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MULTI DONOR FUND FOR ACEH AND NIAS

Investing in Institutions : Sustaining Reconstruction and Economic Recovery

Four Years
After the Tsunami

PROGRESS REPORT V DECEMBER 2008



Winners of the 2008 Multi Donor Fund Photo Competition



Forest Monitoring

FFI's community-based monitoring team investigates a fire starting point and traces of the suspect in Blang Raweu Savannah. This savannah is part of the Ulumasen Ecosystem, often burned by irresponsible deer hunters. MDF has funded training of forest guards and conservation/forestry officers since 2006.

(Foto: Mahdi bmail - FFI)



Bridge building in Aceh Besar

A number of workers repair the hooks for a bridge between Banda Aceh-Calang. MDF financed maintenance of the 103 km stretch of road between Lamno-Calang to ensure uninterrupted overland access.

(Foto: bra Safril)



Packing Recyclables

This trash collector was trained to recognize quality and types of plastic. He works very hard to pack the recyclable litter for re-selling. This project is a cooperation between Palapa Plastic Recycle and Austcare, one of the implementers of the MDF-funded UNDP Waste Management Programme. The program provides daily income for close to 700 people.

(Foto: Herlina Sjaitudin)



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Printed in 2008

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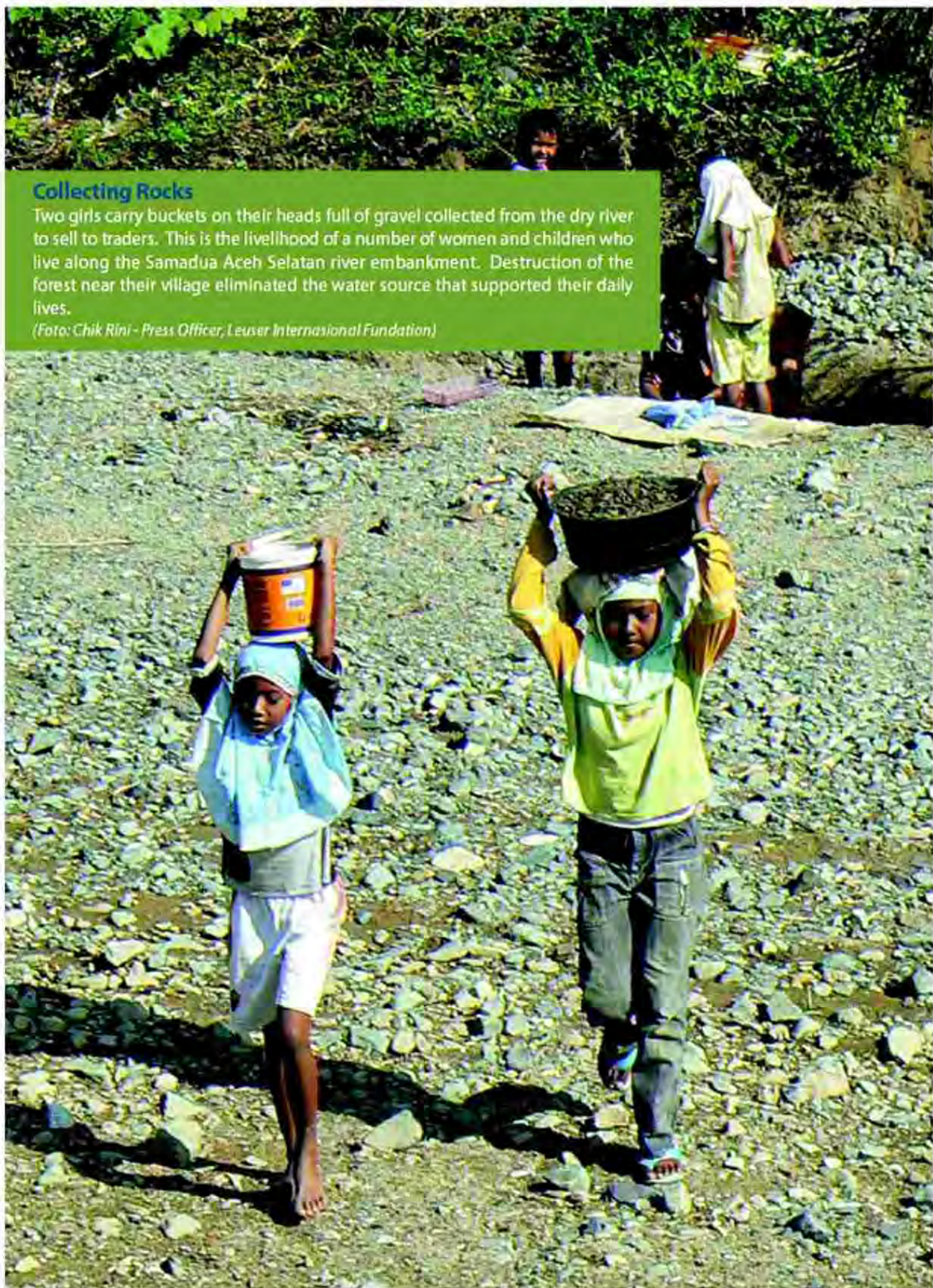


