN.

2. Importance of recovery of property rights. The land rights recovery and protection are important and should be conducted as soon as possible for the following reasons. Firstly, *recovering and protecting land property rights will lay a solid foundation for the reconstruction work, spatial planning, compensation, and long-term economic development.* There are already examples of localities where the reconstruction of facilities notably, financed by international donors, was hindered by unclear possessory rights to the land assigned for the construction.

In addition, recovery and protection of land rights is *essential for establishing social justice and ensuring a long-term social stability.* Urgency of this matter is implied by the fact that as time passes, any damaged but remaining physical evidence of land ownership is likely to be destroyed in the general clean-up operations. Moreover, opportunists will begin to make spurious and illegitimate claims over land holdings or rights of vulnerable and disadvantaged group. The most vulnerable groups are widows and children who often cannot effectively defend their rights and hence, their land could be more likely subjected to land grabbing.

For the purpose of protecting both registered and unregistered land rights, special attention should be paid to *safeguarding the rights of vulnerable groups, such as women, children, and orphans.* Most of these vulnerable groups, for many reasons, are in a disadvantageous position for defending their rights.

3. Land rights protection process. Land rights protection has two integral parts. First, protection should be provided to those whose rights were registered before the tsunami. Property rights should be revalidated and confirmed, with new title certificates to be issued to those landowners. Second, an equally important, but more difficult issue is concerned with occupiers of lands, whose possessory rights were not registered and now require protection. Although their possessory rights were not registered within the government's land records, in reality, they have actually held possessory (or occupancy) rights to land, which has been widely accepted and mutually recognized by the community.

4. Initiated activities. Already, a number of Civil Society Organizations (CSOs) have started the process of community-driven adjudication in the affected areas. These activities should be better coordinated, results further verified and the determined rights formalized by the government.

The recovery of the retrieved documentation and cadastral mapping has been also initiated, with the support of international donors (e.g., governments of Japan and Norway). This work has to be continued and enhanced through necessary additional efforts in order to fully rehabilitate and strengthen the land administration and management system in Aceh province.

PART - II. Detailed Project Description

1. The objectives of the proposed project are:
 - (i) to recover and protect ownership land rights of the people in the affected areas; and
 - (ii) to rebuild land administration system
2. The project will consist of the following components and activities:

Component A: Reconstruction of Property Rights and Issuance of Land Titles (US\$22.10 million)

The objective of this component is to reconstruct the land administration records system in the tsunami-affected provinces and to recover the property rights of both formal, and informal land holders. The project will support: (i) reconstruction of land records damaged by tsunami; (ii) community-driven adjudication, public awareness and participation; (iii) surveying, mapping and adjudication of land parcels to enable property rights to be registered and certificates of title to be distributed to land holders or their heirs; and (iv) preparation of new regulations, laws and decrees to support the expedient implementation of the project.

Approximately 300,000 land parcels have been affected by the tsunami. These comprise 170,000 urban land parcels and 130,000 rural land parcels. As is the case in many areas of Indonesia less than 25% of land parcels can be expected to be titled. Therefore, of the total number of affected land parcels, it can be assumed that approximately 60,000 have been titled (40,000 being urban and 20,000 being rural). It is also estimated that 5% of titled land parcels were mortgaged, and these mortgages have been registered by BPN.

Sub-component A.1: Reconstruction of BPN's Land Records (US\$0.5 million)

The tsunami damaged all of BPN's land records that were stored in the various province and district land offices. All of these records were paper-based and stored on the ground floors of the respective buildings. Severe damage was sustained by all land register books (which hold the title certificate records) and all cadastral land parcel plans. Unfortunately, all of the cadastral index maps, showing land parcels were irretrievably damaged. No duplicate copies of these index maps are held outside of the offices. BPN has received initial support from JICA, which has initiated the recovery of damaged land books retrieved from the Banda Aceh land office. Almost fifteen tones of records have been airlifted to Jakarta for stabilization, and are currently stored in a freezer awaiting a special chamber for controlled vacuum drying. The situation regarding land records is further complicated by the destruction of almost all title records held by land owners, the majority of whom are now deceased.

Over the next 12-15 months, the records to be recovered will be specially treated and cleaned to enable digital reproduction using mounted 8 megapixel cameras. JICA funding will provide for only the initial freezing of the documents until June 2005.

The project would support: (i) additional storage fees in the special freezer beyond that funded by JICA, at least 3 months from June to September 2005; (ii) reproduction of all necessary paper-based working documents to enable BPN to provide its land administration services; (iii) development of a computerized land records management system, which will hold all of the imaged documents produced during the JICA-funded recovery operation; (iv) any additional measures necessary to retrieve and use the land record documentation.

Sub-component A.2: Community Driven Adjudication/Community Awareness and Participation (US\$2.20 million)

Broadly speaking, CDA (what is commonly called “community mapping”) is a bottom-up approach to establish agreement among the community members in the presence of community leaders on the legal owners of land parcels, to demarcate boundaries, and also to sort out the inheritance issues in case the legal owner is deceased. The situation is complicated by the very large loss of life, more than 70% of the population in many areas, and the destruction of the physical evidence of land occupation boundaries such as walls and fences. CDA has already started in some districts of Aceh. This process has emerged either through support from CSOs or the communities themselves. At present it is not widespread and is undertaken in an ad-hoc manner.

To streamline this CDA process and develop a common understanding of its procedure, a CDA Manual will be prepared in the coming weeks in close consultation with CSOs, community and religious leaders, and BPN. By doing so, BPN can move speedily to adjudicate, survey, map and register property rights and boundaries after CDA is completed.

The project will also dovetail on the existing KDP program in rural areas, and the UPP program in urban areas, to increase the scope of such participatory approach to adjudication.

To ensure that the confidence, support and morale of the community is maintained, it is essential that a public awareness and information campaign, which targets communities and addresses concerns with regard to protection of the property rights is carried out.

The project will support: (i) preparation of a procedures manual for CDA; (ii) training of at least 50 facilitators, or local CSOs to support the community participation and adjudication, and to interface with BPN surveying and land registration staff; (iii) ongoing community awareness and education programs including the preparation of public relations and information; (iv) provision of materials such as information collection proformas, pre-tsunami satellite image maps for the communities; (v) supply of ground

markers for community “mapping”; and (vi) provision of support and training to CSOs to work on CDA in other priority areas.

CDA could also be initiated by other donors, CSOs and other World Bank-financed projects. Likewise, these initiatives will follow the agreed manual and will be coordinated with the Bapel and BPN. It was agreed that BPN will send the surveying and adjudication teams no later than 30 days after the completion of CDA, and that land titles will be issued no later than 90 days from the beginning of the surveying work. In order to enable BPN to meet this timeline, CSOs, and other organizations need to inform BPN of the villages they work in, and expected completion date of the CDA. A detailed description of the CDA is provided in Part IV of this document.

