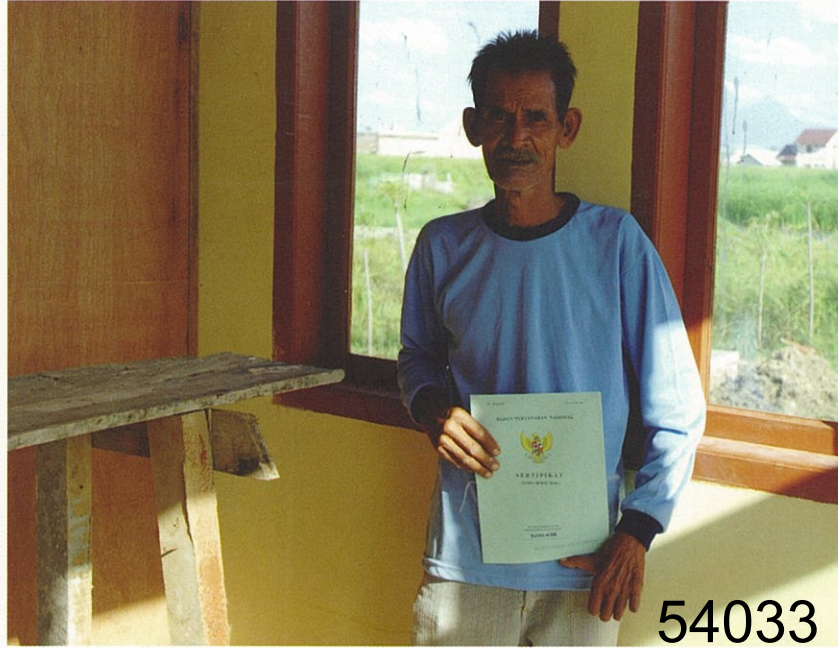


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The First Year of the Multi Donor Fund Results, Challenges and Opportunities

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 **Multi Donor Fund**
for Aceh and Nias - Bersama Membangun



TABLE of CONTENTS

Introduction	1
Foreword by Steering Committee Co-Chairs	3
Joint Donor Statement	5
Message from Government	7
Abbreviations	8
Aknowledgements	9
Executive Summary	11
1 Evolving from a Solid Foundation	17
2 Implementing the Recovery Portfolio	21
2.1 Recovery of Communities: Solid Progress with Local Ownership	23
2.2 Infrastructure and Transport: Addressing Critical Gaps	28
2.3 Building Capacity: Involving Local Actors in the Recovery	31
2.4 Environmental Sustainability: Sustainable Management of the Environment	34
2.5 Livelihoods: Creating Short term and Long-term Opportunities	37
3 Managing the Multi Donor Fund	39
3.1 How the Multi Donor Fund Operates	40
3.2 Who does the work?	41
3.3 Where the work is being done	42
3.4 Financial Report	43
3.5 Communications	49
3.6 External Views	54
3.7 Lessons Learned and Challenges Ahead	56
4 Annexes	59
1. Assessing Performance Based on Criteria for Quality	60
2. Projects Fact sheets	64
3. BRR - Multi Donor Fund Financing Strategy	76
4. Website Structure	80

Front Cover

Top left: A completed house, build by its owner, as part of the Housing Project

Top right: Houseowner with landtitle in Gampong Baro

Bottom: Life resumes in Banda Aceh

The findings, interpretations and conclusions expressed here have been prepared by the Secretariat of the Multi Donor Fund and do not necessarily reflect the views of the Steering Committee of the Multi Donor Fund or of the entities represented by the individual members.



■ Homeowner enjoying the verandah of her new home

Introduction



- Steering Committee Co-chairs. From left: Andrew Steer, Kuntoro Mangkusubroto, Jean Bretéché
- Dancers performing at the Governor's Residence

Foreword by Steering Committee Co-Chairs

We are pleased to report that the Multi Donor Fund for Aceh and Nias is fulfilling its promise of helping the people of Aceh and Nias to build back better. The Fund's first anniversary of operations is an opportunity to take stock of achievements, lessons and challenges. It now consists of a \$392 million portfolio of sixteen projects that are actively contributing to the rehabilitation and reconstruction. Impressively, donors have upheld their promises, with 93% of their pledged \$547 million already formalized through contribution agreements.

After a year of operations, we have an opportunity to reflect on lessons learned. A consultation with our stakeholders has generated a wealth of experience that is included in this report. Some of the lessons that we would like to emphasize are:

- The community-driven approach used by our projects, while requiring significant upfront investment in capacity building, has resulted in greater client satisfaction, more rapid disbursement and local empowerment
- Having a clear recovery assistance policy, flexible financing and a simplified project approval process have allowed for quality projects to be selected and implemented more quickly

- The Multi Donor Fund approach has contributed to a strong partnership with the Government of Indonesia, greater dialogue and clarity on recovery policy and improved donor coordination.

As the Multi Donor Fund enters its second year, we need to confront the challenges ahead. First, the Multi Donor Fund needs to continue the responsiveness, relevance and quality of its portfolio of investments in the recovery. We will continue to fill urgent gaps through high-quality investments and assess whether the Fund needs additional resources to fulfill its role. Second, monitoring and evaluation will be increasingly important for informed decision-making and program implementation. This will require an intensification and coordination of M&E contributions made by all involved stakeholders. Third, the role of the Multi Donor Fund in donor coordination and policy dialogue for the recovery should be enhanced. Our Steering Committee will be focusing on how we can more effectively undertake these responsibilities.

The Multi Donor Fund and the Government of Indonesia will build on these lessons and confront the challenges in our continuing effort to build a better future for the people of Aceh and Nias.

Kuntoro Mangkusubroto
Co-Chair
Director of BRR
Badan Rehabilitasi dan
Rekonstruksi

Jean Bretéché
Co-Chair
Ambassador, Head of Delegation
European Commission

Andrew Steer
Co-Chair
Country Director
World Bank



Steering Committee Meeting

Joint Donor Statement

"We, the contributors to the Multi-Donor Fund, reiterate our support for its goal which is to efficiently and effectively contribute to the reconstruction of a better Aceh and Nias following the earthquakes and the tsunami. In this context, a "better" Aceh and Nias means not only improving infrastructure in accordance with the Government's Master Plan, but also addressing social concerns such as reducing poverty, improving livelihoods, and increasing equity.

The expected results from achieving the above goal would be:

- *Communities/community infrastructure regenerated*
- *Poverty alleviated*
- *Livelihoods restarted*
- *Larger infrastructure repaired*
- *Governance rebuilt*
- *Environment sustained*

In February, the adoption of a strategy for the allocation of the remaining Multi Donor Fund financing emphasized the principles of learning by doing, and co-financing, and has lifted the cooperation between the Multi Donor Fund and the BRR to a higher level of partnership. We, the contributors to the Fund, welcome this more strategic use of the remaining Multi Donor Fund resources to fill critical gaps in the rehabilitation and reconstruction process, as well as leveraging Multi Donor Fund and BRR resources to improve the overall effectiveness of the rehabilitation and reconstruction programs of Aceh and Nias.

We would like to thank the Secretariat of the Multi Donor Fund for writing this report, highlighting our many achievements over the last year. We look forward to continuing our close cooperation and remain committed to addressing any challenges that come before us."

H.E. Jean Bretéché
Ambassador, Head of Delegation
European Commission Indonesia



H.E. Nikolaos Van Dam
Ambassador of the Netherlands



Shantanu Mitra
Head of DfID Indonesia



Andrew Steer
Country Director, World Bank



H.E. Bjorn Blokhus
Ambassador of Norway



H.E. Niels Erik Andersen
Ambassador of Denmark



H.E. Randolph Mank
Ambassador of Canada



H.E. Lennart Linñer
Ambassador of Sweden



Edgar A. Cua
ADB Country Director



H.E. Joachim Broudré-Gröger
Ambassador of Germany



William Frej
USAID Mission Director



Guido Grauwels
Chargé d'affaires Belgian Embassy



H.E. Markku Niinioja
Ambassador of Finland



H.E. Phillip Gibson
Ambassador of New Zealand



H.E. Hugh Swift
Ambassador of Ireland (Singapore)



Message from Government



■ Kuntoro Mangkusubroto Director of the BRR

With the indulgence of my co-chairs, I would like to extend my personal thanks to and endorsement of the Multi Donor Fund on the occasion of this first Multi Donor Fund anniversary report.

One year on, the Multi Donor Fund partnership with the BRR has been of singular importance to the success of our program. Following a respectfully cautious establishment phase during which the Multi Donor Fund members set in place sound governance arrangements, the Multi Donor Fund soon established itself as an indispensable funding source for critical elements of the Aceh-Nias recovery program that may otherwise have proved difficult if not impossible to fund.

The Sea Delivery And Logistics Program is an example. It is doubtful that such a service would have found a ready bilateral or NGO sponsor elsewhere. Had it not been for funds from the Multi Donor Fund, our ability to deliver materials on the West Coast of Aceh and to the islands of Nias and Simeleu would have been severely limited, perhaps even non-existent in the case of the islands. The consequent impact on roads would have been more severe and costly. It is likely that inflation would also have been greater, eating into the funds available for all recovery programs.

Likewise, the funds provided to the BRR by the Multi Donor Fund through the Technical Support for BRR managed by UNDP have been enormously helpful. It helped us engage a large number of key advisers who enhanced our technical capacity at a time this strained to breaking point under the enormous workloads we faced with a relatively small organisation. It also helped us put in place a procurement monitoring capacity that helped in directly fighting our number one enemy – corruption. We would have struggled without the former and would have been exposed to serious risk in the latter had we not had this Multi Donor Fund TA facility.

This report does an excellent job in identifying the many other areas in which the Multi Donor Fund has contributed to the Aceh-Nias rehabilitation and reconstruction program. What it does not say – but which should be noted – is that the Multi Donor Fund has proven itself to be one of the most responsive, adaptive and relevant funding sources for the Aceh-Nias rehabilitation and reconstruction program. It fills major gaps that would have remained unfilled, creates strategic enabling mechanisms that would have been impossible without it and provides a mechanism for large-scale co-financing with donors that would have been very difficult to achieve on a bilateral basis.

As the pool of programmable Multi Donor funds gradually shrinks, I expect we may all come to regret the loss of financial flexibility and responsiveness that the Multi Donor Fund has been able to offer. It has laid many golden eggs for our recovery program. I know we will all come to regret a lack of access to these wonderful gifts. I fervently hope further donor support will continue to breathe life into the Multi Donor Fund as a vehicle for continuing excellence in our recovery partnership.

I believe the regular Multi Donor Fund meetings have provided a valuable forum for discussing the many issues of mutual concern to all of us. The opportunity to workshop various technical proposals has injected a higher level of rigor than would otherwise been possible. Our combined programs are greatly enhanced by the level of collective intelligence we bring to these discussions.

On a personal level, I have been greatly impressed with and thankful for the individual diligence, professionalism and astuteness with which each member has been represented at both the Multi Donor Fund Steering Committee and Technical Review meetings. I admire the great effort and critical thinking so many have invested in examining the many issues we have explored together. I am particularly thankful for the willing cooperation each person has shown in working together. Thank you all for these and many other contributions. Our program gains greatly from all you have done and continue to do on our behalf.

Yours in appreciation
Aceh-Nias Rehabilitation and Reconstruction
Executing Agency (BRR)

Kuntoro Mangkusubroto
Director

Abbreviations	
ADB	Asian Development Bank
AFEP	Aceh Forest and Environment Project
AIPRD	Australia Indonesia Partnership for Reconstruction and Development
AUSAID	Australian Government Aid Agency
BA	Banda Aceh
BPM	Badan Pemberdayaan Masyarakat (Agency for Community Empowerment)
BPN	Badan Pertanahan Nasional (National Land Agency)
BRR	Badan Rekonstruksi dan Rehabilitasi NAD-Nias (Agency for the Rehabilitation and Reconstruction of Nanggroe Aceh Darussalam – Nias)
CIDA	Canadian International Development Agency
COO	Chief Operating Officer
CSO	Civil Society Organisation
CRS	Catholic Relief Services
DfID	UK Department for International Development
DIPA	Budget Execution Document
EC	European Commission
FTE	Full Time Equivalent
GAM	Gerakan Aceh Merdeka (Free Aceh Movement)
GOI	Government of Indonesia
IDP	Internally Displaced Person
ILO	International Labour Organization
IREP	Infrastructure Reconstruction Enabling Project
KDP	Kecamatan Development Project (Community Recovery through the Kecamatan Development Project)
MDF	Multi Donor Fund for Aceh and Nias
M&E	Monitoring and Evaluation
MIS	Management Information System
MoHA	Ministry of Home Affairs
NAD	Nanggroe Aceh Darussalam
NGO	Non Governmental Organization
PAD	Project Appraisal Document
PMD	Pembangunan Masyarakat Desa (Community Development Office)
RAP	Recovery Assistance Policy
SC	Steering Committee
SPADA	Support for the Poor and Disadvantaged Areas
TA	Technical Assistance
TRWMP	Tsunami Recovery Waste Management Project
UN	United Nations
UNDG	United Nations Development Group
UNDP	United National Development Programme
UNICEF	United Nations Children's Fund
WFP	World Food Programme
WHO	World Health Organization



■ The Multi Donor Fund Secretariat. From left: Joe Leitmann, Riza Sofyan, Geumala Yatim, Georgia Wimhöfer, Diane Zhang, and Sabine Joukes.

Acknowledgements

This report was prepared by the Secretariat of the Multi Donor Fund with contributions from the Partner Agencies (UNDP, WFP, the World Bank) as well as the project teams.

The Multi Donor Fund Secretariat team was led by Joe Leitmann, the Multi Donor Fund Manager, and includes Sabine Joukes, Georgia Wimhöfer, Diane Zhang, Safriza Sofyan, Geumala Yatim and Rahayu Novianty. The report was prepared under the guidance of Andrew Steer and Joel Hellman.

The following people also contributed to the report: Keith Bell, Lis Nainggolan, Isono Sadoko, Vic Bottini, Scott Guggenheim, Susan Wong, George Soraya, Evi Hermirasari, Moh. Saleh Siregar, Alesandra Roccasalvo, Greg Gibbons, George Conway, Nicholas Brooks, Hendra Permana Siregar, Patrick Sweeting, Simon Field, Ulf Brudfors, Peter Rademaker, Abdurrahman Syebubakar, Rohan Anderson, Scot Humphreys, Fadlullah Wilmot, Andre Bald, Tim Brown, Scot Stanley, Dave Heckman, Michael Whiting, Zhen-Zhen Huang, Jerry Lebo, David Murphy, Sri Kuntari, Festina Lavidia, Fauziah Fitri, Luca Lodi, Faisal Siddik and Ridwan Yunus.

We would also like to express our gratitude to the members of the Steering Committee who commented on the report.

Special thanks go to the contributions of Kristin Thompson, for illustrating our projects with her lively photos and making a visual report on the progress of the reconstruction.

The lay-out of the report was done by terapidesain, Irene Ratna Kartika Sapti and Myria Fatriza spending sleepless nights finalizing the report, thank you.

■ School children running on their new road towards their new house, both financed by the Multi Donor Fund

Executive Summary

During its first year of operations, the Multi Donor Fund has gone from being a funding mechanism to a proven and effective partner in the recovery process for Aceh and Nias. The following highlights characterize the Fund at this stage:

- **A MAJOR DONOR** – the Fund has a portfolio of 16 quality projects that invest \$392 million to rebuild communities and livelihoods in Aceh and Nias
- **A KEY ACTOR IN IMPORTANT SECTORS** – the Multi Donor Fund provides nearly a quarter of all resources for capacity building and governance, nearly half of all funding for sustainable management of the environment and is the only external financier for land titling
- **THE BIGGEST EMPLOYER** – through its projects, the Fund is the largest donor-financed employer in the reconstruction, generating jobs for nearly 24,500 people and providing income for the families that they support
- **GOVERNMENT'S PARTNER** – the Multi Donor Fund is the BRR's most important partner for co-financing investments in the recovery
- **A RELIABLE FINANCIER** - 93% of the \$547 million originally pledged by donors to the Fund has been confirmed through signed contribution agreements with the World Bank

This report reflects on the year-long journey that has generated these and other achievements, identifying the lessons learned as well as the challenges ahead.

An Evolving Partner in the Reconstruction (Chapter 1)

In response to the earthquakes and tsunami of 26 December 2004, there was an unprecedented outpouring of worldwide support for the victims for both relief and reconstruction. The Government of Indonesia requested that a significant portion of bilateral and multilateral contributions be channeled

through a multi-donor trust fund. In February 2005, the Ministry of Finance asked the World Bank to design such a fund to support the recovery. Following finalization of the Master Plan and creation of the Agency for Rehabilitation and Reconstruction (BRR), the Multi Donor Fund came into existence on 10 May 2005. It now pools pledges of nearly \$547 million from 15 bilateral and multilateral donors to support the recovery through a portfolio of 12 active projects and an additional four under development. (See Annex 2, for project by project description).

The Multi Donor Fund is a unique mechanism for providing this support because of the following special characteristics:

- Provision of flexible financing through un-earmarked grants that fill gaps and respond to priorities as they change over time
- Responsive governance through a Steering Committee that reflects the interests of key stakeholders (government, civil society, donors, and other key players)
- Going beyond traditional project finance to serve as a forum for donor coordination and policy dialogue for rehabilitation and reconstruction
- Emphasis on high-quality investments through involvement of the most experienced international and local partners in project design and implementation
- Partnership with the BRR which endorses and submits all project proposals, co-chairs the Steering Committee and now co-finances individual projects

These are codified in a clear mission statement, recovery assistance policy, financing strategy, and operations manual.

The Fund has **evolved with the recovery** during its first year to make it more focused and effective. The following chronology gives a sense of this evolution:





■ Recycling tsunami wood in the Tsunami Waste Management Project

2005

May

Steering Committee approves a high-priority package of investments

July

Recovery Assistance Policy focuses on filling key gaps in recovery

from August

Funding appropriate implementing partners in addition to Gol agencies

October

Supporting the BRR's program to address immediate needs

2006

January

BRR proposes new strategy to focus remaining funds on infrastructure

February onwards

New strategic projects are developed for co-financing with the BRR

May

Lessons and challenges are identified from the first year of experience

This ability to learn and adapt has strengthened the Multi donor Fund as a partner in the reconstruction.

Implementing the Recovery Portfolio (Chapter 2)

During its first year of operations, the Multi Donor Fund has developed a sizeable portfolio of 16 projects, mobilizing \$392 million. This portfolio provides needed assistance to four under-funded sectors in the recovery – recovery of communities, infrastructure and transport, capacity building and governance, and sustainable management of the environment. The table below summarizes these contributions and their significance for each sector.

Table 1: Multi Donor Fund Allocations Per Sector (ongoing projects and endorsed concept notes)

Sector	Projects \$ million	Committed Funds Disbursed %
Recovery of Communities*	222	45%
Infrastructure and Transport*	(386**) 86	86%
Sustainable Management of the Environment	32	39%
Capacity Building and Governance*	93	60%
Total*	432	51%

* These sector figures include BRR co-financing. Total Multi Donor Fund allocations is \$392 million.

** The allocations to the Infrastructure and Transport sector could rise to \$386 million if the Steering Committee endorses the Infrastructure Recovery Facility Fund project concept valued at \$300 million (including \$200 million BRR co-financing). This project funds key infrastructure projects on the Acehese west coast, Simeulue and Nias.

