Building Capacity:
Experiences from Post-Disaster
Aceh and Nias
Local government staff were trained in Management Information Systems through the MDF.

*Photo: Maida Irawani*
MDF-JRF Working Paper Series:
Lessons Learned from Post-Disaster
Reconstruction in Indonesia

Building Capacity:
Experiences from Post-Disaster
Aceh and Nias

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Tel : (+6221) 5299-3000
Fax : (+6221) 5299-3111
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This paper, Working Paper 2 in the series, is entitled Building Capacity: Experiences from Post-Disaster Aceh and Nias. The paper is based on research and background text written by Gabriele Ferrazzi, World Bank consultant. Shamima Khan, provided general guidance, support and oversight of the entire writing and production process. Lina Lo, MDF-JRF Quality Assurance Officer, managed the preparation and review of the paper. Anita Kendrick guided the paper preparation, and provided editorial oversight and guidance to the production and content. Bernhard May, Public Sector Specialist, and Vivek Srivastava, Senior Public Sector Specialist, provided extensive and useful comments on the text as peer reviewers. Sharon Lumbantobing managed the production process, and Kate Redmond and Devi Asmarani provided editorial support.

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The MDF Secretariat would like to thank the many partners and stakeholders who cooperated with the review team during the fieldwork and research period. These included representatives of the Government of Indonesia, including line ministries, as well as local governments of Aceh, North Sumatra, and Nias, and donors, partner and implementing agencies, and beneficiary communities in Aceh and Nias.
The Multi Donor Fund for Aceh and Nias (MDF) and the Java Reconstruction Fund (JRF) are widely recognized as having played a significant role in the remarkable recovery of Aceh, Nias and Java, following some of the worst disasters in Indonesia over the last decade.

The MDF and the JRF, which is patterned after it, are each considered a highly successful model for post-disaster reconstruction. Key factors in this success have been the leadership provided by the Government of Indonesia and the strong partnership of multiple stakeholders in support of the government’s reconstruction agenda. The two programs have produced impressive results, both in terms of physical reconstruction, and in the less tangible but equally important benefits such as community empowerment, strengthened governance, and communities that are more resilient to future disasters. The experiences of the MDF and JRF have generated many useful lessons and created effective models and approaches that can be adapted and replicated in other reconstruction contexts.

The Secretariat of the MDF and JRF, as part of its culminating activities, has prepared a series of working papers to document these achievements and lessons learned. The MDF-JRF Working Paper Series: Lessons Learned from Post-Disaster Reconstruction in Indonesia consists of five working papers covering five key areas. These are: (1) Community driven approaches for post-disaster recovery; (2) Capacity building in a post-disaster context; (3) Reconstruction of infrastructure; (4) Promoting gender equality and women’s empowerment through post-disaster reconstruction; and (5) Multi-donor trust funds as a framework for effective partnerships for reconstruction. Each Working Paper describes the strategy and approaches adopted by the MDF and/or JRF across its projects, notes the achievements, and draws lessons that will be useful in other post-disaster settings. In addition to the full working papers, a series of Knowledge Notes has also been prepared, providing a short summary of the key lessons and conclusions from each of the longer working papers.

This paper, Working Paper 2 in the series, is entitled Building Capacity: Experiences from Post-Disaster Aceh and Nias. It presents the lessons from the MDF’s experience implementing its large scale infrastructure reconstruction program in partnership with the Government of Indonesia and other partners. This paper discusses the value of a phased approach to post-disaster reconstruction as a successful means to manage short-term expectations while delivering long-lasting, results of high quality. These MDF experiences offer many lessons for future reconstruction efforts in similar contexts, including post-conflict situations.

Collectively, the lessons and experiences from the MDF and JRF form a legacy of the remarkable achievements of these two programs and the effective partnerships on which they were based. We hope that the lessons captured in these papers will contribute to future reconstruction and preparedness efforts in Indonesia and other disaster-prone countries around the world.

Shamima Khan
Manager
The Multi Donor Fund for Aceh and Nias
The Java Reconstruction Fund
December 2012
TABLE OF CONTENTS

ACKNOWLEDGEMENTS 4
THE MDF-JRF WORKING PAPER SERIES 5
THE DISASTERS – A MAP OF INDONESIA 8
A SERIES OF DISASTERS IN INDONESIA 10
ABOUT THE MULTI DONOR FUND FOR ACEH AND NIAS (MDF) 15
ABOUT THE JAVA RECONSTRUCTION FUND (JRF) 20
EXECUTIVE SUMMARY 22

CHAPTER 1 – POST-DISASTER CAPACITY CHALLENGES 28
  1.1 Weak Local Government Capacity 29
  1.2 Capacity Building Role in Reconstruction 30
  1.3 Capacity Building under the BRR 32
  1.4 Addressing Multi-Level Capacity Challenges 33

CHAPTER 2 – THE MDF’S CAPACITY BUILDING WORK 36
  2.1 The MDF Partnership 37
  2.2 The MDF’s Approach to Capacity Building 41

CHAPTER 3 – MDF’S CONTRIBUTIONS TO CAPACITY BUILDING IN ACEH AND NIAS: AN EVOLUTION 46
  3.1 MDF Portfolio Development 47
  3.2 Capacity Building in the MDF Portfolio 48
  3.3 The MDF’s Capacity Building Accomplishments 49
  3.4 Capacity Building at Project Level in the MDF 50
  3.5 Reducing Disaster Risk 54
## CHAPTER 4 – THE MDF’S CONTRIBUTIONS TO GOOD PRACTICE

4.1 MDF’s Approach to Post-Disaster Recovery .......................... 57
4.2 Capacity Building Conceptualization and Methodology ......... 58
4.3 MDF and Government of Indonesia Delivery Modalities ....... 60
4.4 Sustainability ....................................................................... 61

## CHAPTER 5 – LESSONS FROM MDF’S CAPACITY BUILDING EXPERIENCE

5.1 Key Lessons in Capacity Building from the MDF ................. 65
5.2 Conclusions ........................................................................ 67

## ACRONYMS AND ABBREVIATIONS ........................................ 70

## BIBLIOGRAPHY AND REFERENCES ..................................... 72
THE DISASTERS – A MAP OF INDONESIA

December 2004:  
Earthquake & Tsunami  
- 220,000 people perished & missing  
- 585,000 people displaced  
- Estimated damages: US$4.5 billion  
ACEH AND NIAS ISLANDS

October - November 2010:  
Volcanic Eruptions  
- 300 people perished  
- 350,000 people displaced  
- Estimated damages: US$360 million  
MOUNT MERAPI

March 2005:  
Earthquake  
- 1,000 people perished  
- 50,000 people displaced  
- Estimated damages: US$390 million  
NIAS ISLANDS AND ACEH

July 2006:  
Tsunami  
- 1,000 people perished  
- 50,000 people displaced  
- Estimated damages: US$110 million  
WEST JAVA

May 2006:  
Earthquake  
- 5,700 people perished  
- 40,000 people injured  
- Estimated damages: US$3.1 billion  
YOGYAKARTA AND CENTRAL JAVA

January 2006:  
Earthquake  
- 5,700 people perished  
- 40,000 people injured  
- Estimated damages: US$3.1 billion  
YOGYAKARTA AND CENTRAL JAVA

April 2006:  
Earthquake  
- 4,000 people perished  
- 30,000 people displaced  
- Estimated damages: US$1.8 billion  
YOGYAKARTA AND CENTRAL JAVA

September 2006:  
Earthquake  
- 100 people perished  
- 3,000 people displaced  
- Estimated damages: US$300 million  
YOGYAKARTA AND CENTRAL JAVA

February 2007:  
Earthquake  
- 100 people perished  
- 3,000 people displaced  
- Estimated damages: US$300 million  
YOGYAKARTA AND CENTRAL JAVA
A SERIES OF DISASTERS IN INDONESIA

Indonesia is one of the most disaster prone countries in the world. It is vulnerable to earthquakes, tsunamis, landslides, floods, volcanic eruptions, and wildfires. Between 2004 and 2010 Indonesia experienced a series of devastating natural disasters which attracted an outpouring of support from around the world.

December 2004—Earthquake and Tsunami in Aceh

The earthquake and tsunami that struck Indonesia and several other countries in the Indian Ocean region on December 26, 2004 was one of the worst natural disasters in recorded human history. The massive earthquake measuring 9.1 on the Richter scale was centered in the Indian Ocean about 150 kilometers off the coast of the province of Aceh on the northernmost tip of the island of Sumatra. Huge tidal waves fanned across the Indian Ocean, causing death and destruction across Southern Asia including Thailand, Bangladesh, Sri Lanka, India, and as far away as East Africa. No country suffered more than Indonesia. Waves towering ten meters high came crashing into the shoreline in Aceh. The scale of physical devastation and human suffering was enormous. In Aceh alone, 221,000 people were killed or missing, and over a half million were left homeless. As many as 750,000 people lost their livelihoods. At all levels, infrastructure was paralyzed or completely destroyed.

In minutes, human settlements along the coastline of Aceh and parts of North Sumatra were demolished. People, houses, boats, cars, and buildings were engulfed as the tsunami swallowed everything in its way. Villages were reduced to rubble where minutes before thriving communities had flourished. Many roads, bridges, communications systems, schools, hospitals and clinics collapsed or were severely damaged. Fishermen, farmers and others lost their livelihoods and many businesses were destroyed or could no longer operate.

The subsequent assessment of the impact of both disasters, conducted by the Government along with the World Bank and other partners, assessed the damage and needs to be US$4.9 billion.¹ This figure was later revised to $6.2 billion.

The massive destruction in Aceh seriously affected provincial and local governments already weakened by years of conflict. The tsunami destroyed 21 percent of public buildings and 19 percent of the equipment in these buildings. Approximately nine percent of civil servants perished and at least 21 percent of surviving civil servants were severely affected, impacting their ability to function as a local government. Twenty-seven percent of public records were destroyed. The replacement value of these losses was estimated to be over $81 million.

Prior to the tsunami, governance in Aceh already faced numerous challenges, including lack of institutional capacity and inefficient delivery of public services such as health and education, especially in the rural areas. The tsunami exacerbated these challenges to say the least, and the

¹ All $ amounts in this report refer to US dollars.
Neutral and local governments were not in a position to manage the immense and extensive recovery effort that would be required. The national government stepped in urgently to take the lead in the reconstruction process.

March 2005—Earthquake in North Sumatra and Aceh

Just three months later on March 28, 2005, another massive earthquake measuring 8.7 on the Richter scale struck Aceh and the neighboring province of North Sumatra. This quake devastated the Nias islands in the province of North Sumatra, located in the Indian Ocean 130 kilometers off the western coast of Sumatra just south of Aceh. The island of Simeulue, part of the province of Aceh off the western coast of the mainland, was also hard hit. This second disaster resulted in the death of nearly 1,000 people and the displacement of nearly 50,000 survivors. The earthquake wreaked more havoc on an already ravaged area. The physical damage was severe. Approximately 30 percent of buildings were destroyed. The destruction rendered transportation and other critical infrastructure inoperative, including the major ports linking the remote island populations with the mainland. Nias and Simeulue stood among the poorest areas of Indonesia prior to the disasters and were only further isolated by the destruction of the earthquake.

These two disasters devastated two areas of Indonesia that were already grappling with multiple challenges. The province of Aceh was in the grip of an internal conflict between the Acehnese...
Many roads, bridges, communication systems, school and other infrastructure collapsed or sustained such serious damage that they could no longer be used as the result of the disasters. Much of the coastline of Aceh was swallowed by the sea and most ports were annihilated.

A separatist rebel movement and the Indonesian military. This conflict, stretching over thirty years, had paralyzed development and economic growth, and had seriously weakened both public and private sector capacities. At the time of the December 2004 tsunami, poverty in Aceh was 28.4 percent, substantially higher than the national average of 16.7 percent.² The districts of Nias and South Nias on Nias Island ranked among the poorest districts in Indonesia. Poverty, largely attributable to the isolation of the island, was approximately 31 percent at the time of the March 2005 earthquake.³ These dual challenges of poverty and isolation created an extremely difficult operating environment for reconstruction in Nias.

