



## MDF-JRF Working Paper Series: Lessons Learned from Post-Disaster Reconstruction in Indonesia



The Multi Donor Fund for Aceh and Nias:  
A Framework for Reconstruction through  
Effective Partnerships

A young girl amid the rubble of her destroyed school.

*Photo: Rekompak Team*



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# The Multi Donor Fund for Aceh and Nias: A Framework for Reconstruction through Effective Partnerships

Published by:  
**MDF-JRF Secretariat**  
The World Bank Office  
Indonesia Stock Exchange Building  
Tower I, 9th Floor  
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## ACKNOWLEDGEMENTS

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The *MDF-JRF Working Paper Series: Lessons Learned from Post-Disaster Reconstruction in Indonesia* was prepared by the Secretariat of the Multi Donor Fund for Aceh and Nias (MDF) and the Java Reconstruction Fund (JRF). The World Bank serves as a trustee of both funds. The series, consisting of five working papers, was produced under the guidance of Shamima Khan, MDF and JRF Manager. Anita Kendrick, Monitoring and Evaluation Officer of the MDF and JRF, developed the concepts and managed the production of the Working Paper Series and the Knowledge Notes based on each paper.

This paper, Working Paper 5 in the series, is entitled *The Multi Donor Fund for Aceh and Nias: A Framework for Reconstruction through Effective Partnership*. The paper is based on concept and text written by Shamima Khan, with extensive research and content from Lina Lo, MDF-JRF Quality Assurance Officer. Shaun Parker, Operations Officer, and Anita Kendrick also contributed to the text and quality review. Overall editorial oversight and guidance to the production and content was provided by Anita Kendrick. Josef Leitmann, Program Manager for the Haiti Reconstruction Fund and Jonathan Caldicott, Senior Financial Officer, provided extensive and useful comments on the text as peer reviewers. Devi Asmarani provided editorial support and managed the production process.

Safriza Sofyan, Deputy Manager of the MDF, and Olga Lambey provided significant inputs to the working paper on content, design, layout, and production as well as logistical support for the review team. Ola Santo and her team from Studio Rancang Imaji prepared the design and layout of the Working Paper Series and accompanying Knowledge Notes.

The MDF Secretariat would like to thank the many partners and stakeholders who cooperated with the review team during the fieldwork and research period. These included representatives of the Government of Indonesia, including line ministries, as well as local governments of Aceh, North Sumatra, and Nias, and donors, partner and implementing agencies, and beneficiary communities in Aceh and Nias.

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## THE MDF-JRF WORKING PAPER SERIES

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The Multi Donor Fund for Aceh and Nias (MDF) and the Java Reconstruction Fund (JRF) are widely recognized as having played a significant role in the remarkable recovery of Aceh, Nias and Java, following some of the worst disasters in Indonesia over the last decade.

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

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

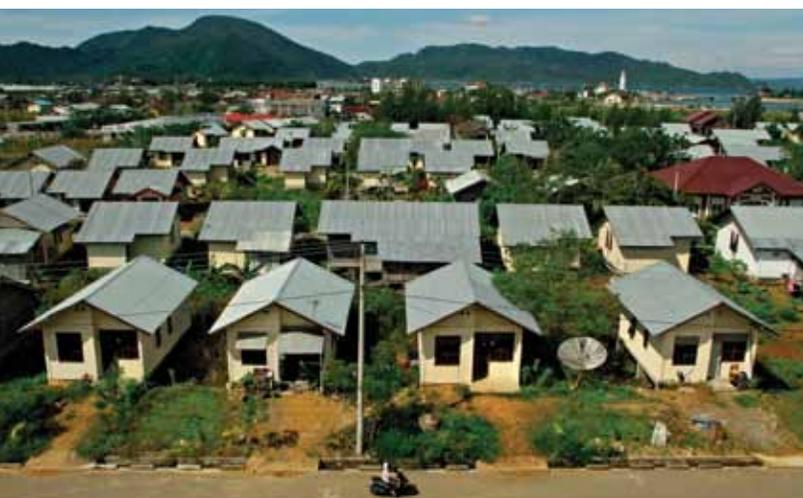
This paper, Working Paper 5 in the series, is entitled ***The Multi Donor Fund for Aceh and Nias: A Framework for Reconstruction through Effective Partnerships***. It presents experiences from the implementation of the MDF, and documents key lessons on its strategic framework and design which contributed to the MDF's success in supporting the Government of Indonesia's reconstruction agenda. The model was applied equally well for the Java Reconstruction Fund, demonstrating its replicability and adaptability. This paper offers the key lessons learned from these two programs to help inform the design and implementation of post-crisis reconstruction programs elsewhere.

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

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

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# THE DISASTERS – A MAP OF INDONESIA





## A SERIES OF DISASTERS IN INDONESIA

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

### December 2004—Earthquake and Tsunami in Aceh

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

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

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

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

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

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<sup>1</sup> All \$ amounts in this report refer to US dollars.



Many people were saved from the tsunami by taking refuge in Aceh's Grand Mosque. They could only watch helplessly as the torrent raged through the streets, carrying debris and victims along with it.

*Photo:*  
*Antara News Agency*

provincial and local governments were not in a position to manage the immense and extensive recovery effort that would be required. The national government stepped in urgently to take the lead in the reconstruction process.

### **March 2005—Earthquake in North Sumatra and Aceh**

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

These two disasters devastated two areas of Indonesia that were already grappling with multiple challenges. The province of Aceh was in the grip of an internal conflict between the Acehese



Many roads, bridges, communication systems, school and other infrastructure collapsed or sustained such serious damage that they could no longer be used as the result of the disasters. Much of the coastline of Aceh was swallowed by the sea and most ports were annihilated.

Photo:  
IREP-IRFF  
Team

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

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

<sup>2</sup> World Bank 2008

<sup>3</sup> Indonesia Central Statistics Agency National Social Economics Survey 2005-2007

## May 2006—Earthquake in Java

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

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

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

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

## July 2006—West Java Tsunami

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

## October and November 2010—Mount Merapi Volcanic Eruptions

On October 26, 2010, disaster hit Java once again when Mount Merapi, a volcano located on the border between Yogyakarta and Central Java, erupted. This was followed by seven additional major eruptions, with the last one occurring on November 11, 2010. For two long weeks, the eruptions

spewed hot gas into nearby villages and hot lava accompanied by hot gas flowed into several rivers. The clouds of hot ash and poisonous gas combined with heat clouds at temperatures of 600 to 800 degrees Celsius incinerated everything they reached, including livestock, crops and trees that were essential to the livelihoods of evacuees. Ash rain, which blanketed everything in fine volcanic dust, was found in cities across Java. All villages within 20 kilometers of the crater were evacuated. Along with massive damage to local infrastructure, approximately 2,900 houses were destroyed and 350,000 people were displaced and accommodated in evacuation camps. Due to timely evacuation, casualties were limited but still almost 300 people perished and more than 500 were injured. The eruptions impacted areas in the province of Central Java and the Yogyakarta Special Region, including some communities that had been affected by the 2006 earthquake and were still in the process of rebuilding.

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

## Facing the Future

The numerous disasters since 2004 are a stark reminder that Indonesia is highly prone to natural hazards. Improvements in early warning systems are expected to save lives, as will ensuring that homes and other structures are built to seismic resistant standards. Many of the homes destroyed during the earthquakes were found to have used poor quality materials and building techniques, both of which contributed greatly to the number of lives lost and the high level of damage. Through the recovery and reconstruction efforts following these disasters, Indonesia has learned many lessons. It has created institutions and put systems in place for disaster risk reduction. As a result of the recovery and reconstruction process communities across Aceh, Nias, and Java are more resilient to face future disasters.

## ABOUT THE MULTI DONOR FUND FOR ACEH AND NIAS (MDF)

The Multi Donor Fund for Aceh and Nias (MDF) was established in April 2005, in response to the Government of Indonesia's request to coordinate donor support for the reconstruction and rehabilitation of affected areas following the December 2004 earthquake and tsunami, and the subsequent March 2005 earthquake.

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

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

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

### MDF Contributions

MDF Donors	Contributions (US\$ million)
European Union	271.31
Government of the Netherlands	146.20
Government of the United Kingdom	68.50
World Bank	25.00
Government of Sweden	20.72
Government of Canada	20.22
Government of Norway	19.57
Government of Denmark	18.03
Government of Germany	13.93
Government of Belgium	11.05
Government of Finland	10.13
Asian Development Bank	10.00
Government of the United States	10.00
Government of New Zealand	8.80
Government of Ireland	1.20
<b>Total Contributions:</b>	<b>654.67</b>

The MDF provides a successful model for post-disaster reconstruction based on partnerships between government, donors, communities and other stakeholders. The partnerships created by the MDF have played a key role in the strong performance of the program and robust results achieved. Pooling resources through the MDF has resulted in the harmonization of donor efforts and provided an important platform for policy dialogue for many stakeholders. The MDF has filled gaps in the reconstruction in line with government priorities and has brought together key government players, donors, and members of civil society and communities. The MDF's strong support for coordination of the overall reconstruction effort has resulted in huge multiplier effects so that the MDF's impact has been able to exceed the value of its contributions.

## The MDF Portfolio

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

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

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

- The **Community-Based Settlement Rehabilitation and Reconstruction Project**, better known as Rekompak, used a community driven approach to rebuild homes and local infrastructure in Aceh and Nias. Implemented by the Ministry of Public Works (MPW) and managed by the World Bank, Rekompak rebuilt nearly 15,000 houses and restored basic infrastructure to 180 villages.
- The **Community Recovery through the Kecamatan Development Project (KDP)** was part of a national program and partly funded by the MDF. Through KDP, the MDF assisted communities in Aceh and Nias to plan and manage the reconstruction of rural infrastructure, schools, clinics, and other public buildings. It also provided business training and loans. The project was implemented by the Ministry of Home Affairs (MoHA) and managed by the World Bank.
- The **Community Recovery through the Urban Poverty Program (UPP)** provided support for reconstruction to urban communities to rehabilitate and develop community infrastructure in municipalities in Aceh. UPP repaired urban infrastructure, rebuilt schools and other public buildings, and provided scholarships. The project was implemented by the MPW and managed by the World Bank.

- The **Kecamatan-Based Reconstruction and Rehabilitation Planning in Nias Project (KRRP)** was a community-based recovery and planning project for reconstruction in Nias. Implemented by the MoHA and managed by the World Bank, it rebuilt houses, schools, public buildings, and village infrastructure.
- The **Reconstruction of Aceh Land Administration System (RALAS)** restored land property rights and a computerized land records management system. Over 220,000 land title certificates were issued, nearly one-third to women. The project was implemented by the National Land Agency (BPN) and managed by the World Bank.

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

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

- The **Banda Aceh Flood Mitigation Project (BAFMP)**, implemented by Muslim Aid and managed by the World Bank, repaired pumping stations, flood valves, and drainage systems damaged by the tsunami to protect the central business area of Banda Aceh from storm and tidal flooding.
- The **Infrastructure Reconstruction Enabling Program (IREP)** and its companion project, the **Infrastructure Reconstruction Financing Facility (IRFF)**, planned, designed, and built strategic infrastructure such as roads, water systems and bridges in Aceh and Nias. Co-financed by BRR, the projects were implemented by the MPW and managed by the World Bank.
- The **Lamno-Calang Road Maintenance Project (LCRMP)** maintained a key road from Lamno to Calang to ensure overland access to tsunami-affected communities on Aceh's west coast. The project was implemented by the UNDP.
- The **Sea Delivery and Logistics Programme (SDLP)** met the urgent recovery transportation needs for construction materials in Aceh and Nias. Implemented by the WFP, it also provided training for better management of ports and disaster-risk reduction.
- The **Tsunami Recovery Port Redevelopment Programme (TRPRP)** rehabilitated damaged ports in Aceh and Nias so that equipment and materials could be supplied to isolated communities. The project, implemented by the UNDP, also provided designs and technical support for reconstructing major sea ports.
- The **Rural Access and Capacity Building Project (RACBP)** helped residents of participating districts in Nias effectively use improved rural transport infrastructure and services to take advantage of economic opportunities and social services. Implemented by the ILO, it also included a cultural heritage component.

### 3. Economic Development and Livelihoods (2 projects totaling \$58 million)

Restoring livelihoods is an important part of disaster recovery. These projects strengthened important sectors that provide employment and income to Aceh and Nias, paving the way for long-term economic growth.

- The **Aceh Economic Development Financing Facility** (EDFF) promoted post-tsunami economic recovery. Managed by the World Bank, the EDFF was implemented by the Ministry for Development of Disadvantaged Areas (KPDT) and the Government of Aceh. The project provided sub-grants to support growth in key sectors including coffee, cocoa, rice, meat and fisheries.
- The **Nias Islands Livelihoods and Economic Development Program** (LEDP) provided training to improve technical and business skills for livelihoods and overall economic development. Implemented by KPDT and managed by the World Bank, the project also developed skills within local government for implementing livelihoods programs in Nias.

### 4. Strengthening Governance and Capacity Building (3 projects totaling \$40 million)

The MDF encouraged good governance and strengthened the capacity of local communities and district governments. It encouraged the development of civil society organizations involved in the reconstruction process.

- The **Capacity Building for Local Resource-based Rural Roads** (CBLR3) strengthened the capacity of district government and small-scale contractors to undertake local road works. The project was implemented by the ILO.
- The **Support for Poor and Disadvantaged Areas Project in Aceh and Nias** (SPADA) project, implemented by KPDT and managed by the World Bank, strengthened local participation in development planning, promoted private investment and job creation, and improved health, education and dispute resolution services. The project complemented a national program funded by a World Bank loan.
- **Support to Strengthen the Capacity and Role of Civil Society Organizations** (CSO), implemented by the UNDP, built the capacity of local civil society organizations in Aceh and Nias to enhance grass-roots participation in the reconstruction process.

## 5. Enhancing the Recovery Process (4 projects totaling \$56 million)

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

- The **Aceh Government Transformation Programme (AGTP)** provided strategic support to the government of Aceh to provide the capacity and institutional strength to take over projects, resources, and assume oversight of reconstruction and recovery programs after the closure of BRR in April, 2009. The project was implemented by the MoHA and Provincial Government of Aceh and managed by the UNDP.
- **Making Aceh Safer through Disaster Risk Reduction in Development (DRR-A)** established disaster risk reduction in Aceh's local government agencies, its public and private partners, and local communities. The project was implemented by the MoHA and Provincial Government of Aceh, and managed by the UNDP.
- The **Nias Island Transformation Programme (NITP)**, managed by the UNDP and implemented by the MoHA and local governments in Nias, enhanced district capacity to successfully complete the recovery process and reduce risks from future natural disasters.
- **Technical Assistance to the BRR and Bappenas (TS-R2C3)**, managed by the UNDP, the project supported BRR in managing the overall recovery process. After BRR closed in April 2009, the project worked with Bappenas and was referred to as Rehabilitation and Reconstruction Completion and Continued Coordination (TS-R2C3).

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

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

- The **Tsunami Recovery Waste Management Programme (TRWMP)** helped local government clear, recycle and dispose of tsunami waste, rehabilitate waste management infrastructure, and implement sustainable solid waste management systems. It also promoted livelihoods related to waste management. The project was implemented by the UNDP.
- The **Aceh Forest & Environment Project (AFEP)** worked closely with communities, civil society and government to protect the Leuser and Ulu Masen forests from illegal logging and promoted sustainable forest management. Managed by the World Bank, the project was implemented by Fauna & Flora International (FFI) and Leuser International Foundation (LIF).