The Multi Donor Fund supports an integrated approach to **community recovery** through a package of projects that re-establish property rights, rebuild homes, empower community decision-making, and improve neighborhood infrastructure. This integrated approach is delivering important results through community-based mechanisms:

- Preparation of more than 50,000 land titles to enable communities to rebuild homes, businesses and public facilities
- Nearly 2,800 houses currently being rebuilt or repaired by their owners
- Reconstruction of 828 km of village roads and 256 bridges
- Financing of key local facilities, including 541 irrigation and drainage units, 240 clean water projects, 167 sanitation facilities, 118 schools, 18 health posts and 31 community centers
- Generation of over three million person-days of employment

A key lesson learned during implementation of these projects is that the community-driven approach, while requiring a significant initial investment in capacity building, has resulted in greater client satisfaction, more rapid disbursement and greater local empowerment. A major challenge for the coming six months is to accelerate the delivery of land titles to beneficiaries.

The Fund's portfolio addresses critical gaps in **infrastructure and transport** through two initiatives. Assistance to the BRR's Immediate Action Program has helped ease several bottlenecks in the reconstruction process by:

- **Creating a shipping service**, managed by the World Food Programme, that has delivered 92,500 m³ of reconstruction goods to Aceh and Nias in the absence of commercial carriers
- **Paving the way to re-open ports** through a UNDP-managed redesign program for four key facilities as well as temporary facilities installed by the Shipping Services project to facilitate unloading critical cargo along the West coast
- **Protecting reconstruction investments** through a flood mitigation project administered by the NGO Muslim Aid that has installed 11 critical flood valves to protect vulnerable areas of Banda Aceh

The second initiative is an **Infrastructure Reconstruction Enabling Program** to provide the design and management services for hundreds of millions of dollars worth of critical new infrastructure investments in underserved areas such as Nias and the West coast. A lesson here is the value of a flexible approach that has allowed the Fund to fill the gap of mid-level infrastructure and provide essential technical assistance. An important challenge for the Multi Donor Fund in this sector will be to increasingly support the involvement of local governments in the design, supervision and maintenance of infrastructure work.

The Multi Donor Fund has taken a diversified approach to **building the capacity of local actors** by supporting the BRR, local governments, civil society, and the private sector. By providing nearly a quarter of all reconstruction finance in this area, the Fund has strengthened the planning, coordination and implementation capabilities of the BRR, built local government capacity in specific areas (land administration, waste management), assessed the institutional needs of civil society organizations, and outlined the training needs of local road contractors. Projects currently under development will comprehensively develop local government capacity to take up the challenge of long-term development in both Aceh and Nias. In this sector, the Multi Donor Fund has learned the value of forging a sustainable partnership with the BRR while simultaneously strengthening the role of other local actors in the recovery. A challenge for the Fund over the next half-year will be to work in synergy with other partners who are supporting this sector.

The Multi Donor Fund is the largest contributor for **Sustainable Management of the Environment** (34% of all financing in the sector) with projects that address the brown and green environmental agendas. A waste management project has already met or exceeded its targets by clearing over 370,000 m³ of debris, collecting nearly 54,000 m³ of municipal waste, rehabilitating 44 ha of land, and recycling over 15,000 m³ of tsunami wood. A forest and environment project, implemented by two NGOs, is starting up to protect key environmental services provided by Aceh's forest, including water supply, bio-diversity and erosion control, and will result in the creation of the largest ecological corridor in Southeast Asia. A lesson demonstrated by these projects is that partnerships with local government and communities are critical for success. A challenge for the Multi Donor Fund in this sector is whether to respond to the largest environmental gap – restoration and management of the coastal zone.

Supporting livelihoods is an objective of the Multi Donor Fund that has been addressed by integrating employment creation and wealth generation in specific projects. This includes cash-for-work, full-time employment, village-level stipends, micro-credit, and training. The combined effect of these investments has been to create the equivalent of over 24,000 full-time jobs, making the Multi Donor Fund the largest non-governmental employer in the recovery process. The Fund has learned that labor-intensive approaches, combined with other mechanisms, can contribute to rebuilding livelihoods. A challenge to be resolved over the next six months is whether to develop stand-alone investments in job creation and poverty reduction.

In addition to evaluating the portfolio by sector, it can also be assessed according to the Fund's criteria for quality. These nine criteria, defined in the Recovery Assistance Policy, range from the use of international good practice to contributions to poverty reduction, good governance, gender, and sustainable development. This report makes a first attempt at such an evaluation by using mainly impressionistic information. Over the next 15 months, prior to a mid-term review, the Fund will engage in a serious cross-cutting analysis of the quality of the portfolio according to these important criteria. (see Annex 1).

Managing the Multi Donor Fund (Chapter 3)

During its first year, the institutional characteristics (operations, finance, communications, and combating corruption) of the Multi Donor Fund have also evolved.

Operationally, the Fund has initiated new procedures (technical reviews) to enhance the quality of project concepts and appraisal documents while encouraging the participation of members in the appraisal and supervision of projects. This has helped to maintain the Steering Committee's ability to reach decisions on the basis of mutual understanding and consensus. The Multi Donor Fund has also made progress as a forum for donor coordination by avoiding sectoral overlaps and involving important non-contributing players in the reconstruction such as Australia and Japan. Advances have also been made in promoting policy dialogue to overcome key problems, e.g. the Fund was instrumental in getting funds flowing through the government budget by raising the issue

to the level of the President of Indonesia. Looking ahead, challenges include a greater focus on the quality of portfolio implementation (including monitoring and evaluation) and strengthening the policy dialogue role.

Financially, the Multi Donor Fund is in healthy shape as indicated by:

- **Contributions:** Of the \$547 million pledged by donors, 93% have been formalized through the signing of contribution agreements;
- **Allocations to Projects:** A total of \$392 million has been allocated to 12 active projects (\$288 million) and a further four are currently under development (\$104.25 million). This means 72% of pledges have been allocated.
- **Disbursements to Projects:** Of the \$288 million of active projects, the Multi Donor Fund has disbursed \$146 million (or 51%) to the projects. Of these disbursements, 56% (\$82 million) has been spent by the projects on the ground and the remaining 44% are expected to be spent within six months.
- **Remaining Funds:** After one year of operations, approximately \$155 million remains unallocated. This includes an estimated \$11.5 million for administration, appraisal and supervision costs, which is expected to be offset by investment income of an estimated \$12.1 million.

With high levels of commitment and disbursement, a near-term challenge will be whether to replenish funds to meet continued demand for Multi Donor Fund support.

The Fund is actively implementing a **communications strategy** towards both beneficiaries and other reconstruction stakeholders. Dialogue with beneficiaries occurs through regular visits by the Multi Donor Fund Ombudsperson to project sites, other visits by the Multi Donor Fund Secretariat and supervision missions led by Partner Agencies. This is being expanded by using other media (newspapers, leaflets and radio programs). Communication with other stakeholders includes regular coordination meetings with the BRR, local governments and local as well as international NGOs. An important communications mechanism is the Fund's complaint-handling system that helps to resolve issues concerning projects as well as the overall program.



■ Ongoing construction in the Housing Project

During its initial operations, the Multi Donor Fund has taken effective measures to **mitigate corruption**. Individual projects are designed with strong and specific anti-corruption measures. International standards for procurement, financial management and disbursement are applied to all Multi Donor Fund projects. Grants are subject to several levels of internal as well as independent auditing and supervision. Still, cases of corruption have been detected and swiftly resolved.

Finally, attention to **monitoring and evaluation** has been a hallmark of the Multi Donor Fund. In addition to regularly collecting and reporting on performance indicators, the Fund has benefited from two additional inputs – a series of independent evaluations that have looked at Fund performance and an internal lessons-learning exercise. These have yielded valuable insights and guidance for the future that are described more fully in Chapter 3 as well as in the Lessons Learned Report, which you can consult on the website: www.multidonorfund.org

External Views of the Multi-Donor Fund

In the last six months, the Multi Donor Fund was included in three independent reviews: *Eye on Aceh* (an NGO) that focuses on community experiences with reconstruction; the *UN Development Group* that looks at how multi-donor funds accomplish their objectives; and an ongoing study financed by *Norway and Canada* to identify good practice in the management of post-crisis trust funds. Some of their comments on the Multi Donor Fund include:

- The Multi Donor Fund is the only institution of its kind that systematically tries to strengthen dialogue across stakeholder groups through participation on its Steering Committee.
- Preparation of the Recovery Assistance Policy and BRR Financing Strategy are examples of international good practice to identify funding criteria and improve transparency.
- The BRR's decision to co-finance with the Multi Donor Fund is evidence of government ownership of projects and a guarantee that funding will be directed to government priorities.
- The Multi Donor Fund was praised for some of its innovations, e.g. use of Partner Agencies, emphasis on anti-corruption measures and flexibility in meeting new demands.
- The Fund was seen as an effective way of harmonizing among many donors, and a means for allowing smaller donors to participate without large transaction costs.
- The target of keeping administration costs below 2% is unique, especially compared to trust funds managed by UN agencies that have costs of 5 – 12%.



■ Village life revived by new road

Evolving from
a Solid Foundation

1

The Multi Donor Fund pools pledges of nearly \$550 million from 15 bilateral and multilateral donors. It supports the rehabilitation and reconstruction of Aceh and Nias through a portfolio of 12 active projects and an additional four under development, representing an allocation of \$392 million to date. The portfolio is comprised of a diverse range of projects that contribute to community recovery, infrastructure and transport, capacity building and governance, environmental sustainability, and livelihoods. This chapter provides background on how the Fund was established, how it works and how it has evolved during its first year.

Establishing the Multi Donor Fund

In response to the earthquakes and tsunami of December 26, 2004, there was an unprecedented outpouring of worldwide support for the victims for both relief and reconstruction. The Government of Indonesia requested that a significant portion of bilateral and multilateral contributions be channeled through a multi-donor trust fund. In February 2005, the Ministry of Finance asked the World Bank to design such a fund to support the recovery. A governance structure, financing mechanisms, grant approval procedures, and administrative arrangements were then discussed with potential contributors. The necessary legal and administrative steps were taken to establish the fund within the World Bank during the month of April.

Simultaneously, the Gol was completing two exercises that were pre-conditions for establishment of the Fund – a Master Plan for the Rehabilitation and Reconstruction of Aceh and Nias and formulation of an agency to govern the recovery process in a transparent and coordinated manner. The Master Plan was completed at the end of March and the Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR) was created at the end of April 2005. The Fund then came into existence on May 10, 2005 when its inaugural Steering Committee meeting was held and its first external financial contribution was received.

Designing a Multi-Donor Mechanism

In general, multi-donor trust funds are financing mechanisms in which money from different contributors is pooled to achieve a common set of objectives agreed with the Government. Contributors to the Multi Donor Fund agreed to go beyond this basic design by adopting the following special characteristics:

- The Fund is governed by a Steering Committee that reflects the interests of key stakeholders (national and local government agencies, donors, civil society, the UN system, international NGOs). The Steering Committee is co-chaired by the Head of the BRR, the Delegation Head of the EC (as the largest donor) and the Country Director of the World Bank.
- In addition to endorsing investment decisions, the Steering Committee serves as a multi-purpose forum for donor coordination and policy dialogue between the international community and the Gol on recovery issues.
- The role of quality control (appraising and supervising projects) for individual investments is open to not just the World Bank but also select UN agencies and the Asian Development Bank.
- The Fund charges only actual administrative, appraisal and supervision costs as opposed to a fixed fee (normally 5% of the value of the fund), with the pledge of keeping these costs below 2% of the fund's value so that the maximum amount of contributions can go directly to the recovery.

Another important characteristic is how the Fund was designed to work in harmony with and support of the BRR. All proposals for funding must first be endorsed by the BRR as consistent with the Master Plan and appropriate for grant support from the Multi Donor Fund. The BRR co-chairs the Fund's key decision-making body (the Steering Committee), reports on recovery progress and addresses key policy issues. The two civil society members of the Steering Committee are drawn from the Supervisory and Advisory Bodies of the BRR. Finally, an early decision was taken that the BRR would receive trust fund money for capacity building and technical assistance to strengthen its role in the recovery.



Multi Donor Fund - Mission Statement

The Multi Donor Fund for Aceh and Nias is a partnership of the international community, Indonesian government and civil society to support the recovery of Aceh and Nias. It contributes to the recovery process by providing grants for quality investments that are based on good practice, stakeholder participation and coordination with others. In doing so, the Multi Donor Fund seeks to reduce poverty, (re)build capacity, support good governance and enhance sustainable development.

During its first year of operation, the Multi Donor Fund has passed through a number of phases, learning and evolving in the process. These include:

- **A FAST START** (May 2005)– at its very first Steering Committee meeting, members endorsed a package of four community-based project concepts to meet immediate reconstruction needs for property rights, housing and community development. These were preliminarily costed at \$250 million or about half of the value of pledges received at that time.

“The mechanisms used by the World Bank’s rural and urban community recovery projects are strong community-driven platforms. They can and will be used by other NGOs and organizations, this is in line with the BRR’s principle of using a bottom-up approach. This will greatly enhance an effective reconstruction and rehabilitation process of Aceh and Nias, led by the communities themselves.”

Bapak Kuntoro Mangkusubroto - Director of the BRR

- **POLICY FOCUS** (June – July 2005)– several contributors were concerned about how the Fund should prioritize its investment decisions so time was taken to identify comparative advantages, criteria for quality and priority sectors, resulting in the Recovery Assistance Policy. The Policy provides clear guidance to the Steering Committee, the BRR and project proponents about where and how the Fund should invest in the recovery (this and other key documents can be downloaded at www.multidonorfund.org).

- **DIVERSIFYING PARTNERS** (August – December 2005) – the initial package of four projects was based on the Gol's stated intent that the Fund should work primarily on-budget and through line ministries. However, due to delays with this approach, the following eight project concepts endorsed by the Steering Committee were off-budget and implemented through non-governmental partners (UN agencies and NGOs). This has allowed the Fund to work with strong partners who have comparative advantages in particular sectors, including the ability to implement quickly and effectively.

- **IMMEDIATE ACTION PROGRAM** (October 2005) – at the BRR's request, the Fund was able to support four projects as part of an Immediate Action Program to address critical gaps in the reconstruction. This package provides financing for shipping recovery materials, port rehabilitation, road maintenance, and flood control in an effort to facilitate and protect investments in the recovery.

“On-budget projects were held up through bureaucratic delays as the Ministry of Finance, newly reformed to promote sound financial management, were unable to cope with the sudden influx of such large amounts of money and delayed the issuance of the necessary documents.”

Multi Donor Trust Fund Review, led by Norwegian and Canadian governments

- **A CALL TO FOCUS** (January 2006) – with a portfolio of 12 projects representing \$288 million and concepts for significant additional resources being developed, a request was made that the BRR develop a strategy for how it would like to use the remaining resources in the Multi Donor Fund. This was also deemed critical because the Fund is one of the few sources of unearmarked resources for the reconstruction.
- **IMPLEMENTING A NEW STRATEGY** (February 2006 to present) – the resulting BRR Financing Strategy (summarized in Annex 3) calls for a focus on infrastructure in underfunded areas (the West coast, Nias and the provincial level) and is characterized by a reinforced BRR – Multi Donor Fund partnership based on co-financing of new projects, joint decision-making through an Infrastructure Fund and capacity building for local governments so that they can increasingly assume responsibility for development. Four new project concepts are being appraised as a result of this strategy.
- **LEARNING AND DOING** (May 2006) – in order to capture a year of experience with managing the Fund and implementing its portfolio, members embarked on a month-long lesson-learning exercise. This resulted in a clear set of lessons about both project implementation and Fund operations, as well as the challenges that both areas need to confront moving forward.

The operational and administrative aspects of this brief chronology are described in more detail in the following chapters on “Implementing the Recovery Portfolio” and “Managing the Multi Donor Fund”. In both chapters, lessons have been identified from the Fund’s first year of existence and challenges have been highlighted that the Multi Donor Fund will confront during its next six months of operation. The portfolio itself is summarized in the table below.

Table 1.1 : Multi-Donor Fund Allocations per Sector

Sector	\$ million
Recovery of Communities	
Reconstruction of Aceh Land Administration System Project (RALAS)	28.50
Community Recovery through the Kecamatan Development Project (KDP)	64.70
Community Recovery through the Urban Poverty Program (UPP)	17.96
Community-Based Settlement Rehabilitation and Reconstruction Project for NAD	85.00
Nias Kecamatan-Based Recovery and Planning Project (50%)*	25.75
Total	221.91
Infrastructure and Transport	
Sea Delivery and Logistics Program	24.70
Reconstruction and Rehabilitation of Ports	3.58
Flood Mitigation Program for Banda Aceh	4.50
Road and Bridge Repair Lamno-Calang	11.50
Infrastructure Reconstruction Enabling Program (IREP)*	42.00
Total	86.28
Sustainable Management of the Environment	
Tsunami Recovery Waste Management Programme	14.43
Aceh Forest and Environment Project	17.53
Total	31.96
Capacity Building and Governance	
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	14.74
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	6.00
Labor-based Rural Road Rehabilitation in Aceh	6.42
Support for Poor and Disadvantaged Areas Project (SPADA)*	39.60
Nias Kecamatan-Based Recovery and Planning Project (50%)*	25.75
Total	92.50
Grand Total	432.66*

* This includes co-financing with the BRR. The Multi Donor Fund allocations are valued at \$392.31 million



■ One of the thousands of houses to be repaired by communities

Implementing the Recovery Portfolio

2

During the first year, the Multi Donor Fund has made very good progress on achieving its objectives of supporting the regeneration of communities/ community infrastructure, restarting livelihoods, repair of larger infrastructure, rebuilding governance, environmental sustainability, and poverty reduction as an overarching goal. To date, an average 51% of project grants have been disbursed, and the following chapter will show what has been achieved in detail.¹

However, working in Aceh and Nias remains a challenging task. On a daily basis, projects struggle with a variety of issues to be resolved, starting with recruiting the right staff; avoiding overlaps and creating synergies, and delivering results to victims of the tsunami and earthquake in a timely manner. The following section highlights some of the issues faced and solutions found during the first year of getting Multi Donor Fund projects off the ground and achieving tangible results.

RECRUITMENT	With hundreds of reconstruction projects ongoing, it has become a challenge to recruit staff in time, and to prevent recruited staff from being poached by other agencies. For the Multi Donor Fund, uncompetitive salaries using public service rates instead of local market scales led to community development projects, such as KDP, losing facilitators and technical staff. Further loss of staff was recently mitigated through a significant salary increase.
INFLATION	Price hikes due to increased demand have had a strong impact on the cost of project implementation especially in and around Banda Aceh. The Housing and Settlements Project has responded by significantly reducing the targets for houses to be rebuilt and repaired. At the same time, more block grant funds have been made available for the reconstruction of settlement infrastructure since it was established that these costs had been gravely underestimated in the first needs assessments.
GOVERNMENT PROCEDURES	Upholding the sense of urgency within national agencies for pushing forward project implementation in Aceh and Nias continues to be a challenge. The World Bank as Partner Agency has established close cooperation with the Ministry of Finance and Line Agencies to ensure that bottlenecks are identified and resolved within a timely manner. In late 2005, projects were delayed because of the time taken for budget execution documents (DIPA) to be prepared and issued. The delay was raised with the President of Indonesia, leading to a quick solution.
PARTNER AGENCY PROCEDURES	At the level of Partner Agencies, internal administrative procedures, in some cases, took longer than expected. However, in order to move ahead, in most cases pre-financing of activities was made available so that project preparation and the commencement of implementation were not delayed significantly.
COORDINATION	With more than 500 organizations on the ground, it is a constant challenge to closely coordinate with other actors in the same sector or geographic region. This holds true both for the central level, to avoid overlaps in planning, and for the regional level when it comes to division of work on the ground. To avoid doubling efforts, the Housing and Settlements project, together with the BRR and other local actors, does a detailed analysis of all relevant actors, their commitments and deliverables in each target village to ensure that its own contribution will fill the remaining gaps. KDP has deployed 44 information facilitators to help with the smooth exchange of information between all local stakeholders.
CREATING SYNERGIES	Taking coordination one step further, it becomes a challenge to create synergies between projects rather than running parallel programs. In the case of the Multi Donor Fund, the SPADA project intends to make use of proven mechanisms of local government capacity building by teaming up with existing programs that have already gathered experience in Aceh.

