Managing the resources for peace

reconstruction and peacebuilding in Aceh

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The need for post-conflict reconstruction in Aceh

Aceh is no exception. Conflict devastated Acehnese life; and economic reconstruction and development are crucial for sustainable peace in Aceh. The thirty-year conflict between the Government of Indonesia and the Free Aceh Movement (GAM) resulted in an estimated 15,000 deaths, the displacement of over 100,000, and widespread trauma. World Bank studies highlight severe economic impacts. Thousands of houses were damaged or destroyed. During the 1989-98 period, 527 schools were burned or destroyed, and an estimated 880 closed due to damage in the first half of 2003 after the collapse of the Cessation of Hostilities Agreement. Twenty-two per cent of village health clinics were damaged by the conflict. Between 11-20 per cent of all transport infrastructure in Aceh was directly damaged by the conflict and similar damage was recorded for water and electricity infrastructure. Lack of maintenance, closely related to the presence of conflict, resulted in even more damage.

Poverty rates unsurprisingly increased significantly, from 14.8 per cent in 1998 to 28.4 per cent in 2004. By 2005, poverty in rural areas stood at 36.2 per cent. Aceh is the only province in Indonesia where poverty rates continued to increase after 2000, turning it into one of the poorest areas of the country despite its abundant natural resources (including large oil and gas reserves). In 1990, Aceh contributed 3.6 per cent to Indonesia’s gross domestic product; by 2001, this had fallen to 2.2 per cent. The conflict seriously reduced inward investment and markets were distorted: 18.5 per cent...
of village markets were damaged and many more were largely empty because farmers were unable to tend their land or travel to the urban centres.

The conflict has its roots in discontent over Aceh’s failure to prosper despite its natural wealth, related to perceptions of exploitation and failed promises by Jakarta. The peace process devolves significant political authority and economic resources to Aceh while ensuring sovereignty remains with the Indonesian state. If this settlement does not result in increased economic prosperity felt locally, there is every chance that over time people will become disillusioned. Anywhere between 15,000 and 25,000 former GAM combatants and civilian members are looking for jobs, with expectations running high. Many other conflict-affected persons feel they are also due some recompense after the conflict, if not a new house, at least the opportunity for salaried employment. However, unemployment was at 12 per cent in 2006. Tackling these problems is imperative if peace is to last in Aceh.

The tsunami of aid

The Indian Ocean tsunami of December 2004, which killed approximately 167,000 in Aceh alone, led to additional devastation. According to a World Bank/Reconstruction and Rehabilitation Agency study, 500,000 lost their homes; 3000 kilometres of roads were impassable; 2000 school buildings were damaged; over 60,000 hectares of farming land was damaged. Yet the tsunami also helped fertilize the seeds of peace that had been sown by Indonesia’s newly-elected President and Vice-President. It provided an additional moral imperative for both sides to find a peaceful solution, further fuelled by the global spotlight suddenly falling on an area previously largely shut off to foreigners.

The tsunami also brought the global aid machine to Aceh. US$ 8 billion of aid (5.3 billion of it from outside of Indonesia) was pledged for reconstruction. By January 2006, some 3645 non-governmental organizations had registered at the United Nations’ compound. Importantly, unlike many post-disaster contexts, almost all the pledged aid has actually arrived. With damage from the tsunami estimated at US$ 6.1 billion, adjusted for inflation, that leaves US$ 1.9 billion for ‘building back better’ including attending to other post-conflict needs. Nor has there been donor fatigue: new commitments continue to arrive, in part driven by hopes from many that Aceh can be a beacon and stimulus for governance reform across Indonesia.