Sub-component A.3: Surveying and Mapping, Registration of Rights and Issuance of Title Certificates (US\$19.20 million)

The priority of effort for providing security of property rights will be: (i) Priority 1 – areas designated as settlement and housing areas, including areas necessary for the construction of public buildings such as schools, hospitals and government offices (estimated at 100,000 parcels); (ii) Priority 2 - all other tsunami affected areas (estimated at 200,000 parcels); and (iii) Priority 3 – land areas immediately adjacent to tsunami affected areas (estimated at 300,000 parcels).

Already, BPN has purchased a small amount of pre-tsunami satellite imagery and test-produced maps at a scale of 1:3,500. It is assessed that suitable pre-tsunami satellite imagery, when ortho-rectified, will reliably produce 1:5,000 scale maps, which would provide a positional accuracy of about 1 meter.

The European Union will fund the provision of very high resolution color pre-tsunami satellite imagery and also technical assistance for 2 weeks. The imagery is expected to be supplied in late June 2005. In addition to this, the project will fund further imagery or aerial photography as its necessary for implementation.

The project will support: (i) acquisition of suitable high-resolution pre-tsunami satellite imagery to prepare maps to support BPN’s mapping, surveying and adjudication for reconstruction of the land administration system and to also prepare maps to be provided for CDA; (ii) adjudicate community to prepare a complete official inventory of land parcels, parcel boundaries and land holders; (iii) survey all land parcels and produce digital cadastral records and index maps necessary for the land administration system; (iv) validate CDA and distribute land titles for previously titled land and also informal lands for which legitimate possessory rights can be claimed; (v) additional land surveying, geodetic infrastructure, mapping and imagery to support post-tsunami reconstruction of affected and adjoining areas, (vi) hiring of contract staff, allowances; (vii) payment of allowances and travel expenses for BPN staff to be re-deployed to Aceh and North Sumatra; and (viii) procurement of any private sector surveying and mapping services.

Sub-component A.4: Policy, Legal and Regulatory Support (US\$0.2 million)

The policy and regulatory framework for land administration framework is being reformed under the Land Management and Policy Development Project (LMPDP), approved by the Bank Board of Directors in 2004. However, this legal framework is one which provides the governance under normal circumstances. The challenges facing both the government in dealing with post-tsunami reconstruction of the land administration system and recovery of property rights require extraordinary measures to ensure that “red-tape” is minimized to enable a more rapid response and one that compassionately deals with the needs of the people who have suffered. Because of the need for streamlining, the existing framework requires specific tsunami responses to enable the reconstruction to proceed.

There are many areas that may require policy or regulatory support including: (i) clarification of inheritance in accordance to the Syariah law; (ii) treatment of mortgages of properties already destroyed by the tsunami; (iii) waiver of fees and charges for land titling for tsunami-affected areas; (iv) public notification periods; and (v) surveying regulations.

The project would support the provision of consulting services to undertake analysis and provide options to BPN and the project Steering Committee

Component B: Reconstruction of BPN Institutions in Aceh (US\$3.9 million)

The impacts of the tsunami on BPN has severely affected its capacity not only to respond to the needs of the community following the disaster itself, but to actually deliver its normal land administration services and fulfill its lawful responsibilities. At least 41 BPN staff died in the tsunami. As a result, BPN now has insufficient capacity. In addition, three BPN buildings have been destroyed and others have been severely damaged. The damage and destruction of buildings has also seen the destruction of computing and communications equipment, software, furniture and vehicles.

This component will support the reconstruction of BPN facilities and its human resource base in Aceh through: (i) construction of new land offices to replace the ones destroyed by the tsunami, and the repair/renovation the offices damaged by the tsunami and subsequent earthquakes; (ii) provision of the necessary furniture, computing and communications equipment, software and vehicles to support reconstruction work as well as normal land administration service delivery; (iii) training and capacity building of BPN staff to support the implementation of the project and the on-going land administration services provided by BPN; and (iv) development of a back-up off-site storage system and procedures for the land records.

Sub-component B.1: Reconstruction of Facilities and Provision of Equipment and Furniture (US\$3.2 million)

Three BPN Land offices have been destroyed. These are located at: (i) Kota Banda Aceh (including staff guest house); (ii) Kabupaten Aceh Besar; and (iii) Kabupaten Simelue (island). In addition, many of the district land offices were severely damaged and require structural strengthening.

All buildings to be constructed will meet international standards for earthquakes and will be constructed to ensure that vital equipment and records is above the tsunami flood levels. Buildings to be renovated will be structurally assessed by professional engineers, and structurally enhanced to meet international earthquake structural standards.

The proposed project will support: (i) design and construction of minimum three new BPN offices (the final number of buildings to be reconstructed will be determined after the structural assessment of the damaged facilities); (ii) renovation and structural strengthening (if needed) of other BPN offices; (iii) provision of furniture, computer and communications equipment, software and other necessary office equipment to all offices.

Sub-component B.2: Training and Capacity Building (US\$0.3 million)

About 30% of BPN staff died in the tsunami. The majority of surviving staff have lost families, their homes and belongings. As a result, BPN now has insufficient local capacity to respond to the implementation of this project and also to continue to provide normal land administration services. In order to strengthen the entire structure of the land offices to cope with the increased demands of the implementation of the project, the government plans to recruit and train new staff and deploy trained staff from other regions, and employ new personnel who will need to be trained. Temporary staff may also need to be hired and trained to meet the needs of the reconstruction efforts.

The project will support: (i) the training of staff and contractors; (ii) preparation of training materials and conduct of training courses; and. (iii) consultant services.

Sub-component B.3: Computerization and Development of Back-up System (US\$0.4 million)

A major impediment to the recovery of property rights and the reconstruction of the land administration system has been the destruction of the one and only land records system by the tsunami. This must never be allowed to happen again. Paper-based records systems are susceptible to all forms of disasters, including tsunamis. They require significant storage space. The key outputs of the recovery of land records under component A will be digital land records and a computerized land records management system. The back-up system must also be computerized, and include safe off-site storage to ensure that the loss of information can never recur.

The project will support: (i) development and implementation of a computerized back-up system for land records management, including off-site storage; (ii) development of a procedures manual; (iii) training of staff; and (iv) other additional requirement to ensure implementation of the system.

Component C: Project Management (US\$2.5 million)

The objective of this component is to support BPN's Aceh provincial office to implement the project in an efficient and transparent way. The component will include the following sub-components:

Sub-component C.1: Project Management Support (US\$1.5 million)

This sub-component will finance all expenses of the PIU including the cost of contract staff, relocation allowances of government staff, travel costs, furniture, equipment, and the cost of the financial management and administration system established in the PIU to manage the project. The sub-component will also finance the expenses of the PMU to support the project.

Sub-component C.2: Monitoring and Evaluation (US\$0.3 million)

This sub-component will finance the monitoring of the adjudication and surveying process to ensure that the entire process is transparent and no corruption transpires during the CDA, and the surveying and adjudication. The sub-component will finance a hotline to be operated by an independent private operator who will receive community complaints through phones and letters. The private contractor will log all complaints and submit it to the PMU and the Steering Committee.

Sub-component C.3: Technical Assistance (US\$0.7 million)

This sub-component will finance short-term international and Indonesian technical assistance to the PIU to implement the project.