## ABOUT THE JAVA RECONSTRUCTION FUND (JRF)

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

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

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

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

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

### JRF Contributions

JRF Donors	Contributions (US\$ million)
European Union	51.17
Government of the Netherlands	12.00
Government of the United Kingdom	10.77
Asian Development Bank	10.00
Government of Canada	6.53
Government of Finland	1.99
Government of Denmark	1.60
<b>Total Contributions:</b>	<b>94.06</b>

## The JRF Portfolio

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

- **Transitional Housing Projects (2 projects totaling \$2.3 million).** The JRF financed two transitional housing projects, implemented by the International Organisation for Migration (IOM) and Cooperative Housing Foundation (CHF) International and managed by the World Bank. The projects provided nearly 5,000 transitional shelters.
- **The Community-based Settlement Rehabilitation and Reconstruction Project (1 project totaling \$75.1 million),** better known as ReKompak, made up most of the JRF funding allocation. Following the model established in Aceh, it used a community driven approach to rebuild homes and local infrastructure in earthquake affected areas of Yogyakarta Special District, and Central Java, and later, parts of West Java affected by a subsequent earthquake and tsunami. After the 2010 eruptions of Mount Merapi, the project was expanded further. Implemented by the Ministry of Public Works (MPW) and managed by the World Bank, the project rebuilt over 15,000 houses and completed over 4,000 local infrastructure projects.
- **Livelihood Recovery Projects (2 projects totaling \$17.1 million):**
  - **The Livelihood Recovery in Yogyakarta Special District and Central Java project** contributed to the Government of Indonesia's initiatives to assist micro, small and medium enterprises (MSMEs) affected by the earthquake to revitalize their businesses and re-integrate affected low-income communities into economic life. The project provided access to finance, developed loan work-out strategies for defaulting borrowers, restored capacity and improved competitiveness of medium-sized companies in Yogyakarta and Central Java. The project was implemented by the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) and managed by the World Bank.
  - **The Access to Finance and Capacity Building for Earthquake Affected Micro and Small Enterprises project,** implemented by the IOM and managed by the World Bank, supported the recovery of micro and small enterprises in Yogyakarta and Central Java to enable them to reach their pre-earthquake capacity. It provided asset replacement, marketing support, and technical assistance. The project worked with over 4,000 micro and small enterprises (MSEs), over 40 percent run or owned by women.

## EXECUTIVE SUMMARY

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### **The MDF 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 following the earthquakes and tsunami. 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.”<sup>1</sup>

The Multi Donor Fund for Aceh and Nias (MDF), established to support the post-tsunami reconstruction of Aceh and Nias, is widely considered to be one of the most successful programs of its kind. The fundamental and core factors for this success have been the leadership of the Government of Indonesia (GoI) and the partnership of stakeholders to support the government’s agenda. Many other factors and perspectives come into play, all of which reinforce and enhance the effectiveness of partnerships in delivering a remarkable result.

The MDF was established with the Paris Declaration as its backdrop. While operationalizing the aid effectiveness principles of Paris—ownership, alignment, harmonization, results and accountability—was not a primary objective, the MDF program implementation exemplifies the Paris declaration in action.

In the course of seven years of operation, the MDF has brought together partners spanning all levels of government (central, provincial, local), donors, partner and implementing agencies, non-government actors, and communities. Together, these partners have helped to move Aceh and Nias forward from conflict and fragility through post-disaster reconstruction to a platform for effective development.

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<sup>1</sup> MDF Recovery Assistance Policy (RAP), 2005.



The MDF adopted a phased approach to address the needs of disaster survivors and for a more effective implementation. In the first phase, it financed reconstruction of housing and local infrastructure with involvement of local communities.

*Photo:  
MDF  
Secretariat*

## Context and Challenges of Reconstruction

Aceh and Nias presented multilayered challenges. The magnitude of the disaster was unprecedented in terms of human losses and physical damage. Both Aceh and Nias faced serious governance challenges, and had weak and fragmented local capacities. In Aceh, the natural disaster took place in a province that had been battered by a bloody civil war for the past 30 years. In Nias, difficulties of a fragile environment were compounded by years of isolation and neglect. Local administrations lacked skills to handle the massive reconstruction. The partnership of national and international stakeholders needed a financing mechanism able to deal with delivering reconstruction in this complex context, and the MDF was established to meet this need.

In coming together to support reconstruction, the motivations of the many stakeholders were varied, but complementary. For the government, providing leadership was essential. To this end, the government wanted to use its own systems



The second phase of the MDF built complex infrastructure such as the water treatment plant for Sabang under the IRFF project.

*Photo:  
Irwansyah  
Putra*

and have a clear say in the choice of investments and instruments to respond to local needs. Donors wanted to be partners in decision making, and needed accountability for funds, visibility of their contributions, and effective results. Other development partners, including international agencies and civil society, sought to contribute based on their comparative advantages to establish good operations and strong partnerships to support affected peoples. For the World Bank as Trustee, ensuring effective results and accountability of funds were of paramount importance. And the most important players in this arena, the communities themselves, needed to feel that peace and reconstruction dividends were forthcoming, and that they were part of the process to define local priorities. While they had no control over the disasters of the past, they needed to have some control over rebuilding their own future.

## A Strategic Framework for Reconstruction

The framework for the MDF was based on three interrelated strategies of strong partnerships, effective implementation and focus on cross-cutting, qualitative aspects.

These strategies can elevate programs from being good to being extraordinary in fulfilling the hopes of affected people.

## Strong Partnerships for Results

The most critical driver of the MDF success has been GoI leadership of recovery in Aceh and Nias. The Government of Indonesia took the lead to conduct and complete the Damage and Loss Assessment (DALA) within the first month of the tsunami. The Master Plan for Rehabilitation and Reconstruction was developed to prioritize results-oriented operational programs.

A special agency with ministerial level authority was established, the Agency for Rehabilitation and Reconstruction of Aceh and Nias (BRR), to coordinate the reconstruction efforts and implement the Master Plan. In another, somewhat smaller disaster, the 2006 Java earthquake, Indonesia has relied on regular government systems to effectively manage and coordinate large-scale reconstruction efforts. These experiences show that the type of organizational structure should be designed to fit the nature and scope of a disaster, as long as the commitment and strength of the government's leadership role that is essential to the success of the reconstruction effort is maintained.

Support from development partners was aligned to the GoI's agenda. With the government's leadership of the reconstruction agenda, other partners were able to align their support under one framework. The MDF was established to support the GoI's Master Plan and operate in alignment with its institutions and procedures. Over 70 percent of the MDF funds were channeled through the national budget, utilizing the country's public financial management system.

The MDF signified different things to different donors. For the larger donors, the MDF provided an opportunity for influencing policy and operations at many levels of the reconstruction effort. To relatively smaller donors, it was the best way to help without requiring major operations. For many others, it was the best tool to support a multilateral approach, as well as a vehicle for minimizing transaction costs and maximizing the impact of aid money, with assurance of high fiduciary management standards. The MDF provided a single platform for 15 donors to plan, fund, disburse, monitor, evaluate and report on MDF's activities.

The mix of partner agencies and implementing agencies under the MDF minimized fragmentation and provided the opportunity to use individual organizations'

comparative advantages. Major multilateral organizations such as the United Nations Development Programme (UNDP), the International Labour Organization (ILO), the World Food Programme (WFP) and the World Bank served as partner agencies. Implementing agencies included government line ministries and international NGOs. The partner agencies carried out the appraisal, supervision, monitoring and evaluation of MDF funded projects, and administered grants from the MDF to finance them, applying their own fiduciary framework and governance arrangements. The implementing agencies brought different strengths in terms of capacity and procedures. This arrangement led to a multi-pronged response to the government's recovery agenda, allowing greater speed and coverage than would otherwise have been possible.

## An Inclusive and Effective Governance Structure

The success of the MDF was also due to an inclusive governance structure, with a Steering Committee comprised of representatives from BRR, the National Development Planning Agency (Bappenas), Ministry of Finance, and Governments of Aceh and North Sumatra, the 15 donors to the MDF, as well as representatives of Aceh's civil society, and observers such as the UN and the international NGO community. Voting members of the Steering Committee decided on policy and funds allocation, and a Technical Review Group supported its functions.

The MDF also pioneered a multi co-chair arrangement represented by GoI, the Government of Aceh, European Union representing the donors, and the Bank as the Trustee. This arrangement supported efficient decision making, consensual working of the Steering Committee and effective implementation of the MDF. The Steering Committee meetings became a significant forum for discussion of a wide range of policy and operational issues for Aceh and Nias.

## Effective Implementation Strategies

The most useful strategy was that of phased implementation, which helped to manage expectations throughout reconstruction. In any post-crisis situation, there is a tension in balancing speed of implementation, quality and ownership of reconstruction, and long term sustainability. These competing goals do not move in tandem, and the inevitable trade-off was reduced by implementing in three phases. The first phase focused on immediate recovery of housing, small infrastructure, logistics and transportation links. The second phase took on major reconstruction of infrastructure and environment, such as roads, bridges, and ports. The final phase shifted to laying the foundation for economic development through livelihoods and targeted capacity building.



As part of its final phase that focused on laying the foundation for sustainable economic growth, the MDF supported improved coffee farming, processing and marketing in Aceh, and supported a coffee development research center at a local university in Takengon.

*Photo:*  
*MDF*  
*Secretariat*

The principal driver for immediate recovery was speed; the need for quality was paramount for the reconstruction; and sustainability was the driver for transition to the long-term. The first phase focused on supporting implementation of urgent needs, while involving communities so that they were part of the process of reconstruction. This resulted in raising beneficiary satisfaction, enhancing social cohesion and contributing to the healing process of individuals and communities. In the reconstruction phase, focus was on implementation of projects and investments where quality and ownership are critical, when procurement and safeguards processes can be complex and outcomes will take time. This includes, particularly, investment in large infrastructure. For the final phase of transition to economic development, the driver was sustainability. This phase supported the transition to long term growth coupled with capacity building, so that the impact of reconstruction and the sustainability of donor investments continue well beyond the reconstruction program.

Several specific project design elements and operational principles helped the MDF to deliver quickly and within the timelines available for reconstruction. With an open menu approach, the MDF served as a flexible gap filling instrument, and provided support in areas not addressed by other donors or partners. Project selection was also geared towards speed by scaling up existing programs/projects wherever possible.

The MDF's experience shows that it may be more effective to choose projects with short duration implementation, given the limited time horizon for most reconstruction programs. A key design lesson learned from the MDF's success is to have a clear exit strategy built into project design. The government and the World Bank also utilized internal approval processes that were streamlined and emergency focused, resulting in faster implementation. Streamlining government decision making and budget issuance were significant sources of efficiency. And strong supervision and implementation support by the partner agencies led to high quality and sustainable investments.

## Some Cross-Cutting Considerations

The scope of the MDF's support was embodied in its Recovery Assistance Policy (RAP). The RAP specified that the MDF would provide support for investments based on good practice, stakeholder participation and coordination with others. The RAP stipulated that attention should be given to cross-cutting issues such as gender equity, environmental sustainability, and building capacity for good governance in order to enhance the quality of the recovery process.

For the MDF, relevant cross-cutting elements were capacity development, gender, environmental and social safeguards, and disaster risk reduction. All projects were also designed to be conflict sensitive. These elements need to span across all aspects of the program. Challenges and solutions should be anticipated as early as possible in order to fully and credibly address them. The solutions need to apply to all projects across the program; the MDF addressed these through technical and institutional interventions, and specific and generic approaches.

And finally, cross-cutting solutions need to apply at all levels of government or players. In practical terms, these need to be reflected in the Joint Assessment/ DALA. Even if a "quick and dirty" analysis is done, it is important to include these cross-cutting elements in the initial needs assessment to provide a baseline and understanding of challenges, so that an appropriate strategy and interventions can be designed.

## A Strong Accountability Framework

While quick delivery may seem paramount in a post-conflict or post-disaster situation, a strong and robust accountability framework is the foundation for good stewardship of reconstruction programs.

- Monitoring and evaluation is important to measure and document results and lessons learned, and to ensure value for money. The challenge is to develop a Results Framework that captures program level results from cascading projects that are often undefined.

- Regular reporting on program outcomes is key to establishing trust and confidence, and to inform citizens both in donor countries as well as in recipient countries regarding the good use of funds.
- Strategic communications are extremely important for transparency and for managing expectations of all stakeholders. Appropriate communications promotes inclusiveness and allows stakeholders' engagement on critical issues.
- Good funds management is a non-negotiable factor for success in any reconstruction program or MDF. This includes sound fiduciary management, as well as transparent and efficient use of funds.

## A Replicable Model for Reconstruction

The overall reconstruction of Aceh and Nias, in which the MDF played a strategic and significant role, is widely acknowledged as a successful model for post-disaster reconstruction. The MDF streamlined the government's recovery efforts by coordinating donor resources and providing a single voice and partner for supporting its reconstruction agenda. The strong relationships between government and partners have been a critical element of the MDF's success.

The MDF provides a model that can be replicated or adapted in other post-conflict or post-disaster reconstruction scenarios. This has already been proved through the Java Reconstruction Fund (JRF), set up in 2006 to respond to another set of disasters in Indonesia. Based on the MDF experience, the GoI requested the World Bank and donors to establish the JRF, adapting the MDF model to local needs. The experience has successfully demonstrated the flexibility of the model in responding to multiple disasters of earthquakes, tsunamis, landslides, and the volcanic eruptions of Mount Merapi in 2010.

The MDF model and strategic framework is robust enough to be adjusted for situations where not all factors for success are fully met. The need for government leadership and stakeholder partnership around a local agenda is critically important, and these partnerships can be fostered if they are weak. A phased approach to reconstruction coupled with strategic selection of projects is a smart way to deliver peace and reconstruction dividends. And enhancing capacity and inclusion of communities and government agencies will ensure that a legacy of resilience and preparedness, born from conflict and disaster, will endure into the future.

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# INTRODUCTION



Never before had the world come together in such a show of solidarity as it did after the devastating 2004 Asian Tsunami that was triggered by the Great Sumatra-Andaman Earthquake. The earthquake and tsunami resulted in over 221,000 people killed or missing in Aceh alone, with additional casualties in a dozen other littoral states of the Indian Ocean. Shortly thereafter, in March 2005, Indonesia once again received global attention when another massive earthquake measuring 8.7 on the Richter scale struck the islands of Nias causing widespread damages.

In response to the disasters, the Government of Indonesia set up the Rehabilitation and Reconstruction Agency for Aceh and Nias (BRR),<sup>1</sup> a specialized agency with ministerial level leadership, to coordinate the overall reconstruction effort. Kuntoro Mangkusubroto was assigned as the head of the BRR, which was endowed with special authorities to respond rapidly beyond usual government procedures for disbursing funds and implementing reconstruction activities.