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Collecting Rocks

Two girls carry buckets on their heads full of gravel collected from the dry river to sell to traders. This is the livelihood of a number of women and children who live along the Samadua Aceh Selatan river embankment. Destruction of the forest near their village eliminated the water source that supported their daily lives.

(Foto: Chik Rini - Press Officer, Leuser Internasional Foundation)

MESSAGE FROM THE CO-CHAIRS

The Multi Donor Fund was set up in response to the Government of Indonesia's request for coordination following the tsunami and earthquake disasters. BRR was founded to coordinate the US \$ 7 billion reconstruction effort of the Government of Indonesia. Having delivered on its mandate across sectors in line with the Master Plan for reconstruction, BRR is closing in April 2009. A strong partnership has been forged between BRR and the MDF, based on mutual respect, common goals and an understanding of the complexity of the reconstruction environment. This partnership has in itself been a strategic asset to the reconstruction and rehabilitation of Aceh and Nias. With BRR at the helm of the MDF, it led the course in outlining priorities for strategic and effective utilization of MDF funds to fill critical needs and gaps.

With BRR closing, the transition strategy has been outlined, and now fulfilling this strategy is the task that lies ahead for us. The Co-Chairs of the Multi Donor Fund for Aceh and Nias are pleased to note that a strategy has been developed for BRR to transfer reconstruction assets and projects to local governments and relevant agencies. The Multi Donor Fund provides assistance to both BRR and the Government of Aceh and North Sumatra to ensure a smooth transition of these assets, and to strengthen institutions to continue the sustained development of the region. This reflects the continued partnership needed for effective implementation of programs to ensure long-term impact.

The achievements of the MDF show strong commitment to the reconstruction process and beyond. Four years after the destructive tsunami and earthquake hit Aceh and Nias, the results on the ground show that the recovery of communities, especially housing, is close to completion and that large scale infrastructure needs are being fulfilled. Now it is time to focus on the recovery of livelihoods.

The Multi Donor Fund has extended its operation to 2012, and thus will continue to foster ongoing success of the rehabilitation and reconstruction efforts in the region. The Multi Donor Fund will forge strong ties with new partners as it presses forward in its mission to improve the lives of the people of Aceh and Nias.

Dr. Kuntoro Mangkusubroto
BRR

Ir. Irwandi Yusuf
Governor NAD

Joachim von Amsberg
World Bank

Pierre Philippe
European Commission

SPECIAL MESSAGE FROM BRR

I would like to thank the Multi Donor Fund and its members for their significant contribution to the rehabilitation and reconstruction of Aceh and Nias over a period that now spans almost four years. The MDF's contribution has been strategic, financial and technical.

At the strategic level, the support of the international community working together through a single mechanism such as the MDF has been highly beneficial. It has provided us with a common platform to coordinate our response to a range of high-level policy and program initiatives.

