

RELEASE IN FULL

Lessons from the Aceh and Nias Multi-Donor Trust Fund

1. The Government of Indonesia (GOI) responded to the Tsunami by issuing a series of government decrees, and immediately organized both overview and relief efforts to ensure a rational and coordinated response. The first task was to produce a Damage and Loss Assessment (DLA). The DLA was followed by a more detailed Master Plan for Rehabilitation and Reconstruction (MPRR). The MPRR provided in-depth sector plans, spatial planning, the governance and supervision arrangements of finances with considerable attention to how to avoid or minimize corruption. The process behind the MPRR was consultative, with a wide range of local stakeholders and public offices being heard. The MPRR was presented on 26 March, only 3 months after the Tsunami.
2. The MPRR was to form the basis for a general three-stage strategy. The *Relief phase* was originally set to six months, but was then reduced to three: January- March 2005. The *Rehabilitation phase* is to run for about 21 months, through December 2006, and the *Reconstruction phase* from July 2006 through December 2009. The MPRR provides a well defined phasing of interventions.
3. The objectives for the Relief efforts were *humanitarian relief*: rescue; food and medicine; emergency infrastructure and temporary shelter; and burying the dead. The Rehabilitation phase is to *restore services to minimum level*: public services; economic facilities; banking and financial institutions; trauma treatments; secure land rights; law and order; and temporary shelter. Finally, Reconstruction is to *rebuild the region*: rebuilding the economy (production, trade and banking); the transportation, telecommunications, and social and cultural systems; improving institutional capacity; and housing.
4. The Government set up a ministerial-level agency to manage the MPRR program from Aceh itself, the Rehabilitation and Reconstruction Agency for Aceh and Nias. The BRR was formally established end April 2005 and became operational early May. The World Bank Board on 30 March 2005 formally established the Multi-Donor Trust Fund (MDF) with a Steering Committee comprised of BRR, GOI, donors and civil society. Having a credible local coordinators was key to success.
5. The EC channels nearly 93% of its funds through the MDF, while only 2.5% of USD 400 million from the US goes to the MDF. While payments into the fund were slow, disbursements out of it were to begin with even slower. By October 2005, project agreements for about USD 200 million had been signed, but only USD 3 million had

actually been disbursed. Disbursements picked up the pace thereafter. The delay was caused by two principal impediments: first, donors were quick to pledge funds, but getting all the exact written agreements in place took time. This points to the need for donors to be flexible regarding formal agreements, and accept simple, generic paragraphs that can contribute to speedy resolution of slightly differing phrasings and concerns. Second, the processing time for project approval and implementation was a concern. Since the MDF was to have funded projects on-budget, they had to be implemented by government institutions. This created bottlenecks.

6. Smaller donors joined because they wished to support the reconstruction efforts in Aceh but do not have own capacity and often not strong views on how best to pursue this. They want the Bank to assume fiduciary responsibilities for the funds in a high-risk environment, and also to take a lead in ensuring that the funds go to prioritized activities. The MDF is thus seen as a well-managed bank account with some paid-for administrative services. However, the all-inclusive Steering Committee made membership large and to some extent unwieldy, and forced it to discuss both policy and operational issues.
7. The Multi Donor Fund Secretariat has developed an Outreach Strategy that includes regular radio talk shows, field visits to meet and discuss with beneficiaries and communication through advertisements as well as a telephone hotline.
8. MDF received praise for engaging the Government of Indonesia (GOI) in policy dialogue. The MDF is thus an entry point for engaging on conditions for sustainability, relevance and impact.
9. Because the MDF does not accept strict ear marking of donor contributions – though it does allow for preference indications – it means that the funds are freely available for programming according to the criteria and priorities that the MDF agrees to. Given strong GOI participation, the MDF is seen as the most successful instrument for harmonization and coordination in an environment that has been criticized for a lack of coordination. The MDF's Mid Term Review conducted in 2008-2009 found that the MDF had made a positive contribution to harmonizing donor efforts and to increasing the effectiveness and efficiency of the reconstruction effort.
10. The MDF did not sufficiently engage the private sector and did not have a coherent job creation strategy. The MDF lacked executive rights, but GOI and BRR are credited with leveraging a decisive response.