In May 2009, Kuntoro told an audience gathered in Jakarta for the closure of the BRR that the reconstruction of the areas in Indonesia affected by the tsunami was an unprecedented success and an ideal case study for future post disaster operations. Kuntoro's audience consisted of high-level representatives from donor countries and international organizations. Several of the attendees stated that the international response to the tsunami and earthquake had changed the way the global community would handle future disasters.

One such response of the global community was the establishment of the Multi Donor Fund for Aceh and Nias (MDF). The MDF was a financing mechanism that has been used by the international community in many other situations for global and regional partnerships – a multi donor trust fund (MDTF) that pools together contributions from various donors, disburses them to a number of recipients under an administrator or trustee, and utilizes the funds towards an agreed objective or purpose. The MDF for Aceh and Nias supported the Indonesian government's agenda for post-disaster reconstruction and was an integral part of the success of the overall reconstruction.

This working paper is structured as follows: Chapter 1 provides some history and a background of the MDF. Chapter 2 outlines the strategic framework of the MDF, including the fundamental success that rendered this particular MDF effective. Chapter 4 outlines the key lessons learned from the positive and negative experiences of the MDF, which could be used by policy makers and practitioners in other contexts in the future.

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<sup>1</sup> BRR or Badan Rekonstruksi dan Rehabilitasi (Agency for Rehabilitation and Reconstruction of Aceh and Nias) was set up by a presidential decree in May 2005 to provide leadership and direction to all of the rebuilding efforts by national and international assistance agencies, and to develop and implement the reconstruction master plan.

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President Susilo Bambang Yudhoyono (center) flanked by World Bank Regional Vice President Pamela Cox and Minister of National Development Planning Armida Alisjahbana is photographed here with representatives of donors during MDF's international conference on disaster reconstruction and preparedness in Jakarta in November 2012. Close coordination between MDF, the GoI and the international partners was key to the MDF's success.

*Photo: MDF Secretariat*

## Chapter 1

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# BACKGROUND AND CONTEXT



## 1.1 Setting the Stage for the MDF: The International Aid Architecture

**The MDF for Aceh and Nias was established against the backdrop of the Paris Declaration and operated in an evolving landscape of development aid.** At the time of its establishment, global aid architecture was undergoing major changes: (i) objectives expanded to address globalization, climate change, and persistent political instabilities or conflicts as well as financial crises and natural disasters; (ii) increased public scrutiny of aid in the aftermath of the Cold War; and (iii) new donors, including both state and non-state ones, flourished.<sup>1</sup> In response, to ensure aid effectiveness in the new development landscape, over 100 development actors came together and signed the Paris Declaration on Aid Effectiveness in March 2005. The Paris Declaration set in motion a new paradigm in development assistance, first affirmed in the Accra Agenda for Action in 2008 and re-affirmed in the Busan Partnership for Effective Development Cooperation in 2011. The Accra Agenda and the Busan Partnership were triggered by two trends. The first is the growing role of middle-income countries as recipients as well as providers of development cooperation. The second is the increased attention to principles of effective aid as a response to the criticism of decades of under-performing aid delivery resulting in largely unmet goals in sustainable economic growth and poverty reduction.<sup>2</sup>

**Before the tsunami struck, the multi donor trust fund (MDTF) model was already considered to be an effective tool.** The MDTF model has proven particularly suited for post-crisis situations such as wars or natural disasters, for a collective donor emergency response to support government-led disaster response efforts. MDTFs are designed to enable funding to flow quickly and coherently and are often a forum where some of the most difficult issues of coordination are dealt with. Since the late 1980s, donors had come to recognize post-crisis MDTFs as good instruments to limit operational

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<sup>1</sup> This paper excerpts several passages from the work of an MDF consultant, Fabio Scarpello, especially those on the structure of multi donor trust funds in general and the structure of the MDF in particular.

<sup>2</sup> OECD. 2009. "Triangular Co-operation and Aid Effectiveness: Can Triangular Co-operation Make Aid More Effective?" Mexico City: OECD

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Reconstruction of the port in Gunung Sitoli, Nias. The MDF contributed to the restoration of transportation networks in Aceh and Nias by supporting the reconstruction of ports, roads and bridges. Ports were reconstructed as part of the IRFF project.

*Photo: MDF Secretariat*

costs and enhance the impact of aid with assurance of high fiduciary management standards. The World Bank's involvement in post-crisis situations dated back to post World War II and led to a deepening of relations with donors that favor a multilateral approach to aid and development.

**In this national and international context, a financing mechanism was needed to support the effective flow of external funds in line with GoI priorities.** It quickly became clear that the partnership of national and international stakeholders needed a coordinated response for effective reconstruction of Aceh and Nias. Established in May 2005, the MDF pulled together 15 bilateral and multilateral donors, including the World Bank which also acted as the trustee. It operated under three complementary and strategic pillars which resulted in a framework for effective post-crisis reconstruction model that can be adapted and replicated in other post-crisis settings. The three pillars are to: (i) foster partnerships for reconstruction; (ii) adopt effective implementation strategies; and (iii) mainstream cross-cutting issues. These strategic pillars were also fundamentally based on the need to maintain a strong and transparent accountability framework.

**The challenges facing the reconstruction of Aceh and Nias after the disasters were immense.** Aceh and Nias, though quite different in many ways, presented multilayered challenges that have few precedents. The first layer was represented by the magnitude of the disaster. The tsunami left a trail of destruction that is difficult to comprehend. In Aceh, the entire west coast and most of the east coast was demolished. More than 221,000 Acehnese lost their lives or were missing, over half a million people were left homeless, and nearly every survivor had losses to grieve over. The tragedy left profound psychological scars, and the already struggling economy was deeply affected. Secondly, the natural disaster took place in a province that had been battered by a bloody civil war for the past 30 years. The tsunami brought to the fore the imperative for a peace agreement, which was signed eight months after the tsunami/earthquake disaster. The province was flooded with weapons, former rebels had to be reintegrated, violence persisted, and political tension never fully dissipated. The war had also paralyzed the local administrations, rendering them largely unable to handle the massive reconstruction. In Nias, difficulties of a fragile environment were compounded by years of isolation and neglect. Local administrations lacked skills to handle the massive reconstruction. In both Aceh and Nias, the lack of skills soon emerged as a real issue.

**The MDF model proved to be robust and replicable as even more disasters affected other areas of Indonesia.** In May 2006, a massive earthquake hit the island of Java with significant damages to the Special Region of Yogyakarta. A repeat disaster followed—in July 2006 a tsunami was triggered by another earthquake off the west coast of Java, causing widespread damages in West Java and Central Java. Given the success and the advantages of the MDF model for coordinating donor support, the GoI requested the establishment of the Java Reconstruction Fund (JRF), which was set up in May 2006 to support the reconstruction of Yogyakarta, West and Central Java. Although the scale of the disaster was much smaller and the recovery activities were more narrowly focused, the MDF model still proved adaptable to the scale and nature of the disaster and the reconstruction efforts. At a later stage, the JRF provided a ready response mechanism when the earthquake affected areas were massively affected by the volcanic eruptions of Mount Merapi in 2010.

## 1.2 Motivations and Interests of MDF Stakeholders

In coming together to support reconstruction, the motivations of the many stakeholders of the MDF and the overall reconstruction process were varied, but complementary.

### Government of Indonesia

**For the GoI, establishing clear leadership of reconstruction and a coordinated engagement with donors was a key advantage of the MDF construct.** The GoI led the overall reconstruction, allocating funds from various sources to address reconstruction needs. Government leadership was an essential keystone of the entire process, and allowed the government to have a clear say in the choice of investments and instruments to be used for the response. Within one month after the disasters, a Damage and Loss Assessment (DALA) was carried out by the national government with support from the World Bank and the United Nations. Based on the DALA, the Master Plan for Rehabilitation and Reconstruction for Aceh and Nias was prepared to outline results-oriented operational programs with a specified timeframe and associated budgets. The MDF supported the overall reconstruction in line with the priorities identified in the Master Plan through grant funding in designated sectors aimed at filling gaps in the reconstruction efforts. Similarly the JRF supported the GoI-identified key sectors of housing and economic development. The MDF model provided the GoI

with a flexible financing mechanism to address needs that were not met through other funding channels. It also reduced transaction costs for the government by providing one set of policies, procedures and practices for all the participating donors, and this was an important consideration for the government in seeking the creation of an MDTF. Most importantly, funds from multiple donors could coherently be channeled through the government's own systems, with government agencies largely responsible for project implementation.

**Local governments were interested in having local priorities clearly identified and implemented during reconstruction.** Particularly in the post-conflict context of Aceh, the local government's priorities were critically important to ensure smooth implementation and ultimate sustainability of investments. For local governments, this was an important opportunity to engage with the national government as equal partners in reconstruction and to ensure that both post-conflict and post-disaster needs were substantially met.

## Donors

**The MDF and JRF provided different advantages for different donors.** A recent World Bank evaluation of its trust fund portfolio<sup>3</sup> notes that donors mainly use trust funds to fill gaps in the multilateral aid system to respond to emergencies, and financing development in non-sovereign entities and global public goods. In addition, donors tend to use trust funds to (i) target priority issues or countries; (ii) scale up bilateral programs; (iii) influence issues already on the development agenda; and (iv) attract or mobilize additional funding for priority issues beyond bilateral arrangements. The donors who eventually joined the MDF program, and those who later joined the JRF, included the proponents of multilateralism and several smaller donors, in part due to their commitment to the international dialogue on aid effectiveness in recent years. While operationalizing the aid effectiveness principles as espoused in Paris was never explicitly stated, the MDF program exemplifies a textbook study of the Paris Declaration in action. It has over its eight-year life span, followed the aid effectiveness journey from Paris to Accra to Busan, from effective aid to cooperation of effective development.

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<sup>3</sup> World Bank. 2011. "An Evaluation of the World Bank's Trust Fund Portfolio: Trust Fund Support for Development." Jakarta: World Bank.



Construction site of the Blang Bintang Regional Landfill, implemented by the UNDP.

Photo: MDF  
Secretariat

**Donors wanted to be partners in decision making, and they needed visibility of their contributions, effective results and accountability for funds.** For the MDF and JRF, all donors had a seat at the table of the Steering Committee, irrespective of the size of their contribution. For the larger donors, the MDF and JRF provided an opportunity for influencing policy and operations at many levels of the reconstruction effort. The seat at the table was particularly beneficial to donors who may have provided smaller overall contributions (even though the contribution rate per capita of the donor country could have been amongst the highest), due to the high visibility of the reconstruction of Aceh and Nias. For these relatively smaller donors, the MDF provided a way to help without requiring major operational structures of their own. Other donors found the MDF and JRF to be highly effective tools for supporting a multilateral approach, as well as a rational vehicle for minimizing total transaction costs and maximizing the impact of

the aid money, with assurance of high fiduciary management standards. The onus was on each donor to become involved in the governance and decision making processes of the MDF, and most of the donors did so. Pooling of donor funds also leveraged each donor's contributions, allowing them to influence investments and results that were much greater in totality than their own funding. The trust funds provided benefits from the technical expertise, country experience, supervision capacity and ability to monitor and report on results of the different Partner Agencies.

**A common concern for some donors in a pooled fund is the visibility of their contributions which is deemed important for local constituencies at home.** Donors often feel that while the use of trust funds fosters collaboration and reduces aid fragmentation through pooled resources, visibility and due credits could be less prominent in these structures. The ability to demonstrate results that can be attributed to tax payer contributions is important; however, such one-to-one correspondence is not meaningful in a multi-donor setting. Both the MDF and JRF were particularly responsive to donors' concern by providing regular and detailed reports to donors on the results achieved through their contributions, and both programs implemented communication strategies that incorporated donor visibility efforts. At the end of the day, donor visibility was largely achieved through the high level partnerships that the two programs established, and attribution could be made to the overall results of a large pool of funds.

## Other Development Partners

**Strong partnership and collaboration played important roles in contributing to the GoI reconstruction efforts.** The MDF, in particular, included a number of Partner Agencies—the World Bank, the International Labour Organization (ILO), the World Food Programme (WFP) and the United Nations Development Programme (UNDP)—who were responsible for the appraisal, supervision, monitoring and evaluation of MDF funded projects, as well as the administration of grant funds allocated to finance the projects. Partner agencies were selected for projects based on the comparative advantages that the agencies offered to deliver the multidisciplinary post-disaster assistance in response to the government's recovery agenda. Projects were implemented and funds administered in accordance with the Partner agency's own fiduciary framework and governance arrangements, policies and procedures,

including audits and procurement procedures. For all these development partners, the MDF allowed an opportunity to support and help in the reconstruction efforts in line with their own skills and expertise, and to collaborate with each other in the process. Development partners, including international agencies and civil society, sought to contribute based on their comparative advantages to establish good operations and strong partnerships to support affected peoples. For the World Bank as Trustee, ensuring effective results and accountability of funds were of paramount importance. In addition, the MDF and JRF also enabled the Bank to engage and provide critical assistance in a situation where its other traditional instruments may not have been well suited.

## Beneficiary communities

**Beneficiary communities needed to be included and involved in the reconstruction process.** Communities wanted to be directly involved in the reconstruction process to define local priorities and to be informed of the peace and reconstruction dividends. Community involvement in the MDF and JRF programs increased their ownership over the process and the results. While they had no control over the disasters, they needed, and were afforded, some control over rebuilding their future.

## Chapter 2

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# THE STRATEGIC FRAMEWORK FOR THE MDF



The success of the MDF and the JRF can be attributed to a strategic framework based on strong partnerships, effective implementation and attention to cross-cutting, qualitative aspects. These strategies can elevate programs from being good to being extraordinary in fulfilling the needs of affected people. These factors for success are the key lessons learned from these two programs which are offered to help to inform post-crisis reconstruction programs elsewhere.

## 2.1 Strong Partnerships for Results

**Both the MDF and the JRF have been characterized by strong government leadership of a wide and inclusive partnership of many stakeholders.** The GoI—at national, provincial and local levels—provided leadership by defining its reconstruction strategy and agenda. Donors have pooled their resources to support this agenda. Partner Agencies provided oversight of project implementation, applying their own systems for appraisal, supervision, monitoring and reporting, and financial management to ensure quality of operations. Implementing agencies, including national and international implementers, government and non-government, delivered on a massive reconstruction effort following the agenda laid out by the government. The World Bank as Trustee of the funds ensured strong financial management with accountability and transparency. And critically important has been the role of communities in participating in and taking charge of local level reconstruction. Significant results were achieved by the MDF through this inclusive approach, and some key achievements are described in Annex 1.

### Government Leadership and Policy Setting

At the outset, the GoI prepared several key planning documents which underpinned the definition and scope of the reconstruction program for Aceh and Nias.

**The Damage and Loss Assessment represented the foundation of the government-led post-tsunami rebuilding.** Within one month after the disasters, a Damage and Loss Assessment (DALA) was carried out by the GoI with support from the World Bank and the United Nations. The DALA captured important and timely information on the magnitude of the disaster, which was key to mobilize international assistance.

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Multi-donor trust funds are financing mechanisms that pool contributions from many donors to support an agreed program of activities. They have proven to be effective instruments for cooperation in post-disaster situations.