¹ The analysis is based on project progress reports provided by Partner Agencies (monthly updates; semi-annual reports; supervision mission findings). Comparison to overall sector commitments is based on the World Bank tracking of commitments (May 2006). With most projects still in the early stage of implementation, it is still too early to conduct a results-oriented assessment of the impacts of the portfolio. The performance of each individual project is summarized in Annex 2.

2.1 Recovery of Communities: Solid Progress with Local Ownership

The Multi Donor Fund portfolio supports an integrated approach to the reconstruction of destroyed and damaged settlements that will result in fully restored settlements, including re-establishment of property rights, empowerment of community decision-making, improved neighborhood infrastructure, and establish links to infrastructure at the next higher level such as district roads, the electricity grid and drainage systems. The current portfolio comprises of the following projects (for more project details see Annex 2):

- The **Community-Based Settlement Rehabilitation and Reconstruction Project** (Housing and Settlement Project), fulfills housing needs in up to 200 villages in Aceh by building 5,000 new houses and repairing 8,400 houses. Villagers choose the design of their houses, and are in charge of the construction, including financial transactions, with the technical support of housing facilitators who closely monitor the quality of reconstruction.

- The **Kecamatan Development Project** (KDP) and the **Urban Poverty Program** (UPP) provide a community-led planning and implementation mechanism for key reconstruction needs. Both projects build on a network of over 12,300 village and sub-district facilitators that support all villages and urban neighborhoods in Aceh and Nias.
- The **Recovery of the Aceh Land Administration System Project**, provides land titles to up to 600,000 land owners, building on results from community inventory processes carried out with the support of NGOs and other reconstruction agencies. This establishes a sound basis for community reconstruction and the resumption of economic activities.
- The **Nias Kecamatan-Based Recovery and Planning Project** will support communities in Nias to reconstruct 5,000 houses, which represents 38% of 13,000 new houses needed in Nias.

Table 2.1: Recovery of Communities: Project Overview

Sector	Projects \$ million	Disbursement to projects \$ million	Status
Recovery of Communities	221.91	88.69	
Reconstruction of Aceh Land Administration System Project (RALAS)	28.50	11.70	Ongoing
Community Recovery through the Kecamatan Development Project (KDP)	64.70	49.00	Ongoing
Community Recovery through the Urban Poverty Program (UPP)	17.96	6.55	Ongoing
Community-Based Settlement Rehabilitation and Reconstruction Project for NAD and Nias	85.00	21.44	Ongoing
Nias Kecamatan-Based Recovery and Planning Project (50%)*	12.88 12.88*	N.A.	Design phase

* This project will contribute significantly to both the housing sector in Nias and the establishment of a participatory planning process for District Governments in Nias. Real allocations to both components are being finalized.

* BRR co-financing



Community deciding to use KDP grant to build learning center

Comparison with the Overall Sector

According to latest data (World Bank, May 2006), about \$2.5 billion have been allocated to reconstruction of settlements (including housing, settlement infrastructure, social services and emergency relief funds). The Multi Donor Fund to date has allocated \$222 million (including BRR co-financing) which equals 9% of overall contributions by government, other donors and the NGOs to this sector.

In detail, \$1.1 billion have been allocated to the housing sector, to which the Multi Donor Fund contributes a total of \$110.75 million or 10% (including BRR co-financing of the Kecamatan-based Reconstruction Planning Project in Nias). The two Housing and Settlement projects will rebuild 10,000 houses and repair another 8,400 houses, contributing 8% to the overall BRR target of 120,000 new houses. Overall contributions to repair needs are valued at 56% of the 15,000 houses identified as requiring repairs.

A Year of Achievements

Under the guidance of the Housing and Settlements Project, villagers are rebuilding 1,668 new houses and repairing 1,111 damaged houses, and have developed community reconstruction plans to fulfill key infrastructure needs. To date, 709 new houses have been completed and 326 have been repaired. Another 859 are under reconstruction and further 785 are being repaired. Block grants to rebuild selected settlement infrastructure are under preparation. The implementation of the project is progressing well.

"I am disappointed with several agencies who committed to build houses but have hardly delivered anything. There are about 200 families still living in barracks and tents. However, I like the Multi Donor Fund housing project because it enables the community to participate in the process."

Bapak Muliadi (43) in Kuta Padang Village – West Aceh



Workers in action - KDP community building their learning center

Output	Target	Achieved
Village roads (km)	1,120	828
Bridges (units)	521	256
Irrigation and drainage (units)	699	541
Clean water projects (units)	288	240
Sanitation facilities (units)	353	167
Electricity (street lights)	29	59
Schools	119	118
Health clinics/posts	21	18
Markets	10	8
Community halls	32	31
Scholarships (number of recipients)	5,758	4,941
Loans (value in \$)	160,284	98,422
Loan recipients	4,045	3,685
Emergency relief funds (value in \$)	2,885,403	2,792,599

* Targets are continuously rising with ongoing community planning. Results reported are funded by the KDP National Loan (KDP Cycle 5), the Multi Donor Fund, AusAID, CIDA and DfID.

UPP has expanded to cover 67% of all urban neighborhoods, supporting villagers to conduct damage needs assessments and village development plans. In the pilot areas, reconstruction of roads, bridges, sanitation and water systems, and community halls is progressing.

"I have seen a lot of benefits of KDP in West Aceh and I'm planning to allocate district funds through the KDP project to support village facilitators."

Bapak Drs. Sofianis (51) – District Head of Aceh Barat District

The Land Titling Project has surveyed 52,915 land parcels, allowing communities to design their settlements and rebuild homes. While only 2,608 title documents have been issued, 50,500 land titles are ready to be issued once a Governmental Regulation on Banking and Land becomes effective. Surveying and adjudication activities until the end of the year will focus on those areas expected to have the most intensive reconstruction of houses.

Sectoral Impact

95% of KDP block grants have been disbursed to sub-district (kecamatan) accounts. Investments are being realized in more than 5,700 communities in Aceh and Nias in the following areas: village roads and bridges, irrigation, drainage and sanitation systems, schools, health posts and markets, and social funds for disadvantaged villagers.

While requiring a significant amount of initial investment in capacity building, the community-driven approach to integrated reconstruction has shown to result in greater client satisfaction, faster disbursements and greater local ownership. Beyond supporting target communities in their reconstruction efforts, the four projects also have other sectoral impacts.



■ Pak Munazir on his land in Gampung Baro, December 2005

The Land Titling Project is the only project that provides land titles to land owners in Aceh and Nias. Secure land ownership is at the foundation of reconstructing houses and establishing the future lay-out of settlements. Many other projects thus depend on and will benefit from the delivery of this project.

Village development plans, created through the KDP and UPP projects, are being used by other agencies to determine the priority needs of villages and assist in their investment decisions. The KDP network of facilitators has also been used for other initiatives such as the socialization campaign for the peace agreement, and will be utilized by the ILO in a livelihoods program for selected districts in Aceh. Both KDP and UPP networks, through their extensive coverage, strongly help promote coordination between all local reconstruction stakeholders.

The community-based approach of the Housing and Settlement Project has proven to be an effective method for community-led reconstruction, and is therefore being considered for BRR's large-scale housing reconstruction program. It is also being considered by the Government of Indonesia as a de-



"I was really proud to receive my land certificate directly from the President of the World Bank, Paul Wolfowitz. I am very happy because I can use this certificate to apply for a bank credit to expand my small business."

Ibu Kartini (23), Gampong Baro, Meuraxa Sub-district

livery mechanism for rebuilding houses in the areas of Central Java after the highly destructive earthquake on 27 May 2006.



■ Pak Munazir in his new house, financed by the Multi Donor Fund, April 2006

The Next Six Months

- The Housing and Settlement Project plans to complete the reconstruction of 3,000 houses and repairs of 5,000 houses by the end of 2006. It will start providing funds for key infrastructure projects to all target villages (and additional budgets to very hard-hit villages).
- KDP will have disbursed all block-grants and be close to project completion. After completion, the project will be continued with funds from the national program.
- UPP will expand its activities to cover all 402 neighborhoods and support all communities in planning and implementing their first of two implementation cycles.
- The Land Titling Project will expand its coverage from two to nine districts, with emphasis on conducting adjudication in areas with a high level of housing reconstruction. From July 2006, 30 BPN field teams will be deployed to Aceh to speed up the adjudication process in the nine most affected districts of Aceh, which is critical to support the reconstruction of settlements.

2.2 Infrastructure and Transport: Addressing Critical Gaps

The infrastructure and transport portfolio consists of five projects that help address immediate needs in transportation and flood mitigation through the “Immediate Action Program” and provide critical technical support to the BRR in the overall management and coordination of infrastructure portfolio (for details on projects see Annex 2).

- The **Sea Delivery and Logistics Program**, implemented by the World Food Programme, provides critical transport of reconstruction goods to the difficult-to-access west coast, Simeulue and Nias and emergency rehabilitation to ports facilities.
- The **Flood Mitigation Program for Banda Aceh** seeks to protect the most vulnerable half of the population of Banda Aceh from flooding through installing one-way flood valves and rebuilding parts of the pump system.

- The **Tsunami Recovery Ports Redevelopment Programme** supports the resumption of economic activities by developing designs for three marine ports and one river port and conducting critical immediate repairs in other locations.
- The **Lamno-Calang Road and Bridge Repair Project** will conduct emergency repairs to critical stretches along the road from Lamno to Calang on the west coast of Aceh.
- The **Infrastructure Reconstruction Enabling Program** (IREP) will facilitate a more coordinated infrastructure reconstruction. It provides physical infrastructure designs and implementation support for critical areas (Aceh west coast, Nias), and managerial capacities to the BRR to plan for and supervise infrastructure reconstruction across the board through international-caliber services. The program is expected to start in summer 2006.

Table 2.3: Infrastructure and Transport- Project Overview

Sector	Allocations to Projects \$ million	Disbursement to projects \$ million	Status
Infrastructure and Transport	86.28	28.28	
Sea Delivery and Logistics Program (Immediate Action Program)	24.70	24.70	On-going
Flood Mitigation Program for Banda Aceh (Immediate Action Program)	4.50	N.A.	Start-up phase
Tsunami Recovery Ports Redevelopment Programme (Immediate Action Program)	3.58	3.58	On-going
Lamno-Calang Road and Bridge Repair Project (Immediate Action Program)	11.50	N.A.	Final design stage
Infrastructure Reconstruction Enabling Program (IREP)	42.00	N.A.	Final design stage

Comparison with the Overall Sector

In December 2005, the BRR conducted a stocktaking of the entire reconstruction program. During this review, infrastructure was identified as the sector with the biggest remaining funding gap. Currently, \$1.1 billion have been allocated to the infrastructure and transport sector (World Bank, May 2006). The Multi Donor Fund has allocated \$86 million (16% of its funds), equaling 8% of all resources allocated to the infrastructure sector. If the Infrastructure Reconstruction Financing Facility that is currently under preparation, gets endorsed, then another \$300 million will be allocated to the infrastructure sector (including \$200 million BRR co-financing). Allocations to the infrastructure sector would then rise to \$386 million, or 28% of all sector commitments, and represent 38% of the Multi Donor Fund portfolio.

A Year of Achievements

The Sea Delivery and Logistics Program currently runs nine ships that have transported more than 32,429 metric tons or 104,399 m³ of reconstruction goods for more than 60 organizations of the reconstruction community. It further supports reconstruction with emergency rehabilitation of ports. In this way, materials critical for the progress of reconstruction can be delivered to the west coast of Aceh, on Simeulue and Nias. While the project is demand-driven and therefore does not have fixed delivery targets, it is expected that the initially anticipated 40,000 metric tons of shipment volume will be reached in August 2006 when the Multi Donor Fund grant will be fully spent.

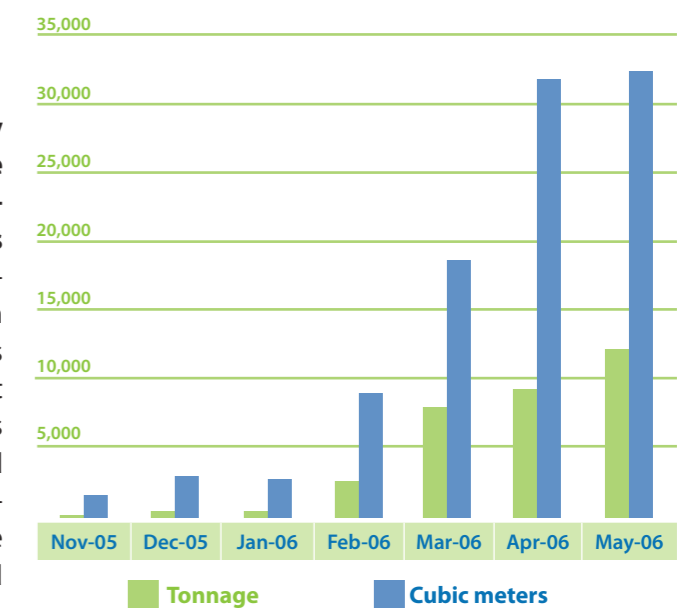
The Flood Mitigation Program for Banda Aceh has protected reconstruction investments through the installation of an initial 11 flood valves and conducted minor rehabilitation works that have reduced flooding. Experiences from this work will be applied in the repair of 10 pumping stations and the installation of other flood valves over the next 12 months. These works enable other agencies and residents to continue reconstruction of settlements and housing in areas that are still flooded or are regularly being flooded. The project closely coordinates with JICA's large-scale drainage reconstruction program for Banda Aceh.

“Since the valve has been installed, the rain water disappears quickly.”

Bapak Yusuf Mahmud (78)–Religious leader, Lampineung sub-district

The Tsunami Recovery Ports Redevelopment Programme is preparing designs for ports that are important for the resumption of economic activities and for expediting the reconstruction process. Where necessary, future port sites have been identified jointly with the respective local governments. The immediate rehabilitation works to other ports, that complement rehabilitation measures implemented through the Sea Delivery and Logistics Program, are close to completion.

Chart 2.1: Sea Delivery and Logistics Program
Completed Shipment by Month till 31 May 2006



Sectoral Impact

The most important characteristic of the Multi Donor Fund is its large budget of flexible, unearmarked funds that has allowed the Fund to fill critical gaps. In late 2005, the BRR came forward with a funding request for the “Immediate Action Program”, consisting of four projects. Three projects are geared to overcome critical gaps in transport along the west coast of Aceh, on Simeulue and Nias, namely the Sea Delivery Service, the Ports Redevelopment Project, and the Lamno-Calang Road Project, while the Flood Mitigation Program for Banda Aceh tackles



■ The 'Pacific Spirit' one of the boats carrying essential reconstruction goods for the Sea Delivery and Logistics Program

The Next Six Months

the immediate problems caused by regular flooding. The importance of the shipping service has recently been affirmed by the BRR's policy (May 2006) to move reconstruction materials transportation as much as possible by sea rather than by road.

"The shipping project has the potential to support all recovery partners in Aceh Jaya, because it is impossible to use the current existing road for transporting reconstruction material."

Bapak IR. Basri Emka (50) – District Head of Aceh Jaya, Calang

The IREP provides key management services and technical support for the design and reconstruction of mid-level infrastructure that has not yet received adequate support throughout Aceh and Nias. It strives to ensure that infrastructure projects of all actors on the ground will be coordinated within an overall infrastructure strategic framework, in this way leveraging a portfolio valued at approximately \$1 billion. Part of this \$1 billion portfolio includes projects with an anticipated value of \$330 million resulting from the physical design components of IREP.

- The Sea Delivery and Logistics Program is expected to complete its services with Multi Donor Fund financing around August 2006.
- The Tsunami Recovery Ports Redevelopment Programme will provide final designs for the marine ports of Calang, Sinabang and Gunung Sitoli, and the river port in Lamno before the end of 2006.
- The Flood Mitigation Program will conduct the installation of about 30 flood valves and the rehabilitation and reconstruction of approximately 4 pump stations.
- The IREP will 1) identify priority projects with local governments for immediate implementation; and 2) develop the overall BRR infrastructure strategy. The main challenge for this and all other infrastructure projects is to involve local governments in not only the planning and implementation process, but also to encourage local governments to co-finance key infrastructure projects to ensure greater local ownership.
- The nature of the Lamno-Calang Road and Bridge Repair Project has changed from an emergency repairs project to conducting more permanent reconstruction works. The appraisal of the project is expected to be completed by July 2006.

2.3 Building Capacity: Involving Local Actors in the Recovery

The capacities of local governments in Aceh and Nias were limited prior to the disaster and further decimated afterwards with loss of staff, records, equipment, and offices. Civil society organizations (CSOs), due to the prolonged conflict, have a strong focus on human rights to the detriment of other issues and often lack organizational and technical capabilities. The private sector has also been seriously weakened, not only through loss of life and destruction of physical capital, but also due to constraints on accessing credit, skills development and markets. The Multi Donor Fund has endorsed five projects designed to build local capacities to contribute to the reconstruction process and to promote long-term sustainable development of Aceh and Nias (for project details see Annex 2):

- The **Technical Support to the BRR Project** assists the agency to effectively implement its mandate of planning, coordinating, and monitoring the recovery process.
- The **Support to Strengthening CSOs** in the Recovery Programme will provide up to 80 NGOs

and over 200 CBOs with training and access to small block grants to learn through implementation.

- The **Labor-based Rural Road Rehabilitation Project** will provide training and assistance to local governments and local contractors to reconstruct and maintain roads with low-tech methods. The project will rehabilitate district level roads in five districts in Aceh and Nias.
- The **Support for Poor and Disadvantaged Areas Project** (SPADA) will strengthen district government planning through introduction of participatory mechanisms, promoting overall economic growth, and strengthening legal processes.
- The **Nias Kecamatan-based Recovery and Planning Project**, similar to SPADA, supports bottom-up planning for improving local government services in education and health with the target of establishing a long-term planning mechanism for the two district governments of Nias and South Nias.

Table 2.4: Building Capacity-Project Overview

Sector	Allocations to Projects \$ million	Disbursement to projects \$ million	Status
Capacity Building and Governance	92.50	16.42	
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	14.74	11.00	On-going
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	6.00	3.00	Start-up
Labor-based Rural Road Rehabilitation in Aceh	6.42	2.42	Start-up
Support for Poor and Disadvantaged Areas Project (SPADA)	25.00 (14.60*)	N.A.	Final design phase
Nias Kecamatan-Based Recovery and Planning Project (50%)*	12.88 (12.88*)	N.A.	Final design phase

* This project will contribute significantly to both the housing sector in Nias and the establishment of a participatory planning process for District Governments in Nias. Real allocations to both components are being finalized.

* BRR co-financing



■ Civil Society group being empowered to take on a larger role in the recovery

Comparison with the overall sector

Overall committed funds for building government capacities in May 2006 stood at \$397 million. The five capacity-building projects are valued at \$92.5 million (including BRR co-financing for two projects). This means, that the Multi Donor Fund contributes to 23% of the sector.

A Year of Achievements

The Technical Support to the BBR Project has delivered critical technical assistance and provided access to quality professional services that would not have otherwise been available. It has provided 40 technical experts, supporting the planning, coordination and implementation work in the BRR in 19 different fields of expertise. Through the project, vital legal services and IT services have been contracted. A team of 43 quality surveyors, since October 2005, has closely monitored over 220 tender processes for government implemented projects and referred them to the BRR's Anti-Corruption Unit where necessary (for more detailed results see the "Acceleration Recovery" Report of this project on www.multidonorfund.org). After eight months of operations, approximately 90% of \$14.7 million has been committed either contractually or as pipeline activities.

Capacity building is also being promoted through other ongoing projects, which strengthens local governments' technical capacities and service-orientation towards the needs of the local population. These projects include UPP, the Land Titling Project, the Tsunami Recovery Waste Management Programme, and the Aceh Forest and Environment Project that will provide substantial training on forest monitoring and resources management.