The local governments, already weakened by the conflict in Aceh and isolation in Nias, were initially overwhelmed by the disasters. Recognizing this, and recognizing the magnitude of the reconstruction task at hand, the central government created the Agency for the Reconstruction and Rehabilitation of Aceh and Nias (Badan Rekonstruksi dan Rehabilitasi Aceh dan Nias, widely known as the BRR) to manage reconstruction. This special agency was based in Aceh and led by a minister-level appointee who reported directly to the President.

² World Bank 2008
May 2006—Earthquake in Java

Disaster again struck Indonesia on May 27, 2006, when an earthquake measuring 5.9 on the Richter scale hit the island of Java, resulting in extensive damage in the province of Central Java and the Special Region of Yogyakarta. The earthquake hit one of the most densely populated areas in Asia, claiming more than 5,700 lives and destroying over 280,000 homes. Damage to private houses made up more than 60 percent of the total destruction, which also affected small and medium enterprises, a large number of them home-based industries. While infrastructure suffered comparatively less damage, hundreds of thousands of homes and smaller structures were destroyed.

Many houses in the area had been built without proper reinforcement and with low quality building materials, resulting in more deaths and damage than would normally be expected from an earthquake of this magnitude. Approximately 40,000 people were injured in the earthquake. Thousands of people were trapped and buried beneath their toppled houses and buildings.

A joint team led by the National Development Planning Agency (Bappenas), with local governments and the international community, prepared the preliminary Damage and Loss Assessment in order to determine the overall needs for the rehabilitation and reconstruction phase. Total damage and losses from the earthquake were estimated at around $3.1 billion.

The economic impact of the earthquake was particularly heavy because of the concentration of home-based industries in the areas destroyed by the earthquake. More than 650,000 workers were employed in economic activities directly affected by the earthquake with close to 90 percent of damage and losses concentrated in small and medium enterprises. Many of the home-based industries in the area’s important handicraft sector were severely affected. Rebuilding homes would also support recovery of home-based businesses and livelihoods.

July 2006—West Java Tsunami

Just two months later, on July 17, 2006, a second major submarine earthquake struck off the southern coast of Java. The earthquake, measuring a magnitude of 7.7 on the Richter scale, triggered a tsunami that caused widespread damage. The tsunami hit the south coast of West Java, taking more than 650 lives and displacing over 28,000 people. Almost 1,000 people died or remained missing and more than 50,000 people were displaced. Damage and losses reached an estimated $112 million. Ciamis district, West Java, was the worst affected. Along the coast of Ciamis alone, close to 6,000 families were displaced. The tsunami caused economic destruction in the fishing villages and tourist resorts along the south coast of West Java, where large numbers of fishing boats were lost and the small fishing ports destroyed.

October and November 2010—Mount Merapi Volcanic Eruptions

On October 26, 2010, disaster hit Java once again when Mount Merapi, a volcano located on the border between Yogyakarta and Central Java, erupted. This was followed by seven additional major eruptions, with the last one occurring on November 11, 2010. For two long weeks, the eruptions
spewed hot gas into nearby villages and hot lava accompanied by hot gas flowed into several rivers. The clouds of hot ash and poisonous gas combined with heat clouds at temperatures of 600 to 800 degrees Celsius incinerated everything they reached, including livestock, crops and trees that were essential to the livelihoods of evacuees. Ash rain, which blanketed everything in fine volcanic dust, was found in cities across Java. All villages within 20 kilometers of the crater were evacuated. Along with massive damage to local infrastructure, approximately 2,900 houses were destroyed and 350,000 people were displaced and accommodated in evacuation camps. Due to timely evacuation, casualties were limited but still almost 300 people perished and more than 500 were injured. The eruptions impacted areas in the province of Central Java and the Yogyakarta Special Region, including some communities that had been affected by the 2006 earthquake and were still in the process of rebuilding.

These eruptions resulted in widespread damage to housing and local infrastructure, as well as loss of livelihoods. During the eruptions, volcanic debris mixed with rain flowed down the slopes of Mount Merapi as massive mud flows. In Java this is known as “lahar dingin” or cold lava and is made up of ash and sand from the eruption which when combined with rain turns into thick, slushy rivers of mud that gather up everything in the way. Cold lava surged down the mountain burying entire villages, farms and fields. Huge boulders, trees, houses, livestock, motor bikes, and cars were carried away by the mud. Several villages located in the danger zone near the volcano were relocated to safer areas.

**Facing the Future**

The numerous disasters since 2004 are a stark reminder that Indonesia is highly prone to natural hazards. Improvements in early warning systems are expected to save lives, as well ensuring that homes and other structures are built to seismic resistant standards. Many of the homes destroyed during the earthquakes were found to have used poor quality materials and building techniques, both of which contributed greatly to the number of lives lost and the high level of damage. Through the recovery and reconstruction efforts following these disasters, Indonesia has learned many lessons. It has created institutions and put systems in place for disaster risk reduction. As a result of the recovery and reconstruction process communities across Aceh, Nias, and Java are more resilient to face future disasters.
The Multi Donor Fund for Aceh and Nias (MDF) was established in April 2005, in response to the Government of Indonesia’s request to coordinate donor support for the reconstruction and rehabilitation of affected areas following the December 2004 earthquake and tsunami, and the subsequent March 2005 earthquake.

The MDF pools $655 million in contributions from 15 donors. These funds amount to nearly ten percent of the overall reconstruction funds. At the request of the Government of Indonesia, the World Bank serves as Trustee of the MDF. Grant funds are provided to projects which are implemented by government and non-government agencies and communities, with partner agencies providing oversight. Partner agencies include the United Nations Development Programme (UNDP), the World Food Programme (WFP), the International Labour Organization (ILO) and the World Bank.

Under the MDF portfolio, 23 projects were financed in six outcome areas: (1) Recovery of Communities; (2) Reconstruction and Rehabilitation of Large Infrastructure and Transport; (3) Strengthening Governance and Capacity Building; (4) Sustaining the Environment; (5) Enhancing the Recovery Process; and (6) Economic Development and Livelihoods. These projects reflected the priorities of the Indonesian government throughout the reconstruction process.

The MDF was coordinated by the Government of Indonesia, initially through the Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR), which was set up to manage the reconstruction and recovery effort. After the BRR closed in April 2009, the National Development Planning Agency, Bappenas, took on this critical role. The MDF is governed by a Steering Committee with representatives from the government, donors, the trustee, and civil society. The Steering Committee is supported in its work by a secretariat.

### MDF Contributions

<table>
<thead>
<tr>
<th>MDF Donors</th>
<th>Contributions (US$ million)</th>
</tr>
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<tbody>
<tr>
<td>European Union</td>
<td>271.31</td>
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<td>Government of the Netherlands</td>
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<td>Government of the United Kingdom</td>
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<td>World Bank</td>
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<td>Government of Sweden</td>
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<td>Government of Canada</td>
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<td>Government of Norway</td>
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<td>Government of Denmark</td>
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<td>Government of Belgium</td>
<td>11.05</td>
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<td>Government of Finland</td>
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<tr>
<td>Asian Development Bank</td>
<td>10.00</td>
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<tr>
<td>Government of the United States</td>
<td>10.00</td>
</tr>
<tr>
<td>Government of New Zealand</td>
<td>8.80</td>
</tr>
<tr>
<td>Government of Ireland</td>
<td>1.20</td>
</tr>
<tr>
<td><strong>Total Contributions:</strong></td>
<td><strong>654.67</strong></td>
</tr>
</tbody>
</table>
The MDF provides a successful model for post-disaster reconstruction based on partnerships between government, donors, communities and other stakeholders. The partnerships created by the MDF have played a key role in the strong performance of the program and robust results achieved. Pooling resources through the MDF has resulted in the harmonization of donor efforts and provided an important platform for policy dialogue for many stakeholders. The MDF has filled gaps in the reconstruction in line with government priorities and has brought together key government players, donors, and members of civil society and communities. The MDF’s strong support for coordination of the overall reconstruction effort has resulted in huge multiplier effects so that the MDF’s impact has been able to exceed the value of its contributions.

The MDF Portfolio

The MDF’s portfolio was designed to meet the changing needs of Aceh and Nias as they progressed from recovery to rebuilding infrastructure to laying the foundations of economic development. Consisting of 23 projects in six outcome areas, the projects were implemented by government and non-government partners, including national and provincial governments, agencies of the United Nations, international development institutions, and non-governmental organizations. Environmental sustainability, gender, capacity building and disaster risk reduction were important cross-cutting elements of the MDF program throughout its life cycle.

1. Recovery of Communities (5 projects totaling $202 million)

The first group of MDF projects supported recovery of communities, with a focus on housing and local infrastructure. Using a community-driven approach and implemented by government, these programs enabled disaster survivors to re-establish their communities and begin rebuilding their lives.

- The **Community-Based Settlement Rehabilitation and Reconstruction Project**, better known as Rekompak, used a community driven approach to rebuild homes and local infrastructure in Aceh and Nias. Implemented by the Ministry of Public Works (MPW) and managed by the World Bank, Rekompak rebuilt nearly 15,000 houses and restored basic infrastructure to 180 villages.

- The **Community Recovery through the Kecamatan Development Project** (KDP) was part of a national program and partly funded by the MDF. Through KDP, the MDF assisted communities in Aceh and Nias to plan and manage the reconstruction of rural infrastructure, schools, clinics, and other public buildings. It also provided business training and loans. The project was implemented by the Ministry of Home Affairs (MoHA) and managed by the World Bank.

- The **Community Recovery through the Urban Poverty Program** (UPP) provided support for reconstruction to urban communities to rehabilitate and develop community infrastructure in municipalities in Aceh. UPP repaired urban infrastructure, rebuilt schools and other public buildings, and provided scholarships. The project was implemented by the MPW and managed by the World Bank.
• The **Kecamatan-Based Reconstruction and Rehabilitation Planning in Nias Project (KRRP)** was a community-based recovery and planning project for reconstruction in Nias. Implemented by the MoHA and managed by the World Bank, it rebuilt houses, schools, public buildings, and village infrastructure.

• The **Reconstruction of Aceh Land Administration System (RALAS)** restored land property rights and a computerized land records management system. Over 220,000 land title certificates were issued, nearly one-third to women. The project was implemented by the National Land Agency (BPN) and managed by the World Bank.

### 2. Recovery of Large Infrastructure and Transport (7 projects totaling $217 million)

The MDF, working in partnership with the Government of Indonesia, contributed significantly to the reconstruction of large infrastructure in Aceh and Nias. These projects restored transportation links and critical infrastructure, thereby improving people’s lives and providing new economic opportunities.

• The **Banda Aceh Flood Mitigation Project (BAFMP)**, implemented by Muslim Aid and managed by the World Bank, repaired pumping stations, flood valves, and drainage systems damaged by the tsunami to protect the central business area of Banda Aceh from storm and tidal flooding.

• The **Infrastructure Reconstruction Enabling Program (IREP)** and its companion project, the **Infrastructure Reconstruction Financing Facility (IRFF)**, planned, designed, and built strategic infrastructure such as roads, water systems and bridges in Aceh and Nias. Co-financed by BRR, the projects were implemented by the MPW and managed by the World Bank.

• The **Lamno-Calang Road Maintenance Project (LCRMP)** maintained a key road from Lamno to Calang to ensure overland access to tsunami-affected communities on Aceh’s west coast. The project was implemented by the UNDP.

• The **Sea Delivery and Logistics Programme (SDLP)** met the urgent recovery transportation needs for construction materials in Aceh and Nias. Implemented by the WFP, it also provided training for better management of ports and disaster-risk reduction.

• The **Tsunami Recovery Port Redevelopment Programme (TRPRP)** rehabilitated damaged ports in Aceh and Nias so that equipment and materials could be supplied to isolated communities. The project, implemented by the UNDP, also provided designs and technical support for reconstructing major sea ports.

• The **Rural Access and Capacity Building Project (RACBP)** helped residents of participating districts in Nias effectively use improved rural transport infrastructure and services to take advantage of economic opportunities and social services. Implemented by the ILO, it also included a cultural heritage component.
3. Economic Development and Livelihoods (2 projects totaling $58 million)
Restoring livelihoods is an important part of disaster recovery. These projects strengthened important sectors that provide employment and income to Aceh and Nias, paving the way for long-term economic growth.