At the financial level, pooling donor funds through the MDF opened the way for us to tackle a number of large-scale projects and put in place some critical strategic enablers that would not otherwise have been possible. The enablers have been of particular strategic importance in underpinning program delivery for all our recovery partners.

At the technical level, the MDF helped us gain access to additional national and international expertise that enhanced our capacity to deliver results at a higher standard than would otherwise have been possible. The value of this contribution has been significant.

More generally, the MDF partnership has also helped harmonise contributions among donors and between donors and my Government. This has not been easy, just essential. We have all gained from it.

The one challenge the MDF has yet to master lies in balancing speed and responsiveness with procedural accountability. The latter generally wins over the former and difficulties are likely to persist until a better formula can be found.

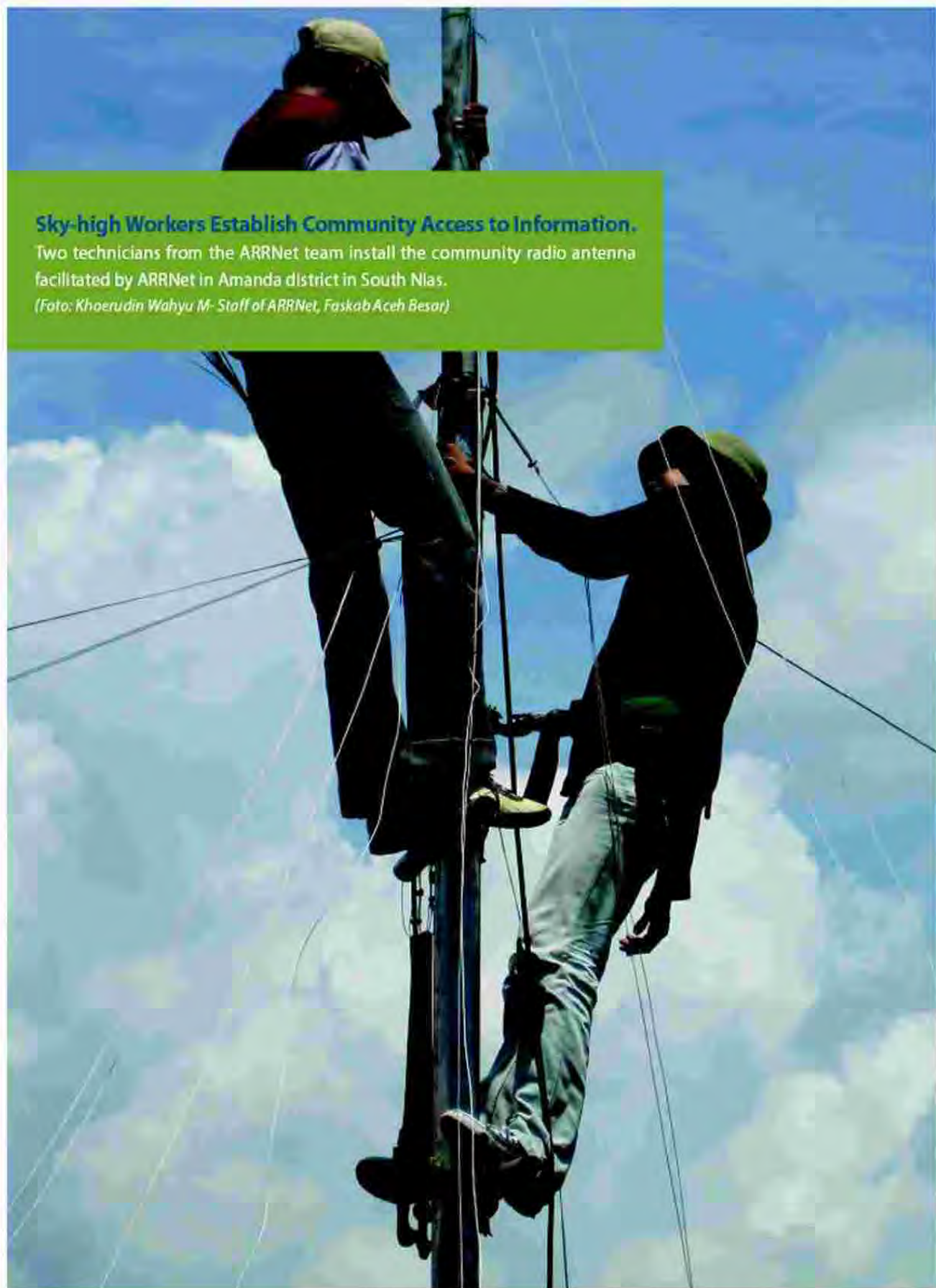
As BRR hands its MDF co-chair role to BAPPENAS and prepares to exit in April 2009, I would encourage local governments in Aceh and Nias to continue engaging with the MDF and its support team. The international community's continued engagement is critical to the sustained success of the recovery program.