PART – III: Implementation Arrangements

1. Project Costs

A. Reconstruction of Property Rights and Issuance of Land Titles	
A.1 Reconstruction of BPN's Land Records	0.50
A.2 Community Driven Adjudication	2.2
A.3 Surveying and Mapping, Registration of Rights and Issuance of Title Certificates	19.2
A.4 Policy, Legal and Regulatory Support	0.2
Subtotal	22.10
B. Reconstruction of BPN Institutions in Aceh	
B.1 Reconstruction of Facilities and Provision of Equipment and Furniture	3.2
B.2 Training and Capacity Building	0.3
B.3 Computerization and development of back up system	0.4
Sub-total	3.9
C. Project Management	
C.1 Project Management Support	1.5
C.2 Monitoring and Evaluation	0.3
C.3 Technical Assistance	0.7
Sub-Total	2.5
Grant Total	28.5

Government contribution will include staff salaries which will be around US\$1.44 million. These costs are not included as part of project costs presented above, as the latter only includes the incremental costs associated with the project.

PART – IV: Community Driven Adjudication and Relationship With Other Bank - And Mdtfans-Funded Projects

1. **How Will RALAS Reconstruct Property Rights?** Delays in reconstruction and rehabilitation of tsunami-affected areas has given rise to “community-mapping”, often facilitated by NGOs and CSOs, to enable identification and demarcation their respective land parcels to enable re-building. This informal process has generally involved facilitation of community agreement on land ownership and the positioning of parcel boundaries. People desire to rebuild on and without dispute of ownership, location or extent of the land parcels that they occupied prior to the tsunami. It is recognized that the outputs of “community mapping” of property rights has no legal status. Legality can only be provided through the formal adjudication, cadastral surveying and registration by the national land agency BPN.

The challenge facing all reconstruction and rehabilitation for the tsunami-affected areas, is to be able to expedite implementation, whilst at the same time protecting and restoring legitimacy of property rights to land owners both living and deceased. In the case of the deceased, the rights of heirs must also be protected, especially the direct descendents such as widows and children who lack any wealth or livelihood.

Clearly, the priority is to enable people to commence rebuilding houses, and for related infrastructure services to be able to be constructed, whilst ensuring property rights are secured. BPN's legal responsibilities for land registration are to be seen as supporting reconstruction and rehabilitation and not being an impediment.

For this reason, RALAS will regularize "community-mapping" into a process called CDA. Through CDA, the communities themselves will prepare inventories of land owners (or heirs of land owners) and demarcate boundaries. BPN will support CDA through: (i) issuance of a CDA manual which standardizes procedures for communities to follow and outputs to be provided; (ii) provide support materials for communities to use to in "inventorize" ownership and demarcate boundaries; (iii) train agencies such as NGOs and CSOs to facilitate the "community mapping"; (iv) coordinate implementation of CDA to meet the Bapel priorities. Prior to CDA being undertaken in any programmed community, BPN will demarcate all roads and sections of land parcels to provide a reliable ground framework for "community mapping" to be undertaken. Upon notification by a community that it has completed its "community mapping", BPN will within a period of no longer than 30 days ensure that the land parcels are officially surveyed and adjudicated. Within a period of 90 days, title certificates will be issued. BPN will not title any parcels which are in dispute by the community.

2. **Retrospectivity for Already Completed Community Mapping.** Where "community mapping" has already been undertaken, BPN will act retrospectively to adjudicate, survey and register. This is basically analogous to the current situation for systematic titling under LMPDP and formerly Land Administration Project I (LAPI).

3. **Unsuitable Land Parcels.** It must be recognized that in some circumstances "community mapping" may have been undertaken on land parcels which are not suitability for housing. These parcels may be subject to inundation, be wholly or partially submerged or for some other reason be unsuitable. The decision to build or not build is not for BPN to determine.

4. **Community Spatial Planning and Land Consolidation.** BPN's immediate responsibility is to reconstruct property ownership and land boundaries as they existed immediately prior to the tsunami. This is also BPN's legal responsibility. In some cases it may desirable to propose changes to the spatial planning of communities in order to improve the quality of life or public safety. However, before such changes are made, the pre-tsunami land ownership status and property rights must be resolved through CDA, and subsequently further community consultation and agreement and government determination on any spatial planning design. Clearly, once community agreement and government determination is given to newly designed roads and parcel boundaries, BPN would formalize the survey and registration of these.

5. **Land Disputes.** RALAS will establish procedures for dispute resolution. RALAS will not register ownership over parcels which are in dispute. Also, where errors are identified in the community agreements on ownership and boundary demarcation,

BPN will endeavor to resolve using available records and pre-tsunami satellite imagery and air photography, which in the majority of cases clearly show boundary positions of all tsunami-affected parcels. BPN expects to recover 90% of land parcel records that were damaged by tsunami waters which clearly identify ownership and boundaries. (However these cover only about 20% of all affected land parcels.)

6. **Recovery of Property Rights to Support Other Programs.** Security of property rights is a key issue for all four of the first group of MDTFANS reconstruction projects and also for reconstruction and rehabilitation efforts being supported by other donors and NGOs. BPN under the RALAS project will train CDA facilitators to work with other projects to ensure that the outputs of community-mapping from these efforts can be readily processed by BPN.

7. **KDP.** The Community Recovery in Rural Areas project, in addition to the KDP will support full restoration of community infrastructure in 200 kecamatan (up to 3,000 villages), recapitalization of up to 6,000 micro-enterprises and training of thousands of villagers. KDP is progressively establishing a network of facilitators for its program. These facilitators will support CDA by disseminating information about the land project reconstruction, and ensuring that CDA facilitators engage with the correct village community leaders and village religious leaders. KDP facilitators will be trained by BPN to ensure that KDP community-mapping outputs will be meet BPN requirements. Where required, BPN will provide additional facilitators to support KDP facilitators in the undertaking of community-mapping. It is expected that KDP's expansion to all rural areas will provide the most effective approach to community-mapping of rural localities.

8. **UPP.** The Community Recovery in Urban Areas Project, in addition to UPP, will rehabilitate and develop community-based infrastructure in 352 kelurahan through the construction of roads and bridges, schools, water supply and sanitation, community buildings, and drainage. RALAS will harmonize with the implementation of UPP. UPP will have a network of facilitators who will receive CDA training from BPN to facilitate land parcel "inventorization" and boundary demarcation. These facilitators will work with UPP facilitators, as required, to ensure that community-mapping is completed in accordance with BPN requirements.

9. **Community Based Settlement Rehabilitation and Reconstruction Project for NAD and NIAS.** As part of the Government's larger settlement reconstruction strategy, this two-year program is financing the construction of 20,000 new houses and rehabilitation of 30,000 damaged houses along with related infrastructure in one thousand communities. The Housing Project is working closely with UPP. BPN will train CDA facilitators to undertaking community mapping in the project communities. RALAS will harmonize with land parcel "inventorization" and boundary demarcation to enable housing construction to be expedited. Where community mapping has already been completed, BPN will retrospectively to survey, validate and register property rights.