- The **Aceh Economic Development Financing Facility** (EDFF) promoted post-tsunami economic recovery. Managed by the World Bank, the EDFF was implemented by the Ministry for Development of Disadvantaged Areas (KPDT) and the Government of Aceh. The project provided sub-grants to support growth in key sectors including coffee, cocoa, rice, meat and fisheries.

- The **Nias Islands Livelihoods and Economic Development Program** (LEDP) provided training to improve technical and business skills for livelihoods and overall economic development. Implemented by KPDT and managed by the World Bank, the project also developed skills within local government for implementing livelihoods programs in Nias.

4. Strengthening Governance and Capacity Building (3 projects totaling $40 million)
The MDF encouraged good governance and strengthened the capacity of local communities and district governments. It encouraged the development of civil society organizations involved in the reconstruction process.

- The **Capacity Building for Local Resource-based Rural Roads** (CBLR3) strengthened the capacity of district government and small-scale contractors to undertake local road works. The project was implemented by the ILO.

- The **Support for Poor and Disadvantaged Areas Project in Aceh and Nias** (SPADA) project, implemented by KPDT and managed by the World Bank, strengthened local participation in development planning, promoted private investment and job creation, and improved health, education and dispute resolution services. The project complemented a national program funded by a World Bank loan.

- **Support to Strengthen the Capacity and Role of Civil Society Organizations** (CSO), implemented by the UNDP, built the capacity of local civil society organizations in Aceh and Nias to enhance grass-roots participation in the reconstruction process.
5. Enhancing the Recovery Process (4 projects totaling $56 million)

In order to strengthen government capacity to manage the recovery effort, the MDF provided technical assistance and operational support to BRR and other government agencies.

- The **Aceh Government Transformation Programme** (AGTP) provided strategic support to the government of Aceh to provide the capacity and institutional strength to take over projects, resources, and assume oversight of reconstruction and recovery programs after the closure of BRR in April, 2009. The project was implemented by the MoHA and Provincial Government of Aceh and managed by the UNDP.

- **Making Aceh Safer through Disaster Risk Reduction in Development** (DRR-A) established disaster risk reduction in Aceh’s local government agencies, its public and private partners, and local communities. The project was implemented by the MoHA and Provincial Government of Aceh, and managed by the UNDP.

- The **Nias Island Transformation Programme** (NITP), managed by the UNDP and implemented by the MoHA and local governments in Nias, enhanced district capacity to successfully complete the recovery process and reduce risks from future natural disasters.

- **Technical Assistance to the BRR and Bappenas** (TS-R2C3), managed by the UNDP, the project supported BRR in managing the overall recovery process. After BRR closed in April 2009, the project worked with Bappenas and was referred to as Rehabilitation and Reconstruction Completion and Continued Coordination (TS-R2C3).

6. Sustaining the Environment (2 projects totaling $57 million)

Throughout the recovery process, the MDF committed to protecting the environment. The MDF played an important part in post-disaster cleanup and long-term waste management. It also worked to protect the ecosystems of Aceh and Nias.

- The **Tsunami Recovery Waste Management Programme** (TRWMP) helped local government clear, recycle and dispose of tsunami waste, rehabilitate waste management infrastructure, and implement sustainable solid waste management systems. It also promoted livelihoods related to waste management. The project was implemented by the UNDP.

- The **Aceh Forest & Environment Project** (AFEP) worked closely with communities, civil society and government to protect the Leuser and Ulu Masen forests from illegal logging and promoted sustainable forest management. Managed by the World Bank, the project was implemented by Fauna & Flora International (FFI) and Leuser International Foundation (LIF).
**ABOUT THE JAVA RECONSTRUCTION FUND (JRF)**

Following a request from the Government of Indonesia, the Java Reconstruction Fund (JRF) was established to respond to the May 27, 2006 earthquake that struck near Yogyakarta, and the tsunami that hit the southern coast of West Java Province in July 2006. The JRF was later extended to respond to volcanic eruptions of Mount Merapi in October and November of 2010. The JRF program closed on December 31, 2012.

The JRF is based on the successful model of the Multi Donor Fund for Aceh and Nias. Seven donors supported the JRF with contributions totaling $94.1 million. The donors are: the European Union, the Governments of the Netherlands, United Kingdom, the Asian Development Bank, Canada, Finland and Denmark. The World Bank serves as Trustee of the JRF. Following the government’s priorities, the JRF supports the recovery of communities and livelihoods, and increases disaster preparedness.

The JRF was coordinated by the Government of Indonesia, initially through the Government’s National Coordinating Team (NCT) and the National Technical Team (TTN). After the mandate of the NCT and the TTN ended in 2008, the JRF worked with the National Planning Agency (Bappenas) and the Provincial Planning Agencies (Bappeda) for the overall coordination of the reconstruction.

Using a governance structure similar to the MDF, the JRF was governed by a Steering Committee with representatives from the Government of Indonesia and donors. Bappenas co-chaired the Steering Committee, along with the European Union as the largest donor, and the World Bank as Trustee. The Steering Committee is supported by a secretariat. Through shared staffing and expertise with the MDF for Aceh and Nias, the secretariat achieved efficiencies of scale, resulting in reduced program administration costs.

The JRF portfolio consisted of five projects which drew from the MDF’s experience and used a phased approach to address: (1) Transitional Housing; (2) Restoring Housing and Community Infrastructure; and (3) Restoring Livelihoods. The World Bank had a supervisory and oversight role on all JRF projects as the partner agency.

### JRF Contributions

<table>
<thead>
<tr>
<th>JRF Donors</th>
<th>Contributions (US$ million)</th>
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<tr>
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<td>Government of the United Kingdom</td>
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<td>Government of Denmark</td>
<td>1.60</td>
</tr>
<tr>
<td><strong>Total Contributions:</strong></td>
<td><strong>94.06</strong></td>
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The JRF Portfolio

The JRF portfolio followed a phased approach to reconstruction, adopting lessons learned from the MDF. Early support focused on meeting housing and community recovery needs and subsequent support focused on addressing economic recovery. The JRF prioritized disaster risk reduction in all its programs. Five projects were supported:

- **Transitional Housing Projects (2 projects totaling $2.3 million)**. The JRF financed two transitional housing projects, implemented by the International Organisation for Migration (IOM) and Cooperative Housing Foundation (CHF) International and managed by the World Bank. The projects provided nearly 5,000 transitional shelters.

- **The Community-based Settlement Rehabilitation and Reconstruction Project (1 project totaling $75.1 million)**, better known as Rekompak, made up most of the JRF funding allocation. Following the model established in Aceh, it used a community driven approach to rebuild homes and local infrastructure in earthquake affected areas of Yogyakarta Special District, and Central Java, and later, parts of West Java affected by a subsequent earthquake and tsunami. After the 2010 eruptions of Mount Merapi, the project was expanded further. Implemented by the Ministry of Public Works (MPW) and managed by the World Bank, the project rebuilt over 15,000 houses and completed over 4,000 local infrastructure projects.

- **Livelihood Recovery Projects (2 projects totaling $17.1 million)**:
  - The Livelihood Recovery in Yogyakarta Special District and Central Java project contributed to the Government of Indonesia’s initiatives to assist micro, small and medium enterprises (MSMEs) affected by the earthquake to revitalize their businesses and re integrate affected low-income communities into economic life. The project provided access to finance, developed loan work-out strategies for defaulting borrowers, restored capacity and improved competitiveness of medium-sized companies in Yogyakarta and Central Java. The project was implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and managed by the World Bank.
  
  - The Access to Finance and Capacity Building for Earthquake Affected Micro and Small Enterprises project, implemented by the IOM and managed by the World Bank, supported the recovery of micro and small enterprises in Yogyakarta and Central Java to enable them to reach their pre-earthquake capacity. It provided asset replacement, marketing support, and technical assistance. The project worked with over 4,000 micro and small enterprises (MSEs), over 40 percent run or owned by women.
The natural disasters of late 2004 and early 2005 left a trail of human loss and destruction in Aceh and Nias: more than 220,000 people dead or missing, 700,000 rendered homeless, livelihoods disrupted, infrastructure damaged, and debilitated local government. Capacities of the people and institutions of these regions were already lagging behind other regions in Indonesia prior to the disasters, undermined by conflict in Aceh and relative isolation in Nias.

An unprecedented response by Indonesians, international citizens and development agencies provided Aceh and Nias with the opportunity to ‘build back better’ - the rallying call of the President of Indonesia as the government opened access to Aceh and welcomed assistance. The MDF was launched in May 2005 to coordinate international donor assistance, led by the Government of Indonesia. Working closely with the special coordinating agency created for the Aceh and Nias reconstruction effort, the Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR), and other stakeholders, the MDF provided $655 million to fund 23 projects, contributing about ten percent of the total recovery funds.

Infrastructure was indeed “built back better” in Aceh and Nias, and capacity building was extended to address the sustainability of investments and deeper governance issues. The transformation seen over the last seven years has been remarkable. Credit must go largely to the people of Aceh and Nias, who have tirelessly struggled to regain their homes, livelihoods and communities. Individually, in community groups, and through small and medium enterprises, they have addressed urgent survival needs and rebuilt or enhanced their local public and private sector institutions. Leaders in the public sector, at all levels of government, have made their important contribution, stepping up to the challenge of managing the emergency, rehabilitation and reconstruction efforts.

As the recovery effort proceeded, the MDF and other development partners were drawn to address capacity gaps relating to governance challenges specific to the regions (maintaining the peace in Aceh, and reversing regional isolation/neglect in Nias), or those pervasive nationally (public financial management, civil service reforms). The MDF made a significant contribution to the recovery through addressing various layers of capacity needs.

Capacity building has proven to be an essential component to make the most of recovery investments. Enhancing skills in participatory planning for housing and community infrastructure allowed for decisions that were acceptable to communities and ensured good use of the rebuilt facilities. Capacity building was also instrumental in ensuring that the newly-built infrastructure would find a proper institutional home and continue to be well operated and maintained. Moreover, where good practices
were introduced in the planning and implementation of projects, capacity building components helped to anchor these to government units and stakeholders who could sustain them or expand them after the projects closed. Capacity building was also directed to longer-term governance challenges, such as the elaboration of the Law on Governing Aceh, and financial management and civil service reforms.

Capacity building efforts related to individual/community level investments yielded large returns. Embedding and disseminating good practices in subnational government was more difficult, and many stakeholders felt that more time was needed to properly achieve this end. Addressing deeper gaps in the capacity for good governance was most challenging of all—this was not an explicit part of the MDF mandate, but recovery investments would be better safeguarded if certain governance reforms could be achieved.

A detailed assessment of MDF performance in capacity building is hampered by weak capacity building frameworks in MDF and its projects. Quantitative data and field narratives support the case for MDF’s significant capacity building contribution. Hundreds of thousands were involved in community planning and mobilization.
exercises. Tens of thousands of farmers, entrepreneurs and subnational government staff were trained in a wide range of fields. Organizational improvements were made in hundreds of civil society organizations (CSOs), private sector entities and subnational government units. MDF’s support helped develop dozens of legal instruments, policies and guidelines.

The MDF did not establish explicit capacity building frameworks for its projects. The focus for many projects was on physical improvements, and the objectives relating to capacity to demonstrate, institutionalize, or disseminate took a back seat to meeting urgent and readily apparent needs.

It is also fair to say that the MDF’s initial efforts to address longer standing governance challenges were limited, and yielded only modest results. Early on, the need to ensure a speedy recovery ranked above other concerns, and the MDF’s mandate was to fill reconstruction gaps in various sectors—especially infrastructure. However, the MDF

Farmers from a group in Teluk Dalam, South Nias get their hands dirty during a training to improve techniques in cultivating peppers and eggplant. Over 3,700 farmers participated in livelihood and economic development trainings over the project’s lifespan.
was drawn into the area of building governance capacity by demand rather than design, as it began to appreciate the importance of these issues for the sustainability of benefits arising from its entire portfolio.