*Photo: MDF Secretariat*

**Based on the DALA, the Master Plan for Rehabilitation and Reconstruction for Aceh and Nias was prepared.** The Master Plan outlined a set of results oriented operational programs with a specified time frame and associated budgets. The Master Plan also called for a “Build Back Better” principle in the reconstruction that underpinned the entire philosophy of the effort. The Master Plan classified the recovery into three phases: the relief/emergency phase, the rehabilitation phase and the reconstruction phase. It was estimated that the Master Plan would take up to five years to implement. Further development would then be included in more sustainable programs of the provincial medium-term development plan. The main difference between the DALA and the Master Plan was in the allocation of funds: the Master Plan set aside much less to compensate for private losses—businesses, vehicles, buildings, etc.—and much more to rebuild public assets and infrastructure, including education centers, health facilities, and roads. The difference reflected the government’s desire to use the disaster as an opportunity to rebuild better, rather than just to rebuild.

**At the inception of the MDF, a Recovery Assistance Policy (RAP) was developed to provide guidance to the stakeholders of the MDF.** The RAP reflected the current state of knowledge about the rehabilitation and reconstruction program, the comparative advantages of the MDTFANS and the policy environment for development in Aceh and Nias. The mission statement of the MDF notes that the MDF is a partnership of the international community, Indonesian government and civil society to support the recovery following the earthquakes and tsunami. 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 MDF seeks to reduce poverty, (re)build capacity, support good governance and enhance sustainable development. At program closing in December 2012, there were 23 projects in the MDF portfolio valued at US \$655 million covering six expected outcome areas. These outcomes included: (i) Communities recovered; (ii) Large infrastructure and transport rehabilitated and reconstructed; (iii) Governance strengthened and capacity rebuilt; (iv) Environment sustained; (v) Recovery process enhanced; and (vi) Economic development and livelihoods restarted.

**The GoI established different institutional arrangements for different disasters, depending on the nature and scope of the disaster.** In the case of Aceh where the magnitude of the disaster was unprecedented, a special agency with ministerial level authority—the BRR—was established to coordinate the reconstruction efforts and implement the Master Plan. In another, somewhat smaller disaster, the 2006 Java earthquake, GoI established a coordination team, the National Coordinating Team (NCT) and the National Technical Team (TTN) with staff drawn from regular line agencies to effectively manage and coordinate large-scale reconstruction efforts. After

the mandate of the NCT and the TTN ended in 2008, the JRF worked with Bappenas and the Provincial Planning Agencies (Bappeda) for the overall coordination of the reconstruction.

**In more localized disasters, the GoI has relied on regular government systems to address recovery and reconstruction.** These experiences show that the type of organizational structure should be designed to fit the nature and scope of a disaster, as long as the commitment and strength of the government’s leadership role—essential to the success of the reconstruction effort—is maintained. The ability and authority of the government agency to coordinate and implement reconstruction in a speedy manner, and to allocate and disburse funds quickly, are critical to the process. For the MDF and the JRF, a strong counterpart in government was essential for decision making on funds use.

**In leading the reconstruction, the GoI effectively coordinated the support from different partners to maximize impact and reduce duplication.** In Aceh and Nias, the outpouring of international support was huge, and the number of agencies implementing reconstruction projects was similarly enormous. Once the strategy and institutional structure for disaster response had been established, the BRR was responsible for coordinating the support from different agencies, according to the Master Plan. This also allowed BRR to use the MDF as a gap-filling partner, focusing on investments and support in areas where other reconstruction players were absent or unwilling. As such, the impact of the MDF was much greater than the size of the funding it represented, which was only 10 percent of overall reconstruction assistance, by addressing critical gaps and bringing to completion the GoI’s agenda.

## Support from Development Partners

**With the government’s leadership of the reconstruction agenda, other partners were able to align their support under one framework.** The MDF was established to support the GoI’s Master Plan and operate in alignment with its institutions and procedures. Over 70 percent of the MDF funds were channeled through the national budget, utilizing the country’s public financial management system.

**The mix of partner agencies and implementing agencies minimized fragmentation and provided the opportunity to use individual organizations’ comparative advantages.** Major multilateral organizations such as UNDP, ILO, WFP and the World Bank served as partner agencies. Implementing agencies included government line ministries and international NGOs. The partner agencies carried out the appraisal, supervision, monitoring and evaluation of MDF funded projects, and administered



The MDF approach gave voice to both men and women in deciding how to rebuild their villages. The community-driven and local resource based approaches to post-disaster reconstruction and recovery in MDF projects demonstrated that communities and government could work together in partnership to achieve results that are transparent, cost-effective, and of high quality.

*Photo:  
MDF  
Secretariat*

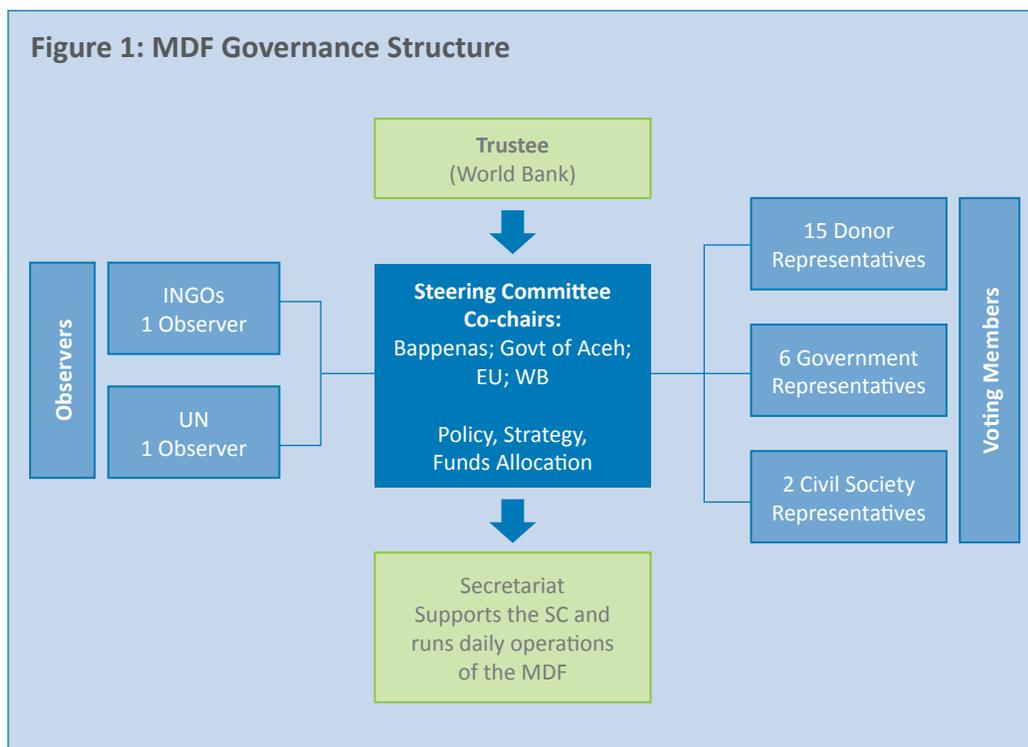
grants from the MDF to finance them, applying their own fiduciary framework and governance arrangements. The implementing agencies brought different strengths in terms of implementation capacity and procedures. This arrangement led to a multi-pronged response to the government's recovery agenda, allowing greater speed and coverage, with quality oversight, than would otherwise have been possible.

**Various fund channeling mechanisms to enhance the use of government systems were employed by the different partner agencies.** As new government policies and regulations came on line during the course of the program, innovative procedures were devised to channel funds to subnational governments and beneficiaries. Where appropriate, funds for projects with World Bank as the partner agency were channeled through the government's budget system. By 2009, most off-budget projects slowly transitioned to on-budget implementation modality in response to the GoI's changing requirements related to foreign assistance. The result was an increasing sense of government ownership and hands-on participation of the MDF program from both the national and subnational agencies. Other partner agencies were able to provide

flexibility in channeling funds both on and off-budget, and having a mix of channels was also an advantage in the reconstruction. The multiple partners and different modes of fund channeling allowed the MDF to employ a range of approaches and strike a balance between speed and quality during implementation.

## An Inclusive and Effective Governance Structure

The success of the MDF was also due to an inclusive governance structure with delegated authority to make decisions. This structure included a Steering Committee comprised of representatives from BRR, Bappenas, Ministry of Finance, and Governments of Aceh and North Sumatra, the 15 donors to the MDF, as well as representatives of Aceh’s civil society, and observers such as the UN and the international NGO community. The purpose of the MDF’s deliberative body was threefold: (i) to mobilize resources in order to fill strategic gaps in the recovery; (ii) to enhance coordination between major development partners in support of the Gol’s recovery program; and (iii) to serve as a forum for policy dialogue between the Gol and the international community. Over time, the Steering Committee meetings became a significant forum for discussion of a wide range of policy and operational issues for Aceh and Nias. A Technical Review Group supported the functions of the Steering Committee.



**A clearly defined, streamlined decision making process meant that informed decisions could be made in a timely way.** Voting members of the Steering Committee decided on policy and funds allocation. The Technical Review Group met to discuss and recommend decisions on project and program issues to the Steering Committee. The MDF also pioneered a shared co-chair arrangement consisting of the GoI (represented initially by the head of the BRR and later by the Minister for National Development Planning), the Government of Aceh, the European Union as the largest donor, and the World Bank as the Trustee. This co-chair arrangement supported efficient decision making, consensual working of the Steering Committee and effective implementation of the MDF. However, the system did not always work efficiently, and deliberations at the TRG level often led to delays in decision making. The advantage of having consensus at the Steering Committee level was sometimes associated with delays in decision making, and a tight decision making body with a broad consultative body could be a better governance construct in future situations. See Annex 3 for the roles and responsibilities of the MDF's governing body.

### Involvement of Local Communities

**The MDF's inclusive and pluralistic approach extended from national government and international donors to local communities and subnational governments.** After years of conflict in Aceh and isolation and neglect in Nias, the community-driven and local resource based approaches to post-disaster reconstruction and recovery in MDF projects demonstrated that communities and government could work together in partnership to achieve results that are transparent, cost-effective, and of high quality. A number of the MDF projects adopted community-based approaches specifically and most of the projects in the portfolio took into consideration the socio-political-economic conditions in Aceh and Nias post-crisis in close consultation with the communities and local governments. Communities were very much part of the reconstruction decision-making process and citizens were able to reap the reconstruction dividends.

## 2.2 Effective Implementation Strategies

### Sequencing Implementation to Manage Expectations

**The most useful strategy was that of phasing and sequencing the implementation of MDF projects to address needs as they evolved.** This helped to manage expectations throughout reconstruction. In any post-crisis situation, there is a tension between balancing speed of implementation, quality and ownership of reconstruction, and long term sustainability. These competing goals do not move in tandem. In the case of the MDF, the inevitable trade-off was reduced by implementing in three phases and the

approach was in line with the GoI's Master Plan. The first phase focused on immediate recovery of housing, small infrastructure, logistics and transportation links. The second phase took on major reconstruction of infrastructure, such as roads, bridges, and ports, and protection of the environment. The final phase shifted to laying the foundation for economic development through support for livelihoods and targeted capacity building. A further tension was inevitable between the desire of MDF partners to get results quickly on the ground and the longer-term objective of building local capacity to take over and complete the recovery process. Given the weakness of local government, these two objectives were not always compatible and it took time to develop a strong focus on local ownership and institutional development.

**The principal driver for immediate recovery was speed to support implementation of urgent needs, while involving communities so that they were part of the process of reconstruction.** The initial projects financed by the MDF focused on community driven reconstruction of housing and local infrastructure, logistics and re-establishment of critical transport links, and removal of tsunami debris. The community driven processes enhanced social cohesion and contributed to the healing process of individuals and communities, and the benefits of reconstruction on the local economy and empowerment were felt immediately. The transport and logistics allowed critical recovery support to reach dispersed communities, and provided a wide range of humanitarian and reconstruction agencies to reach their beneficiaries. This was particularly important given the post-conflict context in Aceh, and the MDF's support had multiplier effects across the overall reconstruction effort at this stage.

**The need for speed was a very strong characteristic of the MDF in the first phase of implementation.** Given the urgency to allocate funds and implement projects, performance standards were specifically built into the MDF's Operations Manual to ensure that activities would move according to a continued sense of urgency. The Secretariat kept track of how long the grant approval and implementation process took for each project, so that all parties were informed of pace and adjustments could be made as needed.

**The driver for the second phase of reconstruction under the MDF was the need for quality and ownership of complex projects and initiatives.** In the reconstruction phase, focus was on implementation of projects and investments where quality and ownership are critical, when procurement and safeguards processes can be complex and outcomes will take time. This included, particularly, investment in large infrastructure with projects such as roads, bridges, ports, etc. The focus also shifted to include measures to protect the environment, as well as initiatives to enhance the capacity of national, provincial and local governments to implement reconstruction. Many



Workers put the final touches on a bridge in Nias built through a project implemented by one of MDF's partner agency, the ILO. ILO introduced the local resource-based approach which employed local labor and used environmentally friendly construction methods.

*Photo:  
MDF  
Secretariat*

reconstruction actors were impatient with the time it took to startup and implement the large-scale infrastructure investment projects. For complex investments, GoI and partner agency procedures for on-budget implementation and decision making took up much time and effort, and the MDF was criticized by stakeholders for having lost the urgency and impetus of the initial phase. In hindsight, however, it is clear that the benefits of careful quality assurance, targeted design and ownership by local authorities can only be achieved at the cost of a slower pace of reconstruction, and is well worth the trade-off in terms of sustainability of investments.

**For the final phase of transition to economic development, the driver was sustainability.** This phase of the MDF supported the transition to long term growth coupled with targeted capacity building to ensure the impact of reconstruction and the sustainability of donor investments would continue well beyond the reconstruction program. As noted by the GoI, disasters result in interruption to development, often bringing a reversal of initial development conditions. During this phase the MDF focused on strengthening key economic sectors in Aceh and Nias, including rice, fisheries, livestock and important export crops such as coffee, cacao, and rubber. This focus on longer term growth, particularly in the post-conflict context of Aceh and relative neglect in Nias, was critical to ensure that reconstruction would not create further divisions and could be maintained by local authorities and communities in the future. Targeted capacity building for local government to assume

the transition from reconstruction to development was also a major focus of this phase, further consolidating the efforts to maximize the long-term impact of MDF investments.

## Project Design and Selection

**Several specific project design elements helped the MDF to deliver quickly and within the timelines available for reconstruction.** The need for speed, quality and sustainability that were managed by phasing the MDF's interventions was also supported by specific strategies at entry and at closure. Scaling up existing projects, defining realistic timelines and exit strategies and rapid response polices all contributed to effective reconstruction. However, where these strategies were not applied or were insufficient, the pace of reconstruction sometimes left partners frustrated and reduced the overall effectiveness and quality of the engagement.

**Scaling up of Existing Projects:** Project selection was geared towards speed at the beginning of the program. By scaling up existing programs/projects in terms of scope and reach, the MDF was able to utilize existing mechanisms in the field to speed up the start of implementation. Two of the first projects financed by the MDF leveraged the project mechanisms of existing World Bank-financed Kecamatan Development Project (KDP) and Urban Poverty Project (UPP) by scaling them up for post-disaster Aceh and Nias. The Tsunami Recovery Waste Management Programme (TRWMP) was a continuation of a UNDP initiative to manage tsunami-related waste and to create cash for work opportunities immediately after the tsunami. This scaling up allowed immediate response to the crisis needs of affected communities, while new projects were being developed.