10. **Other Reconstruction Programs Supported by NGOs and CSOs.** A number of other donors, NGOs and CSOs are supporting "community-mapping" to enable them to fund housing. These include UNDP, UN-Habitat, USAID-financed Foundation for

Aceh Governance and Development Program (YIPD), and AusAID. These agencies are prepared to receive CDA training to ensure their “community-mapping” outputs are submitted to BPN for adjudication and survey. As with other programs, BPN trained facilitators will work with existing facilitators to ensure that the outputs from community-mapping meet BPN requirements. Any work already completed by facilitators supported by these agencies will be retrospectively processed by BPN.

PART – V: Implementation Arrangements

1. The responsibility for project implementation will be vested with BPN. A PIU will be established in the provincial BPN Office in Banda Aceh, which will be responsible for coordinating project implementation. The PIU in Aceh will be headed by highly qualified and motivated manager, who has been involved previously with LAPI or LMPDP projects. The PIU will include some staff from Aceh as well as staff experienced in procurement, financial management, and other project related aspects, who will be seconded from the LMPDP PMU.

The Project Manager will be fully authorized to sign payments, contracts, purchase orders, and travel authorizations. The LMPDP project financial manual, after some modifications, will be used for the implementation to ensure transparency and accountability in all financial transactions. Furthermore, the project procurement committees will include, in addition to BPN members representatives of the Bapel and of civil society, as selected by BPN and agreed by the Steering Committee.

LMPDP Director will also serve as the Director of the Project. This will ensure necessary link between the LMPDP project and the Aceh project since the two of them will follow similar financial management and procurement procedures, and to share lessons from the two projects. The LMPDP PMU will provide support to the PIU.

A locally based Steering Committee will be established to ensure full coordination with the Bapel, local governments, and other national government institutions. The PIU manager will ensure that selection of areas is determined in consultation with the Steering Committee. The Chair of the Steering Committee will be the Head of the Bapel or his/her designee, and the Deputy Chair will be nominated by BPN. BPN will provide the Steering Committee Secretariat. BPN will also serve as the Steering Committee Secretariat. Composition of the Steering Committee will be further determined by the Bapel and BPN. The PIU will submit a monthly report summarizing progress and issues to the Steering Committee. A copy of the report will be submitted to the Chairman of BPN and the World Bank.

2. **Risks.** The project has four identified risk areas: (i) **Capacity of BPN.** The project is relatively complex and has rather short implementation period. BPN in Aceh has lost 41 trained staff in the tsunami and will need to be able to respond to the demands of community driven adjudication in a timely manner. This risk will be mitigated by training new staff, using private sector for surveying and mapping, and redeploying of

trained BPN staff from other provinces. This risk is assessed as medium. (ii) **Capacity of the CSOs and community leaders to facilitate the community driven adjudication process.** Because of the wide spread devastation and the large number of people who died, the project will depend on the ability of community leaders with the help of CSOs to organize the surviving members of the community to agree on ownership rights, parcel boundaries, and resolve inheritance issues. Titling will only be done in communities who completed this process to avoid social conflicts. This risk will be mitigated by training CSOs and community facilitators to work and train community leaders. Also, the existing frameworks of the on-going community-driven Bank programs such as KDP and UPP will be utilized in organizing the communities to agree on land rights before titling can take place. This risk is assessed as medium. (iii) **Security and conflict in Aceh.** This is an external risk to the Project. The risk will be mitigated by working in areas where conflict does not occur and by carrying out the activities closely with the Aceh communities. (iv) **Potential for Corruption.** There are significant opportunities for corruption to occur during implementation. Demands for informal fee payments by government and contract staff, and community leaders are possible. The risk is assessed as high. In addition to the standard financial management and procurement requirements, the risk will be mitigated by: (i) opening the procurement committee to members outside BPN, including representatives of civil society; (ii) external monitoring of project activities by CSOs and community members; and (iii) establishment of a complaints hotline and a clear complaints handling procedures.

PART – VI: Social Issues Arising From Tsunami And Related To Land

1. In the aftermath of the disaster, the geography and social structures has changed and the land control and ownership has become a crucial issue not only for the national reconstruction efforts but also at an individual level, for the survivors who need to recover their livelihoods.

There are parts of the affected communities which are particularly vulnerable and which need to get a special attention in the recovery process, including property rights of these groups. The vulnerable populations are especially the widows and orphaned children. Sadly, they are potentially the first victims of land grabbing.

During the appraisal mission, the mission undertook a quick social analysis to identify the social issues arising from the impact of the earthquake and the subsequent tsunami, to determine how these issues are affecting property rights, and the options available in the context of the project to address them. The mission identified three critical social aspects that affect decisions on property rights: (i) inheritance aspects, especially that many members of the community have died; (ii) potential land conflict, not only outside the family structure, but also within the family; and (iii) rights of surviving widows and children, some of which were adopted outside the community.

2. **Inheritance.** So far, the tsunami has resulted in an estimated 100,000 inheritance cases. Within three months of re-opening the Syariah court (based on a religious law) in Banda Aceh, close to 6,000 inheritance-related cases were already filed.

Although Syariah law is mandated for resolution on inheritance cases amongst Muslims (per the local law since Aceh has a special autonomous status), the practice and interpretation of the law varies across the affected areas. The roles of inheritance were discussed in a workshop held in April 2005 among 600 Ulama Leaders (religious leaders), it was agreed to use a common interpretation of the Syariah law on inheritance to ensure that it is applied consistently across Aceh. The interpretation will be included in the CDA manual.

There are two specific elements that were agreed to ensure the proper application of the Syariah law. These are:

- (i) Village chief and Ulama would be included in the determination of the rightful heir(s).
- (ii) Village level “bait al maal” (treasury) will be the trustee to manage unclear inheritance. This land will be used by the entire community. In case a legal inheritor has been found, the land will be transferred in accordance to the Syariah law.

3. **Ownership and rights of the surviving widows and children.** The head of Syariah court estimated that there are around 10,000 children orphaned by the tsunami and some of them could lose their inheritance rights (according to Syariah) if there is no proper protection system. In order to protect the rights of the orphaned children and widows, it was agreed that:

- (i) A village would utilize the existing administrative and religious leadership structure in the village to protect the rights of the vulnerable groups. This structure includes the village chief, Ulama as well as the representatives of the community.
- (ii) The village council should establish a form of custodianship for underage inheritors. The custodian of the child could be overseen by the surviving relatives and village council. The land title will be issued in the name of the deceased parents and the property will be transferred to the surviving child after the child reaches the legal age.
- (iii) Disseminate basic rights of widows and children under the Syariah Law according to the adjudication manual.

4. **Potential for Conflicts.** There is a high likelihood that some conflicts will occur. This could include conflict over boundaries, ownership, inheritance, and between individuals and government.

In order to address this potential conflict, it was agreed to:

- (i) Create a clear information and communication strategy that taps on various actors such as NGOs, civil society organizations and the local media.
- (ii) Village council should be encouraged to mediate the disputes among the neighbors. A clear and accessible process for resolving disagreements and handling complaints would be established as part of the CDA manual.