The MDF’s capacity building approach became more intensive and more robust over the recovery period. Over its seven-year life, the MDF’s capacity building effort can be seen as an evolution, beginning with a weak foundation when it was focused on ‘getting the job done’—at this time providing limited capacity building support, or sometimes providing ‘replacement/substitution’ forms of capacity building. Soon MDF project begin to give more emphasis to capacity building. Project documents for extensions and new phases of implementation show more intensive approaches to capacity building and more robust frameworks than their earlier phases. MDF projects approved at later stages of the program contained more intensive capacity building components—addressing not only recovery but also fundamental, longer term governance challenges particular to Aceh or Nias, and common throughout Indonesia.

The MDF’s capacity building approach compares well with emerging international good practices in post-disaster settings. Some examples of these good practices include: the purposeful inclusion of capacity building components in project designs; selecting appropriate entry points and levels of capacity building as a focus; developing an adequate baseline and indicators; and reporting sufficiently on the achievements against indicators. The attention given to capacity building in a post-disaster setting, particularly toward the end of a project’s life, is in keeping with the lessons drawn from these settings. Its contingent and flexible use of various forms of capacity building (from substitution to very endogenous models, individual to system level entry points) and delivery modalities are in line with accepted practices in settings where capacity is initially low but improving. Extending the scope of the recovery to include relevant governance challenges places it in the forefront of post-disaster settings—notwithstanding the difficulties faced in taking on this layer of capacity needs.

The MDF’s capacity building experience provides some lessons relevant to post-disaster settings in Indonesia and elsewhere. For government and supporting actors, the Aceh and Nias experience, particularly of the MDF projects, gives rise to the following lessons:

1. ‘Building back better’ should encompass both improved physical infrastructure and enhanced governance capacities, if resources are sufficient.
2. A critical component of any Needs Assessment or Damage and Loss Assessment should be to include measures to estimate capacity challenges and needs, even if this is a preliminary or “quick and dirty” estimate. This allows the development of an evolving strategy for capacity building over time.
3. Capacity building efforts take time and may require a longer timeframe than the official recovery period allows. This is especially true in tackling governance challenges that demand organizational and systemic changes. It is important to appreciate the magnitude of the various challenges.

4. Pressure to get the job done—with ad hoc approaches, often relying on capacity substitution—will be at odds with the need to apply serious and rigorous approaches, and will not provide the space that is essential for endogenous capacity building which leads to sustainability.

5. Even with ‘pragmatic’ approaches to capacity building, a degree of methodological rigor is needed from the start, particularly in linking capacity building contributions to sustainability of facilities or reforms.

6. The tension between a quick response and a robust capacity building approach can be lessened by creating ready-made instruments to be applied in a proper division of labor and in a timely way by government and development partners. These could include:
   - Undertaking capacity assessments to establish adequate baselines and indicators.
   - Transferring assets (those built by government agencies through regular budget lines, or others outside of budget process).
   - Understanding the legal framework for subnational government roles/functions and financing (how funds can be channeled through appropriate budget mechanisms).

7. Getting maximum benefit from a multi-donor fund in capacity building means:
   - Assisting government in shaping an effective overarching capacity building framework.
   - Developing clear capacity building guidelines for its partners/projects.
   - Coordinating effectively with capacity building initiatives funded outside of its platform.
   - Employing a flexible approach to delivery modalities, in line with ultimate objectives.
A great deal has been achieved and learned, and challenges remain that invite continued partnerships with the people of Aceh and Nias. Aceh and Nias have been built back better in many respects. Capacity building components of the MDF projects were critical to impact, sustainability of recovery investments, and the efforts to address longer term governance challenges. The MDF launched into its work with a commitment to be responsive to government, and with the mindset of ‘getting the job done.’ It showed an evolution over time in its capacity building approaches, with a greater emphasis on governance and sustainability as the MDF neared its end. In retrospect, the MDF could have pushed for a more intensive and coherent approach to capacity building in its portfolio, assisting the government to forge a more explicit capacity building strategy for the recovery as a whole.

In Aceh and Nias, the end of the reconstruction presents an opportunity to take stock of progress and remaining capacity gaps. Capacity challenges in Aceh and Nias remain, and the newly enhanced capacity will be tested in the future from challenges such as further natural disasters and the demands for accelerated development. Many of the challenges have to do with good governance. Aceh and Nias have emerged from the reconstruction experience in a better position to address these challenges as a result of the capacity building achieved through the recovery process.
Chapter 1

POST-DISASTER CAPACITY CHALLENGES
1.1 Weak Local Government Capacity

In Aceh and North Sumatra, particularly Nias, the natural disasters of late 2004 and early 2005 left more than 220,000 people dead or missing, rendered homeless over 635,000 others, destroyed hundreds of communities, hampered or stopped the functioning of many sub-national governments, and disrupted social, economic and political life in the affected areas.

Private sector and households suffered the most damages and losses. Notably, the provincial and local governments themselves were not as badly hit and rebounded quickly. An early assessment made by the World Bank in 2005 in four tsunami-affected districts showed that on average nine percent of the civil servants were killed in the disasters, with Banda Aceh the worst affected, where casualties reached 20 percent of all staff.¹

The natural disaster set back the operations of some provincial and local governments, while leaving others relatively unscathed. Provincial and local government vacancies in higher echelons were quickly filled through promotions, leaving vacant positions only at the lowest echelons, filled in the months that followed.²

Most buildings damaged by the disasters in affected districts were still usable, as was the office equipment in those buildings. Calang was a notable exception, where all offices were destroyed.

Replacing staff and upgrading offices did not translate immediately into adequate service delivery, in Aceh or Nias. Even prior to the disasters, provincial and local government was performing poorly. Although Aceh had been given a special form of autonomy in 2001, including preferential financial transfers from oil and natural gas, it had not been able to make good use of this enlarged autonomy. After the tsunami, and even with replenished staff and offices, local governments continued to be lethargic, with low attendance level and short working hours. Local parliaments continued to be lax in their oversight and did not have the trust or respect of the public.

¹ The Consultative Group on Indonesia (CGI) 2005
² ibid

Photo: Antara News Agency

Heavily damaged commercial district following the earthquake and tsunami in Banda Aceh, December 2004.

Photo: Antara News Agency
The relative isolation of Aceh and the low-intensity, yet persistent conflict had eroded government capacity in Aceh. This corrosive effect was also reflected in the slow growth of civil society, depriving Aceh of an important vehicle for holding government accountable. The conflict also destroyed infrastructure, restricted movement, and created a general sense of insecurity and distrust of government among societal groupings.

Similarly, local government performance in Nias had long been hampered by its relative isolation and neglect. To attract additional resources and spur development in Nias’ depressed local economy, the two districts on the island were subdivided into four districts and one municipality. The first regional subdivision in Nias occurred in 2004; a second round took place in 2009. The long isolation and first round of regional splitting had already resulted in weak local government capacities; these were in evidence when the quake struck in March 2005. Government capacity were further compromised by the fact that the provincial leadership for the rebuilding was situated far away in Medan, on mainland of North Sumatra.³

1.2 Capacity Building Role in Reconstruction

The disaster was followed by an ambitious effort by the Government of Indonesia to “build back better.” Unprecedented support from national and international organizations helped rebuild and improve physical infrastructure and restore livelihoods. Within months of the disaster, crumbled buildings and debris were cleaned up, and recycled where possible. Over the ensuing months and years, thousands of homes were rebuilt. Damaged land was rehabilitated to allow affected producers to once again pursue agricultural livelihoods. Commerce was reestablished, thanks to replaced and improved infrastructure, including ports, roads, and telecommunications.

Capacity building proved to be crucial to the sustainability of investments made in service provision and economic development. Citizens, communities, civil society organizations (CSOs) and local governments engaged in decision making and gained greater capacity to play their respective roles. People learned the skills necessary to take part in local planning, to rebuild their homes and communities, and to pursue a wide range of economic endeavors. Women had been given opportunities to make decisions about recovery and reconstruction and to take up entrepreneurship and income opportunities.

³ World Bank 2007
Efforts were made to strengthen CSOs as well as provincial and local governments. CSOs had been boosted, particularly in urban centers, as targets of capacity building programs, partners in development programs, or through experience working for organizations involved in the reconstruction. CSOs and citizens became more active and engaged with local government, including engagement in legislative work. Local community groups, village governments and sub-district level administrations were strengthened in planning, project management, and broader governance roles.

Government offices were rehabilitated, bolstered by new equipment, newly hired staff, and a wide range of training. Government staff, especially in district government, were provided with improved information systems, planning methodologies, and other management tools. Considerable attention was placed on asset transfer and asset management to ensure that public infrastructure would be properly operated and maintained. All of the above efforts focused on the affected regions, but to some degree were extended to all district governments and many sub-district governments.

Over time, the provincial and local governments shouldered more responsibility for the reconstruction as time passed, especially after the Agency for the Reconstruction and Rehabilitation of Aceh and Nias (BRR) closed in April 2009. Some staff of BRR, with improved skills forged in an environment where performance was stressed, found their way back to national, provincial, district and city governments, infusing them with their new energies and experiences.
1.3 Capacity Building under the BRR

The Government of Indonesia was represented in Aceh and Nias largely through the Agency for the Reconstruction and Rehabilitation of Aceh and Nias (BRR), which provided the leadership for capacity building. Initially, capacity building was not seen as a priority. BRR’s primary mission was to implement reconstruction and rehabilitation work, as well to provide coordination, leadership, and quality control of the activities financed by the government, donors and non-governmental organizations (NGOs). The BRR operated on some principles that are common to capacity building practice. For instance, BRR believed it needed to boost the capacity of provincial and district governments so they could carry on reconstruction work after the closure of BRR. It sought to reach all districts and cities in an equitable way by establishing regional offices. As the BRR’s mandate was to work in areas affected both directly and indirectly by the disasters, it promoted these principles in the MDF’s strategy, urging it to extend “infrastructure support and related capacity building...to districts of Aceh where years of conflict stunted economic and human development.”

The BRR itself was the focus of capacity building efforts, especially as it ramped up its organization and reach. Initially, the BRR did not plan for capacity building, though it did have a Deputy for Institutions and Human Resource Development. This unit was discontinued in April 2008, a full year before the closing of the BRR. Eddy Purwanto, the former BRR Deputy for Infrastructure, Housing and Land Use Coordination, recounts his early message to all who came to the aid of Aceh and Nias: “Forget about capacity development for the next six months—let’s get the Government on the urgent tasks before us.” The point reflected the general consensus that urgent short-term emergency and recovery goals were to be given priority in the early weeks and months following the disaster.

Capacity building increased during the recovery period, both within ongoing projects and in new projects. Development partners took their cue from the BRR in shaping capacity building efforts. The pattern of recovery efforts in Aceh and Nias is shown in Figure 1 with a plausible capacity building curve included. Capacity building activities were for the most part inextricably woven into other activities: housing, physical and social infrastructure and economic development. This pattern was reflected in the mix of activities within projects, which changed over their duration. Moreover, new projects tended to be more capacity building intensive. Some projects focused exclusively on capacity building.

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4 World Bank 2007
5 A BRR-produced graph endorsed in the Australia National University Enterprise (ANUE) report on governance in Aceh.
Figure 1 shows capacity building as a low priority initially, and increasing in intensity as the housing and physical structures peaked and declined. This suggests that demand for capacity building increased as the recovery progressed, and that capacity building activities became more ‘stand-alone’ from other recovery activities.

Another feature worth noting is the symmetry in the waxing and waning of the curves representing the categories of activities outlined by the ANUE team, as compared to the capacity building curve, which appears prematurely truncated. The curve has been given this shape to reflect that capacity building activities were curtailed as development partners’ activities come to an end. However, the rapid descent of the capacity building curve suggests that the underlying challenges persist, even after many of the other more visible undertakings were concluded. “Building back better” was achieved in the physical sense, but ongoing capacity building is still needed for a more sustained completion.

1.4 Addressing Multi-Level Capacity Challenges

Development partners have played an important role in supporting all aspects of the recovery. Development partners’ efforts in capacity building went beyond the effects of the natural disaster to include issues related to the legacy of conflict in Aceh and the relative isolation of Nias, and longer term development challenges.