Sincerely

Aceh Nias Rehabilitation and Reconstruction Executing Agency (BRR)

Dr. Kuntoro Mangkusubroto
Director





Sky-high Workers Establish Community Access to Information.

Two technicians from the ARRNet team install the community radio antenna facilitated by ARRNet in Amanda district in South Nias.

(Foto: Khoerudin Wahyu M- Staff of ARRNet, Faskab Aceh Besar)

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Clearing the Paddy Fields

UNDP field staff help the community measure land after clearance to determine boundaries. Through the MDF- TRWMP, UNDP is working on the clearance of 3,000 hectares of paddy fields from deposit of debris and sediment brought by the tsunami in Aceh. This program helps community livelihoods in the agriculture sector.

(Foto: Faisal Ridwan)



EXECUTIVE SUMMARY

The Multi Donor Trust Fund for Aceh and Nias (MDF) was established by a group of international donors in response to the Government of Indonesia's request for coordination and support for the reconstruction and rehabilitation in Aceh and Nias following the tsunami and earthquake disaster in late 2004 and early 2005. The MDF has approximately US \$ 692 million in funds from 15 different multilateral and bilateral donors.

Operational Goals of the Multi Donor Fund

The Multi Donor Fund supports the Government of Indonesia's Master Plan in the rehabilitation and reconstruction process. The MDF has been supported by its Government counterpart, the special Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR). The MDF's Recovery Assistance Policy serves as a framework for MDF operations, and the Secretariat coordinates and reports on operational performance of the portfolio. The MDF's approval process ensures that its portfolio is aligned with the Government's priorities for the reconstruction.

The BRR has delivered on its mandate and will close in 2009. The closure of BRR affects the operation of the Multi Donor Fund at various levels. This includes governance arrangements relating to representation at Co-chair and Steering Committee levels, and implementation arrangements for the six projects that will continue beyond the closing date of the BRR. The MDF is providing support to both the BRR and local governments in preparation to handing over of reconstructed assets and projects to relevant agencies.

As the reconstruction process progresses, priorities have shifted from emergency reconstruction to ensuring the sustainability of reconstruction investments and promoting economic development. In order to ensure sustainability, the MDF has prioritized its efforts in two areas during 2008: (1) supporting the transition from BRR to local governments, and (2) enhancing the long-term economic development of Aceh and Nias.

The Multi Donor Fund has been extended to December 2012 to ensure implementation continues to meet critical needs of the reconstruction. The extension allows the Multi Donor fund to ensure that the recovery is institutionally, financially and socially sustainable and continue to play a critical, multi-faceted role in the recovery of Aceh and Nias.

Effective Communication and Coordination

The Multi Donor Fund plays a coordination role with key entities at various levels. During the past year it has facilitated a process for both provincial government and BRR to outline priority sectors in order to program remaining funds in line with the new revised Government Master Plan for the reconstruction of Aceh and Nias. The sectors put forward for additional funding were infrastructure and economic development, with a strong emphasis on capacity building activities.