"The Multi Donor Fund and the UNDP have enabled us to engage technical expertise that may not have otherwise been available to us."

This support has allowed BRR to make significant progress in realising our important goals and fulfilling the trust placed in us by the people of Aceh and Nias."

"Accelerating Recovery, Technical Support for BRR."
First Project Progress Report

Bapak Kuntoro Mangkusobroto - Director of BRR



■ The BRR office in Banda Aceh, center of activity for much of the technical assistance the Fund provides to support the BRR to fulfill its mission

Sectoral Impact

The BRR and many other stakeholders in the reconstruction increasingly recognize the importance of local government assuming full responsibility for the maintenance of reconstructed public goods and the future development of Aceh and Nias. Through establishing a sustainable partnership with the BRR and simultaneously strengthening the role of other actors in the recovery, capacity building has become an integrated, significant aspect of the Multi Donor Fund portfolio.

The upcoming Support for Disadvantaged and Poor Areas Project will be a key step in defining an overall exit strategy for both the BRR and the donor community because it is a systematic approach towards strengthening district government capacities for participatory planning and routine development project management. It will cover all districts in Aceh and Nias, thus contributing to a balanced development of the Province, affected by the tsunami and a decades-long conflict.

Several projects are focusing on the fiduciary capacities of local governments. They support local agencies in developing budget lines for the operation and maintenance of reconstructed infrastructure and services developed (Tsunami Recovery Waste Manage-

ment Project, the Flood Mitigation Program for Banda Aceh, the Aceh Forest and Environment Project, the Local Resource-based Road Rehabilitation Project, IREP, SPADA and the Kecamatan-based Reconstruction Planning Project). This is essential to ensure sustainability of reconstruction and to prepare local governments for their role in development, especially after BRR's mandate ends in 2009.

The Next Six Months

- The next six months will see the start of activities for four out of five projects in the Capacity Building sector. While the Support to Strengthening CSOs in the Recovery Programme and the Labor-based Rural Road Rehabilitation Project are both in the stage of conducting initial assessments as well as contracting of services, SPADA and the Kecamatan-based Reconstruction Planning Project are expected to start implementation soon. It will be a challenge for all projects to closely coordinate, through the BRR in Banda Aceh and in the regions, with other actors who are working in this sector, to avoid overlaps and synergize support provided to local governments.

2.4 Environmental Sustainability: Sustainable Management of the Environment

The tsunami and earthquakes had a heavy impact on the environment. Building back better in environmental terms means, amongst other definitions, protection of natural resources and maintaining or improving the health of the population by appropriate waste management. The Multi Donor Fund finances two key projects for sustainable management of the environment:

- The **Tsunami Recovery Waste Management Programme** closely cooperates with local governments in clearing temporary dump sites of tsunami generated waste, rebuilding municipal waste collection systems and improving their environmental performance. This project will cover seven districts in Aceh and Nias.
- The **Aceh Forest and Environment Project** strives to protect the Leuser and Ulu Masen forest ecosystems, the largest remaining contiguous forested area (3.3 million ha) with the richest assemblage of biodiversity in South East Asia, from illegal logging during the reconstruction process. Only sound protection of these forest resources will ensure continuous ecological services such as the provision of water supply to 60% of the Acehnese population, flood prevention and mitigation of erosion.

Table 2.5: Environmental Sustainability: Project Overview

Sector	Allocations Projects \$ million	Disbursement to projects \$ million	Status
Sustainable Management of the Environment	31.96	12.60	
Tsunami Recovery Waste Management Programme	14.43	11.00	Ongoing
Aceh Forest and Environment Project	17.53	1.60	Start-up phase

Comparison with the Overall Sector

With two projects valued at \$32 million, the Multi Donor Fund currently contributes to 34% of the total allocations to the environmental sector (\$93.03 million). It is the largest contributor to promote environmentally sustainable development in Aceh and Nias.

A Year of Achievements

The Tsunami Recovery Waste Management Programme has been instrumental in removing detrimental tsunami debris from temporary dump sites in a sustainable manner and in resuming municipal solid waste management services. Removal of all tsunami-generated waste in the target areas has nearly been completed, resulting in the recycling of more than 15,000 m³ of wood and rubble for 25 km of roads. The project is currently active in Banda Aceh and two other districts, and will expand into up to six more districts to support municipal solid waste management. Livelihood activities in waste management-related fields are being developed. However, immediate livelihoods creation has been achieved by setting up a furniture workshop in Banda Aceh, that currently employs 40 qualified carpenters, using recycled tsunami-generated wood to build furniture for schools, offices and private use.



■ Cleaning up tsunami waste

Table 2.6: Achievements in Waste Management (status 31 May 2006)

Output	Target	Achieved
Tsunami generated waste cleared	380,000 m ³	371,486 m ³
Municipal waste collected	--	53,984 m ³
Rice paddies/fish ponds/private property recovered	29 ha	43.7 ha
Private and government buildings demolished	--	159
Tsunami wood recycled	--	15,228 m ³
Recycled rubble used for roads	--	25 km roads

"The Waste Management Project has shown direct benefits to the community. It provided intensive technical assistance to our office that was paralyzed after the tsunami. I expect the project not just to limit itself to collect waste, but also to recycle the wood for furniture for schools, houses and other social purposes. 98% of the workers on the dumpsite in Meulaboh are IDPs living in barracks, and 80% are female."

Bapak Ruswandi (50) – Head of the Sanitary Agency, Meulaboh, West-Aceh

"I appreciate the project a lot since we can directly benefit from the agriculture activities. We are planning to restart growing prime crops like coffee, rubber and areca nuts. This will give us back our sources of income, so we no longer have to cut the trees in the forest."

Bapak Hashimy (37) – Panggong village, Aceh Jaya, bordering the Ulu Masen Forest Complex

Sectoral Impact

The Aceh Forest and Environment Project will conduct some fast impact activities during its current start-up phase that will be jointly identified with partnering local governments. One example is an ongoing collaboration with the Provincial Environmental Management Agency and Nature Conservation Agency, and community groups, to plant 20,000 mangrove seedlings in a pilot demonstration in Langkah.

Both projects closely cooperate with local governments to ensure that the introduced changes are sustainable. In the case of the Aceh Forest and Environment Project a close cooperation with communities is critical to achieve a long-term change in habits of villagers, and pilot activities have shown that the development of alternative sources of income are appreciated.



■ The Elephant Patrol for monitoring part of the Leuser Forest ecosystem

The Next Six Months

The Waste Management Project currently is the only project offering tsunami waste clearance services and restarting municipal solid waste services, including the upgrading of existing dump sites and preparation of new sites. Other organizations, active in this sector, work on the long-term development of sanitary landfills only. This explains the high demand for this project, and its potential to serve as a model for other districts. The project's upgraded "km 23 dump-site" in Pidie for instance is possibly the highest standard dump-site operating in all of Aceh.

The Aceh Forest and Environment Project identifies good experiences from elsewhere in Indonesia and systematically applies them to forest management in Aceh. While the Aceh Forest and Environment Project is not the only initiative to protect Aceh's forests, it is the most comprehensive program, also striving to increase the conservation status of several areas within the two ecosystems through close cooperation with local and national government agencies.

- Over the next six months the focus of the waste management project will be to re-start municipal solid waste management in all locations and creating plans for sustainable management, including development of budget plans for operations and maintenance activities after completion of the project. It will also complete interim landfill developments at least seven sites, and commence works. Finally, the project will start livelihood creation activities, including activities aimed at income creation for women.
- The forest management project will become fully operational during the next six months. The project will begin key activities such as monitoring, capacity building, support for alternative livelihoods, and assistance to mainstream sustainable approaches in the overall recovery process. It remains a challenge to be resolved in the coming months, whether to respond to the largest environmental gap – the restoration and management of the coastal zone.

2.5 Livelihoods: Creating Short-term and Long-term Opportunities

One of the biggest challenges identified during the one-year post-tsunami stocktaking is to rebuild the labor market and generate employment for local residents in the reconstruction process. Recovery of livelihoods has not been identified as an underfunded sector in the recurring needs assessments of the BRR, and has consequently not been an area for funding through the Multi Donor Fund.

Even though the Multi Donor Fund does not have a project that focuses on creation of livelihoods, several projects contribute to getting people back into work. Cash-for-work initiatives are important in reintegrating the population and IDPs in particular into the work force. Not only does cash-for-work enable independence of external help for a large number of families, it also has an important psychological element of reassuring workers of their value as members of society

"We feel that the KDP project is very effective. We are glad that the community can participate and voice priority needs, such as building a village road that gives us better access to the market so we can sell our products."

Pak Hashimy (37) – Panggong village (Aceh Jaya)

A Year of Achievements

Currently, nearly 24,500 persons are employed through Multi Donor Fund related activities. Approximately 99% of people employed by Multi Donor Fund projects are from Aceh and Nias.

KDP provides short-term jobs for a large number of people in reconstruction programs. The same accounts for UPP and the Housing and Settlements Project where work gets mostly contracted to local craftsmen and small contractors. The Tsunami Recovery Waste Management Programme creates an increasing number of jobs in the municipal waste collection, sanitation services, sorting of recyclable products such as wood and plastic. Projects also provide substantial employment for staff in project management, and technical staff for facilitation, technical planning and supervision, and facilitation of activities at village level.

Finally, more than 177,000 villagers receive supplementary stipends for their work in KDP community development (through implementation teams and village committees, not mentioned in Table).

Table 2.7: Employment Creation through Multi Donor Fund Financed Projects

Type of employment	No of persons
Province and District level management/ Technical Assistance	263
Short-term employment through community projects*	10,147
Cash-for-work employment in waste-related service	1,746
Facilitators (sub-district teams, village facilitators, housing and information facilitators)	12,379
Total	24,535

* This figure represents full-time equivalent (FTE) work positions of 3,040,100 man-days created through KDP, UPP and the Housing Project (calculation for FTEs: 3,040,100man-days/300 working days per year=10,147 FTEs).



■ Turning tsunami wood into new furniture

The Next Six Months

- The Tsunami Recovery Waste Management Project will create new livelihood opportunities through the design of viable business startups related to the waste management process, also fostering recycling and minimizing the volume of waste. First results are expected before the end of the year. Since waste-related jobs are currently being funded out of the project budget, it is a challenge to ensure they will be carried over into long-term employment through local government planning and budget allocation.
- The promotion of local contractors through the Local Resource-based Road Reconstruction Project in the upcoming months will enforce the involvement of local labor in road reconstruction rather than 'imported' labor from other parts of Indonesia, and lead to local job creation.
- The Aceh Forest Environment Project will help villagers develop sources of income as an alternative to illegal logging, thus contributing to the creation of long-term livelihoods.
- The Support to Strengthening CSOs in the Recovery Programme will provide block-grants to community-based organizations that could potentially be used for livelihood activities too.
- It remains a challenge to be resolved in the coming months, whether the Multi Donor Fund should invest in stand-alone livelihoods projects.



■ Tsunami Waste Management Project

Managing the Multi Donor Fund

3

In order to achieve the results documented in Chapter 2, the Multi Donor Fund must first establish and implement structures and processes that support the goals of the Fund. Chapter 3 provides an overview of how the Multi Donor Fund operates, who does the work, where the work is being done, the financial status of the Fund, how the Fund communicates, examples of the anti-corruption mechanisms at work, the key lessons learned during its first year of operations, and the challenges it faces in the future.

3.1 How the Multi Donor Fund Operates



Lessons Learned Workshop

Developing and Managing a Quality Portfolio

All project investment and policy decisions made by the Steering Committee have been on a consensus basis. This has been achieved through a consultative decision-making process which initially took place at monthly Steering Committee meetings. However, to allow more involvement in the project design process, the Secretariat initiated Technical Review meetings where members could question project teams on the technical details of the projects and also provide valuable suggestions on ways to improve the project. The increased involvement through Technical Reviews and participation in project appraisal missions has also resulted in quicker endorsement of projects.

The Secretariat reports more regularly than required on both the progress of projects and the financial status of the Multi Donor Fund. In addition to the semi-annual reports (such as this report) and the quarterly financial statements, the Secretariat also provides monthly financial and project updates, which lists all the issues and bottlenecks reported to the Secretariat by the Partner Agencies. Publishing these bottlenecks shows transparency to the Steering Committee and brings attention to these issues in a policy dialogue forum that has the leverage to resolve problems and remove bottlenecks.

Donor Coordination

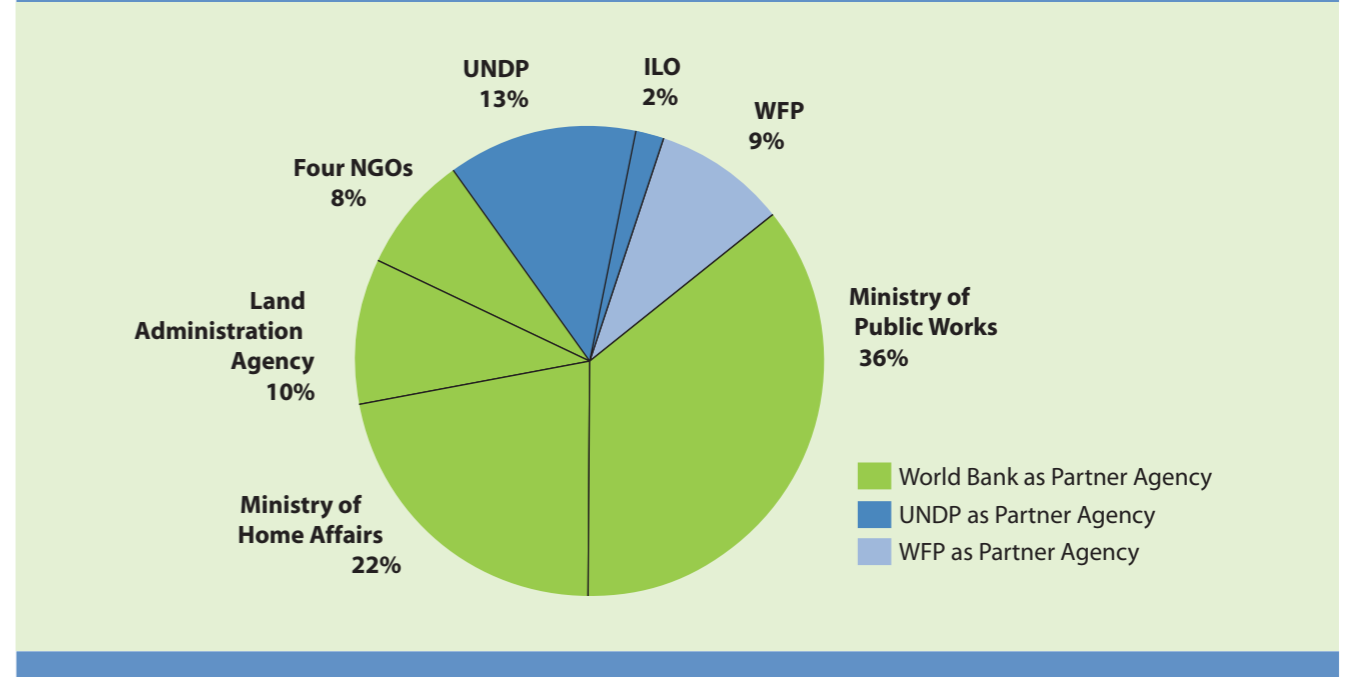
Donor coordination takes place at both the Steering Committee meetings and the Technical Review meetings. At Technical Review meetings, where the merits of a particular project are discussed, participants engage in discussion on other projects in the same sector to avoid overlaps and duplication. At Steering Committee meetings, the BRR provides an overall update on the progress of the reconstruction, while other key donors who are not members of the Steering Committee, such as the Australian and Japanese governments, report on their portfolio.

Policy Dialogue

Important issues such as the impact of inflation on the reconstruction, timber policies and the delays in the issuance of government budget documents have been discussed at both the Steering Committee meetings and the Technical Review meetings. The significant resources controlled by the donors as members of the Multi Donor Fund (\$547 million), as well as their bilateral contributions (approximately \$1 billion), give the Steering Committee considerable leverage to influence reconstruction policy and bring attention to issues and bottlenecks that require resolution. This leverage was utilized when several Multi Donor Fund projects were delayed for several months because funds were trapped waiting for the government budget documents to be issued. This was eventually brought to the attention of the President of Indonesia which resulted in an immediate resolution.

3.2 Who does the work?

Graph 3.1: Implementing Agencies

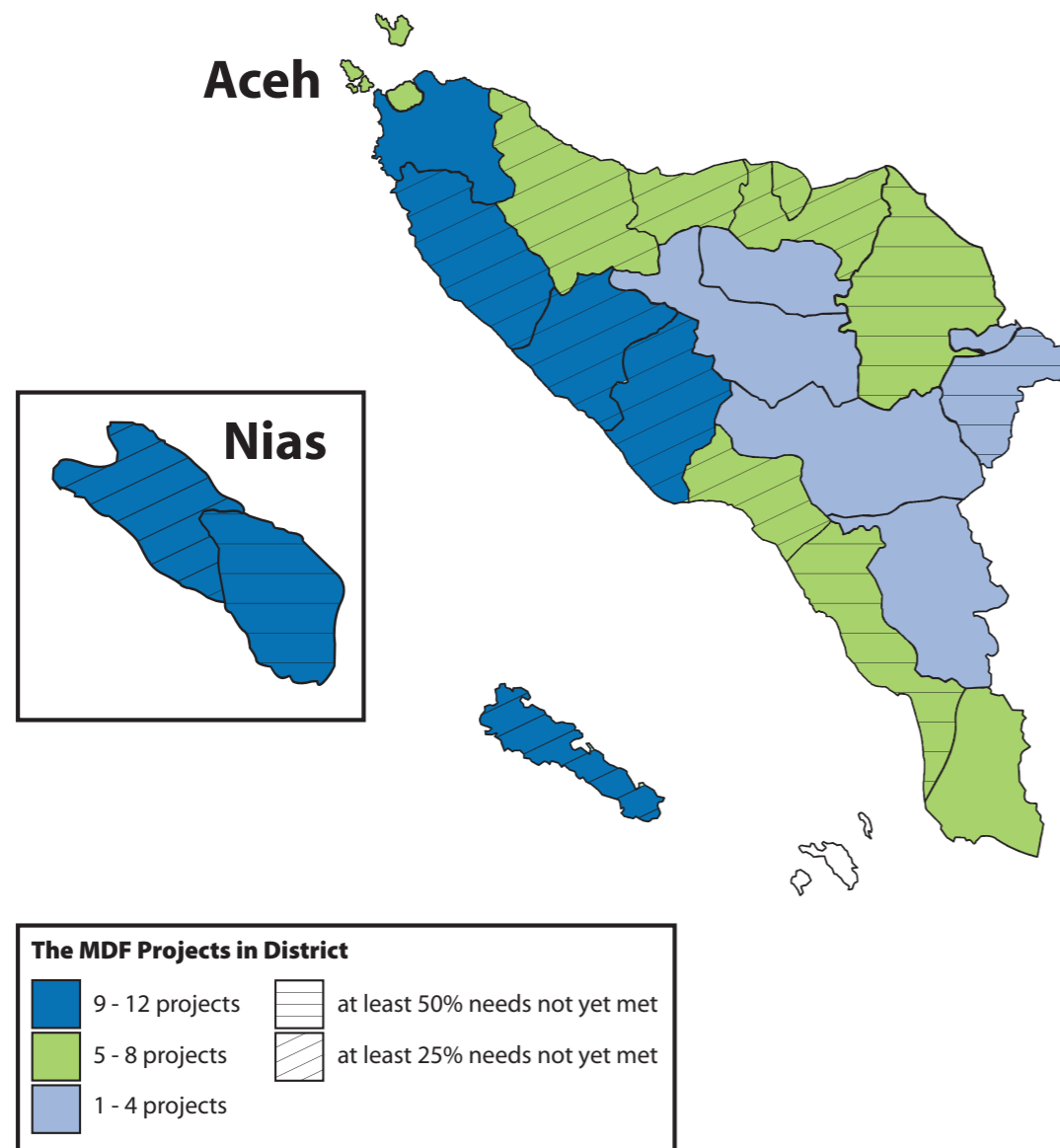


Many entities contribute to the success of the Multi Donor Fund. Decisions on investment, policy and strategy are made by the Steering Committee. The Secretariat is responsible for the day-to-day operations including communications, liaising with stakeholders, financial management of the Fund and monitoring and evaluating the portfolio.