During the course of the recovery of Aceh and Nias, different types of capacity challenges and needs were identified and addressed by development partners, including the MDF [Figure 2]. This experience underscores the importance of differentiating the various layers of capacity challenges that may be identified and addressed in post-disaster settings. The most obvious challenges are related to the
Chapter 1 - Post-Disaster Capacity Challenges

basic and urgent capacity needs associated with the disaster recovery and future risk management. These constitute the first layer in Figure 2 and were largely supported by the MDF and development partners during the recovery process in Aceh and Nias. A related capacity challenge at this level was created by the inventory of reconstructed assets. Finding a home for these assets entailed a complex set of legal and administrative processes that could not be completed during the life cycles of the projects that created them. This challenge has been partially met but is expected to be resolved over time.

At the second level shown in Figure 2 were challenges specific to the history and context of the affected areas, reflecting the post-conflict situation in Aceh and the isolation of Nias, but not directly linked to the disasters. The MDF and development partners have made significant but partial contributions to addressing these challenges during the reconstruction. For example, in Nias, transportation infrastructure was provided to link the island’s remote communities and facilitate farmers’ access to markets. Support was extended to the new districts and municipality created in 2005 and 2009 to address weak government capacity, which was in part aggravated by regional splitting. In Aceh, programs were designed to avoid inducing or aggravating conflict, and in some cases programs were directed to highland regions that had been particularly neglected during the years of conflict. Support provided to the provincial level aimed to elaborate on an intergovernmental legal framework intended to operationalize the 2005 Helsinki Peace Accord that ended the conflict in Aceh. Much more work remains to be done in fleshing out the regulatory framework that will underpin peace in Aceh for instance, or in gaining cooperation for an island development strategy in Nias.

The third layer in Figure 2 represents the longer term governance challenges faced not just by Aceh and Nias but common throughout most regions in Indonesia. During the reconstruction the MDF and development partners only touched upon and provided limited capacity building support to address these entrenched governance challenges. While these types of governance issues are beyond the mandate of most programs aimed at post-disaster reconstruction, they pose significant challenges to governance and development that can undermine the sustainability of the gains achieved during the reconstruction. Tackling these issues requires longer term commitments of multiple stakeholders.
The experience of development partners in Aceh and Nias suggests that it is important to differentiate the capacity challenges being addressed in post-disaster settings. Awareness of the various layers of capacity challenges, their implications and their intervention requirements is paramount in designing a capacity building strategy. In a post-disaster context, the primary focus should be on the capabilities needed for populations and local governments to play an active and meaningful role in their recovery and rebuilding. But attention must also be given to some of the particular and pervasive challenges that predated the disaster. This can help safeguard the investments made in social and physical infrastructure and prevent social and political fragmentation, with its inevitable tensions. However, the latter investments must be made carefully; the challenge is vast and the recovery effort is limited by both time and resources. They may be better addressed under a different assistance track than one premised on post-disaster recovery.
Chapter 2

THE MDF’S CAPACITY BUILDING WORK
2.1 The MDF Partnership

The MDF played a significant role in strengthening capacity in Aceh and Nias, injecting explicit capacity building in most of its projects. The intensity of capacity building work increased over the life of the MDF projects. The capacity building strategies ranged from empowering communities to participate in the rebuilding of housing and local infrastructure to strengthening skills and systems for local governments to manage reconstruction assets and better address public sector management reform.

The 15 development partners in the MDF funded 23 projects in six outcome areas, with varying proportions of capacity building incorporated into each of the projects (see Chart 1). The capacity building component for each project is shown with darker shading. Capacity building activities embedded across all projects accounted for about 20 percent of the MDF’s total funds of $655 million.

A wide range of actors have contributed to the capacity building successes of the MDF, making attribution difficult. A brief explanation of the key actors is summarized below.

MDF and External Implementing Agencies

The MDF was governed by a Steering Committee, which consisted of national and provincial government representatives, the World Bank, and donors. Other stakeholders such as United Nations agencies, civil society, and the international NGO community also participated as observers. The Steering Committee met on a regular basis in Jakarta or Aceh to review and endorse proposals and discuss progress in recovery in Aceh and North Sumatra.

The majority of MDF projects were implemented through the Government of Indonesia with funds passing through its budget. The remaining projects were implemented by agencies in the United Nations system or by non-government organizations, both national and international. The United Nations Development Programme (UNDP),

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1 Multi Donor Fund 2011a

Rekompak (Community Based Settlement Rehabilitation and Reconstruction Program) trained Acehnese villagers in earthquake resistant construction techniques. These men are rebuilding a home in Lambung, Aceh.

Photo: Kristin Thompson
the World Bank, the International Labour Organization (ILO) and the World Food Programme (WFP) served as partner agencies for the projects, providing supervision and oversight, in partnership with national and local government. Further contracting for implementation was undertaken using international firms and NGOs, as well as local NGOs.

**BRR and Bappenas**

The National Development Planning Agency, Bappenas, acted as a key national agency providing leadership and coordination for the recovery of Aceh and Nias. It was the driving force in establishing BRR as the one-stop agency for managing the reconstruction and rehabilitation effort. It led the preparation for the Master Plan of Regional Rehabilitation and Reconstruction (Presidential Regulation 47/2008). It was also the executing agency for several MDF-funded projects. Related line ministries including the Ministry of Home Affairs (MOHA), the Ministry of Public Works (MPW), the Ministry of Finance (MOF), the Ministry of Disadvantaged Areas (MinDA), and the National Land Agency partnered with the MDF to implement or support the projects.
The 2005 Master Plan for rehabilitation and reconstruction called for governance capacity in the medium term,² up to five years, to:

- Increase the capacity of the local government apparatus and members of the legislative body in planning and financial management processes.
- Increase the capacity of local government apparatus in facing the threats of natural and non-natural disaster, through managerial technical training and the development of early detection system.
- Restore the local governance administration system responsive to unexpected changes (natural and non-natural disasters).
- Restore and restructure institutions and operational procedures in accordance with the main duties, functions, authorities and responsibilities, in order to meet minimum service standards.
- Establish and enhance inter-governmental coordination and cooperation.

The assumption embedded in this view of rehabilitation and reconstruction was a focus on returning to “normal.” But there was a suggestion that some “restructuring” would be necessary to allow institutions to truly provide meaningful services. Some MDF projects sought to facilitate some measure of “restructuring” or reform. Perhaps the most ambitious was the Aceh Government Transformation Programme (AGTP). These projects aimed to establish “governance, management and service-delivery systems which are designed to function long after project support ends.”³

**Provincial Governments of Aceh and North Sumatra**

Several units of the Aceh government have played a role in the MDF-funded projects, among them Bappeda, Bappedalda, Agency for Personnel and Education/Training (BKPP), the Bureau for Legal Affairs, and the Bureau for Organizations. Additionally, a representative of the office of the Governor of Aceh was a member of the MDF project selection committee.

The main provincial unit involved in North Sumatra was Bappeda, which provided support to the districts and city governments of Nias from the provincial capital in Medan.

Some of the provincial units in Aceh and North Sumatra became the implementing agencies for MDF-funded projects, housing the relevant Project Management Unit (PMU). For instance, Bappeda Aceh was the implementing agency of the Economic Development Financing Facility (EDFF). Its role was largely to ensure that the EDFF supported the implementation of the Government of Aceh’s economic development strategy.

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² Bappenas 2005
³ Multi Donor Fund 2011a
Chapter 2 - The MDF’s Capacity Building Work

The involvement of the provincial level was much more intensive in Aceh than North Sumatra. Several projects in Aceh, for example, involved provincial government units. The AGTP heavily involved the Legal Bureau, the Organizational Bureau, and the BKPP. In this case, the linkage to the provincial secretariat, with an assistant to the Governor given special responsibilities to guide the program, was expected to facilitate this cross unit approach.

Provincial and Local Governments

The MDF’s capacity building assistance targeted both provincial and local government levels, particularly for Aceh province. The AGTP, for instance, sought to add capacity to the provincial BKPP to in turn assist districts in their management of the recovery. In the case of the UNDP/ILO implemented project “Creating Jobs: Capacity Building for Local Resource-based Road Works in Selected Districts in Aceh and Nias,” (CBLR3) the focus was providing assistance to the four selected district governments.
Civil Society and Communities

MDF-funded projects have offered several roles to actors outside of government. Civil Society Organizations and NGO representatives served on the MDF Steering Committee. Within projects, some CSOs and NGOs were used as implementing partners, as in the case of the CSO project and EDFF. Community-based organizations have been target groups for small-scale infrastructure and economic projects (e.g., KDP, SPADA, CSO project) and the target of awareness or educational campaigns (e.g., disaster risk management through DRR-A).

2.2 The MDF’s Approach to Capacity Building

The MDF set out some broad principles to guide its capacity building efforts in its overall corporate policy, even though it did not construct an elaborate capacity building framework. It aimed to introduce good practices in post-disaster and post-conflict rehabilitation and reconstruction, drawing from international experiences. It pledged to be responsive to government needs, as articulated by the BRR. Where appropriate, it sought to strengthen government capacity by channeling funds on-budget. It promoted community-based approaches, especially in the early days of the recovery, and emphasized social and environmental sustainability post-MDF. It recognized that it needed a short, medium and longer term view of capacity building, and that key actors would play important roles, the BRR, local government and civil society in particular.

Less explicitly, the MDF committed to including capacity building components in almost all projects. Notably, inserting capacity building components was seen as core to an exit strategy that would ensure sustainability. The term Capacity Building was not defined by the MDF, but some sub-project advisors differentiated this from the more recent term “capacity development” (see Box 1).

MDF project interventions have underscored the importance of being active at three levels—individuals, organizations and systems. This conceptualization of capacity building, which has roots in the UNDP’s experiences, is illustrated in Figure 3. Combining human resource development with the rebuilding of infrastructure was crucial to success in the early stages of recovery. Thinking critically about these possible levels was necessary to develop the right skills, procedures, structures, policies and legal frameworks appropriate to ensure long-term capacity enhancement.

Often, the levels of intervention must be linked, recognizing that investments in individual skills have more impact when organizational and systemic changes are also made.

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4 Multi Donor Fund 2006a
## Chart 1: MTD financed projects with estimated capacity building component (%)

<table>
<thead>
<tr>
<th>Outcome area</th>
<th>Project</th>
<th>Total Project Value (US$ millions)</th>
<th>Percent of Project Budget Spent on CB</th>
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<tbody>
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<td><strong>Recovery of Communities</strong></td>
<td>RALAS</td>
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Darker shaded areas denote funds spent on capacity building in US$ millions.
Box 1: Capacity Building in the Context of Post-Disaster Recovery

The more common term in use today, capacity development, can be broadly understood as ‘the process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time.’

In a post-disaster context the above capabilities include an institutional framework for disaster risk reduction (DRR) that helps to mainstream DRR in development planning, services, infrastructure, emergency preparedness, and response and recovery.\(^5\)

MDF projects reveal a wide range of capacity building settings and approaches, with instances of capacity replacement or substitution in early days and when time was pressing and the focus was on a particular technical outcome. More sophisticated and nationally led governance enhancing efforts are evident toward the end of the MDF life span—which better fit under the capacity development label.

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\(^5\) Earthquake and Megacities Initiative 2001
Chapter 2 - The MDF’s Capacity Building Work

At the first level, capacity building interventions focused on orientation and training to individuals and community groups. An extensive effort was mounted early on to support these groups who were rebuilding homes and community infrastructure, increasing citizens’ voice in decisions on the location and type of construction. Citizens also participated in the physical construction process, leading to a sense of ownership of the resulting facilities, and increasing the likelihood of subsequent maintenance and effective operation.

Building capacity to respond to future disasters was deemed a critical intervention—several MDF projects worked to enhance the capacity of relevant organizations in this area. Local government units, such as the Provincial Disaster Management Agency (BPBD) devoted to disaster management, were established. These projects employed new disaster planning approaches and linked them to a network of related government units and knowledge institutions. These new units are now engaged in a variety of community awareness, education, and mobilization efforts.