To ensure that ownership rights, demarcation of boundaries and inheritance issues will be agreed at the community level with no intervention of government, the proposed project would support CDA in which local leaders will be trained to facilitate a process in which community members, in the presence of community leaders agree on the land rights, boundaries between neighbors, and any inheritance issues. CDA could be also supported by other donors, local and international CSOs. In order to ensure consistency during CDA process, a manual will be prepared through a consultative process between BPN, CSOs, selected community and religious leaders. The manual will be completed before the start of the project.

PART – VII: Procurement Arrangements

1. **General.** Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. The general description of various items under different expenditure category is included below. For each contract to be financed by the Grant from the Multi-Donor Trust Fund, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Grant Recipient and the Bank project team in the Procurement Plan. This plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. **Special Procurement Provisions.** Considering the emergency nature of the project and to accelerate the procurement process and provide more business opportunity for local/regional contractors and suppliers, the advertisement or specific procurement notices for NCB will allow for a minimum of 15 (fifteen) days for preparation and submission of bids, and shall be published in a newspaper of national circulation as well as in a newspaper of regional circulation.

3. **Procurement of Works.** Works procured under this project, would include: construction and rehabilitation/renovation of six BPN offices in Aceh province. The procurement will be done using the Bank's Standard Bidding Documents (SBD) for all ICB and National SBD agreed with (or satisfactory to) the Bank. The contracts are relatively small (ranging from US\$24,000 to a maximum of US\$700,000 equivalent per contract) and contracts that will cost US\$100,000 equivalent or more but less than

US\$1,000,000 equivalent per contract will follow NCB procedure, while contracts for simple works which are less than US\$100,000 equivalent per contract will follow Shopping procedure. Any contract with a cost of US\$1,000,000 equivalent or more (not expected) will be awarded through ICB procedure. A model bidding document for NCB and Shopping which have been developed under LMPDP and approved by the bank will be used.

4. **Procurement of Goods.** Goods procured under this project would include: (a) pre-tsunami orthorectified satellite imagery/maps; (b) survey equipment; (c) ground markers for survey; (d) office equipment (IT and communication equipment) and furniture. The procurement will be done using Bank's SBD for all ICB and National SBD agreed with (or satisfactory to) the Bank. Procurement of goods with a value at or above US\$200,000 equivalent per contract (not expected) will follow ICB procedure. Procurement of goods with the value at or above US\$25,000 but less than US\$200,000 equivalent will follow NCB procedure in which any interested foreign suppliers shall be allowed to participate. Procurement of goods with the value of less than US\$25,000 equivalent per contract will follow Shopping procedure.

5. **Procurement of Non-consulting Services.** These services are related to works for cadastral surveys, mapping and data conversion. There will be contracting of many local small survey teams and mapping. The procurement for these services will follow NCB procedure. Agreed SBDs for these works developed by BPN under LMPDP and agreed by the Bank will be used.

6. **Selection of Consultants.** Consultant services will be required to assist in the project implementation which include: (a) reproduction and digitalization of paper based working documents; (b) development and implementation of computerized land records management and back-up systems; (c) preparation of manual and training material for Community Driven Adjudication (CDA); (d) support for land policy, legal and regulatory matters; (e) design and supervision of civil work construction; and (f) consultants for training and capacity building of BPN in Aceh province. Contracts are small and it is expected that only one package which is estimated to cost at US\$200,000 equivalent. Short lists of consultants for services estimated to cost less than US\$400,000 equivalent per contract may be composed entirely of qualified national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. Certain technical training of staff will engage universities and training institutions, and public campaign or awareness activities about the project prior to the actual land adjudication will engage local community based organizations (CBO). Considering the small contracts and emergency nature of the project, the selection of consultants will follow CQS and IC (individual consultants) methods, and for specific training and engagement with local CBO, SSS method may be used with prior approval from the Bank.

7. **Assessment of the agency's capacity to implement procurement.** Procurement activities will be carried out by BPN Aceh Provincial Office (Kanwil BPN Nangroe Aceh Darussalam) in Banda Aceh as the implementing agency. A Project Implementing Unit (PIU) will be established which will be responsible for coordinating project

implementation. The PIU in Aceh will be headed by highly qualified and motivated manager, who has been involved previously with LAP-I or LMPDP projects. The PIU will include some staff from Aceh as well as staff experienced in procurement, financial management and other project related aspects, who will be seconded from LMPDP PMU, without affecting adversely LMPDP implementation. It was agreed that the LMPDP Director will also serve as the Director of the project. This will ensure necessary link between the LMPDP project and the Aceh project since the two of them will follow similar financial management and procurement procedures, and to share lessons from the two projects. The LMPDP PMU will provide support to the PIU. The LMPDP project financial and procurement manuals (including SBDs for works and goods), after some modifications related to the emergency nature of the project and the new Financial and Treasury Laws, will be used for the implementation to ensure transparency and accountability in all financial transactions. Furthermore, the project procurement committees will include, in addition to BPN members, representatives of other agency/institutions and of civil society, as selected by BPN and agreed by the a locally based Steering Committee. Their roles and selection process will defined in the project manual. The establishment of the Steering Committee will ensure full coordination with the Bapel, local governments and other national government institutions.

8. An assessment of the capacity of the Implementing Agency to implement procurement actions for the project has been carried out during the appraisal mission on May 2–12, 2005. The assessment reviewed the organizational structure for implementing the project and the interaction between the project’s staff responsible for procurement officer and the Ministry’s relevant central unit for administration and finance.

9. Most of the issues/ risks concerning the procurement component for implementation of the project have been identified and include legal aspects, procurement cycle management, organization and function, support and control system, records keeping, staffing, general procurement environment and private sector assessment where in general the conditions are poor. The corrective measures which have been agreed are: (i) The LMPDP Director will also serve as the Director of RALAS project; (ii) a Steering Committee to oversee and monitor the project will be established prior to Grant effectiveness; (iii) experienced/qualified procurement and financial staff from Central BPN will be seconded to Kanwil BPN Aceh before Grant effectiveness; (iv) training of Kanwil BPN Aceh staff on procurement and financial will be provided at the earliest opportunity; (v) tender committees will include members from other independent agency/institutions/civil society to enhance transparency and accountability; (vi) LMPDP Project Management Manual (which include financial management and procurement manuals), after some modifications, will be used for the implementation to ensure transparency and accountability in all financial transactions. The overall project risk for procurement is high. More detailed information the assessment of the agency’s capacity is provided in a separate report.

10. **Procurement Plan.** The Grant Recipient, at appraisal, developed a Procurement Plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Grant Recipient and the Project Team on May 12, 2005 and is available at Kanwil BPN Nangroe Aceh Darussalam, Banda Aceh, and BPN,

Jl. Sisingamangaraja No. 2, Jakarta. It will also be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

11. **Frequency of Procurement Supervision.** In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended at least once every six months supervision missions to visit the field to carry out post review of procurement actions.