The Multi Donor Fund promotes the involvement of various stakeholder in the reconstruction process. Through tools such as policy dialogues and integrated media outreach, communication on MDF activities promotes broader public awareness of the reconstruction needs and efforts. Managing feedback through complaints handling and an Anti Corruption Action Plan (ACAP) also contributes to the quality of the portfolio.

Portfolio Achievements

At the end of September 2008, the Multi Donor Fund has 18 projects in full implementation or complete across five sectors, and a further four projects expected to start up in the near future.

The performance of the Multi Donor Fund has been strong in the community recovery sector. This was an early priority of the Multi Donor Fund, in which 43% of funds have been allocated to community recovery projects. The community based approach has empowered communities to take on more responsibility, and this is expected to extend into other areas of reconstruction activities as well as future activities undertaken within the communities after Multi Donor Fund operations cease. The Government of Indonesia successfully adopted this model, delivering more than 200,000 house in its post-disaster response in Central Java and Yogyakarta.

The MDF also made a strong commitment to filling the gaps in restoring vital infrastructure destroyed or damaged by the earthquake and tsunami. Thirty-four percent of the MDF portfolio is allocated to large infrastructure projects. The MDF's commitment is not only to construction of infrastructure, but also to ensuring the

quality of infrastructure projects through support for strategic planning, project design, implementation and supervision, and to building capacity within local governments to operate and maintain the assets in the future after the departure of BRR. Thus institution and governance strengthening efforts within the MDF portfolio directly link to its infrastructure sector by enhancing the sustainability of investments.

Supporting good governance to ensure quality of reconstruction and delivery of public services has been a key focus. The Multi Donor Fund has allocated US \$ 62 million to support the strengthening of governance. Targeted support is being provided to strengthen local government institutions in various sectors to ensure smooth transition of on-going reconstruction projects and assets from BRR to relevant government agencies. Participatory processes and accountability have been promoted in the Multi Donor Fund's projects, especially in the Community Recovery sector. The Civil Society strengthening project promotes broader participation of civil society, including women, in governance processes.

Promoting environmental sustainability during and after the reconstruction process is a high priority of the Multi Donor Fund. MDF projects in this sector focus on strengthening capacities, promoting environmental awareness and supporting policies that advance sound environmental management practices. Through the projects, environmentally sustainable livelihood opportunities are also created, and tsunami-impacted agricultural land is cleared and returned to productive use. Strong support and commitment from the beneficiary communities have greatly contributed to the success of the projects in this sector. Through the environmental programs, the MDF has not only directly impacted the reconstruction process, but also the longer term economic development of the region.

The economic development sector will see an increased focus over the next year. US \$ 50 million has been allocated to encourage economic development in 2008, with further investments expected. In recent years Aceh's economy has been fueled by reconstruction activities such as transport and construction. As reconstruction draws to an end, these sectors are declining. Investment in other sectors such as agriculture and manufacturing is now needed to create employment and sustainable livelihood opportunities so that the people of Aceh and Nias can carry the benefits of reconstruction into the future. Therefore, the MDF's significant support within this area will serve a critical need.

MDF projects build synergy through shared approaches and cross-cutting themes. Many of the projects contain sub-components that address goals and objectives in other sectors. For example, the two environmental-sector projects in the portfolio, Tsunami Waste Management and Aceh Forest and Environment projects, each have components focused on strengthening governance capacity and developing livelihoods. This cross-cutting nature of projects has resulted in a more holistic approach to the reconstruction process, and enhances impact across the MDF portfolio.

Financial Update

The Multi Donor Fund has to date received a total of US \$ 692 million in pledges from 15 different donors. Included in this amount is US \$ 16 million pledged by the Government of Norway and the Government of Canada during this reporting period. The Multi Donor Fund has already received US \$ 472 million of the total pledges from the donors.

As of September 30, 2008, the Multi Donor Fund has allocated US \$ 515 million to 18 projects¹. During the last year, the Steering Committee committed an additional US \$ 99 million for the funding of five new project proposals, and a further US \$ 14 million in additional funds for four ongoing projects². The BRR has committed to contribute US \$ 236 million in co-financing for four projects in the Multi Donor Fund portfolio. A total of US \$ 334 million (65% of allocated funds) has been disbursed to the 18 projects implemented by the MDF³.