Photo: UNDP Collection

Staff in the Nias district finance unit participate in data entry training to learn how to create a database for entering all the new assets created during the reconstruction.
Organizational support to facilitate the process of transferring assets acquired or built in the reconstruction has also proven important. MDF assistance to government agencies in developing approaches and processes (e.g. verification and evaluation of assets) helped to find a proper home for the assets, after ensuring that the recipients—community groups and local government units—had an appropriate asset management system and were willing to allocate the requisite operation and maintenance of funding.

Moving beyond individual skills and organizational development, deeper governance challenges require support for systems improvements at the highest level on the capacity building hierarchy. The legacy of conflict in Aceh and long-term neglect in Nias resulted in political, administrative and societal dynamics that held back the performance of the respective local governments. A group of MDF projects was oriented specifically to address these more fundamental governance challenges through support to legal and judicial frameworks. Considered together as a whole, MDF interventions at all three levels have been instrumental in raising the capacity of communities, civil society, and local government units in Aceh and Nias.
Chapter 3

MDF’S CONTRIBUTIONS TO CAPACITY BUILDING IN ACEH AND NIAS: AN EVOLUTION
3.1 MDF Portfolio Development

The MDF was established several months after the natural disasters, following the immediate emergency response. It was created to facilitate coordination of international donor support. The MDF’s governance structure and mandate made it responsive to the Indonesian government policies and needs, and put it in a position to “fill gaps” as identified by the Government. With grant funds of $655 million, the MDF comprised about 10 percent of the total external resources pledged.

Early in the rehabilitation phase, the BRR became active and influential, providing MDF and other donor vehicles with plans and requests to guide programming—ranging from infrastructure development to capacity building support for the BRR itself. The MDF initiated sub-projects or adapted existing projects to respond to these needs. In many cases, it extended and modified projects—37 such extensions were seen for the 23 projects.

The responsive nature of the MDF resulted in a wide range of projects and a loosely-defined capacity building framework. In view of its mandate, the MDF did not develop a more detailed approach to capacity building beyond the broad principles of its recovery assistance policy. The responsive/gap filling stance resulted in a portfolio that eventually covered all of the six broad outcome areas of the MDF (Chart 1). These were, in a general way, consistent with the policies of the government’s 2005-2009 Action Plan (RENAKSI).¹

Not having a well-defined capacity building framework meant that the MDF was not able to infuse projects with similar capacity building approaches, or to create links between projects. Nor was it able to insist that its partner and implementing agencies adopt set capacity building methodologies or apply a certain rigor to capacity building efforts.

¹ Bappenas 2005
3.2 Capacity Building in the MDF Portfolio

The MDF recognized the need for a more intensive treatment of capacity building as the recovery proceeded. Given its responsive nature, the MDF portfolio mirrored the larger phasing of the recovery. Initial projects contributed to community recovery through government-implemented community driven development (CDD). This was followed by a focus on infrastructure reconstruction. Economic development was a later focus. The MDF sees its portfolio development as consisting of three phases as shown in Figure 4.

As Figure 4 illustrates, the MDF focused on urgent needs initially, but was aware of the need to shift to more complex investments over time—those requiring capacity building and thus a longer time horizon. In its 2011 Progress Report, the MDF noted that “Physical implementation is finishing up, and the last set of projects focus on capacity building, economic development and key infrastructure to support economic growth.”

Figure 4: The MDF’s Three Phases of Support for Reconstruction

The MDF spent $125 million on capacity building activities over 21 projects, comprising 20 percent of its funding. The 2011 MDF report notes that seven percent of its funding was directed to the outcome category of “Governance and Capacity Building.” The three projects in this category were not in fact the projects that focused on capacity building most intensively, and do not account for the larger part of MDF capacity building expenditures. For a deeper appreciation of the capacity building content of the entire MDF portfolio, it is necessary to examine each project’s capacity building content—for all 23 projects, in all six outcome categories. Chart 1 shows an estimate of the proportion of capacity building content in each project.

The projects’ capacity building components range in proportion from 0-91 percent. Overall, the $125 million allocated to capacity building averages about twenty percent of the MDF portfolio—considerably more than the seven percent for the MDF.
outcome category whose title suggests a capacity building emphasis. The larger figure is suggestive of the pervasiveness of capacity building across the MDF portfolio.

The more capacity building intensive and sophisticated projects came near the end of the MDF’s life. The capacity building content of the MDF portfolio reflected the nature of the projects and their position within the recovery period, i.e., the three MDF phases. While capacity building was not an explicit or major part of the project design in many of the early projects, over time, it became a more visible and important component in some of these projects as they were monitored, extended or redesigned as new phases. New projects focused heavily on capacity building, and addressed deeper issues of governance, such as asset management, civil service management, and legal frameworks for the governance of Aceh.

3.3 The MDF’s Capacity Building Accomplishments

MDF projects had an enormous reach in Aceh and Nias, touching the lives of hundreds of thousands, giving them the means to rebuild, assert claims, and pursue livelihoods. Orientations, social mobilization, and facilitation were key interventions in bringing about this achievement, captured by some figures below:

- Nearly 290,000 participants in the community planning process, one-third of which were women.
- 220,000 land certificates distributed. Of these, almost 30 percent were issued in the names of women or as joint titles.
- More than 73,000 households sustainably recovering waste.
- Regular community participation in joint monitoring of forests in 74 villages and 15 mukim (traditional village groupings).

Skills for individual and collective pursuits were strengthened. More targeted capacity building efforts came in the form of training tailored to specific target groups, encompassing civil society, the private sector, and government:

- Nearly 5,000 government officers trained in land administration, community driven adjudication, local employment creating road construction, municipal and community-based solid waste management, bottom-up planning processes, forest conservation, judicial services, and status monitoring. Over 1,000 government staff were also trained in solid waste management.
- Over 32,000 students trained in waste management awareness and 286 teachers and students trained in recycling and benefits of solid waste management.
- Nearly 11,000 teachers trained, including 1,000 in conservation awareness.
- Over 14,000 local contractors trained in local resource based approach to road maintenance and construction.
- Over 100,000 CSO and CBO participants/members trained in key strategic competence, organizational development, project management, community land mapping, community-driven adjudication, forest monitoring, judicial services, legal education and conflict resolution.
A great deal of the capacity building efforts had a strong collective focus, bringing together individuals to deepen their understanding of the challenges faced, and devising solutions that work for all stakeholders. For instance, 126 community plans for housing/small infrastructure were prepared in the early days of the recovery.

Individual/private sector initiatives as well as community life were nurtured. Individual/private sector initiatives were deemed important to the recovery, as was the role of CSOs in building social cohesion and mobilizing the potential of communities:

- 10,000 persons received micro-credit loans.
- 47 agroforestry nurseries established and operating.
- 263 small/micro enterprises with sustainable livelihoods created in waste management sector.
- 66 new cooperatives formed in key production sectors.
- Almost 300 CSOs trained in key strategic competence, organizational development and project management.

Results for ‘higher level’ capacity building activities were fewer but nonetheless significant. Much of the above-mentioned CSO support was aimed at organizational strengthening. Many organizational efforts have also been aimed at the public sector, or the intersection of the public and private sector. The quantitative figures are not as impressive as for training efforts, but the impact is significant. For instance, the development and institutionalization of information systems in local government has helped Aceh and Nias’ local governments to manage their budgets and assets. The 10 fora established for public-private dialogue (e.g., Aceh Cocoa Forum and National Aceh Cocoa Conference) have allowed for more effective coordination to boost production of commodities. Support to several newly established Disaster Management Agencies enable these organizations to mobilize local resources, reduce risk and manage eventual responses to disasters.

At the system level of capacity building, MDF projects assisted in developing policies, regulations and guidelines, achieving the following:

- 217 strategies/policies/guidelines.
- 17 legal instruments to facilitate transition from BRR to other actors.
- Qanun (local law in Aceh) for the establishment of Aceh Disaster Management Agency.

### 3.4 Capacity Building at Project Level in the MDF

In the early days of the recovery, MDF projects lacked well articulated capacity building components and sometimes relied on capacity replacement/substitution. Early in the recovery process, several urgent projects were launched under the MDF related to housing and other basic service infrastructure. These projects did not clearly articulate a capacity building component, and in cases appeared to have none at all. The emphasis
was on generating usable local plans, restoring services or building infrastructure. The rebuilding of ports (TRPRP) and shipping of emergency and rebuilding materials (SDLP-initial phase) are the two notable projects of this kind.

Capacity gaps met in a recovery setting cannot, and need not, always be addressed in the ideal way (driven locally and enhancing existing capacities). Sometimes it is important to just get the job done. Overcoming these capacity gaps is an urgent matter, justifying the use of technical assistance that is task or product oriented. International advisors placed in the BRR through the MDF can be seen in this light. The key was to respond swiftly to the organizational requirements of the BRR, allowing it in turn to play a vital coordinating role in the overall recovery.

As infrastructure was built, attention turned to enhancing provincial and local government capacity to accept and manage assets. The initial push to restore basic physical infrastructure did not emphasize identifying the specific level of government that would need to manage the infrastructure in the long term. Over time, as the staff was restored and training was provided, local government became more involved in the planning of infrastructure. Implementing partners managing the building of infrastructure sought to clarify who would ultimately be managing the infrastructure assets, and designed capacity building to enable local actors to accept and continue the operation of built infrastructure.

In the case of the two rural roads projects implemented by the ILO, it was assumed that the districts would exert ownership over the small roads produced. However, the districts have been reluctant to take up the small roads onto their asset registers as the
legal framework on functional assignment did not explicitly give them jurisdiction over the less than three meter wide roads.

In the case of Banda Aceh Flood Mitigation Project (BAFM), the implementing agency, Muslim Aid, spent eight percent of the project costs (about $500,000) to train the relevant municipal government unit of the City of Banda Aceh to eventually manage the flood gates. A memorandum of understanding was signed with the city to specify the training and the obligations of the city concerning operations and maintenance.

MDF was also drawn into support for processing the handover of new assets, using the multi-purpose governance projects AGTP and NITP. These efforts focused on handover of assets created under the MDF and other assets built with funds channeled through the government’s budget.

Even with the support given by AGTP/NITP, the issue of asset handover and maintenance remains a challenge for many assets produced through the reconstruction. Assets created under MDF funding have been handed over to the relevant authorities, but for many of the assets created through the NGOs and other donors that did not pass through the government’s budget, the issue of ownership and responsibility for continued operations and maintenance may prove difficult. This potentially endangers the sustainability of expected benefits.

MDF recognized the need to address the challenge of institutionalizing good practice. As projects neared their completion, greater attention was given to capacity building. Some projects transformed themselves over time from infrastructure or logistics efforts to essentially capacity building projects that sought to institutionalize good practices. This can be seen in the case of the waste management program under the TRWMP, the rural roads projects of ILO’s CBLR3, and the port management and disaster preparedness activities of SDLP. The capacity building activities incorporated into the projects enabled the agencies being supported to take up management practices promoted by the project. As closing dates approached, implementing agencies increasingly targeted specific local actors who would determine the sustainability of project outcomes. Even so, project staff often voiced the hope for project extensions in order to assure confidence in capacity to anchor new approaches or innovations.

Over time the MDF found itself drawn into addressing difficult governance challenges, requiring support that aimed higher on the capacity building hierarchy. Deeper governance challenges—the legacy of conflict in Aceh and of relative neglect in Nias—are sources of political, administrative and societal dynamics that hold back the performance of provincial and local government. Commitment to tackle these challenges derives from national level strategies, but also from local government priorities, as found for instance in the Aceh Recovery Framework (ARF) 2008-2011, which highlights a related cluster of priorities: the Rule of Law, Good Governance and Democratic Decentralization. Some MDF projects were oriented to these more fundamental governance challenges (AGTP, NITP, DRR-A, LEDP, CBLR3/RACBP), and they have faced great difficulties in achieving their objectives in the given time frames.
of 2-4 years. These projects have come (or have been reoriented) toward the latter part of the recovery effort, and often work further up on the capacity building hierarchy (see Figure 3), seeking organizational and system changes. Some notable examples are captured in Box 2.