At a project level, the Multi Donor Fund has a variety of implementing partners including Government of Indonesia line ministries, UN Agencies and NGOs. The Government of Indonesia is the Multi Donor Fund's largest implementing partner, with the Ministry of Public Works, Ministry of Home Affairs and the Land Administration Agency implementing four projects worth 68% of the Fund's committed resources. United Nations Agencies, including UNDP, ILO and WFP are implementing six projects worth 24% of committed funds and three NGOs are implementing a further three projects with eight percent of committed funds. A further four projects are currently under development, three of which will be implemented by the BRR. The World Bank does not implement projects, but is the Multi Donor Fund's largest Partner Agency.

Organizations are selected as Partner Agencies because of their professional skills and because their policies, procedures and fiduciary frameworks are acceptable to the Trustee. The Implementing Agency must apply the Partner Agency's rules and regulations during project implementation, while the Partner Agency supervises the Implementing Agency to ensure compliance with their rules and to monitor and evaluate project performance. The Multi Donor Fund has two other Partner Agencies - UNDP and WFP. Graph 3.1 shows the spread of the Fund's projects according to Implementing Agencies and Partner Agencies.

3.3 Where the work is being done



The Multi Donor Fund aims to work in areas where funds are most needed, as well as maintaining geographic balance to avoid creating regional disparity and inequality. The location of projects is largely driven by existing reconstruction needs. As of March 2006, there were still strong imbalances in the geographical distribution of reconstruction efforts. In five out of 23 affected districts and municipalities in Aceh and Nias, not even half of needs had been met, while in another nine less than 75% of reconstruction needs had been covered.

Map 1 shows that the Multi Donor Fund has a strong presence in nearly all districts that still face serious financing gaps. Through coordination with other stakeholders during project planning, and especially the BRR's strategy for Multi Donor Fund projects in the less covered areas, the Multi Donor Fund has managed to create a more geographically balanced portfolio, focusing its activities in areas with the largest gaps.

3.4 Financial Report



Tsunami rubble used to rebuild a destroyed road

From a financial perspective, the Multi Donor Fund has been very successful during its first year of operations. Highlights include:

- **Contributions:** Of the \$547 million pledged by donors, 93% have been formalized through the signing of contribution agreements;
- **Allocations to Projects:** A total of \$392 million has been allocated to 12 active projects (\$288 million) and a further four are currently under development (\$104 million). This means 72% of pledges have been allocated.
- **Disbursements to Projects:** Of the \$288 million of active projects, the Multi Donor Fund has disbursed \$146 million (or 51%) to project accounts. Of these disbursements, 56% (\$82 million) has been spent by the projects on the ground and the remaining 44% are expected to be spent within six months.

"The European Union is strongly committed to the post-tsunami Reconstruction, mainly through the Multi Donor Fund which is co-chaired and funded up to 80% by the European Union [European Commission and Member States]."

Javier Solana - European Union High Representative for the Common Foreign and Security Policy

- **Remaining Funds:** After one year of operations, approximately \$155 million remains unallocated. This includes an estimated \$11.5 million for administration, appraisal and supervision costs, which is expected to be offset by investment income of an estimated \$12.1 million.



Steering Committee Co-chairs handing over the grant to the Aceh Forest and Environment Project

Pledges, Contributions and Paid-in Cash

Table 3.1 provides a list of Multi Donor Fund's contributors, their pledges and committed contributions. Pledges are currently at \$547 million. This amount, however, changes throughout the year due to exchange rate fluctuations.

Some donors paid their contributions up-front, while others have chosen to pay in two or more installments. The table below shows that the Multi Donor Fund has received \$243 million from its contributors.

Source	Pledge amount \$ million	Contribution Agreements signed \$ million	Cash Received \$ million
European Commission*	255.91	255.91	53.27
Government of the Netherlands	100.00	100.00	60.00
Government of the United Kingdom*	47.96	10.00	10.00
World Bank	25.00	25.00	25.00
Government of Norway	18.03	18.03	18.03
Government of Denmark*	17.96	17.96	17.96
Government of Canada	11.04	11.04	11.04
Government of Sweden	10.44	10.44	10.44
Asian Development Bank	10.00	10.00	10.00
Government of Germany	10.00	10.00	7.40
Government of the United States	10.00	10.00	10.00
Government of Finland*	10.24	10.24	4.28
Government of Belgium*	10.24	10.24	2.55
Government of New Zealand	8.80	8.80	2.20
Government of Ireland	1.20	1.20	1.20
Total Contributions	546.83	508.87	243.38

*Exchange rates as at 31 May 2006; Source: Bank Indonesia



Rehabilitating the existing port in Sinabang

Allocations to Projects

Of the \$547 million of pledges, the Multi Donor Fund has allocated 72% (or \$392 million) to projects. As shown in table 3.2, the Fund has made its investment decisions relatively quickly compared to other donors, who have allocated 49% of their pledges and is comparable to the NGOs (78%).

Table 3.2: Proportion of Pledges Already Allocated to Projects

Source	Pledged \$ million	Allocated \$ million	%
Multi Donor Fund	547	392	72%
Other Donors	3,047	1,502	49%
NGOs	2,500	1,940	78%

Source: Pledged data from BRR Renstra (Strategic Plan April 2006); Allocated data from World Bank updated as of May 2006

On-budget and Off-budget Projects

Projects are on-budget if the funds are channeled through the Government of Indonesia national budget. The Multi Donor Fund seeks to finance projects on-budget, where possible, because it integrates planning within the government's processes, which is essential for capacity building and long-term sustainability. The four project concepts endorsed at the first Steering Committee meeting were all on-budget projects. However, in 2005, because there were significant delays in issuing budget execution documents (DIPAs), three of the four projects did not have access to funds to start operations until November 2005. This led the Steering Committee to endorse the next nine projects concepts, valued at \$108 million, as off-budget. In 2006, the Steering Committee endorsed the BRR Financing Strategy including co-financing projects with the BRR. This led to a return to financing on-budget projects by endorsing three project concepts, all to be implemented by the BRR or the Ministry of Home affairs. In total, 74% of allocated funds are towards on-budget projects and 24% are off-budget.

Receipts and Disbursements

As of 31 May 2006, the Multi Donor Fund received \$243 million from donors, and derived a further \$4.09 million from investment income, which are pooled with the contributions to finance projects and programs selected by the Steering Committee. During the same period, \$146 million has been disbursed to projects' accounts. This disbursement figure is based on forecasted cash needs for the following six months. On average, 51% of grants have been made available to projects.

Table 3.3: Multi Donor Fund Financial Status as of 31 May 2006

Source	\$ million
Total Paid in Contributions	243.38
Total Investment Income	4.09
Total Receipts	247.47
Total Disbursements to Projects	145.99
Total Administration, Appraisal and Supervision Costs	1.71
Total Cash Available	99.77

Project Spending

As of 31 May 2006, Multi Donor Fund projects have spent \$82.4 million (shown in table 3.4) or approximately 56% of the resources transferred by the Fund.

	Disbursement to Projects	Spending by Project	%
On-budget Projects			
Reconstruction of Aceh Land Administration Project	11,695,000	2,160,067	18%
Community Recovery Through the Kecamatan Development Project (KDP)	49,000,000	44,759,699	91%
Community Recovery Through the Urban Poverty Program (UPP)	6,554,671	3,586,773	55%
Community-based Settlement Rehabilitation and Reconstruction Project for NAD	21,437,798	9,541,973	45%
Off-budget Projects			
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	11,000,000	3,334,706	30%
Tsunami Recovery Waste Management Program	11,000,000	3,968,529	36%
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	3,000,000	82,417	3%
Labor-based Rural Road Rehabilitation in Aceh	2,420,000	0	0
Sea Delivery and Logistics Program	24,700,000	14,638,833	59%
Reconstruction and Rehabilitation of Ports	3,580,000	277,999	8%
Aceh Forest and Environment Project	1,600,000	2,106	0
Flood Mitigation Program for Banda Aceh*	0	87,065*	0
Total	145,987,469	82,440,170	56%

* The Flood Mitigation Program for Banda Aceh is pre-financed by Muslim Aid. The Expenditure will be reimbursed to Muslim Aid in June.

On-budget projects²

In 2005, on-budget projects experienced significant delays because DIPAs (budget execution documents) were not issued in a timely manner. This problem was brought to the attention of the President of Indonesia, and funds for all projects were mobilized in November, except for the Land Titling Project, which had already started disbursing in September 2005.

Once the funds were made available, project spending on the ground went smoothly. Spending during the first two or three months of the project was lower because of the initial set-up and preparation work required to get a project operational. In February, however, the rate of spending increased significantly, and continues to grow. The process for issuing DIPAs (budget execution documents) also went smoothly in 2006.

The **Land Titling Project**, which started in September 2006, has spent \$2.16 million by May 2006. This is

slower than expected and is a reflection of the problems the project has encountered, including waiting for a Government Regulation on Banking and Land and interruptions in the deployment of teams by the National Land Agency. These bottlenecks are being resolved and the rate of spending should increase in the latter half of 2006.

The **Urban Poverty Program and Housing and Settlements Project** have spent \$3.6 million and \$9.5 million, respectively. Spending for both projects increased significantly in May 2006, and should continue to grow in the second half of 2006 when the second tranche of grants will be distributed to the UPP urban neighborhoods and the Housing project has expanded into additional urban areas in Aceh. Since February 2006, the spending for the Kecamatan Development Project grew exponentially. The project is expected to be completed by the end of this year, well ahead of schedule.



■ Proud house-owner with his new Landtitle

Off-budget projects

By 31 May 2006, the **Technical Assistance for the BRR** project has spent \$3.3 million with another \$9.9 million contracted already. With only 7% of the \$14.7 million grant left uncommitted, this project is progressing well and on-track to finish in June 2007. The **Tsunami Waste Management Project** is also progressing well and is expected to complete its planned activities by June 2007. To date, this project has spent almost \$4 million and has committed another \$6.5 million in contracts.

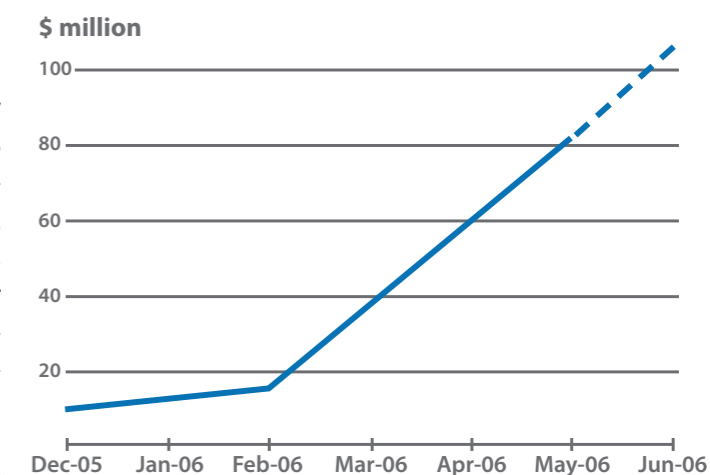
The **Sea Delivery and Logistics Program** is a demand driven project with its spending reliant on how much cargo needs transporting to reconstruction areas. At the project design stage, it was envisaged that the \$24.7 million grant would be spent by 31 May 2006. By the end of May, WFP has spent \$14.6 million. Since this project is demand driven, it is uncertain how long the remaining \$9 million will last. If cargo levels remain similar to previous months, the funds could finance the service until September 2006. The BRR forecasts that cargo will increase significantly in June and July, which would allow the project to finish by mid-July.

Project spending for the **Support to Strengthening CSOs** is slower than anticipated. The project received \$3 million from the Multi Donor Fund in December 2005, and by 31 May 2006, it has spent \$82,417 on its activities. The project is currently recruiting consultants and tendering to outsource its training programs, which are taking slightly longer than expected. This process should be completed shortly and once activities are running, the rate of spending will increase significantly.

Since February 2006, the **Flood Mitigation Program for Banda Aceh** has spent \$87,065 on its activities, which has been pre-financed by Muslim Aid, the Implementing Agency for the project. Muslim Aid is currently seeking reimbursement for the expenses, and a first disbursement to the project account will be made in June.

Trend in Spending

Graph 3.2: Cumulative Project Spending



Graph 3.2 shows the trend in project spending during the six months between December 2005 and May 2006. The graph shows that since February 2006, projects have been steadily increasing their spending rate. This demonstrates the initial slower spending during the set-up stage of the project, but once implementation picks up speed, spending follows.

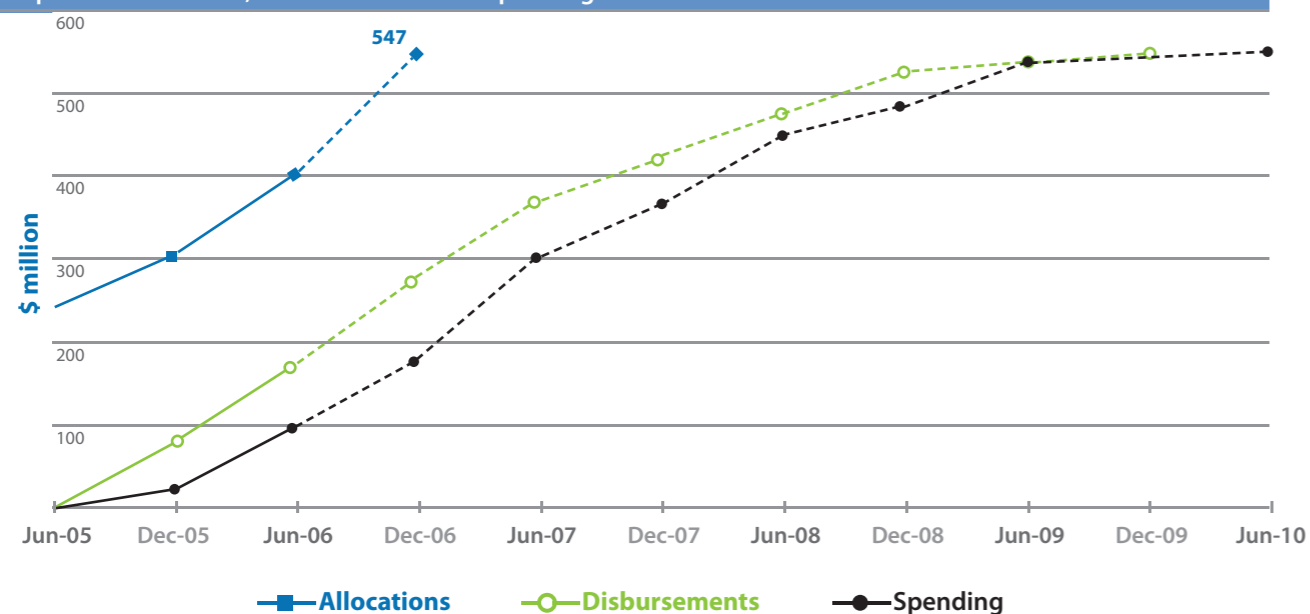
² All on-budget projects for the Multi Donor Fund are spread across a wide geographic area. This makes collating up-to-date spending data a challenging task. For this section, the Secretariat assumes, unless stated otherwise, that all funds withdrawn from the project bank account have been spent. This estimate has proven to be fairly accurate because strict criteria must be satisfied before more funds may be withdrawn.



■ Freshly painted house

Financial Profile of the Multi Donor Fund

Graph 3.3: Allocations, Disbursements and Spending



Graph 3.3 shows the expected timing for allocations, disbursements and spending during the lifetime of the Fund. All pledges are expected to be allocated by the end of 2006. Since projects require start-up time to recruit staff, set-up offices and get facilitators into the field, it is important that sufficient time be given

to all projects to spend their grants. Projects should be at their busiest in the middle years of the Fund. By the end of 2009, the Multi Donor Fund should have transferred all their funds to project accounts as all monies must be spent by 30 June 2010.

3.5 Communications



■ Geumala Yatim, Multi Donor Fund Ombudsman, talking to community members

Communicating to Beneficiaries

The Multi Donor Fund endeavors to address the beneficiaries' need for more information about the reconstruction of their specific village through a pilot communications program on the Fund's projects. The pilot program uses the ombudsman, newspapers, leaflets and local radio programs to disseminate information to beneficiaries.

For example, in the Lambung neighborhood near Banda Aceh, the ombudsman learned that 'waste-clearing' was needed in the area allocated for housing. She facilitated the Waste Management Project to cover this area. The result is a village with greater trust in the usefulness of Multi Donor Fund projects.

- **The ombudsman** regularly visits project sites, meets village and traditional leaders and joins women's gatherings. This is an informal and effective way to introduce the Fund's projects and to solicit feedback directly from the beneficiaries.
- Using the ombudsman role effectively, however, is time-consuming and will mean that a relatively small number of villages will be visited over the coming year.
- Experience, thus far, indicates that beneficiaries very much welcome the ombudsman and the chance to exchange information.



Two housing facilitators

Communicating to other Reconstruction Stakeholders

The Multi Donor Fund builds strong partnerships through information exchange and coordination on the ground.

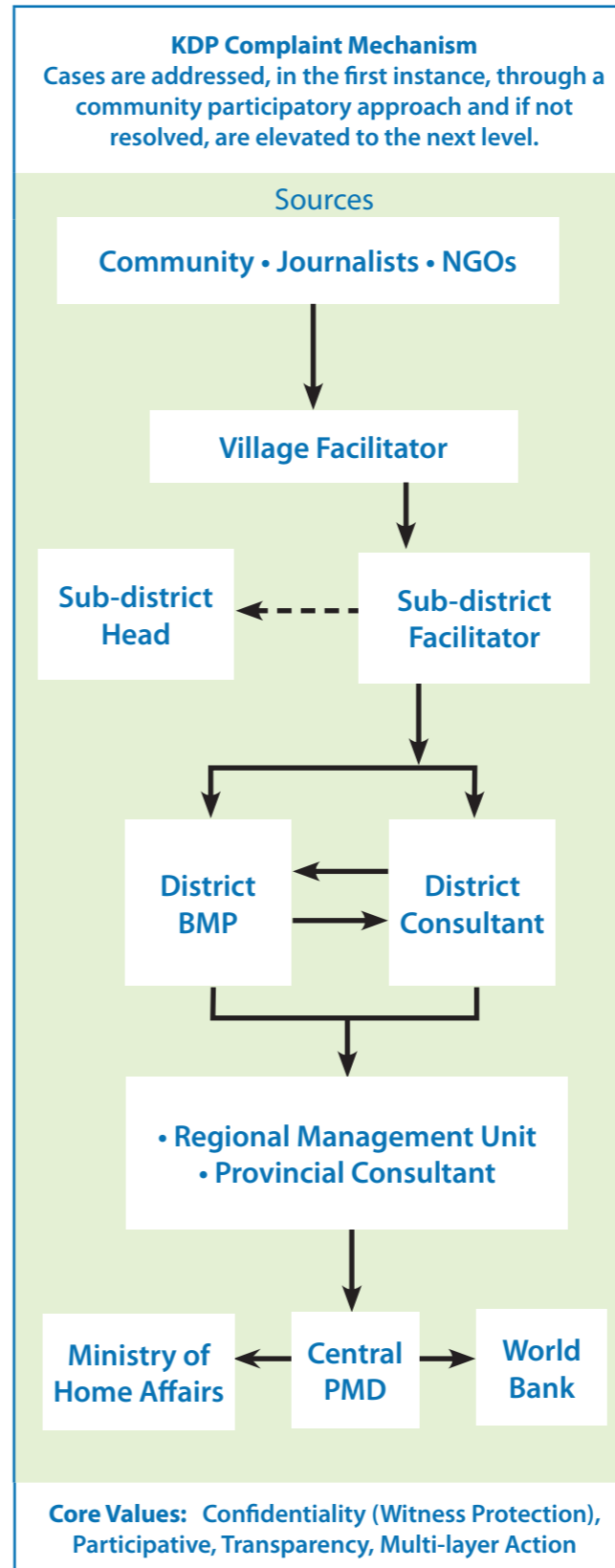
- Regular meetings with the **BRR** to share information on projects, clarify donor expectations, and follow up on the development of project concept notes, have resulted in better cooperation and enabled addressing needs on both sides.
- Meetings with **Governor(s), the Provincial and District Planning Agency (BAPPEDA), and District Heads** increase the awareness and interest of local government in projects on the ground.
- **Local and International NGOs** and the Multi Donor Fund share information and discuss current project issues that may need further attention from Partner Agencies and Implementing Agencies to ensure that beneficiaries get the best results on the ground.