**Duration of Projects:** The MDF's experience shows that it may be more effective to choose projects with implementation periods that fit within the lifetime of a reconstruction program, given that the time horizon for most reconstruction programs is short and limited. Two projects implemented for one year or less, the Lamno-Calang Road Maintenance Project (LCRMP) and the Tsunami Recovery Port Redevelopment Programme (TRPRP) came on line within the first 18 months of establishing the MDF, each to tackle a single issue. The 12-month LCRMP was designed to ensure uninterrupted overland access to tsunami-affected communities on the west coast of Aceh and the nine-month TRPRP was to quickly restore critical ports for delivery of equipment and materials for the rebuilding of communities. LCRMP and TRPRP were the shortest running projects in the entire MDF portfolio and both achieved their objectives on time and within the budget.

**Exit Strategies:** A key design lesson learned from the MDF is to have a clear exit strategy built into project design at the outset. This is often overlooked in reconstruction projects, including most of the MDF's initial projects. With the exception of some

of the community recovery projects which were spun off from the government's national community-driven development programs and were later merged back into these programs post MDF, most of the MDF's early projects were designed to address particular immediate needs, with little thought given to exit strategies at the time they were designed. As these projects progressed and the situation normalized, project teams began to recognize the need to better prepare for smooth project closure and exit strategies to sustain project benefits post MDF. Several of the projects were able to make use of an extension phase to implement exit strategies and enhance the sustainability of project outcomes.

**Streamlined Procedures:** Both the Indonesian government and the World Bank utilized internal approval processes that were streamlined and emergency focused, resulting in more efficient decision making and funds flow. Built into the streamlined processes were strong supervision and implementation support by the partner agencies that led to high quality and sustainable investments. The government's streamlined approach was through the establishment of a specialized ad hoc agency, the BRR, which reported directly to the President. The World Bank quickly introduced a new Bank-wide rapid response framework known as OP/BP 8.00 to provide operational flexibility and to establish the corporate oversight arrangements and mechanisms to ensure an appropriate level of institutional response to emergency situations.

## 2.3 Cross-Cutting Considerations

**Several critical elements to enhance the quality of the MDF's support were embodied in its Recovery Assistance Policy (RAP).** The RAP specified that the MDF would provide support for investments based on good practice, stakeholder participation, and coordination with others. Interestingly for a recovery agenda in the aftermath of a devastating disaster, the RAP also had the foresight to stipulate that attention should be given to cross-cutting issues such as gender equity, environmental sustainability, and building capacity for good governance in order to enhance the quality of the recovery process.

**For the MDF, relevant cross-cutting elements were capacity development, gender, environmental and social safeguards, and disaster risk reduction.** All projects were also designed to be conflict sensitive. Where appropriate, projects considered these cross-cutting elements at the design phases, and as the program developed, more emphasis was placed on the inclusion of these elements in the projects. This deepened the quality of the results achieved across the portfolio, and enhanced the robustness and sustainability of the achievements. Very often, in post-conflict or post-disaster situations, stakeholders are reluctant to invest in these cross-cutting elements; however, it is precisely crisis situations which provide an opportunity to do things right and for significant pay-offs in terms of the impact on reconstruction.

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

**The experience of promoting women’s equality and empowerment was uneven in the MDF and JRF programs, all providing lessons for the future.** A range of good practice examples for gender mainstreaming abound throughout the MDF and JRF projects. At the same time, processes and mechanisms for actively involving women in decision-making and implementation could have been better institutionalized. As good practice lessons from these experiences show, when women are active participants in reconstruction with a voice to shape the design and management of reconstruction, there are better quality outcomes for everyone.

**Managing the environment and disaster risk reduction were cross cutting themes pursued both in specific projects as well as throughout the portfolio.** The MDF was the only major program in the overall reconstruction that provided direct support to mitigate the adverse impact of reconstruction on the environment. An additional focus on disaster risk reduction (DRR) was embedded in the projects as well, to support resilience of the communities and local governments to future disasters. Both these aspects support sustainability and mitigate adverse impacts in an already fragile context, both during disaster response and in preparedness of future disasters. This focus on incorporating DRR and resilience was further developed under the JRF in the reconstruction of housing and settlements and has developed into a model of good practice for post-disaster housing reconstruction.

**Challenges and solutions related to the inclusion of cross-cutting issues should be anticipated as early as possible in order to fully and credibly address them.** In practical terms, these need to be reflected early on in the Joint Damage and Loss Assessment and other needs assessments. Even if a “quick and dirty” analysis is done, it is important to include these cross-cutting issues in the initial needs assessment to provide a baseline and understanding of challenges, so that an appropriate strategy and interventions can be designed. The solutions need to apply to all projects across the program; the MDF addressed these through technical and institutional interventions, and specific and generic approaches. Additionally, cross-cutting solutions need to apply at all levels of government and/or players. Reconstruction processes in the wake of a disaster are a window of opportunity to address quality issues. Disasters create legitimate reasons to do things differently: to introduce new policies, programs and legislation and support progress on dimensions that greatly enhance the impact of reconstruction and long term recovery.

## 2.4 A Strong Accountability Framework

The MDF employed different levels of accountability which together enabled a robust system. At the highest level, accountability in funds use and allocation was ensured by the governance structure of the MDF, which had different levels with different and complementary roles and responsibilities. Funds allocation was supported by a robust system of monitoring and evaluation, and reporting and communications for timely and regular information flow to all relevant players. Finally, financial management of MDF funds to ensure appropriate use and accountability was essential to maintain credibility with all stakeholders.

### Governance Structure for Decision Making

**The MDF had a two-tier decision-making and governance structure with the Steering Committee the highest authority.** The MDF Steering Committee included seven<sup>1</sup> government representatives from BRR, Bappenas, Ministry of Finance, and Governments of Aceh and North Sumatra, the 15 donors to the MDF, as well as representatives of Aceh's civil society, the international NGO community, and several key noncontributing countries. Voting rights were reserved for government representatives as well as donors that contributed at least US\$10 million. Two voting seats were also allocated to members of Aceh's civil society. The Steering Committee did more than making decisions related to the MDF. In the early days it served as an all-encompassing forum for dialogue on policy and reconstruction issues. The extension of observer status to representatives from an international NGO consortium and the UN and noncontributing countries including Australia and Japan facilitated this role. Early meetings were often standing room only. From the beginning donors agreed to proceed by consensus and throughout the MDF's lifetime the voting procedure was never exercised.

**A Technical Review Group (TRG) acted as an intermediary layer to prepare the groundwork before a project or a policy was submitted to the Steering Committee for endorsement.** While the Steering Committee was comprised of the highest level of representations such as ministers and ambassadors, the TRG gathered mid-level representatives of the same organizations and agencies. The TRG presented a less formal setting for more in-depth technical discussions that resulted in a recommendation to the Steering Committee for its final endorsement.

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<sup>1</sup> This was reduced to six when BRR closed in April 2009.



Kuntoro Mangkusubroto, Director of the Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR) speaks at a steering committee meeting. Comprehensive monitoring and evaluation was done at different levels for the MDF by different entities.

*Photo:  
MDF  
Secretariat*

**The World Bank as the Trustee established a Secretariat for the day-to-day operations of the MDF.** The Secretariat, led by a World Bank designated Program Manager, was accountable to the Steering Committee on all operational matters and to the Trustee on all administrative matters and was based at the World Bank Office in Jakarta as well as in Banda Aceh. The Secretariat supported the Steering Committee on coordination, communication, financial oversight, and monitoring and evaluation and reporting. The MDF operated in accordance with fundamental principles of good governance: working in close partnership among key agencies; separating responsibilities for allocation, fiduciary and administrative functions; and demonstrating full transparency and openness in its processes.

### Monitoring and Evaluation, Reporting, and Strategic Communications

**The MDF fully and consciously embraced transparency and established a strong set of measures to this end.** At the governance level, many different stakeholder groups were invited and participated as observers even when they were not directly involved in the MDF itself. The Secretariat scrupulously circulated and disclosed the agendas and minutes of meetings to ensure wide information sharing of decisions. The MDF



Middle school students practice delivering first aid to commemorate Disaster Risk Reduction (DRR) Day. The Ministry of Home Affairs and the Government of Aceh implemented DRR programs and made it part of the school curriculum.

*Photo:  
UNDP  
Collection*

website provided comprehensive information on the program and projects. Reports covering implementation and financial progress were provided to government and donors on six-monthly basis, and the general public was informed of MDF activities through detailed annual reports. These and other measures helped to ensure that program activities and funds use was transparently conveyed to a wide range of stakeholders in Aceh's reconstruction.

**Comprehensive monitoring and evaluation was done at different levels for the MDF by different entities.** In addition to the MDF Secretariat providing overall program monitoring, evaluation and reporting, development partners and other stakeholders also took a keen interest in recording progress and results. Bappenas, the Gol custodian of the MDF after BRR's closure in April 2009, established a monitoring and evaluation system that called for monitoring meetings of all MDF projects on a quarterly basis. Monitoring and oversight were key responsibilities of the Partner Agencies, who also reported on project progress and results to the MDF on a quarterly or semi-annual basis, in line with each Partner Agency's own internal policy requirements. The European Union periodically conducted results based on monitoring missions in conjunction with the projects. Communities also participated in monitoring activities, which helped increase the ownership that beneficiary communities felt over assets created.

**Monitoring and evaluation is highly important to measure and document results and lessons learned, and to ensure value for money.** There were 23 projects in the MDF portfolio, each with its own monitoring and evaluation system and results framework. The MDF Secretariat successfully addressed the challenge of developing a Results Framework that captures program level results from cascading projects. The MDF reported on the project and portfolio performance on a semi-annual basis to the donors and annually to the general public. The MDF found regular reporting on program outcomes to be crucial to establishing trust and confidence, and to inform citizens both in donor countries as well as in recipient countries regarding the good use of funds. Results and findings of the MDF projects were publicly released in an annual report and shared widely. The MDF also promoted joint field missions which included donors and arranged portfolio-wide evaluations. An integral component of accountability is close and constant project supervision, to identify and address implementation issues and make mid-stream adjustments. All partner agencies played this role carefully to ensure that project funds were well utilized for intended purposes, and followed agreed policies and procedures. See Annex 2 for a description of the Results Framework and key indicators for the MDF.

**Strategic communications enhanced transparency of the projects implemented and was a key factor in the MDF's success.** Different community forums were employed to socialize project activities and procedures, and monitoring by communities played an important part in promoting transparency. Helplines and project complaints-handling systems were implemented across projects, and both project and program level websites were established to provide online reporting of project activities. The MDF Secretariat maintained regular communications and engagements with the Steering Committee, partner agencies, line ministries and local governments which allowed for inclusive and consultative resolution of problems and issues as they arose. Timely, high quality strategic communications with a wide reach was important for managing expectations of all stakeholders, promoting transparency and inclusiveness and allowing stakeholders' engagement on critical issues.

## Fiduciary Management

**Good funds management is a non-negotiable factor for success in any reconstruction program or MDF.** This includes sound fiduciary management, as well as transparent and efficient use of funds. The World Bank's trusteeship functions are governed by the documents used to establish the trust fund, relevant internal rules and regulations, together with agreements between the Bank and individual donors and Partner Agencies, and the MDF Operations Manual.

**Partner Agencies administered projects in line with their internal policies and procedures.** Steering Committee endorsements of projects indicated that the



The lessons of the MDF will help to enhance resilience and preparedness of communities and local governments into the future. Above, MDF Co-Chairs during a press conference in Jakarta in November 2012.

*Photo:  
MDF  
Secretariat*

Partner Agency's own fiduciary framework and governance arrangements, policies and procedures, including audits, safeguards, and procurement procedures, were acceptable to the World Bank as Trustee and the Steering Committee. As a result of ongoing harmonization among some multi-lateral agencies, there was extensive commonality among the fiduciary frameworks, governance arrangements, policies and procedures of each agency.

## 2.5 The MDF Experience on Aid Effectiveness

The MDF program successfully operationalized the aid effectiveness principles as espoused in the 2005 Paris Declaration on Aid Effectiveness—ownership, harmonization, alignment, results, and mutual accountability—and was able to evolve from effective aid to effective partnership for development as the program matured over its more than seven years life.

## Ownership

**The GoI defined the overall plans for reconstruction and led the reconstruction efforts.** At the initial stages of the reconstruction, the BRR identified sector-specific strategies for housing infrastructure, local government assistance etc. that provided the basis for the MDF's support. The alignment with BRR policies and programs ensured that the MDF's interventions were fully owned by the government. The GoI also had authored the Master Plan for reconstruction, and the Master Plan provided guidance to reconstruction partners. This resulted in strong ownership of the entire reconstruction and recovery agenda at national government level. The MDF provided a platform for donors to follow the country leadership and to assist in strengthening its capacity through various projects. Projects under the MDF were designed through close consultation with the government and aligned with the government's Master Plan.

## Alignment

**Projects funded by the MDF were in line with the GoI strategy and agenda for reconstruction.** GoI identified potential projects which were presented to the MDF Steering Committee. The MDF portfolio followed the government's 3-phased approach to the reconstruction. Immediate recovery was addressed through the CDD projects, while longer term reconstruction activities came on board later. These included large infrastructure projects such as the Infrastructure Reconstruction Financing Facility (IRFF) and the Infrastructure Reconstruction Enabling Program (IREP). The third phase focused on sustaining economic growth through capacity building (such as the Capacity Building for Local Resource-based Rural Roads or CBLR3, Aceh Government Transformation Programme or AGTP, Nias Islands Transition Programme or NITP, etc.) and livelihoods development (the Economic Development Financing Facility or EDFD and the Nias Livelihoods and Economic Development Project or LEDP).<sup>2</sup>

**Where appropriate, project funds were channeled directly through the government's budget system.** MDF funds were totally untied. More than 70 percent of the MDF projects/programs were on-budget and on-treasury which meant that MDF funds were

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<sup>2</sup> See "About the MDF" for a full description of the 23 projects supported by the MDF.

channeled through the GoI's national budget, utilizing the country's public financial management system. A new fund channeling mechanism amongst different levels of government was jointly developed and introduced by some of the MDF projects to enable project implementation by institutions other than those at the national level. Both AGTP and NITP started out as off-budget projects and later developed fund channeling procedures to align with the newly enacted government regulations that all foreign funded projects should be on-budget.

## Harmonization

**The MDF brought together representatives from all the stakeholders in the reconstruction process.** Fifteen donors came together to form the MDF program. This had greatly reduced fragmentation and the duplication of efforts. The MDF leveraged the comparative advantage of a mix of partner and implementing agencies in delivering the reconstruction and recovery program. Under the MDF program, technical assistance was provided for the subnational governments to establish their respective Regional Disaster Alleviation Agencies (Badan Penanggulangan Bencana Daerah or BPBD) to address future disasters.

## Managing for Results

**The MDF aggregated expected results from all its projects under six outcome areas.** While the framework was in essence retrofitted as new projects were added, it provided a harmonized monitoring and reporting framework for all stakeholders to manage the overall program results for effective decision making, and avoided the imposition of additional layers and systems on top of the individual projects which were already facing a difficult post-disaster implementation context.