**Box 2: Addressing Governance Challenges at Provincial Level**

Notable examples of efforts to address deep governance challenges at the provincial level in Aceh through the AGTP are:

- **Applying a “fit and proper test” in provincial government recruitment:** Supported by the AGTP, and drawing on the resources of policy experts from Indonesia, the UK and Malaysia, the former Governor of Aceh “made an historical recruitment choice” in applying a ‘fit and proper test’ to select the 42 heads of provincial units in a fair and transparent manner. The initiative was part of a larger effort to reform the provincial government. The 52 units were reduced to 42, and the new heads were asked to sign an integrity pact. A public announcement was also made by the former Governor of his commitment to change underperforming provincial heads.

- **Accelerating the implementation of the provincial budget:** AGTP briefly supported the establishment of a special unit in the Governor’s Office, the P2K-APBA, to overcome the chronically poor budget absorption. This effort quickly gained momentum and became self-propelled, spurred by the strong political support and sense of urgency imparted by then-Governor Irwandi. Drawing from the experience and drive of a senior member of the BRR after it closed, the unit was able to adapt BRR software to track the provincial budget and to organize the budget monitoring and corrective activities to focus on those projects facing implementation problems. The unit’s work allowed the provincial government to improve its budget absorption rate from 64 percent in 2009 to over 90 percent by 2010/2011.

Governance reform support can pay off, but implies risk and political commitment, and requires time and well-designed efforts. MDF projects supporting governance reforms proved to be difficult, facing considerable risk arising from political, policy and organizational dynamics. MDF projects have in cases taken on these risks, committing to ambitious outcomes. The examples provided in Box 2 show that governance support can have a significant payoff, locally and nationally. The fit and proper test effort has inspired districts in Aceh to follow suit, and has added momentum across Indonesia for this approach. Financial staff of other provincial governments (Gorontalo for instance) have visited Aceh to learn of the budget implementation approach of the P2K-APBA.

National and international experience suggest that tackling these fundamental governance challenges requires political commitment from the beginning as they relate to long standing systemic issues (those at the bottom layer of Figure 2). To
have any hope of success, the efforts should be based on some existing capacity and require strong ownership over the reform effort, as well as a willingness to reconfigure incentives that drive individual and institutional behavior. As for the external support, this needs to be well designed, sufficiently resourced, flexible, and operating with a 5 to 15 year perspective.

3.5 Reducing Disaster Risk

Disaster risk reduction was mainstreamed in the MDF portfolio. The MDF played a helpful role in facilitating the merging of several funding proposals into the Making Aceh Safer through Disaster Risk Reduction Programme (DRR-A). This UNDP program assisted a wide range of DRR activities, from developing a legal framework for DRR to raising community awareness and capacity to respond to disasters. Other capacity development projects also made a contribution to DRR, among them the NITP in Nias, one of its outcomes being the integration of DRR into provincial/local government development activities. The SDLP extended its initial mandate, focused on sea

Banda Aceh residents simulate a tsunami drill under the Making Aceh Safer through Disaster Risk Reduction project (DRR-A). Through drills and practice, residents in disaster-prone areas become better prepared for the many hazards they face. DRR-A helped to promote a culture of safety for some of Aceh’s most vulnerable residents.

*Photo: Tarmizy Harva*
transport logistics, to provide telecommunications and related training to the regional government disaster management agencies (BPBA/BPBDs) to enable a quicker and more effective response to disasters.

New institutions focused on DRR were assisted. The project DRR-A engaged in institution building on several fronts, facilitating the establishment of multi-stakeholder forums, the regulatory framework for the Provincial Disaster Management Agency (BPBA) disaster management plans for district level agencies, (BPBDs), and the birth of the Tsunami Disaster Mitigation Research Center (TDMRC) to be a source of science-based technical expertise and knowledge products on DRR. The TDMRC, with the University of Syiah Kuala and DRR-A assistance, initiated a Master’s degree program on Disaster Science.

Several MDF projects have contributed to enabling citizens and communities to make proper preparations and good choices following a disaster alert. For instance, the DRR-A assisted TDMRC to develop inputs to be used in school curriculum materials and public awareness activities. Much has been learned in the process, such as the need to have a good communication link from village to district level.
Chapter 4

THE MDF’S CONTRIBUTIONS TO GOOD PRACTICE
There are no set standards to assess post-disaster capacity building, but some emerging
good practices on capacity building and post-disaster support can be helpful guides. The
literature on post-disaster recovery is still developing, but several good practices are
discernible at this time that can be compared to the MDF experience of capacity
building efforts in Aceh and Nias. Beyond these, it is necessary to revert to the longer
standing good practices that are found in the wider capacity building literature. The
MDF experience will be examined therefore against the following areas that contain
emerging good practices:
• Post-disaster recovery approach
• Capacity building conceptualization and methodology
• Delivery modalities
• Sustainability

4.1 MDF’s Approach to Post-Disaster Recovery

The MDF sought to be responsive and consistent with the ‘build back better’
approach—a realistic aim in view of resources made available. MDF aimed for
donor coordination, and to be responsive to government. Both the coordination and
responsiveness aims are in keeping with the donor aid principles that have been well
articulated over the last decade.

The rebuilding cost in a “build back better” scenario was matched with Government
of Indonesia and external resources. This may not always be the case in a post-
disaster situation, for any number of reasons, such as donor fatigue and geopolitical
considerations. Already the discourse has shifted slightly, as seen in Pakistan and
Christchurch (New Zealand) following recent earthquakes where the term “build back
smarter” has been adopted, indicating that after some disasters the notion of ‘right-
sizing’ or doing things differently may be more appropriate than building back better,
with its connotations of greater scale and technological sophistication.

The sometimes implicit aim to address governance issues within the ‘build back better’
approach is something new. The post-recovery literature does not speak directly to
this dimension of the recovery, although it does indicate that there is some tension
in responding to urgent needs in any way possible and developing local capacity to
manage the recovery and further development.

1 Asian Development Bank and World Bank 2010

The MDF supported Civil Society Organizations to engage Acehnese villagers in participatory
monitoring of reconstruction activities.

Photo: MDF Secretariat
4.2 Capacity Building Conceptualization and Methodology

MDF may have had a weak capacity building framework to begin with, but it ultimately measured up to emerging good practices. These relate to the understanding of capacity building concepts in a post-disaster context, and the application of specific capacity building methodologies that are crucial to good project design and to assessing progress and success. As the UNDP has promoted some practices drawing from its rich experiences in many countries, the idealized capacity development process it advocates is a suitable reference (Figure 5).

![Figure 5: Idealized Capacity Development Process](source: Adapted from UNDP project documents)

While not all MDF projects fully match this process, in many cases MDF projects have demonstrated alignment with these practices. For example:

- MDF engaged extensively with stakeholders. Most MDF projects were designed and implemented with stakeholder input, the community recovery and governance projects in particular. The wide range of target groups (individuals, communities, private sector, all levels of government) indicates the responsive nature of MDF projects. If there is one failing in this respect, it is the limited interaction/coordination with similar governance projects supported by other development partners which operated alongside MDF projects.

- Some capacity assessments were done, but baselines and indicators were weak. Some projects evidently appreciated the role of capacity analysis. This is particularly true with respect to DRR as well as governance practices. However, not enough up front analysis was conducted, nor were firm baselines with indicators adequately developed. Later and piecemeal assessments did compensate in part for this initial gap.
The vast majority of the 23 MDF projects had significant capacity building components. The formulation of the capacity building components of MDF projects was not always rigorous, but as the projects matured, were extended, or given a new phase, the capacity building components were made more elaborate and in keeping with desired project outcomes.

Weak capacity building frameworks of the projects undermined the tracking of achievements, nevertheless some monitoring and evaluation activities proved valuable. The capacity building components tended to lack clear outcomes and sufficient baselines and indicators to adequately track progress beyond immediate outputs. Nonetheless, several projects benefitted greatly from intensive field monitoring visits and from mid-term reviews/evaluations.

Additional aspects of MDF project capacity building efforts worth noting are those specific to the post-disaster scene:

- Capacity building was viewed through the lens of post-disaster recovery. The MDF effort reflects the internationally acknowledged view that “capacity development is a central strategy for reducing risk.”

United Nations 2008
However, some MDF projects recognized the special circumstances where capacity had to be replaced/substituted to achieve urgent tasks. The MDF approaches are thus consistent with the emphasis on capacity building, while acknowledging that “capacity building can be relevant to crisis or immediate post-conflict situations where existing capacity has largely been lost due to capacity destruction or capacity flight.”

- All three levels of capacity building were in evidence. As the MDF was drawn into governance support, its projects aimed at higher entry points of capacity building (see Figure 3), moving beyond individual skills and a focus on training to address broader questions of institutional change, leadership, and system wide changes. As explained earlier, however, the MDF projects operating at these levels tended to be hampered by short project duration.

### 4.3 MDF and Government of Indonesia Delivery Modalities

The MDF portfolio used a combination of project modalities to deliver funds and expertise. Most of the projects were implemented by government agencies, with funds flowing through the government’s budget mechanisms. Some were implemented by external partners and agencies through direct funding, and government channels for flow of funds were not used in this modality. Some difficulties were experienced in using these different modalities. These related to lack of experience in the modalities in some units of the central, provincial, and local governments, or rigidities on the development partner’s side. To some extent, these difficulties could have been avoided or reduced by conducting an initial mapping of necessary regulations and processes required to implement a project with the intended modality.

Innovation arose out of the search for the most effective delivery modalities. In one case, the placement of a National Project Director in the provincial capital (Banda Aceh) broke new ground, avoiding delays experienced by some other MDF projects. In another case, the Ministry of Home Affairs found that it could use its regular deconcentration funding mechanism to channel the funds it received from the MDF to the provincial level.

As a final point on Government of Indonesia modalities, a trade-off can be seen in the choice of using seasoned implementing agencies and giving untested units the chance to perform and gain capacity. Again, the choice may need to be contingent on the ultimate objectives or weighing multiple objectives. Going with the former may result in better execution in the recovery period, but adding capacity to certain units may have a longer term payoff. In this respect, the Ministry for Disadvantaged Areas, despite difficulties it experienced in project implementation, is using the learning it has gained from MDF projects to feed into its national programming (e.g., the use of CSOs in implementation, and the need to program for Nias as an integrated island).

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3 UNDP 2008a
In a disaster recovery context, with many different partners and implementers, a pragmatic approach that allows a mix of modalities for the flow of funds may result in a more comprehensive program of support.

4.4 Sustainability

The limited official recovery period created challenges for sustainability of project benefits. The short time horizon was difficult to reconcile with the desire to see a continuation of programs or good practices and with a commitment to ensure an equitable distribution and diffusion of benefits throughout Aceh and Nias.
One of the project design strategies used by the MDF offered the possibility of program sustainability: MDF supported existing national programs that were not yet offering wide coverage in the disaster-affected areas. Hence, the Kecamatan Development Project (KDP) and the Urban Poverty Project (UPP) were funded to extend their reach in Aceh and Nias. This strategy made use of existing capacity in the form of program structures and government and stakeholder familiarity with the objectives and approach of the programs. In this approach, the MDF hoped to lessen the risks of delays in project preparation and initiation, and increase the likelihood that the programs would be continued after the recovery period. These objectives were achieved, but not without challenges: for instance, the difficulty in attracting enough good facilitators, and the tenuous links to the government’s regular bottom-up planning system. These limitations could have been reduced by careful redesign, but that would have taken time, detracting from the appeal of using these ‘ready-made’ vehicles.

As programs neared their closing dates, more attention was given to exit strategies and sustainability. For entirely new projects, the challenge lay in embedding new practices in the proper institutional matrix before the closing date. This end of project state often became an urgent consideration toward the end of individual projects, particularly for infrastructure. For ongoing projects, retrofitting to improve performance in capacity development was not always possible or came too late to ensure sustainability. The drive for visible achievements sometimes obscured what were often meant to be demonstrations of practices that were to be embedded and expanded by local actors following project closing.