Complaint-handling System

The Multi Donor Fund encourages beneficiaries to give feedback on its projects either through the projects, directly to the Fund’s Ombudsperson or via the future interactive radio shows or newspaper columns.

The UPP and Housing and Settlement Project complaints system is a very effective way to be fully transparent, as all reported complaints are put into the overall MIS system at the district level which in turn is accessible via the internet. On the website, every filed complaint is identified along with the nature of the problem, where it occurred and what the status is in terms of resolution. The MIS team also compiles monthly summary reports which can be found on their website (www.p2kp.org). So far, 55 complaints have been identified out of which 54 were resolved, most at the local level.

The KDP complaint mechanism is an established and effective mechanism for communities to submit a complaint or a corruption case.



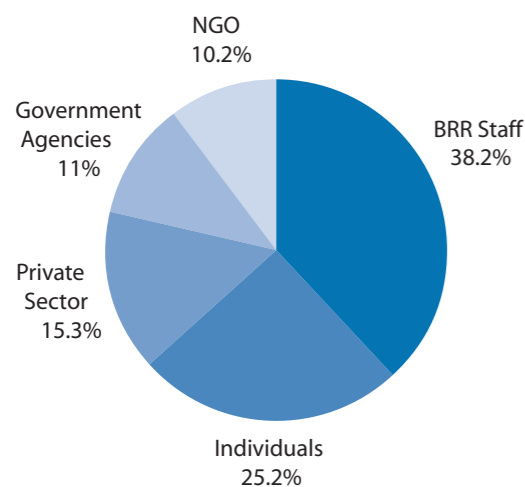
Examples of Complaints relating to the Multi Donor Fund financed projects	
COMPLAINT	ACTION TAKEN
Housing and Settlement Project	
Women in a pilot village of the housing project complained that finished houses did not include a kitchen.	An additional grant can be provided to build the kitchen. In future, mandatory agreement of women for the house design.
Flood Mitigation Project	
Beneficiary, Aceh Jaya “When there is heavy rain for a few days, the rain-water causes flooding because the valve is too small”	Muslim Aid has replaced the valve with a larger one
Land Titling Project	
Local NGOs report lack of involvement of Land Monitoring Consortium, created to monitor BPN’s implementation, reducing transparency, and lack of coordination on the ground.	Very recent complaint, Partner Agency is currently investigating.
Beneficiary in Lhok Nga, owner of three parcels complained that all of the certificates were either incomplete or incorrect, and sent them back.	BPN to rectify



KDP - village meeting

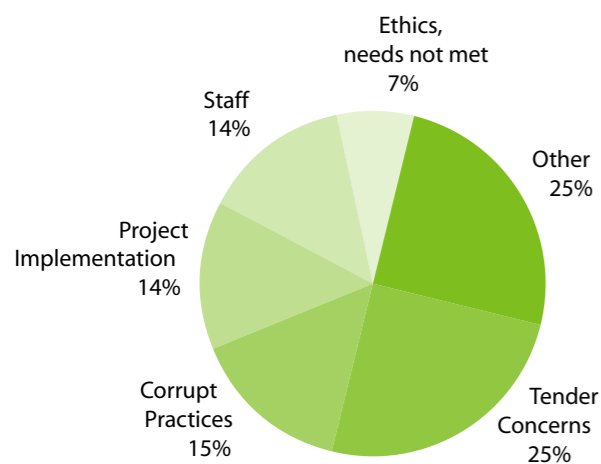
Composition of complaints received by the BRR to date:

The complaints handling for the BRR is integrated into their Anti-Corruption Unit, which focuses on prevention, investigation and education. Since September 2005, the BRR has received about 528 complaints out of which 88% have been processed to conclusion.



Graph A: Source of Complaints

Graph A shows the source of complaints. To date, BRR staff (both internal and outsourced staff) are the largest source of complaints, followed by individuals and then the private sector. Complaints from NGOs and individuals are growing as the BRR endeavors to engage the NGO community more. Thanks to the confidentiality policy of the Anti-Corruption Unit, only 10% of complainants have chosen to be anonymous.



Graph B: Contents of Complaints

As shown by Graph B, the most common complaints relate to concerns surrounding the tendering processes and results. Allegations of possible corrupt practices, issues relating to project implementation and complaints about staff are also common issues brought to the BRR Anti-Corruption Unit. 7% of complaints are about issues of ethical guidance and advice and about concerns that their needs are not being met. The remaining 25% of complaints vary from problems with applying regulations, staff performance, requests for advice on ethics and general questions on compliance.

Multi Donor Fund Mitigation Measures and Actions Against Corruption

All Multi Donor Fund projects have strong anti-corruption measures, so far, none of the corruption cases have had to be referred to higher authorities (police) as all have been resolved at the community level. Of the corruption cases that have been reported, only a minority turned out to be real corruption or real attempts at corruption. However, several projects have encountered corruption in their operations. All identified instances of corruption have been addressed swiftly and, where necessary, projects have further strengthened their mitigation measures.

The KDP anti-corruption strategy has three main themes:

- 1. Eliminate complexity**
 - Budgets are transferred straight from the national level to the village accounts. This means almost no leakages occur, compared to other more complex structures.
 - Simplified and unified financial reporting mechanisms at the village level.
- 2. Transparency on all financial transactions**
 - Range of materials and procedures to ensure that all financial information is public and publicly displayed, e.g. local shopping price quotations for materials must be read out loud in public meetings to be valid, signboards posted carrying the information and bookkeeping managed by an elected implementation committee. Withdrawal or transfer of funds requires three signatures.
 - Involve independent groups to inspect KDP sites, e.g. provincial NGOs and discuss and review corrective actions.
 - Government management group has taken extra steps: i) audit summaries are sent to civil society oversight groups ii) MOHA as Implementing Agency publishes a list of problems in newspapers.
- 3. Respond quickly to complaints**
 - Follow-up on reported cases of corruption. Share reported cases with civil society watchdog groups, including the press. From the provincial level, reports go to local government and national team until the case is solved.

Examples of corruption cases relating to the Multi Donor Fund financed projects

CASE	ACTION
Waste Management Project	
Meulaboh. UNDP discovered that the head of the sanitation department was overstating the actual number of people working on the site and was demanding a kickback from workers' salaries.	Sanitation Department head has been replaced. The money (amounting to about \$1,400) was paid back to the project account. UNDP has increased the number of auditors and hired an independent third party to conduct independent monitoring of field operations.
Housing Project	
Gampong Baro, Banda Aceh Bapak Y received his first instalment of Rp 5,000,000 but did not give receipts or an expense report.	The head of the Community Trustee Committee and the community group held up further installments until he provides the necessary documentation.
Kecamatan Development Project	
Village head, South Aceh. After executing the drainage and irrigation works, Rp 6,000,000 were left in the account. The Village Head took the remaining funds, indicating that he would use it for additional activities.	The community, the Kecamatan officer in charge and the facilitator held a village meeting with the village head. The money was returned to the village account.
Sub-district Head claimed a 10% commission for the allocation of Rp 2.5 billion.	The community itself sent a complaint to the district head who, in coordination with the district consultant, called the sub-district head. The sub-district head admitted the wrongdoing and got a strong warning (the 10% commission was never received).

Further, KDP Aceh tripled the audit requirements and developed a special audit manual. Two financial supervisors from the World Bank and two extra dedicated supervisor staff in the field were added.

3.6 External Views

In the last six months, the Multi Donor Fund for Aceh and Nias was reviewed by three independent studies.

Eye on Aceh, a local NGO, published *A people's Agenda – Post Tsunami Aid in Aceh*, in which they describe how individuals and communities have been affected by their experience of the reconstruction process and to what extent their needs have been met. This research used case studies from the activities of five major donors, including the Multi Donor Fund.

UNDG conducted a *'Review of Trust Fund Mechanisms for Transition Financing'*, which reviewed past and existing multi-donor trust funds (administered by both the UN and the World Bank) to determine the extent to which they have contributed to overall trust fund objectives. The Multi Donor Fund was one of 11 post-crisis funds reviewed.

The Norwegian and Canadian Governments, in collaboration with the *World Bank*, are reviewing at least eight multi-donor trust funds with the aim of developing a set of good practices for the establishment and administration of future trust funds. Their preliminary findings are in the first draft of their report *'Review and Analysis of the Experience with Multi-Donor Trust Funds in conflict affected Reconstruction'*.

Both UNDG and the Norwegian/Canadian/World Bank reports will be posted on the Multi Donor Fund website once they are publically released.

This highlights the findings from the three independent reviews.

1. Quality of Projects, Implementation on the Ground and Overall Operations

The studies identified a number of advantages of using the Multi Donor Fund for the recovery and rehabilitation of Aceh. Its flexibility of funding has enabled the BRR to adopt innovative implemen-

tation practices; further the BRR welcomed the openness of the World Bank and the donors to share strategies and suggestions. The recent decision of the BRR to enter into *voluntary co-financing* with the Multi Donor Fund shows government ownership on projects and a guarantee that funding will be directed to government priorities. The Multi Donor Fund is considered very unique because the co-financing can be up to 75% of the project.

From a financial point of view, the Multi Donor Fund was identified as the *quickest to disburse* to a project (after four months) and its target to keep the *administration costs below 2%* is unique compared to the target in UN Trust Fund programs where administration costs vary between 5 and 12%.

To enhance the overall quality of the portfolio, the development of the *Recovery Assistance Policy* and later the approval of the *BRR-Multi Donor Fund Financing Strategy* are seen as best practices.

2. Donor Coordination and Policy Dialogue

One of the advantages of using a multi-donor trust fund mechanism is that it can improve *complementarity and coordination* among donors even when the amount of funding going through the fund is relatively small compared to the total foreign assistance. The Multi Donor Fund has allowed *smaller donors* to participate without major transaction costs, heavy engagement or investment in monitoring and evaluation and thus enables a broader range of donors to be involved.

In the Aceh context the Multi Donor Fund for Aceh and Nias is seen as the only institution that tries to *strengthen dialogue across stakeholder groups* in a systematic way, focused on the recovery efforts, through participation of all its Steering Committee Members (civil society, GOI both national and provincial, BRR, INGOs and the UN). However, to further strengthen the engagement of the *civil society* in



Testing the quality of house bricks during supervision mission

the Multi Donor Fund, one report suggested that *civil society* representatives be provided with resources to undertake more consultation and information sharing among civil society groups. One of the studies also pointed out that the *Partner Agency* mechanism, used by the Multi Donor Fund, is an *innovative* way of sharing work and capitalizing on the comparative advantages of the UN and the World Bank, and that it promotes overall *harmonization with UN agencies*.

The studies also identified several *advantages to using the World Bank as a trustee*. Firstly, the World

Bank has a reputation for fiduciary management and can mobilize very significant voluntary contributions to the multi-donor trust fund for those purposes. Also, the World Bank's strong governance agenda means it has a strong anti-corruption framework, which is expected to be applied to projects by implementation partners on the ground.

3. Monitoring and Evaluation

To enhance the possibility of reporting on overall aggregated results, it is suggested to try and ensure that project *output indicators* and targets in similar fields are *harmonized*.

3.7 Lessons Learned and Challenges Ahead



■ Head of community, engaged in KDP Project

Lessons Learned

During the first year of operations, many lessons were learned from managing the Multi Donor Fund. One of the most important was recognizing the need to review the Fund's operations to understand what it has achieved, what went right, what can be improved and what challenges the Fund faces in the future. To address this need, the Multi Donor Fund conducted a lessons learned exercise that included engaging an independent consultant to conduct interviews with Steering Committee members and observers, Partner Agencies and the Secretariat to solicit input for a one-day workshop.

The outcomes of the interviews and the workshop were documented in a report called the Lessons Learned Outcomes Report which can be downloaded from the Multi Donor Fund's website (www.multidonorfund.org/documents). The following provides a summary of key findings from the report.

Enhancing Portfolio Quality

Having flexible decision-making processes that resulted in quick endorsement of quality projects has been essential to ensuring that the Multi Donor Fund is able to respond quickly to the needs on the ground. The endorsement of \$250 million in project concepts at the first Steering Committee was the only way significant results could be reported at the first anniversary of the tsunami, as this was only six months after the establishment of the Fund.

Another lesson learned was that having a flexible and clear strategy, such as the Recovery Assistance Policy, allowed the Steering Committee to move rapidly in selecting projects and adjusting to the ongoing changes in project needs as they arise. The challenge ahead is to maintain a sense of urgency as some donors have expressed a desire to lengthen the review time for projects. In making this decision, an assessment must be first made on whether lengthening the review period will enhance project quality.



■ Steering Committee members engaged in the Lessons Learned workshop

Monitoring and Evaluation

Since the Multi Donor Fund has already allocated 72% (or \$392 million) of its pledges, the Fund is now entering into a phase where ensuring the quality of implementation is increasing in importance. Monitoring of projects is conducted by the Partner Agencies and the Implementing Agencies. The monitoring of the portfolio as a whole, however, is done jointly by the Secretariat and the Steering Committee. The lesson learned in the first year is that the expectations on what and how portfolio monitoring should be conducted varied between parties. The challenge is to create a framework that clarifies roles, manages those expectations and coordinates the different M&E needs of the Steering Committee. At the lessons learned workshop, the participants committed to coordinating their individual M&E activities on the Multi Donor Fund, possibly through a dedicated monitoring and evaluation working group.

Strengthening Policy Dialogue

The lesson learned is that a steady stream of policy issues need to be resolved to get things moving on the ground. The large resources the Multi Donor Fund donors control gives the Steering Committee leverage to bring attention to these issues and bottlenecks that require resolution. The challenge ahead is to transform this Multi Donor Fund forum into a mechanism that will meet on a more regular basis and discuss in greater detail issues facing Multi Donor Fund projects, as well as those facing other donors and NGOs in the reconstruction. Creating a regular forum will require the establishment of a special working group, with an identified leader and a well-defined mandate. This working group will also need to coordinate with other forums to ensure that it is complementary to existing structures.

Replenishment

The Multi Donor Fund has approximately \$150 million of unallocated funds. According to the BRR-Multi Donor Fund Financing Strategy, the majority of this remaining amount should be spent via an Infrastructure Fund Facility, a project co-financed by the Multi Donor Fund and the BRR to build projects designed by the Infrastructure Reconstruction Enabling Program (IREP).

As the gap analysis shows, there are still considerable gaps in a wide number of sectors. Due to the flexible nature of the funds and its ability to finance

gaps identified in the reconstruction, there is a continued demand for Multi Donor Fund financing. As shown in *section 3.4 Financial Report*, the Multi Donor Fund has been relatively quick in allocating its funds to projects. The question facing the Fund now is whether to replenish the Multi Donor Fund with additional funds to meet this need, or whether the Fund should enter into the second phase of its life-cycle and concentrate on ensuring quality in the implementation of the existing portfolio.

Table 3: Summary of Needs, Projects, and Gaps (\$ million)

	NEEDS	PROJECTS	(Projects - Needs) BALANCE
	Damage and Loss with Inflation Adjusted	Total Projects and Programs	Balance of Damage and Loss
Social Sector	431	1,478	1,046
Education	181	455	274
Health	138	526	388
Community, culture and religion	112	497	384
Infrastructure and Housing	3,144	2,165	-978
Housing	1,916	1,125	-791
Transport	728	506	-222
Communications	52	23	-29
Energy	106	46	-60
Water & Sanitation	77	235	159
Flood control, irrigation works	265	140	-126
Other Infrastructure	0	91	91
Productive Sectors	1,420	628	-792
Agriculture & Livestock	270	159	-111
Fisheries	613	201	-412
Enterprise	537	267	-270
Cross Sectoral	817	458	-359
Environment	665	72	-593
Governance & Administration (incl. Land)	135	380	245
Bank & Finance	17	5	-11
TOTAL	5,812	4,729	-1,083

Source: World Bank estimate, April 2006



ANNEXES

4

1 Assessing Performance, Based on Criteria for Quality

To ensure the quality of projects, the Multi Donor Fund has identified a set of nine criteria to be applied to all projects during their preparation and implementation. The question of portfolio quality has recently become more important, now that about 55% of total funds are allocated to projects currently implementing on the ground. As part of portfolio monitoring and evaluation, the Secretariat and donor partners will undertake analytical work during the next 15 months, prior to an external mid-term review in late 2007. This analysis will look across projects at the impact of the portfolio in promoting gender equality, social and environmental sustainability, inclusion of the poor, good governance and transparency, and conflict-sensitivity.

When considering development impact, it is important to note that half of the ongoing projects have implementation periods of two years or less. While some projects may have a well-developed gender approach, the longer-term effect on gender empowerment may be limited due to a short implementation period. Therefore, future analysis will have to take a realistic approach towards possible impacts especially regarding “soft” issues, that usually require a certain measure of time before the expected changes occur. What follows is a brief assessment of how well the nine criteria have been applied.

<p>QUALITY</p>	<p>Besides marrying international good practice with local knowledge through the Partner Agency – Implementing Agency arrangement, the Multi Donor Fund has moved to a “center of gravity” approach by financing projects and programs that are a model in their sector, such as the Housing Project, the Tsunami Recovery Waste Management Programme, Infrastructure Reconstruction Enabling Project and the Aceh Forest and Environment Project.</p>
<p>BUILDING CAPACITY</p>	<p>The current portfolio, including projects under design, represents a broad approach to capacity building at various levels that will support more sustainable and effective institutions for Aceh and Nias.</p> <p>(a) The settlement reconstruction projects apply a community-driven approach to development that aims at empowerment and increasing the capacity of the local population through intensive training, participation in decision-making and management of sub-projects (see Box 1).</p> <p>(b) In the current portfolio of 16 projects, nine support capacity building of governmental institutions through the provision of technical assistance, training and intensive involvement in decision-making and implementation (see Chapter 2.3).</p> <p>(c) The CSO Strengthening Project will further develop capacities of NGOs and community-based organizations, while other projects will involve NGOs and the media as monitoring agents.</p> <p>(d) The Local Resource-based Road Rehabilitation Project is specifically designed to build the capacity of the private sector to enable local contractors to participate more fully in the economic opportunities presented by the reconstruction.</p> <p>It is too early to measure impacts on the capacity of the supported actors.</p>

BOX 1: Using Different Capacities Over Time

Community-Driven Development

The Government of Indonesia’s Master Plan for Reconstruction foresees a strong focus on community involvement in planning and implementing reconstruction wherever possible. Experience in the recovery has shown – not only for the Multi Donor Fund – that community-led reconstruction requires intensive preparation because democratic procedures and planning mechanisms must be put into place. However, once planning has finished, and funds have been disbursed to communities, results are achieved at a fast pace because the community hires small contractors that are flexible to deliver more quickly than some of the other actors in the same locations. In this way, since late December, 709 new houses could be completed.