## Mutual Accountability

**A robust, multi-tiered accountability framework ensured inclusiveness of all related stakeholders.** All levels of stakeholders, from the beneficiaries to the national government and development partners provided input into monitoring projects, creating a shared accountability for the reconstruction. The MDF governance structure, with regular meetings through the TRG and Steering Committee levels, meant that a joint decision-making process was implemented, and that the government and the donors were kept abreast of the progress on the MDF program.

## Replicable and Adaptable Models

The MDF provides a model that can be replicated or adapted in other post-conflict or post-disaster reconstruction scenarios. This has already been proved through the Java Reconstruction Fund (JRF), set up in 2006 to respond to another set of disasters in Indonesia.

In May 2006, the special region of Yogyakarta and parts of Central Java were hit by an earthquake. The GoI requested the World Bank and donors to mobilize support through a multi-donor trust fund similar to the MDF. Once again donors rallied to respond, and in October 2006 the Java Reconstruction Fund was established with contributions from seven donors totaling approximately \$94 million. As with the MDF, the World Bank served as Trustee of the fund at the request of the government. The model was used effectively to coordinate donors around the government's agenda, proving to be easily adaptable to multiple disasters and institutional structures of the GoI.

One of the most powerful examples of replicability and transfer is the adoption of the CDD approach for housing reconstruction from Aceh to Yogyakarta. The Rekompak project was initially developed under the MDF for community driven housing and settlements reconstruction. When the JRF was established, the local government requested the same approach to be applied. More than \$75 million, or 80 percent of JRF funds, were allocated to Rekompak to build earthquake resistant houses and community infrastructure. Local government, partners and volunteers were quickly mobilized to begin building permanent housing in disaster affected areas in Java. Disaster risk reduction was included in all activities to ensure homes were earthquake-resistant and communities were better prepared to face possible future disasters. The JRF built more than 15,000 earthquake resistant houses in Java.

In addition to the houses and activities supported with JRF grant funds through the Rekompak project, the Government of Indonesia also applied the Rekompak approach more broadly for its overall housing reconstruction program in Java, using the Government's own funds. Through this approach nearly 200,000 houses were rebuilt in Java in less than two years, one of the largest and fastest housing reconstruction experiences globally. The JRF experience has also successfully demonstrated the flexibility of the MDF model, and the Rekompak community-based reconstruction approach, in responding to multiple disasters of earthquakes, tsunamis, landslides, and the volcanic eruptions of Mount Merapi in 2010.



## Chapter 3

# LESSONS LEARNED FROM THE MDF



The overall reconstruction of Aceh and Nias, in which the MDF played a strategic and significant role, is widely acknowledged as a successful model for post-disaster reconstruction. The MDF represents a strategic framework (see Figure 2) that can be replicated or adapted in other post-conflict or post-disaster reconstruction scenarios. The MDF streamlined the government's recovery efforts by coordinating donor resources and harmonizing efforts through a single window for supporting its reconstruction agenda. In fact, the MDF operationalized the 2005 Paris Declaration on Aid Effectiveness, and by so doing, it established strong relationships amongst different levels of government, donors, and other development partners. The program mirrored the government's Master Plan for Rehabilitation and Reconstruction by delivering a phased approach to post-disaster aid to balance speed, quality, and sustainability. Looking back, the MDF could have established baselines on some cross-cutting qualitative dimensions such as gender and capacity needs at the onset. Moving forward, future post-disaster and post-conflict reconstruction programs could use these lessons from the MDF experience, both positive and negative, to better design their interventions in other contexts and situations.

### 3.1 An Organization Structure Based on Partnerships

**The MDF success has shown that a key element in a strong organization for post-disaster reconstruction is partnerships.** Such partnerships necessitate Government leadership in the overall reconstruction strategy. Donors, development partners, and other stakeholders can then support the strategy, especially in framing it and further articulating the agenda.

**Partnerships promote inclusiveness.** An inclusive governance structure that is reflective of and sensitive to interests of all partners builds trust and ownership. Timely, open, and strategic communications with stakeholders form the backbone of broad consultative processes to effectively inform the decision making body.

**Another form of partnership is the use of a mix of partner and implementing agencies to leverage the comparative advantage of each.** The use of each partner's comparative advantages promotes participation of a wide range of stakeholders. This approach at once maximizes and harmonizes reconstruction efforts.

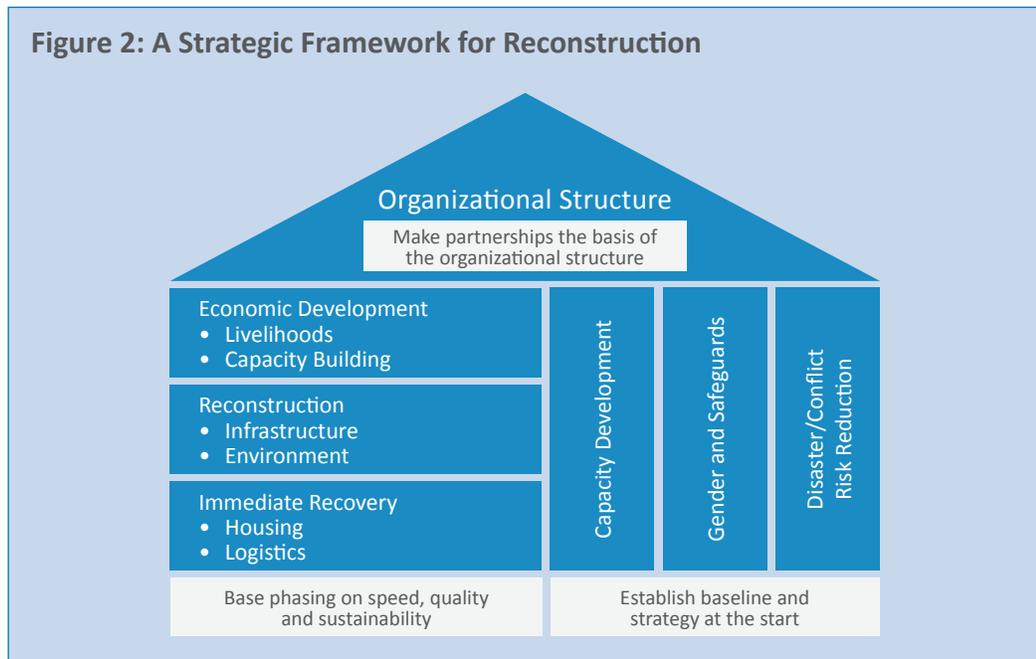
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*MDF Steering Committee members and project and partner agency staff share a traditional Acehnese meal with community leaders at Gampong Baro village, the first pilot site of Rekompak, the MDF's community-based housing project in Aceh.*

*Photo: MDF Secretariat*

## 3.2 A Phased Implementation of Recovery and Reconstruction

A **phased implementation** means that the approach evolves over time in response to **externalities**. It is not possible to address all aspects of a reconstruction effort all at once, especially immediately after a man-made conflict or natural disaster. The immediate recovery phase is driven by speed to quickly restore housing, logistics, and transport links. Temporary housing is quickly erected and access to areas affected is established. During the second or reconstruction phase, there is need for quality and to ensure ownership. As programs transition out of reconstruction into economic development, sustainability becomes the driver in project design. It is therefore important to specify the outcomes at each phase to manage expectations. Often, this strategy is not apparent at the start; however, MDF has shown that the phased implementation contributed to its success in balancing speed, quality, and sustainability.



**By leveraging existing programs/projects at the immediate recovery phase, the MDF was able to bring projects on line relatively quickly.** It is shown that streamlined and emergency focused internal processes are crucial in post-disaster/post-conflict situations. Streamlined processes are then complemented by robust mechanisms for monitoring, evaluation and supervision.

## 3.3 An Early Start on Qualitative Elements

A key lesson from the MDF experience is that it is important to identify cross-cutting elements for reconstruction, and establish baseline and strategy for these at the

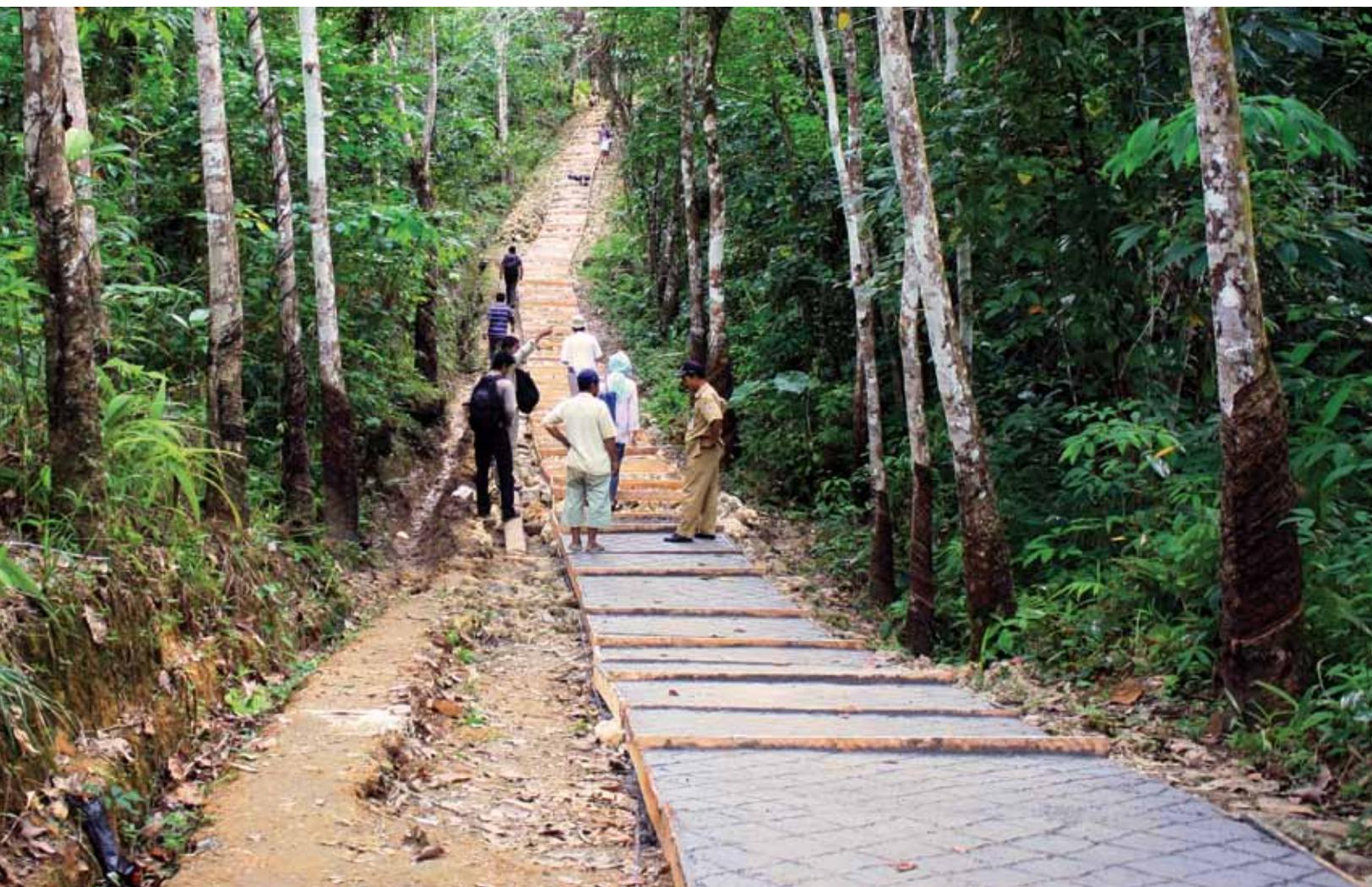
**start.** These cross-cutting elements—capacity development, gender and safeguards conditions, and disaster/conflict risk reduction in the case of MDF—are usually not part of the initial condition assessment through the routine Damage and Loss Assessment (DALA). These cross-cutting issues should be included in all DALA work to provide a basis for project design, even if the initial assessment is a quick one. The MDF experience indicates that cross-cutting elements should span the entire life of a reconstruction program, starting from the beginning and applying to all projects, at all levels of government, with the involvement of all reconstruction stakeholders.

### Summary of Lessons Learned from the MDF for Aceh and Nias

1. Start with a strong organizational structure based on PARTNERSHIPS:
  - Establish strong partnership with Government leading the agenda, supported by others
  - Support the Government’s reconstruction strategy, including providing help in framing/defining the strategy as needed
  - Build an inclusive governance structure reflective of and sensitive to interests of all partners
  - Have a tight decision-making body, with broad consultative processes
  - Use comparative advantages of each partner and at each level, promote participation of a wide range of stakeholders
  - Timely, open and strategic communications with stakeholders is KEY to a successful program
2. Implement reconstruction in PHASES to manage expectations of peace or reconstruction dividends:
  - Phase implementation to be appropriate to evolving context: immediate recovery should focus on need for SPEED, reconstruction on need for QUALITY and OWNERSHIP, and the transition to development on SUSTAINABILITY. It is important to specify the outcomes at each phase to manage expectations
  - Design projects for speed and closure by building on existing programs/projects, choosing projects with short duration
  - Minimize substantial design needs, and design exit strategies
  - Apply streamlined and emergency focused internal approval processes
  - Use robust mechanisms for monitoring, evaluation and supervision with good baselines early
3. Identify CROSS-CUTTING ELEMENTS and establish baseline and strategy for these at the start:
  - Cross-cutting elements need to span program: include them from the start, apply to all projects and apply to all levels of government or reconstruction stakeholders
  - Reflect cross-cutting concerns and assess initial conditions in the Joint Assessment/ Damage and Loss Assessment

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# CONCLUSION



The MDF delivered results to the intended beneficiaries and generated lessons learned. These lessons have been documented in a body of knowledge and shared with a wide range of policy makers and practitioners both nationally and internationally. During its final year the MDF served as a valuable source of knowledge and information for those implementing post-disaster reconstruction and recovery in other settings (see Box). This body of knowledge leaves a legacy of the MDF beyond its mandate.

The MDF model and strategic framework is robust enough to be adjusted for situations where not all factors for success are fully met. The need for government leadership and stakeholder partnerships around a local agenda is critically important, and these partnerships can be fostered if they are weak. A phased approach to reconstruction coupled with strategic selection of projects is a smart way to deliver peace and reconstruction dividends. And enhancing capacity and inclusion of communities and government agencies will ensure that a legacy of resilience and preparedness, born from conflict and disaster, will endure into the future.

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Projects like this paved road supported by the ILO and built by community members in an isolated village in Gido Nias connect remote areas of Aceh and Nias to larger population centers, creating greater economic opportunities. Strategic selection of projects coupled with a phased approach brings more effective results to MDF's works in Aceh.

*Photo: MDF Secretariat*



### Sharing the Experiences of the MDF

The MDF Secretariat produced a series of publications to document and share lessons from Indonesia's experience in implementing two post-disaster reconstruction programs, the MDF and the JRF. These products are meant to be shared with policy makers and practitioners in Indonesia and globally. The products include:

- A book and video documentary on the Rekompak housing reconstruction project, documenting the approach and experience of the community-led housing and settlement reconstruction model in Aceh and Java.
- A series of five working papers and knowledge notes discussing lessons learned from key areas of the MDF's work, including:
  - o The community-driven approach to reconstruction
  - o Reconstruction of large infrastructure
  - o Capacity building in a post-disaster context
  - o Mainstreaming gender in post-disaster programs
  - o The MDF's framework for effective reconstruction.
- A photo book, *The Power of Partnerships*, documenting the MDF's work in Aceh and Nias.