Unusually for a post-conflict situation, the level of resources that can be used for development purposes in Aceh will not fall after the internationals pack their bags. As a result of the 2001 decentralization laws and a subsequent special autonomy law, Aceh already received significant resources from Jakarta. The passing of the Law on the Governing of Aceh (LoGA), which implements many of the provisions of the Helsinki MoU, will result in Aceh retaining 70 per cent of all current and future hydrocarbon deposits and natural
resources in Aceh as well as in the territorial sea surrounding Aceh’ (MoU article 1.3.4). More significantly, given declining oil and gas deposits, the LoGA provides for an extra 2 per cent of the DAU (the discretionary block grant to the regions) to flow to Aceh for 15 years, starting in 2008, and an additional 1 per cent for five years after, provisions included to compensate Aceh for damage from the conflict. In all, the provincial and district government budgets in Aceh are likely to amount to close to US$1.7 billion per year and should remain stable over the next quarter of a century. In stark contrast to countries such as Liberia, Sierra Leone and Afghanistan, lack of resources for economic reconstruction and development should not be a barrier to peace enduring.

Problems with the post-conflict reconstruction effort

Despite the vast resources present in post-conflict Aceh, a number of factors have limited the extent to which development and reconstruction resources are being effective in consolidating peace.

Inequalities between tsunami-affected and conflict-affected areas

First, restrictions on the use of post-tsunami funds have meant that conflict-affected areas have been less likely to get assistance. This has resulted in large geographic disparities, providing a potential basis for future unrest. The vast bulk of aid has been programmed in areas directly affected by the tsunami. The initial mandate for the government’s Reconstruction and Rehabilitation Agency (BRR) was to target only areas directly impacted by the tsunami (two narrow belts of land on Aceh coasts). The Multi-Donor Fund, which pools resources from 15 donors, has also largely limited its projects to such areas: only two of the projects funded to date operate outside the areas directly affected by the tsunami. Most bilateral aid agencies and NGOs have almost entirely focused on tsunami-hit areas.

There are a number of reasons for this. Needs in tsunami areas were great. Given the scale of the disaster, it made sense to focus efforts on these areas first, especially given the fact that the conflict was still ongoing for eight months after the tsunami. Many agencies also felt that their funds were effectively tied. NGOs (who hold around one-third of tsunami reconstruction resources) had appealed for funds from the public on the basis that these would be used for the tsunami response. Some governments felt restricted to using their funds for directly-affected tsunami areas only. The appropriation of funds in the US, for example, was specifically for tsunami reconstruction; it was felt that it would be necessary to return to Congress if these funds were to be used for other purposes.

Yet the restriction of funds to tsunami areas has inadvertently had adverse impacts. As Figure 1 shows, while there are some overlaps between areas affected by the conflict and the tsunami, there are many conflict-affected areas that the tsunami did not directly hit, especially on the east coast and in the central highlands. Needs in these areas are great.

One consequence has been rising inequalities between tsunami- and conflict-affected populations. A recent World Bank assessment shows that poverty rates have almost fallen to pre-disaster levels in tsunami-affected areas; in contrast, in 2005 conflict-affected areas were 44 per cent more likely to be poor than average sub-districts in the province. Conflict-affected infrastructure is built back at half the speed of that damaged by the tsunami. This has an impact at the household level. Per capita consumption is markedly lower in conflict areas, as interviewees attest:

‘There is a gap [in living standards] between the tsunami-affected people and conflict victims. There is a need to focus on the latter’ (NGO, West Aceh district).

“In Nagan Raya district, there are 222 villages. Only 16 were directly affected by the tsunami. The services in the tsunami areas are now very good, while in the non-tsunami areas they are not yet good” (Security Guard, Nagan Raya district).

Specific post-conflict assistance is dwarfed by that earmarked for tsunami reconstruction: around US$230 million for the former, compared to US$8 billion for the latter. This is also resulting in poorer quality assistance in conflict-affected areas. The average house for a tsunami victim now costs around US$8000. In contrast, houses provided by the Aceh Reintegration Agency (BRA) for conflict victims cost US$3500.

Rising inequalities in aid provision are starting to lead to significant tensions on the ground. Local level conflicts are rising, many relating to disputes over who is being targeted for development aid. From March 2007, development disputes have averaged almost thirty per month.