The established procedures at the project level also ensure ownership. Comments gathered in the field show pride and satisfaction of beneficiaries with the results. A thorough survey of beneficiary satisfaction still needs to be done. One important measure to reduce an imbalanced development of communities is the allocation of about \$3 million for social funds, scholarships and loans to hard-hit families as part of the relief programs of KDP and UPP.

<p>POVERTY REDUCTION</p>	<p>Poverty reduction as the overall outcome of “Building back better” is the overarching goal of the Multi Donor Fund. Most of its projects contribute to alleviating poverty, for example through the provision of property rights, housing stock that can serve as collateral, infrastructure to meet basic needs, micro-credit for informal sector entrepreneurs, cash-for-work, or labor-intensive employment for unskilled workers, skills training, facilitating the flow of goods to devastated poor communities, and improving services for the poor through better linking of village development planning to annual district planning and budgeting. A beneficiary survey at a later point will give insight how Multi Donor Fund projects have supported the poor population of Aceh and Nias.</p>
<p>GOOD GOVERNANCE</p>	<p>The Multi-Donor Fund has applied this criterion in several ways. Participatory processes and stakeholder involvement are used in the design and implementation of almost all projects. There has also been a particularly strong focus on capacity building for local governments and other local stakeholders to promote a sustainable application of good practices in planning, implementation, and supervision of reconstruction and development activities (see Chapter.2.3). Within the Multi Donor Fund itself, the Steering Committee and Secretariat have maintained transparency by making all key documents publicly available through the website. The Secretariat has developed a communications strategy to keep different stakeholders fully informed (see Chapter 3.4).</p>
<p>SUSTAINABLE DEVELOPMENT</p>	<p>All projects are reviewed for environmental and social impacts, including necessary mitigating measures that will be addressed through project implementation guidelines. The use of illegal timber in reconstruction activities has been a special concern, and the Housing Project for instance has developed a strategy that, in a nutshell, foresees that housing groups will only receive second and third tranche disbursement if they can document that they are using legally-purchased timber. The Aceh Forest and Environment Project will more comprehensively help protect key forest resources from illegal logging that is partially being stimulated by increased demand for building materials. The degree of actual application of these and other projects’ safeguards needs to be confirmed through an analysis of the overall environmental sustainability of Multi Donor Fund projects at a later point in time.</p>
<p>GENDER</p>	<p>Women do not have a strong position in the Acehnese society or most rural areas in Indonesia. In recognition of this fact, individual projects have sought to include gender sensitivity in their design where appropriate. The focus ranges from creating participatory mechanisms for women, providing employment opportunities and ensuring an increased protection of their rights (see Box 2). The Secretariat plans to assess whether the respective gender action plans are being followed and what kind of results have been achieved for women in the reconstruction process.</p>

BOX 2: Promoting Gender Equality

Participation

The Housing and Settlement project closely monitors involvement of women throughout the project cycle. Compared to initial targets for women's involvement, they are still underrepresented both in project processes and as staff. For instance, while serious efforts were made, only 9% of housing facilitators to date are female. Also, the participation rate of women, during village meetings and as volunteers is below target. This can be partially attributed to the fact that, in the communities currently targeted by the project, so many women lost their lives that they sometimes represent only about 10% of the remaining population. Therefore, the targets for female participation were set at an unrealistically high level.

Creating employment opportunities

The Tsunami Recovery Waste Management Project strives to create a good gender balance. To date, women have constituted 45% of those employed in waste service-related jobs. When reaching out to new partners, the project makes clear that creating opportunities for women in municipal solid waste management has to be considered. The fact that half of the 12-person project management team are women reinforces this message. Finally, the project's livelihoods component will create business opportunities by specifically targeting women.

"I am a single parent and I need a regular income to send my kids to school. I like working at the dump site, since I can come together with other women who share my fate, and I can forget my sadness."

Ersi Suryanti (35), widow with four children – Aceh Barat

Protection of women's rights

The Land Titling project has special procedures to protect the land ownership rights of widows and orphans. Prior to the tsunami, land ownership by women in Aceh was at 0.5%. Currently, the percentage of identified female land title holders is 6.5%. Taking into consideration that during the tsunami more women than men lost their lives and that the percentage of male title holders might even have risen, this is a good initial result. However, it is the aspiration of this project to raise this percentage and provide secure land ownership to all entitled women. Once the project's monitoring and evaluation system is fully in place, it will be easier to trace issues involving women's rights.

GEOGRAPHIC BALANCE	As of March 2006, there were still strong imbalances in the geographical distribution of reconstruction efforts. In five out of 19 affected districts and municipalities in Aceh and Nias, not even half of needs had been met, while in another nine less than 75% of reconstruction needs had been covered. The Multi Donor Fund has comprehensive geographic reach through several projects that provide full coverage in all districts and municipalities (KDP, UPP, Strengthening CSOs, SPADA) and a strong presence with up to 12 ongoing and planned projects in the underserved districts. This suggests that the Multi Donor Fund has achieved its goal of contributing to a geographically-balanced reconstruction. At a later point, it will be useful to analyze financial allocations per district and how these relate to needs.
CONFLICT SENSITIVITY	None of the approved projects and concepts have been evaluated as provoking further conflict. Some projects actively seek the involvement of ex-combatants, for example the Waste Management Project recruited former GAM-members for waste-related work. The Aceh Forest and Environment Project will be active in areas that were "off-limits" GAM territory until the signing of the peace agreement, and thus contribute to a more regionally balanced development in conflict and non-conflict areas. The national SPADA project was designed with conflict resolution in mind and its variant in Aceh and Nias will strengthen the local justice system and systems of local dispute resolution.
SHARED WORKLOAD	– The World Bank has been selected as Partner Agency for ten of the 16 approved projects and concepts while UNDP is Partner Agency for five and the World Food Programme for one project. In terms of project volume the World Bank-supervised projects and concepts amount to \$322 million (82%), implemented by three government agencies and four NGOs, while those for UNDP total \$45 million (12%) with UNDP and ILO as Implementing Agencies. The World Food Programme acts as Partner Agency for one project of \$24.6 million (6%). To date, the ADB has not taken up the opportunity to partner an Multi Donor Fund project due to its own load of activities in Aceh and Nias. Since UNICEF and WHO support activities in the education and health sectors, that are not covered by Multi Donor Fund financing, no opportunity has emerged to involve them as Partner Agency. (see also chapter 3.2)

2 Project Factsheets

Reconstruction of Aceh Land Administration System Project

Grant Amount	\$ 28.5 million
Implementation Period	August 2005 - June 2008
Geographic Area	All affected areas in Aceh and Nias
Partner Agency	World Bank
Implementing Agency	National Land Administration Agency (BPN)



The Reconstruction of Aceh Land Administration System Project identifies land ownership and issues land titles through a community land inventory, recovery of land records, and establishment of a land database. Over three years, an estimated 600,000 landowners in Aceh and Nias will receive legal title documents which will provide them with a solid foundation for restarting their lives.

All land ownership is restored through a multi-tiered process. Community land inventory is mostly facilitated by NGOs, in accordance with the guidelines of the National Land Administration Agency (BPN). In a second step, adjudication teams of BPN conduct adjudication. Land is measured and community agreements on land parcel ownership and boundary demarcation validated. The results of land mapping are also officially checked against pre-tsunami documents. Eventually, BPN publicizes adjudication results for four weeks, followed by the registration and issuance of the land titles. All services are free of charge.

Achievements as of 31 May 2006

While only 2,608 title documents have been issued, more than 50,500 land titles are ready to be issued once a Governmental Regulation on Banking and Land becomes effective. Starting July 2006, 30 BPN adjudication teams will be deployed to Aceh. The project will extend implementation from two to nine districts by the end of 2006, concentrating on areas with high housing reconstruction activities.

Outputs	Achievements May 2006
Land titles distributed	2608
Land titles already signed but not yet distributed to beneficiaries (owners)	11,561
Land parcels ready for public notification	50,500
Land parcels adjudicated	50,980
Land parcels officially surveyed by BPN	52,915
Community land mapping*	52,975

* This figure only covers what has been submitted to BPN.



Land title documents



Kecamatan Development Project

Grant Amount	\$64.7 million
Implementation Period	September 2005 – June 2007
Geographic Area	Aceh and Nias
Partner Agency	World Bank
Implementing Agency	Ministry of Home Affairs

The Kecamatan Development Project (KDP) provides block grants directly to villages to use for community-led reconstruction. This will support restoration of community infrastructure in up to 6,000 villages in Aceh and Nias.

The community-driven development structures established by KDP help communities to decide on priority needs in terms of tertiary infrastructure, such as roads, bridges, sanitation, schools etc. The Multi Donor Fund supports the extension of the pre-existing KDP to area wide village coverage in Aceh and Nias. The largest part of the provided funds (79%) are transferred directly to sub-districts as un-earmarked block grants. KDP has a solid multi-layered control mechanism to prevent corruption throughout the planning and implementation stages of the village projects.

Achievements as of 31 May 2006

To date, 95% of block grants have been disbursed to kecamatan accounts, meaning that most villages are currently implementing the projects planned by the community. The following outputs have been achieved:

Outputs	Target	Achievements May 2006
Roads repaired/reconstructed	1,522 km	1,050 km
# of bridges	788	410
Irrigation and drainage (units)	1,017	1,156
Clean water projects (units)	318	286
Water storage reservoirs	118	118
Sanitation units	558	287
Markets	10	8
School buildings	176	133
Health clinics/posts	30	20
Value of scholarships and Number of recipients	Rp. 2.9 billion 4,979	Rp. 2.4 billion 4,750
Amount for loans • number of recipients • number of businesses/groups	Rp. 1.630 billion • 4,045 • 151	Rp. 1.095 million • 3,685 • 136
Persons employed through sub-projects	93,738	93,738
Workdays generated	1,408,441	1,600,920
Emergency relief funds	Rp. 26.30 billion	Rp. 25.46 billion

* Figures cover both KDP Cycle 5 and MDF. However, Cycle 5 is finished and most results reported are financed by MDF funds and other agencies that contribute about \$13 million to the KDP budget.



Reinforced village road

Urban Poverty Program

Grant Amount	\$ 18 million
Implementation Period	September 2005 - December 2009
Geographic Area	Aceh
Partner Agency	World Bank
Implementing Agency	Ministry of Public Works



The Urban Poverty Program (UPP) provides block grants directly to urban neighborhoods to rehabilitate and develop community infrastructure in all 402 urban neighborhoods in Aceh.

The Urban Poverty Program promotes a bottom-up participatory planning approach to identify core needs for the reconstruction and the resumption of economic activities in urban neighborhoods. It builds on democratically-elected neighborhood village committees and the involvement of volunteers to conduct damage assessments, draft community development plans, and prioritize activities to be funded through the project. Community participation and empowerment are crucial to the success of the project.

Achievements as of 31 May 2006

To date, the project has expanded to cover 273 urban neighborhoods, and is expected to cover all 402 urban neighborhoods of Aceh before the end of the year. While some communities are still setting up project governance structures, over 30% have received their first or second tranche of the block grant payment.

Outputs	Planned May 2006	Achievements May 2006
Roads repaired/reconstructed in km	56	39
Reconstruction of bridges in m	NA	273
Drainage (in km)	40.4	28.9
Clean water projects (units)	39	10
Sanitation units	42	32
School buildings	1	0
Waste disposal facilities	202	144 (tbc)
Meunasahs	16	15
Village halls	13	16*
Flood gates	29	2
Students receiving scholarships	1,149	427
Health clinics/posts	1	8



UPP - community chose to strengthen the village road with gravel

Community-Based Settlement Rehabilitation and Reconstruction Project

Grant Amount	\$85 million
Implementation Period	September 2005 – June 2007
Geographic Area	Aceh
Partner Agency	World Bank
Implementing Agency	Ministry of Public Works



The Community-Based Settlement Rehabilitation and Reconstruction Project provides grants to up to 200 communities to cover housing and settlement infrastructure needs through a community-driven approach.

Building on the community-driven development structures of UPP, communities receive guidance to carry out mapping and damage assessment exercises, establish construction needs, and identify beneficiaries. The project will help recipients of grants to rebuild 5,000 houses and repair about 8,400 houses. Housing facilitators ensure that the quality of the housing and infrastructure plans are up to standard.

The community-driven approach has proven to be efficient in rebuilding houses within the span of a few months, and creating strong ownership with the beneficiaries and a sense of pride in their achievements. The project also provides reconstruction grants that help fill gaps in the recovery of tertiary infrastructure

Achievements as of 31 May 2006

To date, the project has expanded to cover 179 villages, and is expected to expand its coverage to 188 villages in Aceh before the end of the year.



Enormous activity at the housing building site

Outputs	Target May 2006	Achievements May 2006
Houses rebuilt	5000	346
Houses under reconstruction		1032
Houses repaired	8,400	326
Houses currently being repaired		978
Number of recipients to date	13,400	2,682

Technical Support for Badan Rehabilitasi dan Rekonstruksi (BRR) NAD - Nias

Grant Amount	\$ 14.74 million
Implementation Period	July 2005 - Agustus 2007
Geographic Area	Supports the recovery of all Aceh and Nias
Partner Agency	UNDP
Implementing Agency	UNDP



The Technical Assistance to BRR Project supports the recovery agency to efficiently implement its mandate through provision of technical support and key services.

The project enables BRR to recruit consultants and firms with the best skills and expertise available from national and international markets. Project support consists of (i) recruitment of individual consultants, (ii) the procurement of key services for BRR operations, and (iii) enhancing transparency in decision making, and strengthened participation of all stakeholders.

Achievements as of 31 May 2006

To date, more than 90% have been contractually committed. This highlights the strategic importance of the project for the BRR in being able to quickly respond to emerging needs.

Key Outputs*	Achievements May 2006
1) Provision of Technical Assistance	
Provision of individual technical advisors	More than 40 persons contracted
2) Provision of Key Services	
a) Information Technology infrastructure	a) All hardware and software delivered; extension to BRR field offices ongoing
b) Legal services	b) Legal services contracted
c) Human resources services	c) To be contracted shortly
3) Enhanced Transparency	
a) Anti-corruption monitoring	a) Visits to 23 districts planned with KPK and KPPK
b) Quality Assurance Team	b) Project Quality Assessment (43 quality surveyors): Created a Management Information System with project details about 93% of BRR's projects ; Reviewed 226 tender processes and mentioned the physical progress of 529 projects.

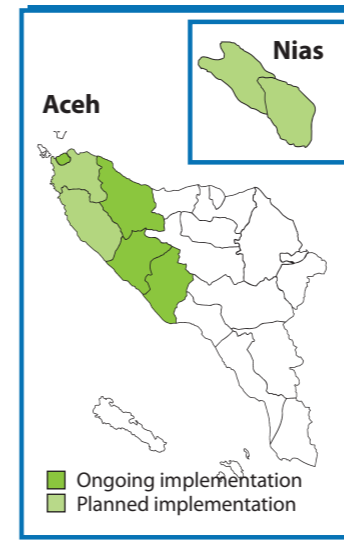
* For details on this project see the upcoming "Accelerating Recovery. Technical Support for BRR", Project Progress Report (June 2006).



Experts support the BRR with the many specific tasks at hand

Tsunami Recovery Waste Management Programme

Grant Amount	\$14.43 million
Implementation Period	September 2005 – June 2007
Geographic Area	Banda Aceh, Aceh Barat/ Nagan Raya, Pidie, Aceh Jaya, Nias, Nias Selatan, Aceh Besar
Partner Agency	UNDP
Implementing Agency	UNDP



The Tsunami Recovery Waste Management Programme builds government capacity in waste management, creates immediate employment and longer-term livelihoods in waste management and provides benefits to the environment through collection, recovery and recycling of waste materials.

The project provides a coordinated response to the public health concerns and environmental impacts of tsunami and earthquake waste, and municipal solid waste. Much of the disaster waste is recycled, with potential for use in rehabilitation and reconstruction. The project also aims to create employment through "cash for work" and sustainable livelihoods in recycling-related activities, paying special attention to vulnerable groups such as women and IDPs.

Achievements as of 31 May 2006

The project has been in high demand because it is currently the only activity on the ground providing support to the immediate resumption of solid waste management, including the upgrading or preparation of interim dump sites that apply best practice. It has nearly finished clearing tsunami generated waste in the target areas, including the demolition of dilapidated buildings. Sustainable livelihood creation programs are currently being developed.



At the dumpsite tsunami waste is sorted and recycled

Outputs	Target May 2006	Status May 2006
Tsunami generated waste cleared	380,000 m ³	371,486 m ³
Municipal waste collected	--	53,984 m ³
Rice paddies/fish ponds/private property recovered	29 ha	43.7 ha
Buildings demolished	--	159
Number of persons employed		1,727
• Women's employment rate		45%
• IDPs' employment rate		81%
Tsunami wood recycled	--	15,228 m ³
Recycled rubble used for reconstruction of roads	--	25 km

Strengthening Civil Society Organizations in Community Recovery in Aceh and Nias

Grant Amount	\$ 6 million
Implementation Period	December 2005 - December 2008
Geographic Area	Aceh and Nias
Partner Agency	UNDP
Implementing Agency	UNDP



This project will provide up to 80 Non-Governmental Organizations (NGOs) and over 200 Community-Based Organizations (CBOs) with training in organizational and project management, community development, leadership building, gender-related issues and monitoring and evaluation techniques.

NGOs and their networks will be strengthened to monitor the progress of the reconstruction and provide feedback to the Government and reconstruction agencies. CBOs will be enabled to support communities with sustainable measures that contribute to community empowerment, livelihoods creation and poverty reduction.

Organizations participating in training will be eligible for community development grants to support initiatives such as building basic social services and income generating activities, or grants for conducting community-based reconstruction monitoring. About 20,000 households will benefit from these grants. This will enable NGOs and communities to increasingly contribute to the reconstruction process, based on strong community involvement.

Achievements as of 31 May 2006

- An inception workshop took place, with more than 50 participants from CSO networks, the BRR, UNDP and other related government agencies.
- A strategic review of CSOs in Aceh and a detailed needs assessment in Nias will be undertaken immediately.



■ Civil Society training

Local Resource-Based Road Works in Aceh and Nias

Grant Amount	\$6.42 million
Implementation Period	January 2006 - January 2006
Geographic Area	Aceh Besar, Pidie, Simeulue, Nias, Nias Selatan
Partner Agency	UNDP
Implementing Agency	ILO



This project provides capacity building to local governments and local contractors to reconstruct and maintain roads with low-tech methods. It will rehabilitate district level roads in five districts in Aceh and Nias, drawing on local resources, creating short-term and long-term employment opportunities.

This project will train local governments to effectively manage the reconstruction and maintenance of district level roads and train small contractors to build roads with cost-effective local resource-based methods (using local work force, low-tech approach). On-the-job capacity building of local contractors will also enable them to participate in the reconstruction process beyond the scope of this project.

The project also provides short-term employment opportunities in the rehabilitation of roads and longer-term opportunities in maintenance of roads. The project pursues strong stakeholder involvement, including community involvement as an important part of the planning and implementation processes on the ground.

Achievements as of 31 May 2006

- Project starts in all five districts in June 2006: assessment of training needs of local governments completed.
- The project will undertake key start-up activities such as refining manuals and guidelines and standard specifications, conducting pavement studies, and preparing tender documents for local contractors over the next two months.



■ Roads like this one will greatly benefit from this Labor-based Roads Project

Sea Delivery and Logistics Program

Grant Amount	\$ 24.7 million
Implementation Period	November 2005 - August 2005
Geographic Area	North and West Coast of Aceh, on Simeulue and Nias
Partner Agency	World Food Programme
Implementing Agency	World Food Programme



This project provides shipping services and logistics support to all reconstruction agencies in Aceh and Nias through the establishment of a sea freight service along the east, north and west coasts of Aceh, and the islands of Simeulue and Nias.