These products are available in both English and Bahasa Indonesia. They are being widely shared with the MDF's partners and will continue to be available after the program closes through the MDF's website ([www.multidonorfund.org](http://www.multidonorfund.org)) and the World Bank's website ([www.worldbank.org](http://www.worldbank.org)).

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# ANNEXES



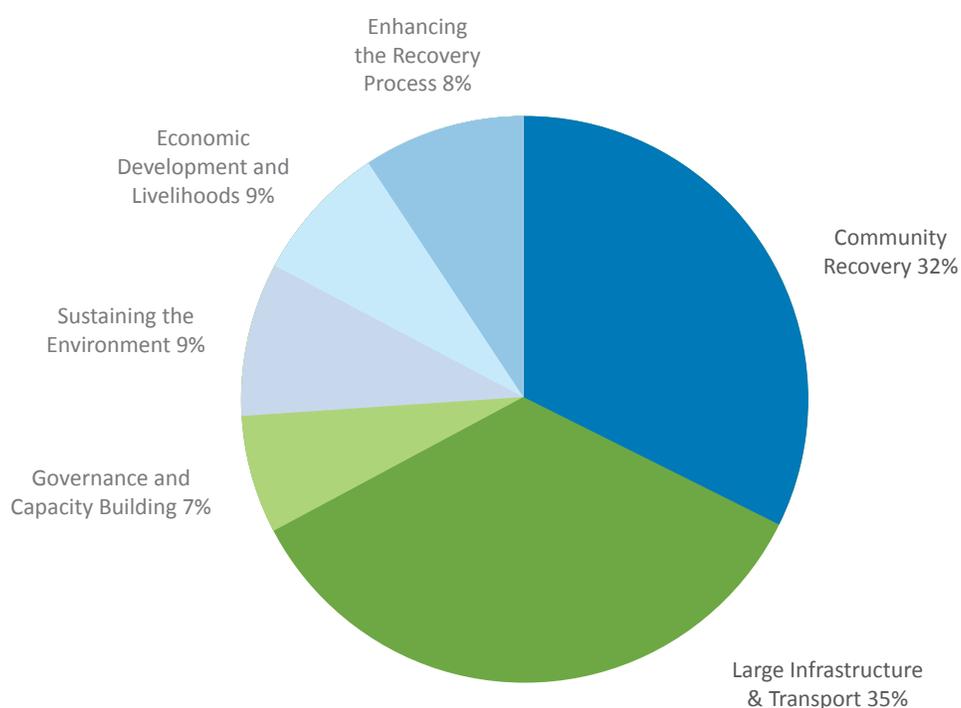
## Annex 1 – MDF Key Achievements

### Overview

MDF Funds supported 23 projects in six outcome areas: community recovery, reconstruction of large infrastructure and transport, strengthening governance, sustaining the environment, enhancing the overall recovery process, and economic development and livelihoods.

Impressive results have been achieved across the portfolio. MDF projects built thousands of homes, repaired and expanded infrastructure, and put in place a foundation for economic growth. The projects improved local governance, brought women into decision-making process, and protected the environment. The MDF pioneered new approaches to disaster response by building effective partnership and tapping into the strengths of communities. The quality of MDF's outputs has generally been high and prospects for sustainability are good. Beneficiary satisfaction with the outputs and outcomes has been high.

### MDF Funds allocation by outcome area



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Local children at the Oyo bridge that connects the villages of Lahagu and Taraha in Nias Selatan. The bridge now provides year-round accessibility to schools, health services and markets.

Photo: ILO Team

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## MDF key results/ achievements by outcome area

1. Community recovery (5 projects totaling US\$202 million)
  - 19,500 houses reconstructed and rehabilitated
  - 3,000 km village roads
  - 1,600 km irrigation and drainage channels
  - 8,200 wells and water supply points
  - 676 schools
  - 511 local government offices or village halls
  - 223,000 land certificates
  
2. Large infrastructure and transportation (7 projects totaling US\$217 million)
  - 572 km national & provincial roads
  - 227 km district roads
  - 5 strategic ports
  - 11 water resources/coastal protection systems
  - 98,000 metric ton reconstruction materials transported
  
3. Strengthening governance and capacity building (3 projects totaling US\$40 million)
  - 142 grants to CSOs
  - 3 MIS systems for reconstruction
  - 4,100 government officers trained
  - 13,000 teachers trained
  - 202 CSOs trained
  - 400 km local roads
  
4. Sustaining the environment (2 projects totaling US\$57 million)
  - 1 provincial/7 district spatial plans
  - 47 agro-forestry nurseries established
  - Community based forest monitoring
  - 233 SMEs created in waste management sector
  - 3 district landfills constructed
  - 1 state of the art regional landfill completed

5. Enhancing the recovery process (4 projects totaling US\$ 56million)

- Enhanced capacity of BRR and Bappenas for coordination of recovery process
- DRR mainstreamed into regular development
- Provincial/local disaster management agencies and local institutions strengthened
- Public awareness and capacity building in DRR increased
- Supported asset transfer process

6. Economic development and livelihoods (2 projects totaling US\$ 58 million)

- 34,000 farmers/fishermen supported
- 13,800 primary produces linked to markets
- 800 producer groups supported and 68 new cooperatives formed
- 5 district-level commodity-based forums for public-private dialogue established

## Aceh and Nias – Before and After



The tsunami and earthquake changed the coastline in many places, such as this shoreline, 64 kilometres south of Banda Aceh along the west coast, pictured before (left) and after (right) the disasters. The tsunami destroyed several villages, killing over 1,000 people in this one area.

*Photos: UNDP*



The national highway connecting Calang with Meulaboh on Aceh's west coast (right) was the last major infrastructure project completed under the MDF. The road included the Kuala Bubon bridge shown in the background, which replaced makeshift ferries (left) as the only option for locals to cross the river.

*Photos: Mosista Pambudi and MDF Secretariat*



*Mesjid* Raya is an iconic symbol of not only Banda Aceh, but the province as a whole. During the tsunami, the Grand Mosque served as a refuge for many residents fleeing the rushing waters. The adjacent park, Taman Sari is shown in the foreground covered with debris (left) and after rehabilitation (right).

*Photos: UNDP*



The village of Lambung, in Banda Aceh, was completely devastated by the tsunami (left). Three years later, survivors had rebuilt their homes and related infrastructure with the help of the Rekompak project.

*Photos: Rekompak team*



The MDF's TRWMP's project cleared over 1.3 million cubic meters of tsunami debris. The photos above show the Governor's Office in Banda Aceh immediately after the tsunami (left) and after debris clearing and reconstruction (right).

*Photos: UNDP*



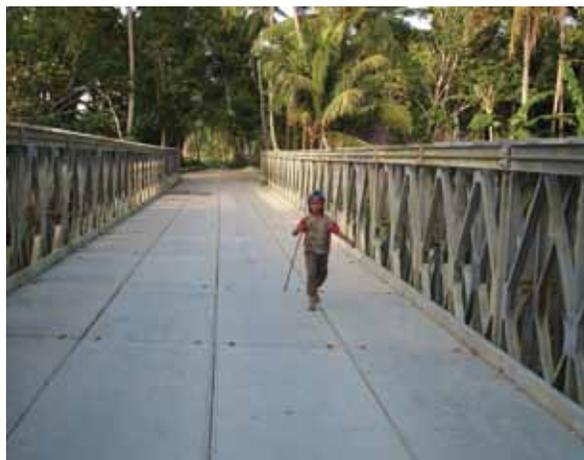
*Mesjid Al Makmur* in Banda Aceh was badly damaged in the quake (left). The TRWMP demolished the damaged structure and today, a new mosque takes its place (right).

*Photos: UNDP*



A district road in Aceh Besar District before (left) and after (right) reconstruction. The IRFF project funded the reconstruction of large infrastructure including roads, ports and coastal protection barriers.

*Photos: Kris Hedi*



River crossings in Nias were often precarious (left) and these conditions were exacerbated by the earthquake in Nias. Under the RACBP almost 2,000 meters of bridges were constructed, providing safe river crossings for many rural inhabitants.

*Photos: RACBP Project*

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## Annex 2 – Ensuring Quality: the MDF Results Framework

### The MDF Goals and Expected Results

The overall goal of the MDF was to efficiently and effectively contribute to the reconstruction of a better Aceh and Nias following the earthquakes and tsunami. In this context, a “better” Aceh and Nias meant not only improving infra-structure in accordance with the Government’s Master Plan, but also adhering to social concerns such as reducing poverty, improving livelihoods, and increasing equity.

The Recovery Assistance Policy of the MDF (RAP) stated that this overall goal was to be accomplished by:

- Pooling donor resources to support a mutually agreed portfolio of projects and programs;
- Working through and within the Government’s Master Plan for recovery;
- Promoting bottom-up and demand-driven development of initiatives that are eligible for financing;
- Partnering with government and non-government agencies;
- Serving as a forum for donor coordination;
- Supporting a policy dialogue between the international community, civil society and the government on progress in the recovery process;
- Having funds flow through the government budget wherever effective, and outside of the budget if the Steering Committee deems this more effective;
- Pursuing gender-sensitive activities;
- Seeking opportunities to support the peace process (conflict sensitivity); and
- Avoiding worsening regional disparities.

In attaining the goal of the MDF as set out in the RAP, the expected results for Aceh and Nias were characterized as being: (i) communities/community infrastructure regenerated; (ii) larger infrastructure repaired; (iii) livelihoods restarted and poverty reduced; (iv) governance rebuilt; and (v) environment sustained.

The MDF placed great importance on ensuring the quality of the implementation of the portfolio across all projects. This was achieved through a multi-pronged approach, encompassing the formulation and use of the MDF Results Framework, the use of a Management information System (MIS) tracking the implementation status of all projects and participating in and facilitating various visits and missions to the field that promote and ensure a first-hand experience of the conditions and workings of the projects in the MDF portfolio.

## The MDF Results Framework

In order for the MDF to determine whether its goal and expected results were met, a comprehensive Logical Results Framework was developed. Determining appropriate macro-indicators, baseline values, and deliverable outputs and outcomes in order to ensure the efficient and effective tracking of results created a challenge due to the complex and diverse nature of projects that made up the MDF portfolio. The complexity of formulating a suitable Logical Results Framework to encompass the expected results in this diverse portfolio was compounded by the use of both on-budget and off-budget funding mechanisms in the portfolio, as well as the role of different Partner Agencies in project supervision and monitoring. These Partner Agencies, as set out in the overarching agreements between the MDF and the Partner Agencies, were not required to report to the MDF in a customized manner, but rather complied with their own internal reporting requirements. This posed a significant challenge to the preparation of the framework for tracking results, and complicated monitoring and reporting.

However, this Framework managed to encompass clear qualitative and quantitative indicators to measure the expected results and also used a standardized format for easy stakeholder review, reference, monitoring and evaluation. It put the policy into a broader context that:

- Focused on verifiable results (immediate deliverables, and longer term effects and impacts).
- Highlighted assumptions and risks.
- In view of the need to periodically modify the policy, permitted a rapid review and examination of it.

The recovery of communities and regenerating of community infrastructure was tracked through various results focusing on the restoration of land ownership, housing and community infrastructure that contribute to improved living conditions. These included the number of land titles registered and distributed, including to women, the number of households resettled in reconstructed or rehabilitated homes, and the number and kind of key village infrastructure completed. Qualitative results such as the satisfaction level of the beneficiaries relating to the planning processes and the end products (e.g. houses), and the average participation rates for women in community planning and representation rates of women in project-related elected bodies were also measured.

In the monitoring of the recovery of large infrastructure, the quality of the rehabilitation, reconstruction and maintenance of key primary and secondary infrastructure were measured through both qualitative and quantitative indicators. The completion of designs and infrastructure components were measured in relation to the priorities of the GoI planning documents, and the number and volume of investments approved in a participatory process with local government and/or community representation. Completion against quality specifications of technical designs and maintenance requirements was also measured, as well as the amount of reconstruction materials transported. The satisfaction rate of users was also a key indicator for measuring success.

In measuring the improved quality of governance and public services, the percentages of sub-projects (in value and in number) that were managed by local governments, as well as proportion of projects administered by the local governments that apply appropriate practices during project design and implementation were considered. Measures to capture the numbers of local government officers and CSO members and village teachers trained (male/female) were used, and indicators for health centers completed, primary schools rehabilitated and local government facilities restored were tracked. The number and value of grants disbursed compared to targets (to district governments, NGOs/CBOs) was measured. Qualitative results indicators included the satisfaction level of beneficiaries with education and health services provided.

The monitoring of the sustainability of the environment in the reconstruction process was measured against the implementation of environmental safeguards by the projects, as well as the increased access to effective waste management systems by communities and the clearance of tsunami waste. Measures included the number of households that were able to take up their economic activities on agricultural land cleared from tsunami waste, and the hectares of agricultural, public and privately owned land that were cleared from tsunami waste. Local level agreements and legislation regarding forest management and conservation was measured, as well as spatial planning with environmental and conservation inputs; forest cover and replanting, and training of community monitors and forest guards was monitored. Use of interim landfills and completion of new landfills was also monitored.

In tracking the effectiveness and efficiency of the recovery process, the Results Framework measured the enhanced capacities of the BRR in strategic planning, policy development, implementation and quality monitoring. The number of complaints received through MDF-supported transparency systems (number and percentage of alleged cases of corruption) and percentage of complaints/ corruption cases resolved was tracked, as well as the use by NGOs of the NGO-administered pre-qualification database. The allocation and supervision of projects and volume of grants given was also an important indicator for this cluster.

The recovery of livelihoods and economic development was measured through business constraints that were successfully alleviated and the improved ability of local government to identify, develop and support livelihood opportunities. The number and value of sub-projects selected and managed and the number of local government staff trained in key project management and technical skills was measures, as well as employment generated in key production sectors. The number of recipients of micro-credits (individuals/groups/women's groups) and scholarships, and the volume of micro-credits provided along with the percentage of non-performing loans were key indicators. Recipients and value of small grants for recovery of livelihood activities, including to women were tracked. In the area of employment generation, the number, type, and dimensions of pilot activities to create sustainable employment and number of persons employed on average were measured for impact.

The logical framework was periodically revisited and updated to assure correspondence with the MDF's dynamic portfolio. Projects in the MDF portfolio all had individual results frameworks or equivalent tracking systems based on the partner agency models and requirements. This framework was a requirement for approval of funding.



Rice farmers harvesting in Jeuram, Nagan Raya District. The Canadian Co-operative Association worked with local co-ops to improve the technical and business skills of local farmers, with grant funds from the EDFP project.

*Photo:  
Mosista  
Pambudi*

## Challenges and Complementary Approaches

The MDF placed great emphasis on ensuring the quality of its reconstruction activities. Managing a large trust fund requires greater effort in ensuring quality of individual projects. A single project trust-fund would only require a results framework that focuses on one specific area. In the case of the MDF determining appropriate macro indicators, baseline values and deliverable outputs and outcomes for tracking of results was challenging due to the complex and diverse nature of projects that made up the MDF portfolio.