Uneven opportunities for different groups

Second, assistance to different categories of conflict-affected people—combatants, civilian victims, displaced persons—has been uneven. Inequalities in post-conflict aid and access to resources have caused some tensions and may provide a basis for problems later on.
The vast amount of tsunami aid has created expectations from those affected by conflict. Yet certain groups have benefited more than others. Many contractors from elsewhere in Indonesia arrived soon after the tsunami, creating an unfortunate sense for many of Javanese business profiting from Acehnese misery. Among the biggest winners have been those in GAM with high-level connections. The December 2005 local elections resulted in a GAM-affiliated governor and GAM-linked winners in over half of Aceh’s districts. The rise to political power of the GAM elite has led to many new opportunities for educated former combatants. GAM contractor conglomerates have won large contracts. Most notably, former GAM leader Muzakkir Manaf now runs a large contractor firm, PT Pulau Gading. In Aceh Barat Daya district, it is alleged that the District Head has allocated Rp. 12 billion (around US$1.3 million) in contracts to former GAM members.

Others in GAM have received less. One of the greatest challenges of the ‘reintegration programme’ has been the disjuncture between the number of GAM combatants mentioned in the MoU (3000) and the true number on the ground. One result has been that reintegration aid packages have been spread inequitably across GAM members. Both BRA’s assistance to combatants and donor assistance (largely through the International Organization for Migration) has been channelled either through GAM commanders or to lists of combatants provided by them. Combatants with lower status or weaker links to commanders have seen little money. Civilian conflict victims have also had unequal access to assistance. First, those living in tsunami areas are more likely to receive aid (many were victims twice-over, first from the conflict, then from the tsunami). Second, the mechanisms used for distributing assistance to victims risk excluding many in need. As Lina Frödin describes in her article, the BRA has been through several different approaches to targeting them, causing much confusion.

Experience in development programming in places emerging from conflict across the world has shown how perceived inequalities in assistance can lead to fresh conflict. Studies have also shown how community-based approaches – which provide space for communities themselves to decide on resource allocations, and which contain social controls that can help minimize resource capture – are much less likely to lead to violent conflict. Unfortunately, after the suspension of the previous victims programme, these approaches have not been used extensively in Aceh.

**Lack of capacity and transition strategy**
The third major problem with the post-conflict reconstruction effort in Aceh is the relative lack of attention paid to developing strategies for transitioning from immediate assistance to longer-term conflict-sensitive development programming.

Aceh is unlike most former conflict-affected areas in that it lies within a middle-income state with internal sources of funds, operating markets, and a functioning bureaucracy that extends to the local level. The post-disaster and post-conflict aid machine is much less used to operating in such contexts than in places such as Sierra Leone or Sudan. In Aceh, the government has remained in control of the tsunami and post-conflict reconstruction effort, with internationals playing a supporting role. When the extra LoGA resources come on stream, government financing of development in Aceh will far outstrip that of the international agencies combined.

Despite this there has been relatively little planning for the transition from the emergency and post-emergency aid model to longer-term domestically led development. A few governance programmes have started up and there has been initial work on the transfer of assets built by aid agencies to government ministries. Yet, by and large, international post-conflict and reintegration projects are still focusing on delivering direct assistance to communities, bypassing government structures. Projects are still focusing on assisting vulnerable individuals and groups, rather than stimulating the economy as a whole. In the medium-run, efforts to support the transition of the local economy will be necessary to ensure sustainable development and recovery. The Multi-Donor Fund is planning an economic financing facility, and there are plans for a new Fund focused on peacebuilding and economic development, but funds for this will be minimal compared to needs.

The need for a transition strategy is compounded by problems with the Acehnese bureaucracy. Local institutional capacity to plan and distribute the vast funds that will be available is extremely low. The conflict also masked widespread corruption. Given that the conflict was historically driven by grievances against the state and dissatisfaction with how resources were used, building state capacity and transparency is necessary if conflict is not to re-emerge.

**Conclusions**
There is great potential for economic reconstruction to help build peace in Aceh. Resources are relatively plentiful. However, there is a risk that if these resources are not managed well, they could undermine peace by inequitably targeting areas or groups, by being used for unproductive investments, or if corruption or weak capacity limits their impacts on the ground. Aid agencies have not paid enough attention to building local government systems to manage development resources. More support in this area will be key if economic reconstruction is to contribute to peace rather than conflict in Aceh.