The Sea Delivery and Logistics Program also provides emergency rehabilitation measures to selected ports to increase accessibility for larger vessels. The project pursues a demand-driven approach, chartering vessels and increasing shipment and logistics staff depending on the amount of transportation requests. In order to coordinate requests and facilitate the exchange of information, regular user group meetings have been set up in Banda Aceh.

Achievements as of 31 May 2006

- To date, 65 entities engaged in reconstruction have utilized the sea delivery service with a total of 32,429 metric tons or 104,399 m³ of transported goods.
- The shipping service has witnessed an increasing demand over the first half year of operations. Currently, nine ships have been chartered, and 67 staff are operating out of eight field offices. Major discharging ports are Malahayati, Calang, Sinabang (on Simeulue), Gunung Sitoli (on Nias), and several smaller ports on Simeulue and Nias that are serviced by smaller vessels. The latter has been very successful in transporting materials to remote areas where the delivery of bigger amounts of reconstruction still poses a serious bottleneck for the reconstruction process.



The sea delivery vessels transport enormous amounts of reconstruction materials

Tsunami Recovery Port Redevelopment Programme

Grant Amount	\$3.58 million
Implementation Period	January 2006 – June 2006
Geographic Area	Selected ports in Aceh and Nias
Partner Agency	UNDP
Implementing Agency	UNDP



This project provides the physical designs for the reconstruction of three major ports in Aceh and Nias. It contributes to the transportation of reconstruction goods and economic recovery in the longer term.

The project prepares detailed designs for port reconstruction in Calang, Sinabang (on Simeulue) and Gunung Sitoli (in Nias), as well as for the river port in Lamno. The project also improves the functionality of several ports through minor rehabilitation work (Sabang and Balohan) and the construction of temporary wharves (Calang and Sinabang).

All activities have been coordinated with the BRR, the Agency for Transport, and the Department of Sea Communications and complements work done in other ports of Aceh. They are also based on close consultation with local governments, communities and representatives of local fishermen and other sea related stakeholders.

Achievements as of 31 May 2006

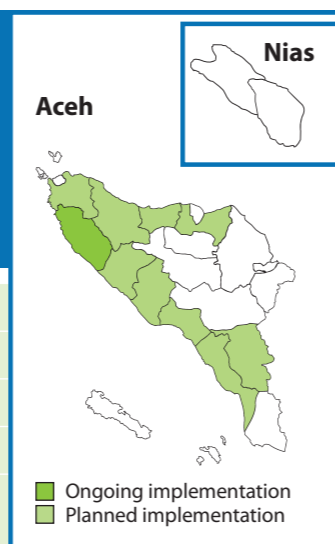
- Redevelopment of ports is progressing well: design works in Calang started; the site for the general cargo port in Sinabang has been identified with design to commence soon (ferry terminal and fisheries facilities are being designed by third parties); the contractor to design the Gunung Sitoli port is being contracted; site for the Lamno river port has been identified and first technical assessments completed.
- More than 70% of rehabilitation works in Sabang are complete; emergency rehabilitation of a lay down area in Sabang port close to completion; more than 60% of the reconstruction of the Balohan port (including buildings and port work) are complete– this is funded by the Government of Indonesia and implemented by the Agency for Transport (Dinas Perhubungan), under the supervision of the project.
- Temporary wharves: the temporary wharf in Calang has been mobilized; site for the wharf in Sinabang has been identified.



Port building site

Aceh Forest and Environment Project

Grant Amount	\$ 17.53 million
Implementation Period	February 2006 - June 2010
Geographic Area	Leuser and Ulu Masen conservation areas
Partner Agency	World Bank
Implementing Agency	Leuser International Foundation; Fauna and Flora International



This project will protect the Leuser and Ulu Masen forest ecosystems from illegal logging. The 3.3 million hectare area is the largest contiguous forested area in South East Asia with the richest biodiversity, including tigers, elephants, rhinos and orangutans. Sound protection of these forests will ensure continuous provision of water supply to 60% of the Acehnese population, flood prevention and mitigation of erosion.

The project responds to current challenges of timber supply and demand in reconstruction. It seeks an appropriate balance between protecting forests and providing economic benefits and livelihood opportunities to local communities. Protection is based on a multi-stakeholder governance framework, forest monitoring and protection systems, and sustainable forest management, including capacity building for GOI forest and park management agencies. Environmental sustainability of the reconstruction in Aceh will further be promoted through support to spatial planning, environmental awareness campaigns, and community based rehabilitation activities.

Achievements as of 31 May 2006

- Kick-off meeting with all relevant stakeholders held in May 2006 in Banda Aceh
- Quick implementation of first activities with local governments planned: one example is a collaboration with the Provincial Environmental Management Agency, the Nature Conservation Agency and community groups since May, to plant 20,000 mangrove seedlings in a pilot demonstration in Langkah.
- Leuser International Foundation supports the Provincial Environmental Management Agency with the spatial planning process to ensure due consideration of conservation concerns.
- Training of first community monitoring teams completed in May, with a second training program to be held in June.



Project office

Flood Mitigation Program for Banda Aceh

Grant Amount	\$ 4.5 million
Implementation Period	January 2006 – December 2007
Geographic Area	Banda Aceh
Partner Agency	World Bank
Implementing Agency	Muslim Aid



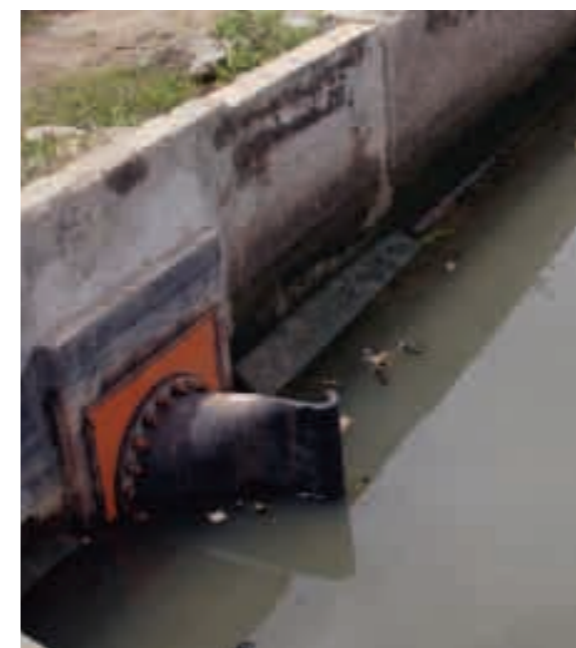
The Flood Mitigation Program for Banda Aceh will protect the most vulnerable communities of Banda Aceh against flooding through the installation of more than 100 flood check valves and the reconstruction of 10 pumping stations in areas that are prone to regular flooding through rainfall and river and tidal flooding.

The destruction of flood relief gates and valves as well as pumping stations have resulted in periodic flooding of the low-lying areas in Banda Aceh. This situation is further aggravated by the subsidence of land following the tsunami. Without flood protection, reconstructed public and private goods are prone to new damage. The project tackles this problem through the installation of low-maintenance flood valves and the partial restoration of the pumping system, and smaller drainage rehabilitation works. It closely coordinates with the overall drainage and flood prevention reconstruction plan of the Japanese International Cooperation Agency (JICA).

The project closely cooperates with the municipal government to ensure maintenance and sustainability of the installed hardware, and will continue to provide technical support for six months after completion of the construction phase.

Achievements as of 31 May 2006

- Pilot Phase completed on time: all 11 valves for the first phase of the project have been installed and are working. Valves are currently being fine-tuned in consultation with the manufacturer to improve their performance at low flow rates.



Flood valves protect the land from flooding



3 BRR – Multi Donor Fund Financing Strategy

Summary of BRR Strategy Paper for the Remaining Resources of the Multi-Donor Fund for Aceh and Nias

The approach taken in this strategy is to focus the remaining Multi Donor Fund resources on a comprehensive approach to addressing infrastructure needs at the district and provincial level – the mid-level infrastructure linking together communities. The key feature of this strategy is to develop a joint BRR-Multi Donor Fund mechanism to plan, design, finance, and oversee the construction of infrastructure by engaging local governments on their own infrastructure needs within a framework of strong planning and management by the BRR with appropriate technical assistance. By doing so, the remaining funds of the Multi Donor Fund can leverage a much larger portfolio of BRR funds, which is critical given the huge, still unmet infrastructure needs for the rebuilding of Aceh and Nias.

A Medium Term Strategy

To fill the remaining gaps and best utilize the remaining programmable funds, the BRR recommends that the medium-term strategy for the Multi Donor Fund be based on four main priorities:

- Remaining Multi Donor Fund resources should be predominantly used for the reconstruction and development (i.e. building back better) of infrastructure, broadly defined, at the housing plot level, at the community level and at the district/provincial level.
- The provision of infrastructure should be closely matched with capacity-building efforts for local governments (through a “learning by doing” approach) and community participation for

enhanced governance to prepare for the BRR’s exit in 2009.

- Though the initial focus will be on the areas most heavily damaged by the tsunami and earthquake (with a particular focus on Nias), infrastructure support and related capacity-building should be gradually extended to other districts of Aceh with less severe tsunami-related damage but where years of conflict and associated poverty have also damaged basic infrastructure or prevented adequate development of infrastructure conducive to the further economic development necessary for a sustainable peace.
- The considerable financial needs in these areas and limited sources of programmable funds will require closer integration and co-financing, where feasible, between the Multi Donor Fund, local governments and the BRR.

Moreover, as the existing Multi Donor Fund projects have now established delivery mechanisms with an extensive reach at the community level across Aceh and Nias, the BRR retains the option to request additional “top-up” funds for these existing projects to expand their scope to meet a wider range of local infrastructure needs where appropriate. The decision to top-up existing projects would need to be based on a comprehensive performance assessment of these projects and of their capacity to expand to meet broader infrastructure needs. Moreover, any top-up funds would be closely integrated into the structure of technical assistance support defined in this strategy.

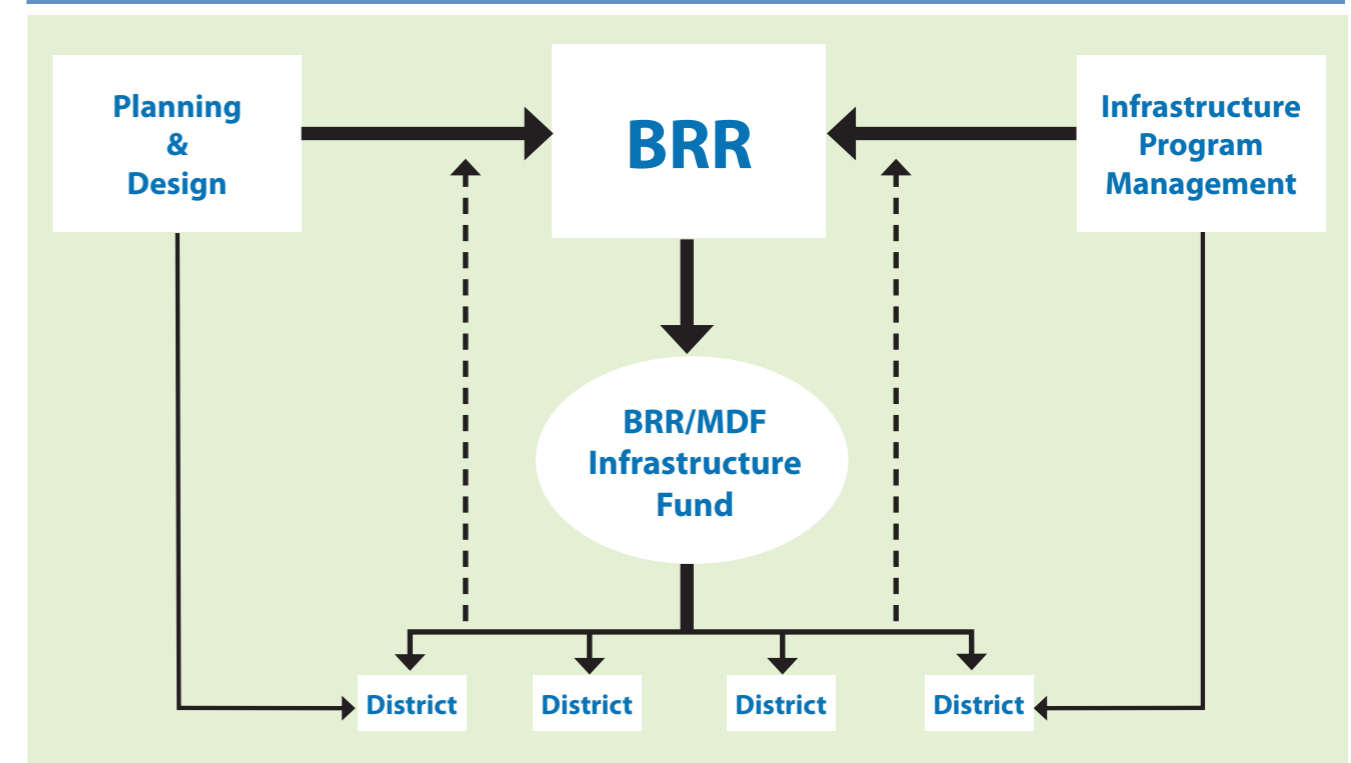
The BRR’s decision to focus the remaining Multi Donor Fund resources on local infrastructure development recognizes that there remain important gaps that need to be filled through other financing sources. Though such critical public services as health

and education appear to be well-funded in particular through the contributions of the nearly 500 NGOs working in Aceh and Nias, critical areas such as the restoration of livelihoods and environmental protection – both priority areas in the Multi Donor Fund Recovery Assistance Policy – will require additional funds and strong program management, similar to what is being proposed for infrastructure in this strategy. The strategy document does not include a full inventory of current programs supporting livelihoods and environmental protection (though Multi Donor Fund donors will recognize, of course that the Fund has financed support in both areas) or an analysis of the nature of the particular gaps in those areas. But the BRR recognizes the need to address these gaps and, in keeping with the portfolio approach, will rely on other sources of programmable funds (such as the ADB, AIPRD and the limited funds available from other bilateral programs) to meet these needs.

For the remaining resources of the Multi Donor Fund, this strategy proposes a new mechanism for the planning, design, financing and management of infrastructure reconstruction at the district and provincial levels that meets the criteria described above. The mechanism is centered on an Infrastructure Reconstruction Financing Facility to be co-financed by the BRR and Multi Donor Fund, designed to be integrated with the reconstruction programs of local governments

providing an annual allocation of funds for the reconstruction of basic infrastructure to each of the disaster affected districts. Projects to be financed from this facility would be prioritized by local governments from a list of approved infrastructure projects on the basis of plans and designs developed by a professionally managed infrastructure planning and design contractor under the direct management of the BRR working closely with local planning authorities. Overall management support to the BRR and local governments for the entire infrastructure reconstruction program would be provided by a technical core team of top-level construction consultants forming an infrastructure program management team under the direct management of the BRR and supervised by an Multi Donor Fund-designated partner agency. These three components – an infrastructure financing facility coupled with a design team and construction management team – would constitute a comprehensive approach to local infrastructure needs that engages local governments in their own reconstruction while maintaining core strategic design and construction oversight functions with the BRR. Each year, the local governments will be given an increasingly larger role in the use of these funds commensurate with associated capacity-building activities to ensure a proper exist strategy for the BRR in 2009. The following chart provides a graphic summary of this approach.

Chart 1: An Integrated Approach to Local Infrastructure



To implement this approach to local infrastructure reconstruction, three components would be requested from the Multi Donor Fund, relating to Infrastructure Planning, Design and Management (IREP), the Nias Program, and local government capacity building through the Support for Poor and Disadvantaged Areas Project.

Out of these projects, IREP has already been endorsed by the Multi Donor Fund Steering Committee, while all other projects, with the exception of the Nias Roads

project, are in advanced stages of planning. The available funds from local governments specifically will have to be established on an annual basis through close coordination with local governments. This table gives an illustrative breakdown of the allocations for each element of this strategy along with an indication of further sources for co-financing.

Table A1. Illustrative List of Multi Donor Fund Project Proposals

Proposal	Multi Donor Fund Response		BRR Co-Financing	
	Request \$ million	Realization through Projects	BRR co-financing \$ million	Other Sources of co-financing
Infrastructure Planning & Design (West Coast)	10	IREP		Local government
Infrastructure Planning & Design (Provincial projects)	6	IREP		Local government
Local Infrastructure Reconstruction Facility	100	IREP	200	Local government
Infrastructure Program Management	21	IREP		Local government
Nias Program				
• Infrastructure Planning & Design, Nias	5	IREP		Local government
• Community Housing & Infrastructure	25.75	Nias Community-based Reconstruction Planning	25.75	
• Roads	tbd	(to be determined)	tbd	
Support for Poor and Disadvantaged Areas (SPADA)	25	SPADA	14.6	



4

Website Structure

80

Website Roadmap

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    Root[www.multidonorfund.org] --> Home[Home Page]
    Home --> About[About the MDF]
    Home --> Members[Members]
    Home --> Projects[Projects]
    Home --> Finance[Finance]
    Home --> Meetings[Meetings & Key Dates]
    Home --> Documents[Documents & Media]
    Home --> FAQ[FAQ]
    Home --> Contact[Contact Us]
    
    About --> History[History]
    About --> Policy[Recovery Assistance Policy]
    About --> Manual[Operations Manual]
    About --> News[Newsflash]
    
    Members --> Donors[Donors]
    Members --> Steering[Steering Committee]
    
    Projects --> Active[Active Projects]
    Projects --> Developed[Projects Being Developed]
    Projects --> Pipeline[Concepts in the Pipeline]
    
    Finance --> FinanceSub[Finance]
    FinanceSub --> DocumentsUp[Documents for Up Coming Meetings]
    FinanceSub --> Pledges[Pledges]
    FinanceSub --> How[How projects get funded]
    FinanceSub --> Update[Finance Update]
    
    Meetings --> Minutes[Minutes SCM]
    Meetings --> Secure[Secure Information]
    
    Documents --> ProjectsDoc[Projects]
    Documents --> SCM[SCM]
    Documents --> Progress[6 months Progress Report]
    Documents --> FinanceDoc[Finance]
    Documents --> Strategy[Strategy Documents]
    Documents --> Manual[Operations Manual]
    Documents --> M&E[M&E]
    Documents --> Comms[Communications]
    Documents --> Press[Press Release]
    
    FAQ --> Questions[Questions]
    FAQ --> Feedback[Feedback]
    
    Contact --> Message[Send us a message]
    
    Home --> Mission[Mission Statement]
    Home --> Event[Upcoming Event]
    Home --> ContactUs[Contact us]
  
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The diagram illustrates the website structure for www.multidonorfund.org. The main navigation menu includes: Home Page, About the MDF, Members, Projects, Finance, Meetings & Key Dates, Documents & Media, FAQ, and Contact Us. The Home Page also features links to Mission Statement, Upcoming Event, and Contact us. The About the MDF section includes History, Recovery Assistance Policy, Operations Manual, and Newsflash. The Members section includes Donors and Steering Committee. The Projects section includes Active Projects, Projects Being Developed, and Concepts in the Pipeline. The Finance section includes Finance, Documents for Up Coming Meetings, Pledges, How projects get funded, and Finance Update. The Meetings & Key Dates section includes Minutes SCM and Secure Information. The Documents & Media section includes Projects, SCM, 6 months Progress Report, Finance, Strategy Documents, Operations Manual, M&E, Communications, and Press Release. The FAQ section includes Questions and Feedback. The Contact Us section includes Send us a message.

1. **Recovery Assistance Policy:** www.multidonorfund.org/recovery_assistance_policy

2. **Lesson Learned Report:** www.multidonorfund.org/documents