To enhance monitoring, other approaches were also adopted such as project reports, supervision missions, donor-funded missions, independent reviews (social, environment and portfolio level), and managing feedback from beneficiaries, etc. As part of the monitoring activities of the MDF to ensure quality in the portfolio, the MDF Secretariat provided regular reports to the Steering Committee and the public on the status and progress of the projects and portfolio. These evaluations, reviews, site visits and supervision missions all contributed to the capture of results and adjustments to the projects to ensure high quality delivery of the portfolio.

## Annex 3 – Governance and Structure of the MDF: Roles and Responsibilities

The Multi Donor Fund was established to operate in accordance with fundamental principles of good governance as follows:

- In close partnership among key agencies;
- The separation of responsibilities for allocation, fiduciary and administrative functions of the MDF; and
- Full transparency and openness in MDF processes.

Based on these principles, the MDF was set up with the following governance and structure<sup>1</sup>:

### The Steering Committee

The MDF was governed by a Steering Committee, which was supported by the Secretariat established by the Bank. Each Steering Committee member played a role similar to, but somewhat more limited than, a corporate board member. A Steering Committee Member evaluates project proposals and endorses them to a Partner Agency which is then responsible for appraising, approving and supervising the project's design, objectives and implementation.

Steering Committee members include representatives of the National Government (initially BRR and later Bappenas), the Provincial Governments of Aceh and North Sumatra, each contributor (with more than \$10 million equivalent in contribution), and civil society. The United Nations Resident Coordinator and a representative of international NGOs were non-voting members. Other donors involved in Aceh reconstruction were also represented on the Steering Committee as observers.

The Steering Committee members were responsible for: (i) setting overall priorities and providing strategic guidance to the MDF; (ii) reviewing progress of the MDF operations and ensuring proper reporting to all Contributors; (iii) ensuring coherence and collaboration between the MDF and the Government's priority program; and (iv) endorsing the project and program activities to be supported under the MDF, along with the corresponding proposals for grants to finance such project and program activities. The Steering Committee, through its endorsement and review function, exercised oversight of the grants that it endorsed.

The Government (national and provincial), the Bank as Trustee, and the European Commission, as the largest donor, were the co-chairs of the Steering Committee. The co-chairs had complementary but different responsibilities, based on their comparative advantages. All were responsible for helping to ensure the efficient and consensual working of the Steering Committee and effective implementation of the MDF.

The Government of Indonesia as co-chairs, had responsibility for: (i) ensuring that the Government's voice—central, provincial and local—is reflected coherently; (ii) ensuring that project concepts were consistent with the Government's Reconstruction Program, with adequate support from relevant agencies; and (iii) resolving disagreements among government agencies on implementation responsibilities and issues on funds flows.

The Provincial Government as co-chair had the additional responsibility for: (i) ensuring that programs are followed up effectively by the relevant agencies; (ii) oversight of all implementing units to ensure sustained projects implementation; and (iii) coordinating closely to synchronize the sustainability of reconstruction with central and local governments along with other related stakeholders.

As tasked by the donor members of the Steering Committee, the largest single contributor as co-chair was responsible for: (i) engaging with other members of the Steering Committee, especially other contributors, to ensure that a consensual and constructive spirit is maintained; (ii) liaising with large bilateral and multi-lateral donors to help ensure that their programs are complementary to those of the MDF; and (iii) coordinating the Steering Committee's policy dialogue with the Government on special issues and concerns on behalf of the contributors.

The Bank as co-chair was responsible for (i) ensuring effective relations and communications with the Government; (ii) ensuring that concerns of contributors and observers to the Steering Committee are reflected coherently in Steering Committee meetings; (iii) preparing agendas in consultation with the Secretariat; (iv) oversight of the Secretariat, with the purpose of ensuring a strong pipeline of well-prepared proposals, well-recorded meetings, agendas and minutes, and adherence to operational guidelines; and (v) identifying and inviting key external participants to take part in meetings.

## The Trustee

The World Bank was approved to serve as Trustee of the MDF, with responsibility to manage, invest and administer the MDF funds. In the World Bank context, trust funds are financial and administrative arrangements between the World Bank and donors under which donors entrust funds to the World Bank to finance specific or programmatic development-related activities.

The key responsibilities of the World Bank as Trustee were to (i) establish and manage the Secretariat (see later) to manage the day-to-day operations of the MDF; and (ii) establish and maintain separate records and ledger accounts to identify the contributions to MDF, the commitments to be financed out of MDF and the receipts and disbursements of MDF resources for project and program activities. The Trustee is also responsible for receiving, holding, investing and disbursing funds to Partner Agencies (see later) and grant recipients. The Bank as Trustee was also responsible for executing legal agreements, and for financial reporting and audits.

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## The Technical Review Group

The Steering Committee was assisted in their oversight function by the Technical Review Group (TRG), which carried out any duty delegated to it by the Steering Committee. The TRG was composed of officially nominated representatives of the members and official observers of the Steering Committee. Its functions included review of proposals, the Quarterly Financial Reports and the semi-annual MDF portfolio reports prepared by the Secretariat, the progress reports submitted by the individual projects, as well other related documentation such as project inception reports, project mid-term evaluations and project completion reports. The TRG provided guidance on Monitoring and Evaluation related matters to the Secretariat, and with its assistance highlighted issues in project and program performance to the Steering Committee.

## The Secretariat

The Steering Committee was supported by a Secretariat which coordinated the day to day operations of the MDF. The World Bank, as Trustee, managed the Secretariat. The key responsibilities of the Secretariat were to: (i) prior to each meeting of the Steering Committee, prepare reports and make recommendations, as appropriate, for endorsement by Steering Committee; (ii) prepare a semi-annual consolidated report on activities funded by the MDF; (iii) review all reports submitted on the activities of the MDF prior to their submission to the Steering Committee; (iv) answer all queries related to the MDF; (v) handle logistical arrangements for meetings of the Steering Committee and the TRG, and prepare minutes of the meetings; (vi) disseminate information to Contributors; (vii) ensuring timely reporting of all MDF operations by the designated partner agencies to the Steering Committee and the public; and (viii) monitoring and evaluation of the MDF program according to a logical framework and reporting against that logframe.

## Partner Agencies

The World Bank, the United Nations Development Programme (UNDP), the World Food Program (WFP) and the International Labour Organization (ILO) were endorsed by the GOI and the Steering Committee as partner agencies to be responsible for the appraisal, supervision, and monitoring and evaluation of MDF projects, and for the administration of grants from the MDF. In each case, the partner agency's own fiduciary framework and governance arrangements, policies and procedures, including audits, safeguards, and procurement procedures, were applicable.

The partner agency generally enters into a grant agreement with a recipient to implement the project under the supervision of the partner agency. Grant recipients could be the government or non-governmental organizations. Each grant was approved and administered in accordance with the applicable guidelines of the partner agency, with due regard to appropriate standards of transparency, accountability and good governance, and the need to combat corruption and illegal practices in the management of grant funds.

The World Bank as Trustee acted as a Fiscal Agent when another entity was designated as the partner agency for a project endorsed by the Steering Committee, and the Bank had a limited role. The Fiscal Agent is responsible for entering into a fiscal agency agreement with the partner agency, transferring MDF funds in the amount endorsed by the Steering Committee to the partner agency, and ensuring reporting by the partner agency to the Steering Committee. The Partner Agency was itself responsible for the appraisal, implementation supervision, monitoring and evaluation of the project according to its own rules and regulations.

## Implementing Agencies

Projects and programs for which funding is channeled through the government's budget were implemented by a Government Line Agency or its designated Implementing Agency such as an NGO, and where requested by the GoI, by a UN agency. This was referred to as "on-budget" modality. Projects and programs for which funding is not channeled through Government's budget were implemented by entities other than Government line agencies such as Partner Agencies (UNDP and WFP), UN agencies and NGOs. This was referred to as "off-budget" modality. In general, the MDF operated on a policy of financing projects under APBN (State Budget of Revenues and Expenditures), and the majority of MDF funds was channeled through the government's budget channel.

# Annex 4 – MDF Timeline



2004



2007



2005



2005



2008

## 2004

## 2005

## 2006

## 2007

### December:

- Massive earthquake off the coast of Aceh triggers Asian tsunami. President Susilo Bambang Yudhoyono declares a national disaster.

### January:

- Government of Indonesia requests establishment of a multidonor trust fund.

### March:

- Earthquake in Nias islands and parts of Aceh causing further widespread damage.

### April:

- MDF established.
- BRR established.

### May:

- 1<sup>st</sup> MDF Steering Committee meeting.

### June:

- RALAS project starts.
- 2<sup>nd</sup> MDF Steering Committee meeting.
- 3<sup>rd</sup> MDF Steering Committee meeting.

### July:

- TA to BRR and Bappenas project starts.
- 4<sup>th</sup> MDF Steering Committee meeting.

### August:

- KDP and UPP projects start.
- 5<sup>th</sup> MDF Steering Committee meeting.
- Peace agreement ends Aceh conflict.

### October:

- Rekompak project starts.
- 6<sup>th</sup> MDF Steering Committee meeting.

### December:

- TRPRP and CSO projects start.
- 7<sup>th</sup> MDF Steering Committee meeting.

### February:

- SDLP project starts.
- 8<sup>th</sup> MDF Steering Committee meeting.

### March:

- CBLR3 project starts.
- 9<sup>th</sup> MDF Steering Committee meeting.

### April:

- IREP project starts.

### June:

- 10<sup>th</sup> MDF Steering Committee meeting.

### September:

- AFEP and BAFMP projects start.
- 11<sup>th</sup> MDF Steering Committee meeting.

### October:

- LCRMP project starts.

### November:

- KRRP project starts.

### February:

- SPADA project starts.
- 12<sup>th</sup> MDF Steering Committee meeting.

### March:

- IRFF project starts.

### July:

- 13<sup>th</sup> MDF Steering Committee meeting.

### September:

- 14<sup>th</sup> MDF Steering Committee meeting.

### December:

- LCRMP and TRPRP projects close.
- 15<sup>th</sup> MDF Steering Committee meeting.
- 16<sup>th</sup> MDF Steering Committee meeting.



2009



2011



2010



2012

## 2008

- July:**
  - AGTP project starts.
  - MDF closing date extended to December 2012.
- September:**
  - 17<sup>th</sup> MDF Steering Committee meeting.
- November:**
  - DRR-A project starts.
- December:**
  - 18<sup>th</sup> MDF Steering Committee meeting.

## 2009

- March:**
  - EDFF project starts.
- April:**
  - NITP project starts.
  - 19<sup>th</sup> MDF Steering Committee meeting.
  - BRR closes.
- June:**
  - RALAS project closes.
- October:**
  - RACBP project starts.
- November:**
  - 20<sup>th</sup> MDF Steering Committee meeting.
- December:**
  - BAFMP, KDP, and UPP projects close.

## 2010

- April:**
  - Rekompak project closes.
- May:**
  - CSO project closes.
- September:**
  - 21<sup>st</sup> MDF Steering Committee meeting.
- October:**
  - LEDP project starts.

## 2011

- March:**
  - 22<sup>nd</sup> MDF Steering Committee meeting.
- June:**
  - KRRP project closes.
- December:**
  - IREP, IRFF, and SPADA close.

## 2012

- May:**
  - DRR-A project closes.
- June:**
  - 23<sup>rd</sup> MDF Steering Committee meeting.
  - AGTP, NITP, and SDLP projects close.
- November:**
  - International conference marks closing of the MDF and JRF.
  - EDFF and CBLR3 projects close.
- December:**
  - IRFF-AF, TRWMP, RACBP, TA to BRR and Bappenas, AFEP, and LEDP projects close.
  - MDF program closes on December 31.

## ACRONYMS & ABBREVIATIONS

ADB	Asian Development Bank
AFEP	Aceh Forest and Environment Project
AGTP	Aceh Government Transformation Programme
ANUE	Australian National University Enterprise Pty. Limited
AusAID	Australian Agency for International Development
BAMFP	Banda Aceh Flood Mitigation Project
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i> (Regional Development Planning Agency)
Bappenas	<i>Badan Perencanaan Pembangunan Nasional</i> (National Development Planning Agency)
BPBA	<i>Badan Penanggulangan Bencana Aceh</i> (Aceh Disaster Alleviation Agency)
BPBD	<i>Badan Penanggulangan Bencana Daerah</i> (Regional Disaster Alleviation Agency)
BRR	<i>Badan Rekonstruksi dan Rehabilitasi</i> NAD-Nias (Agency for the Aceh-Nias Reconstruction and Rehabilitation Board)
CB	Capacity Building
CBLR3	Capacity Building for Local Resource-based Rural Roads Project
CBO	Community Based Organization
CD	Capacity Development
CIDA	Canadian International Development Agency
CSO (project)	Support to Strengthen the Capacity and Role of Civil Society Organizations in the Recovery of Communities in Aceh and Nias
CSO	Civil Society Organisation
DIPA	<i>Daftar Isian Pelaksanaan Anggaran</i> (State Budget Execution Document)
DRR	Disaster Risk Reduction
DRR-A	Making Aceh Safer through Disaster Risk Reduction in Development Project
EDFF	Economic Development Financing Facility
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH</i> (German International Assistance Agency, formerly GTZ)
GoA	Government of Aceh
Gol	Government of Indonesia
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit GmbH</i> (German Technical Assistance Agency)
IREP	Infrastructure Reconstruction Enabling Program
IRFF	Infrastructure Reconstruction Financing Facility
ILO	International Labour Organization

KDP	Kecamatan Development Project
KRRP	Nias <i>Kecamatan</i> -based Reconstruction and Rehabilitation Planning Project
LEDP	Nias Livelihoods and Economic Development Program
MDF	Multi Donor Fund for Aceh and Nias
MoA	Memorandum of Agreement
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoU	Memorandum of Understanding
MTR	Mid Term Review
M&E	Monitoring and Evaluation
NAD	Nanggroe Aceh Darussalam
NGO	Non-Governmental Organization
NITP	Nias Islands Transition Programme
PAD	Project Appraisal Document
PK2-APBA	<i>Pengendalian dan Percepatan Kegiatan Anggaran Pendapatan dan Belanja Aceh</i>
PMU	Project Management Unit
ProDoc	Project Document
RACBP	Nias Rural Access and Capacity Building Project
Rekompak	<i>Rehabilitasi dan Rekonstruksi Masyarakat dan Permukiman Berbasis Komunitas</i>
RPJMD	<i>Rencana Pembangunan Jangka Menengah Daerah</i> (Regional Medium Term Development Plan)
SDLP	Sea Delivery and Logistics Programme
SPADA	Support for Poor and Disadvantaged Areas Project
TA	Technical Assistance
TA-BRR/R2C3	Technical Assistance for BRR and Bappenas/ Rehabilitation and Reconstruction Completion and Continued Coordination
TDMRC	Tsunami and Disaster Mitigation Research Centre
TOR	Terms of Reference
TRPRP	Tsunami Recovery Ports Redevelopment Program
TRWMP	Tsunami Recovery Waste Management Programme
UNDP	United Nations Development Programme
UPP	Urban Poverty Program UPP
USAID	United States Agency for International Development
WFP	World Food Programme



**THE WORLD BANK**



Published by:

**MDF-JRF Secretariat**

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**December 2012**

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