12. **Details of the Procurement Arrangement Involving International Competition.**

A. **Goods and Works and Non-consulting Services**

- (a) List of Contract Packages which will be procured following ICB and direct contracting: None is expected
- (b) ICB Contracts estimated to cost above US\$200,000 for goods and US\$1,000,000 for works per contract (not expected) and all direct contracting will be subject to prior review by the Bank.

B. **Consulting Services.**

- (a) List of Consulting Assignments with short-list of international firms: None is expected to include international firms as contracts are small, i.e., less than US\$200,000 equivalent per contract.
- (b) Consultancy services estimated to cost above US\$100,000 equivalent per contract for firms and above US\$50,000 equivalent per contract for individual consultants, and all Single Source selection of consultants (firms) will be subject to prior review by the Bank.
- (c) **Short lists composed entirely of national consultants:** Short lists of consultants for services estimated to cost less than US\$400,000 equivalent per contract, may be composed entirely of qualified national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

PART – VIII: Financial Management And Disbursement Arrangements

1. **Overview.** The Executing Agency for the Trust Fund will be the National Land Agency (BPN). The project management unit will be managed by the same unit which implements LMPDP. The LMPDP project management manual (PMM) will be modified

for the trust fund purposes, especially for reconstruction activities. Since the project activities for the trust fund are mostly similar to the loan project, except reconstruction of Land Office.

The financial management assessment should take into account the loan project assessment as a whole, included a risk on adequacy of BPN staff on project accounting in Aceh. A conclusion on the previous assessment stated “Although BPN as the lead implementing agency has had prior experience in managing Bank financed projects, it is anticipated that weak implementation and financial management capacity in the regions will impose special challenges. Based on these factors, financial management risks inherent in the project entity have been rated as substantial.

2. **Accounting and Reporting.** The accounting system and procedures will follow the government accounting system. The specific accounting procedures for the project’s activities will be included in the Project Management Manual. The Project Management Unit in BPN, will maintain separate accounting records, on cash basis, PMU in BPN Jakarta will responsible to prepare a consolidated financial report and submit to the Bank on quarterly basis.

3. **Audit Arrangements**

4. **External Audit.** The project management unit in BPN will prepare and produce consolidated project financial statements. The format of annual financial statement will be the same as financial statement in the FMR. The audit for the financial statement will be carried out by independent auditor acceptable to the Bank. The annual audit report will be furnished to the Bank no later than six months after the end of the government’s fiscal year.

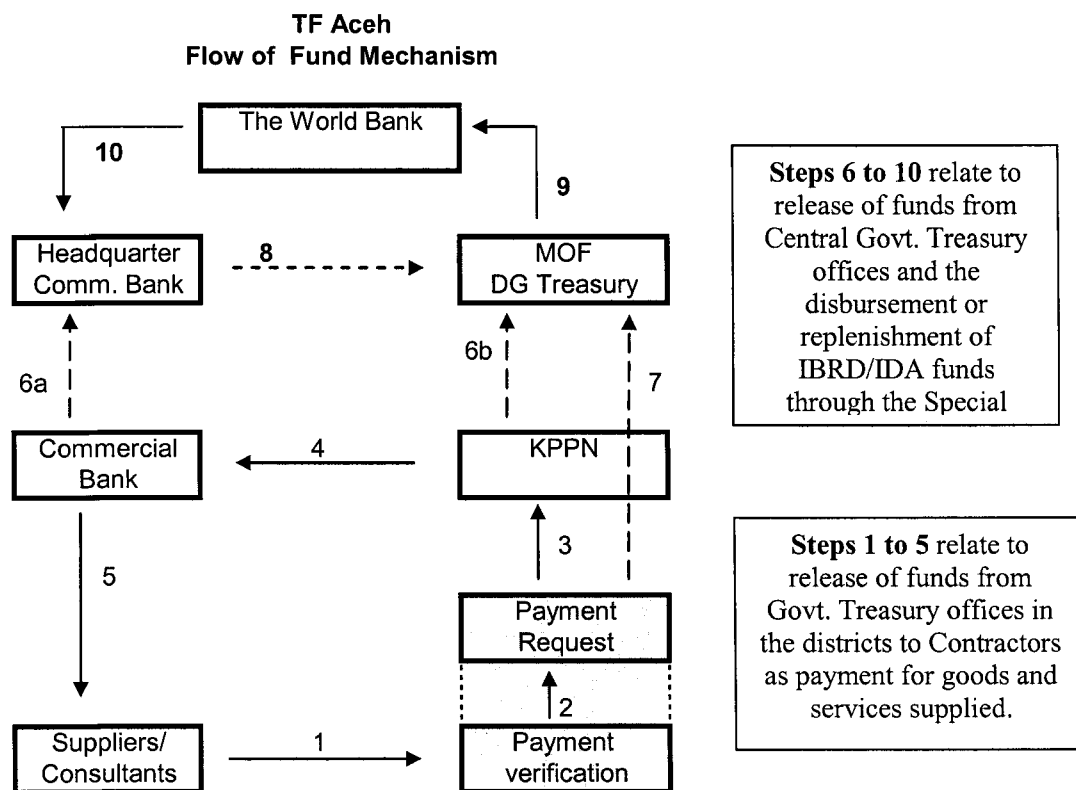
5. The audit assignment will be in accordance with the agreed Terms of Reference. The annual audited financial statement will include a review and reconciliation of Special Account transaction and quarterly FMRs. The audit report will be accessible to the public.

Audit Report	Due Date
Project Financial Statement	A single annual Audit Report, six months after FY closed

6. **Disbursement Arrangements**

Flow of Funds. The project will follow the standard government flow of funds mechanism, which is acceptable to the Bank. All expenditures funded by this Trust Fund will be budgeted in the annual central government budget. The project manager will be responsible to administer and prepare reports on project activities. The project manager submits their payment requests (SPM) to the nearby Treasury Offices (KPPN) who will issue payment orders (SP2D) to the operational bank; to transfer the money directly to the recipients’ account (supplier/consultant/contractor). The operational bank will debit the project Special Account. Based on SP2D issued, the project management unit prepares a

project financial report which should be submitted to the World Bank on a quarterly basis and used as the basis for disbursement. The flow of fund is depicted in a diagram below.



7. **Special Account.** GOI will establish a Special Account (SA) at Bank Indonesia or State owned commercial government bank denominated in US dollars, with an authorized ceiling in accordance with the standard Bank disbursement procedures. The SA will be under the name of the Directorate General of Treasury (DG Treasury), Ministry of Finance. The DG Treasury shall provide copies of the weekly bank statements of the SA to the project management unit at BPN who will arrange to reconcile the transaction with the financial record. Special Account withdrawal procedures will be followed the governments' procedures which have accepted to the Bank. The project will follow FMR-based disbursement procedures.