Several projects found themselves in this sustainability bind. Exit strategies are informed by the need to ensure government and community players are ready and able to incorporate assets and forward action, while sustainability strategies aim at the successful continuation of the expected stream of benefits. Both strategies are achieved in their own time, and ideally should be incorporated within the fabric of the project rather than grafted onto the project near the end of its life.
Hampering sustainability was a lack of institutional analysis, particularly for more complex or governance related projects. Weaving exit and sustainability strategies into projects requires understanding the institutional context. Institutional analysis was not part of most of the projects in the MDF portfolio, but should have been, a message repeated in several of the project reviews/evaluations. Without a strong institutional analysis with an established baseline, many projects lacked specific intervention design, indicators to track progress, and reporting/corrective action.

Institutional analysis that is useful in designing capacity development (or any kind of investment) needs to deal with the small scale organizational/individual concerns as well as the macro level, understanding for instance the decentralized intergovernmental division of labor (who does what at what level of government) and the availability or rigidity in financing mechanisms that development partners can use (or avoid) in channeling their financial support. Some of these features became familiar to MDF projects (and MDF as an organization) as the recovery assistance unfolded, but the learning was rather painful at times and misunderstandings and delays affected project implementation, ultimately reducing project results.
Chapter 5

LESSONS FROM MDF’S CAPACITY BUILDING EXPERIENCE
5.1 Key Lessons in Capacity Building from the MDF

The capacity building experience of the MDF holds lessons regarding factors that favor success, as well as those that limit it. For government and supporting actors, the experiences provide the following lessons:

• ‘Build back better’ is a powerful rallying call, where sufficient resources are made available to match the commitment, as was the case in Aceh and Nias.

• Even when resources for the recovery are considerable, care must nonetheless be taken to delineate the scope of ‘build back better’—whether it should go deeper than visible replacement/enhancement of physical infrastructure to encompass core governance capacities.

• Recovery efforts will inevitably be drawn into addressing difficult and long-standing governance challenges, some of which will determine the sustainability of recovery investments—if external capacity building is provided, it should be with a full awareness that success is predicated on political commitment, sufficient time, and well-designed interventions that use appropriate entry levels of capacity building.

• Capacity building efforts to embed good practices introduced in the recovery will tend to be pressed for time in the context of an officially set recovery period; a decision may be put to government and development partners to address important capacity needs through the platforms and time-frame of the “recovery” or alternatively to use separate and possibly more suitable tracks.

• The use of a powerful coordinating central government agency (for example, BRR in Aceh and Nias) can be helpful in guiding the recovery effort, but must have a built-in turnover plan to sub-national government (beyond the transfer of assets), and therefore a more explicit and intensive capacity building policy and programming for sub-national government.

• In a recovery context, the pressure to get the job done—with ad hoc approaches, often relying on capacity substitution—will always be in tension with the desire to apply more rigorous and endogenous capacity building approaches that emphasize sustainability. A ‘pragmatic’ approach in early days needs to evolve toward a more rigorous approach over time, and a minimum level of capacity building assessment and design must be done from the beginning of a recovery effort.

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Fauna Flora International, one of the implementing partners of the Aceh Forest and Environment Program, trained forest rangers how to read maps and use Geographic Information System equipment and binoculars to monitor activities like illegal logging, poaching, and human-wildlife conflict.

*Photo: Mahdi Ismail for Flora Fauna International*
Specifically for MDF type instruments, the following lessons are relevant:

- A multi-donor fund is well suited to respond to government needs, but even in a responsive mode it should be able to orchestrate a coherent and reasonably robust capacity building approach across the multi-donor fund portfolio of projects.

- A government led multi-donor platform should provide an opportunity for dialogue, and development partners should in the first instance support the government to give shape to its overarching capacity building strategy for the recovery, that can in turn better guide development partner support.

- Partners managing projects funded by a multi-donor fund should be expected to abide by explicit capacity building requirements—and a project capacity building guideline should be in place to assist them in shaping the capacity building component—or to allow them to explain why it is not needed. This capacity building guideline may follow the format used by international financial institutions for “safeguards” or the disaster ‘minimum service standards” being developed for infrastructure such as shelter or water provision.

- As a multi-donor platform may only encompass part of the development partners funding for recovery, it is important to coordinate multi-donor funded capacity building with that taking place in separate development partners funded projects.

- A flexible approach to delivery modalities, as seen in the MDF projects, has many benefits, with the weight of ultimate objectives influencing the choice (for example, getting the job done versus enhancing system capacity).

In general, all participating development partners could consider the following lessons:

- Capacity building components need to be better elaborated conceptually, with a baseline and indicators that are particular to the project’s contribution (output and outcome levels) and a sustainability strategy built into the project from the beginning. In undertaking capacity building, supporting parties need to be clear about which kinds of challenges are being addressed. These all relate to governance in some way, but some may be closely tied to the recovery activities, others may be peculiar to the regions, and others may be deep-rooted and pervasive nationally. It is the latter two categories that are generally the toughest to address, and must be approached with a clear understanding of the challenges; they require intensive and well-designed capacity building efforts that are higher on the capacity building hierarchy and require longer time frames.

- Quick response and a robust capacity building approach are not mutually exclusive, if development partners create ready-made instruments for:
  - Undertaking capacity assessments (together with government where possible) establishing adequate baselines and indicators;
  - Transferring assets (those on-budget and off-budget);
  - Understanding the legal framework for subnational government roles/functions and financing mechanisms (how funds can be channeled on budget and on treasury).
A greater emphasis on development partners working collectively and with government to adapt and apply such ready-made tools is required, to lighten the load for single actors, converge on the understanding of the situation, agree on priority objectives, and devise a suitable division of labor.

### 5.2 Conclusions

A great deal has been achieved in the recovery of Aceh and Nias. These regions have been built back better in many respects. The support provided by development partners had much to do with the success, and the capacity building components of the projects were critical to the impact and sustainability of the recovery and the efforts to address longer term governance challenges. The MDF made a significant contribution to this overall effort and achievement, validating its overall model.
Chapter 5 - Lessons From MDF’s Capacity Building Experience

The MDF launched into its work with a commitment to be responsive to government, and with the mindset of ‘getting the job done’. It showed an evolution over time in its capacity building approaches, with a greater emphasis on governance and sustainability as the MDF neared its end. In retrospect, the MDF could have pushed for a more intensive and coherent approach to capacity building in its portfolio, assisting the government to forge a more explicit capacity building approach for the recovery as a whole. A pragmatic approach to capacity building in the early days of recovery needs to evolve toward a more rigorous approach over time, and a minimum level of capacity building assessment and design must be done from the beginning of a recovery effort.

Community members in Gido, Nias, learn monitoring and evaluation techniques to better assess local government’s performance in development. Building the skills of communities to liaise with governments can help influence their ongoing development.

Photo: Chandra Manalu
The MDF experience underscores that capacity building in a recovery context needs to be nuanced, making room for diverse approaches. While capacity building may not be the focus in early emergency/recovery efforts, it should be seen as critical to getting the most from later recovery activities, where local resource mobilization and ownership is paramount. Well-designed capacity building is important to addressing longer term governance challenges. In this respect, difficult decisions will be needed to determine how extensive support should be for tackling deep rooted and pervasive governance challenges that inevitably surface in a recovery effort. Whether these will severely impinge on the sustainability of the recovery investments is one consideration. Another is whether it may be more appropriate to tackle these issues on a separate track (from that of the official recovery effort).

In Aceh and Nias, the end of the reconstruction presents an opportunity to take stock of progress and remaining capacity gaps. Capacity challenges in Aceh and Nias remain, and the newly enhanced capacity will be tested in the future from challenges such as further natural disasters and the demands for accelerated development. Many of the challenges have to do with good governance. Aceh and Nias have emerged from the reconstruction experience in a better position to address these challenges as a result of the capacity building achieved through the recovery process.
## ACRONYMS & ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AFEP</td>
<td>Aceh Forest and Environment Project</td>
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<td>AGTP</td>
<td>Aceh Government Transformation Programme</td>
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<td>ANUE</td>
<td>Australian National University Enterprise Pty. Limited</td>
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<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
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<tr>
<td>BAMFP</td>
<td>Banda Aceh Flood Mitigation Project</td>
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<tr>
<td>Bappeda</td>
<td><em>Badan Perencanaan Pembangunan Daerah</em> (Regional Development Planning Agency)</td>
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<td>Bappenas</td>
<td><em>Badan Perencanaan Pembangunan Nasional</em> (National Development Planning Agency)</td>
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<td>BPBA</td>
<td><em>Badan Penanggulangan Bencana Aceh</em> (Aceh Disaster Alleviation Agency)</td>
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<td>BPBD</td>
<td><em>Badan Penanggulangan Bencana Daerah</em> (Regional Disaster Alleviation Agency)</td>
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<td>BRR</td>
<td><em>Badan Rekonstruksi dan Rehabilitasi NAD-Nias</em> (Agency for the Aceh-Nias Reconstruction and Rehabilitation Board)</td>
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<td>CB</td>
<td>Capacity Building</td>
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<td>CBLR3</td>
<td>Capacity Building for Local Resource-based Rural Roads Project</td>
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<td>CBO</td>
<td>Community Based Organization</td>
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<td>CD</td>
<td>Capacity Development</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CSO (project)</td>
<td>Support to Strengthen the Capacity and Role of Civil Society Organizations in the Recovery of Communities in Aceh and Nias</td>
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<td>CSDP</td>
<td>Civil Society Development Programme</td>
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<td>DIPA</td>
<td><em>Daftar Isian Pelaksanaan Anggaran</em> (State Budget Execution Document)</td>
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<tr>
<td>DRR</td>
<td>Disaster Risk Reduction</td>
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<td>DRR-A</td>
<td>Making Aceh Safer through Disaster Risk Reduction in Development Project</td>
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<tr>
<td>EDFF</td>
<td>Economic Development Financing Facility</td>
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<td>GIZ</td>
<td><em>Deutsche Gesellschaft für Internationale Zuzammenarbeit GmbH</em> (German International Assistance Agency, formerly GTZ)</td>
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<tr>
<td>GoA</td>
<td>Government of Aceh</td>
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<td>GoI</td>
<td>Government of Indonesia</td>
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<td>GTZ</td>
<td><em>Deutsche Gesellschaft für Technische Zuzammenarbeit GmbH</em> (German Technical Assistance Agency)</td>
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<td>IREP</td>
<td>Infrastructure Reconstruction Enabling Program</td>
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<td>IRFF</td>
<td>Infrastructure Reconstruction Financing Facility</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<td>KDP</td>
<td>Kecamatan Development Project</td>
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<td>KRRP</td>
<td>Nias Kecamatan-based Reconstruction and Rehabilitation Planning Project</td>
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<td>LEDP</td>
<td>Nias Livelihoods and Economic Development Program</td>
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<td>MDF</td>
<td>Multi Donor Fund for Aceh and Nias</td>
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<td>MoA</td>
<td>Memorandum of Agreement</td>
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<td>Memorandum of Understanding</td>
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<td>MTR</td>
<td>Mid Term Review</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>NAD</td>
<td>Nanggroe Aceh Darussalam</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NITP</td>
<td>Nias Islands Transition Programme</td>
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<td>PAD</td>
<td>Project Appraisal Document</td>
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<td>PK2-APBA</td>
<td><em>Pengendalian dan Percepatan Kegiatan Anggaran Pendapatan dan Belanja Aceh</em></td>
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<td>PMU</td>
<td>Project Management Unit</td>
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<td>ProDoc</td>
<td>Project Document</td>
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<td>RACBP</td>
<td>Nias Rural Access and Capacity Building Project</td>
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<td>Rekompak</td>
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<td><em>Rencana Pembangunan Jangka Menengah Daerah</em> (Regional Medium Term Development Plan)</td>
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<td>SDLP</td>
<td>Sea Delivery and Logistics Programme</td>
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<td>SPADA</td>
<td>Support for Poor and Disadvantaged Areas Project</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>Tsunami and Disaster Mitigation Research Centre</td>
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<td>Tsunami Recovery Waste Management Programme</td>
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<td>United Nations Development Programme</td>
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<td>Urban Poverty Program UPP</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WFP</td>
<td>World Food Programme</td>
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