8. **Action Plan.** There are three issues that recommended to be completed before implementation commences:

- (a) Preparation of project financial management manual
- (b) Agreement on auditor assigned for audit of project financial statements
- (c) Agreement of format for Financial Management Reports (FMR)

10. Allocation of Grant Proceeds

Category	Amount (in US Million Dollar)	% of Expenditures to be Financed
1. Goods, works & services for Reconstruction of Property Rights and Issuance of Land Titles	22	100
2. Goods, works & services for Reconstruction of BPN Institutions in Aceh	3.8	100
3. Goods and Services for Project Management	2.7	100
Total Grant	28.5	

PART – IX: Safeguard Policies

1. Environmental Safeguards

A quick environmental assessment was undertaken as part of project appraisal. The assessment is based on the earlier thorough assessment carried out during the preparation of LMPDP approved by the Bank Board of Directors in 2004. The study shows that the project is not expected to have large scale, or irreversible adverse environmental impacts. The project is, therefore, classified as environmental Category “B”.

The Project will finance construction of minimum three land offices destroyed as a result of the tsunami and the subsequent earthquakes (the final number of buildings to be renovated will be determined after the structural assessment of the damaged facilities). These offices are small (two to three story office buildings). Environmental Impact Assessment (EIA) of these offices will follow the normal governmental EIA procedures as stipulated by the Indonesian regulations. The project will also finance structural assessment and retrofitting and refurbishing of other offices that were damaged in the tsunami and the earthquakes. EIA for the renovation and retrofitting will also follow the regular requirements.

Reconstruction of property rights will be limited to settlements areas and low agriculture land. Evidence from other land titling programs show that improving security of tenure contributes to more investment in environmental facilities in the urban settings, and more environmental and sustainable use of farming practices in agricultural land. Cadastre maps to be generated as part of the activities related to issuance of titles would be used by

local governments in land use planning and development control, which is important for ensuring proper environmental practices.

2. Social Safeguards

Resettlement Safeguards Policy. Construction of new offices of BPN will be carried out on vacant land acquired by government through commercial transactions. Acquisition of the land for the reconstruction will not involve involuntary resettlement. Therefore, the Resettlement Policy Framework will not apply.

Disputes settlement over land rights and boundaries will be supported as part of CDA, which will be undertaken by CSOs with a support from international CSOs or donors. Land titling will only take place after the consultative CDA is completed and the community agrees on the ownership, and marks on the boundaries of their land are made. Where agreement is not reached, rights will not be registered and titles will not be issued.

To protect the rights of deceased individuals and their survivals, land where no survivors are found will be placed under the trust of Beit Al Mal for 25 years. If within this period legal inheritors are found, this land will be registered to them. If not, ownership of the land will be registered in the name of Beit Al Mal after elapsed 25 years.

Indigenous People. To protect the rights of indigenous people and ensure that customary land rights are protected, land titling will only be issued for land occupied and used individually, and where the community agrees on the rights and boundaries of land. Therefore, the consultation and CDA will always be carried out before land titling can take place.

Cultural Heritage. No private rights will be issued in cultural heritage sites. The project will utilize the list of cultural heritage sites from The Ministry of Culture. The list will be given to the adjudication teams to ensure that no rights legalized in these lands.

Forestry and Protected Areas. The project will not issue titles in forest or protected areas as the titling will be limited to the settlements and low land agriculture areas. Community-driven adjudication as well as maps from the Ministry of Forestry and other relevant agencies will be used to ensure that land titles are not issued in the protected areas or forest land.

PART – X: Complaints Handling And Anti-Corruption Strategy

1. BPN will ensure that project implementation and use of funds are free of corruption through: mechanisms incorporated in project design; strengthening internal controls, and enhancing the release of information about all aspects of project implementation. Internal controls will be strengthened by adopting general safeguards for procurement and financial management. In addition, the following specific mitigation measures will be undertaken: (i) enhanced disclosure provisions; (ii) prevention of forgery, fraud and collusion through the standardization of procurement and financial management processes and documents; (iii) development and monitoring of service standards for the issuance of land titles; (iv) partnership with the Civil Society for the Community-Driven Adjudication (CDA) and independent oversight and feedback; (v) robust complaint handling mechanisms with sanctions in place for corruption, collusion, and nepotism; and (vi) financial accountability through strengthened internal controls on project implementation and payment validation.

2. Mitigation measures

The standard measures to improve procurement and financial management are provided in Part VII and VIII of this document. The specific mitigation measures which would be utilized to reduce corruption are presented below.

3. **Enhanced Disclosure Provisions.** To facilitate external review in general, BPN will pursue an *enhanced disclosure policy*. It will:

- Make publicly available financial audit reports and the mid-term review of components implemented by BPN;
- Make publicly available all annual procurement plans and schedules;
- Make publicly available all bidding documents upon requests;
- Make publicly available all short lists of consultants and, in cases of pre-qualification, lists of pre-qualified contractors and suppliers;
- Disclose to all bidders and parties submitting proposals for specific contracts, promptly after the notification of award to the successful bidder/consultant, the summary of the evaluation report;
- Allow representatives of the end-users of the goods or works being procured to attend the public bid openings;
- Make available a list of all contracts awarded in the three months preceding the date of such request in respect of a project, including the name of the contractor/consultant, the contract amount, the number of bidders/makers of proposals, and the procurement method followed and the purpose of the contract

The project will hold meetings, open to the general public for:

- launching each new project cycle, to popularize the project concepts, explain objectives, detail scope and obtain direct feedback prior to implementation;

- progress reporting, at least once, mid-way through the implementation of each cycle;
- handover/accountability at the end of each implementation cycle.

These meetings will be held at province level and kabupaten level. Consultants and contractors must attend these meetings as presenters. Invitations to these meetings should be provided to the local CSO/NGO forums at least one month beforehand.

The Multi-donor office in Banda Aceh houses an Information Center. The project will prepare spare copies of relevant public information materials, progress reports and audit reports for display and dissemination at this Center.

4. **Prevention of Forgery, Fraud and Collusion through Standardization.** The largest expenditure category under the project would be “Title Development Costs”, including costs of surveying, transport costs and allowances of adjudicators, and land recording and titling. These activities will be systematically replicated at various locations and are, therefore, amenable to standardization. Some of the standard procedures the project would consider are:

- Agreement on the standard wording of advertisements (no changes to be allowed in general provisions during implementation except for provisions specific to a particular procurement).
- Agreement on the list of newspapers, with nation-wide circulation, in which specific advertisements will be placed. The idea is to advertise in national newspapers systematically, removing geographic and other restrictions, permitting greater competition among suppliers.
- Agreement on all standard bidding and contract documents (including for NCB, NS), and request for proposals (for consultancy services), including an agreement that no further changes can be made in the documents without the Bank's prior approval.

5. **Service Standards Development and Monitoring.** For the land-related services BPN land offices continue to provide, service standards will be developed and BPN's performance of these service standards will be monitored. The monitoring of service standards will assist to reduce opportunities for corruption because of greater transparency and greater comparability across locations. BPN agrees to send the surveying and adjudication teams no later than 30 days after the completion of the Community Driven Adjudication, and issue the land titles after 90 days. Also, as part of the public notification process, the list of landowners in each community will be made publicly available. This will list all people who would receive titles, permitting the beneficiaries to find out the status of their application for a title (subject to any privacy consideration).

6. **Costs for Land Titles.** Since MoF is to exempt tsunami-affected victims from all fees and taxes, all services provided to the beneficiaries will be done free-of-charge. This will be monitored throughout the project.

7. **Civil Society Oversight and Feedback.** Because procurement of goods and services is vulnerable to corrupt practices, procurement committees in BPN for project related activities will include a representative of BRR and an *external (non-governmental) member*. In addition, for systematic land titling where 70 percent of project expenditure is planned, civil society oversight and feedback will be maintained through the adjudication teams (AT).

Space will be made available for CSO/NGO representation to join project supervision missions. The CSO/NGO representation will be approved by at least one of the acknowledged CSO/NGO forums based in Aceh province, and be asked to report back to them.

A short, routine updates will be required for the project. These updates will be available from the Information Center and distributed as photocopies and by email.

The team will hold routine meetings with related agencies and civil society organizations in order to explain project progress.

Civil society oversight and feedback will be especially important for the strong groups in society (including TNI and GAM) from pressuring weaker members from society from giving up land.

8. **Complaints Handling Mechanisms and Use of Sanctions.** In the project management structure, a sub-unit within the PMU, will deal with all compliance issues. This sub-unit will ensure that all complaints are recorded and results of the investigations maintained for review. This sub-unit will deal with all complaints related to LMPDP and the RALAS projects. It will establish a reasonable time for dealing with complaints and seek explanations when delays are unreasonable. Anonymous complaints will be treated in the same way as those that can be traced, and in all cases the sources will be kept strictly confidential. It will maintain a hot line and a postal address to make it easier to make complaints. When appropriate, the sub-unit will refer cases to the internal auditor, BPKP (state auditor) or to the Police. If a case is not resolved to the satisfaction of the Bank, it will be reviewed by BPKP who might refer it then for further review by the Office of the Attorney General. The project will engage independent entities annually to undertake technical reviews and identification of lessons learned, monitor service standards of land offices, and report misconduct of adjudication teams.

It is foreseen that a joint complaints handling system for MDTFANS projects. The project-based system will feed into the larger system, and get information from the larger system thus helping ensure greater objectivity in the recording, referral and tracking of complaints handling.

The project management will open their accounts to any special inspections and audits as agreed between the MDTFANS/donor team and relevant agencies, such as the BPK, BPKP and KPK (Anti-corruption Commission). Results of inspections may be made

public. Periodically the Information Center will issue statements concerning progress of audits, investigations and follow-up, including details of any sanctions.

9. **Financial Accountability through Strengthened Internal Controls on Project Implementation and Payment Validation.** Financial accountability for project expenditure will be enhanced by incorporating strengthened internal control procedures, in particular for documenting completion of project activities and validation of payments. In order to help reduce risks of fraud and collusion, existing internal control procedures for each kind of activity, project expenditure and corresponding payment validation procedures will be strengthened based on the following principles:

- (a) Payments to Adjudications teams will be supported by an evidence of number of titles issued by each teams.
- (b) For technical assistance, workshop and training activities, the unit receiving training will be required to certify satisfactory completion before training expenses are fully paid to the external provider. Direct evidence of training imparted, details of participants and expenses documentations for travel incurred will be required before payments to contractors or vendors are authorized (details are included in the Financial Management Manual).
- (c) Documentary trails required for completion of project activities and claims for expenditure will be specified.

Appropriate training, certification and supervision will be required for key officials (in procurement, administration, financial management and disbursement). Similar training will also be extended to civil society organizations that wish to monitor projects.

The Project staff will endeavor to harmonize the efforts above with those of other, and ensure that feedback from communities and civil society reaches the attention of decision makers in government in a timely fashion.

PART – XI: Project Results Summary

Components/Sub-Components (Intermediate indicators)	Results Indicators for Each Component	Use of Results Monitoring
<p>Component A</p> <p>Reconstruction of Property Rights and Issuance of Land Titles</p> <p>A.1 Reconstruction of BPN's Land Records</p> <p>Document recovery and imagery completed.</p> <p>A.2 Community-Driven Adjudication, Community Awareness and Participation</p> <p>Community-driven adjudication manual completed and approved.</p> <p>CDA Facilitators trained.</p> <p>Community awareness program established.</p> <p>A.3 Surveying and Mapping, Registration of Rights and Issuance of Title Certificates</p> <p>Teams are operational, with maps and equipment.</p>	<p>All land records reconstructed and held in digital records management system; by March 31, 2006.</p> <p>Community-driven adjudication is completed in all areas, as follows:</p> <ul style="list-style-type: none"> • Priority 1 areas (100,000 parcels) completed by December 31, 2005. • Priority 2 areas (200,000 parcels) completed by December 31, 2006 • Priority 3 areas (300,000) completed by December 31, 2007 <p>Title distribution completed as follows:</p> <ul style="list-style-type: none"> • Priority 1 areas are completed by June 30, 2006. • Priority 2 areas are completed by June 30, 2007 • Priority 3 areas are completed by June 30, 2008 	<p>Decision on completion of use of a special chamber.</p> <p>Identification of additional requirements.</p> <p>Sequencing of BPN adjudication, surveying and registration.</p> <p>Monitoring of effectiveness of resources in completing priority areas.</p> <p>Further action regarding unresolved areas or disputes.</p> <p>Monitoring of effectiveness of resources in completing priority areas.</p>

<p>A.4 Policy, Legal and Regulatory Support</p> <p>Policy requirements identified.</p>	<p>Policies/regulations implemented.</p>	<p>Decisions on additional policies/regulations to enable smooth project implementation.</p>
<p>Component B Reconstruction of BPN Institutions in Aceh</p> <p>B.1 Reconstruction of Facilities and Provision of Equipment and Furniture</p> <p>New sites selected. Designs completed. Building contracts in place. Reconstruction/rehabilitation completed.</p> <p>B.2 Training and Capacity Building</p> <p>Training course implemented. Staff to be redeployed selected.</p> <p>B.3. Computerization and Development of Back-up System</p> <p>System developed. Training completed. Procedures developed.</p>	<p>Newly constructed land offices fully operational by December 31, 2006.</p> <p>Renovated and structurally strengthened land offices fully operational by March 31, 2006.</p> <p>Training of BPN staff completed July 31, 2005.</p> <p>Redeployment of staff commenced by July 31, 2005.</p> <p>System operational June 30, 2006.</p>	<p>Timing of outfits and equipment. Decisions requiring further construction/renovation/additional equipment.</p> <p>Decisions on adequacy of training; additional training; or training of more staff.</p> <p>Decisions on reliability/completeness/security of system.</p>
<p>Project Component C Project Management</p> <p>C.1. Project Management Support</p> <p>C.2. Monitoring and Evaluation.</p>	<p>Staff hired and trained. Systems operational.</p> <p>Hotline established and complaint response follow</p>	<p>Decisions on additional staff, systems. Need for sub-PIUs and sub-accounts.</p> <p>Decisions on actions to be taken regarding corruption.</p>

<p>C.3. Technical Assistance.</p>	<p>service standards. Procedures established. Audits carried out.</p> <p>TA is operational. Guidance and advise provided to the PIU, PMU and implementing agency.</p>	<p>Decisions on engaging additional TA.</p>
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