US \$ 57 million remain unallocated in the Multi Donor Fund budget as of September 30, 2008. Even though the closing date of the MDF has been extended to the end of 2012, the swift allocation of these remaining funds is imperative to ensure that projects can be designed and implemented within this timeframe.

1 "Allocated funds" refers to funds that are assigned to projects through signed legal agreements.

2 "Committed funds" refer to funds that have been endorsed as project concepts by the Steering Committee.

3 "Disbursed funds" refer to funds that have been transferred from the Multi Donor Fund to projects.

Responding to Changing Needs

Over the next year, projects currently under implementation are expected to reach their targets.

Timely allocation of the remaining MDF funds is imperative to ensure that projects can be completed by the extended MDF closing date in 2012. These time constraints pose a significant challenge to all MDF projects, especially in the effort to ensure that the necessary mechanisms, knowledge and skills are in place to ensure sustainability of the investments made in Aceh and Nias.

The use of remaining funds should have a strong focus on infrastructure, institutional strengthening and economic development. They also need to focus strongly on enabling capacity building and institution strengthening as an integrated, cross cutting theme. The Multi Donor Fund's remaining resources will be used to leverage local government programming and co-financing in the agreed priority sectors. Through such an approach the Multi Donor Fund will contribute to developing the capacity of the Governments of Aceh and Nias to manage the assets from

the investments made in reconstruction and strengthen their ability to effectively use their own resources aimed at sustained economic growth.

A Commitment to Improving Quality and Performance

The Multi Donor Fund is assessing its performance and achievements as it looks ahead. Reviews on environmental and social sustainability have been conducted during 2008, and an independent external mid-term review to evaluate the portfolio and operational performance of the MDF has been commissioned. The review will provide the MDF with an overall view of its achievements in the reconstruction process and will provide recommendations for the remainder of the duration of the MDF. Lessons learned from the Multi Donor Fund's experiences will be used not only to enhance the operations for the MDF's own portfolio but will be shared widely so that its forward looking recommendations can enhance the quality of future post-disaster reconstruction efforts in other contexts.



STEERING COMMITTEE MEETING
The September 2008 Steering Committee Meeting presents a special guest, the newly elected North Sumatra Governor (third from left).
(Foto: Carolina Usmany)

Hardworking Women

KDP involves women in its activities, not only in meetings, but also in the reconstruction process. Here, women carry stones for the irrigation development in North Aceh District.

(Foto: Siti Rahmah)





INSTALLATION EXERCISE AT THE
RADIO STUDIO IN GUNUNG SITOLI,
NIAS

The ARRNet team provided training
on community radio maintenance
in Gunung Sitoli, Nias.
(Foto: Khoerudin Wahyu M. - Staff of
ARRNet, Faskab Aceh Besar)

CHAPTER

1

EXTENDING OPERATIONS TO ENHANCE IMPACT

In response to the Government of Indonesia's request for coordination following the tsunami and earthquake disaster in Aceh and Nias, several donor partners established a multidonor trust fund to support the reconstruction and rehabilitation program. The trust fund currently pools US \$ 692 million from 15 different donors: the European Commission, the Netherlands, the United Kingdom, the World Bank, Sweden, Denmark, Norway, Germany, Canada, the Asian Development Bank, the United States of America, Belgium, Finland, New Zealand and Ireland. The World Bank serves as trustee of the Fund. The Multi Donor Fund is governed by a Steering Committee consisting of representatives from Government, donors, NGOs and civil society. The Steering Committee meets on a regular basis in Jakarta or Aceh to review and endorse proposals and discuss the progress of the recovery process in Aceh and Nias.

Focusing on the Operational Goals of the Multi Donor Fund

The overall goal of the Multi Donor Fund is to efficiently and effectively support the Government of Indonesia's Master Plan¹. The MDF will support the Master Plan for the medium term rehabilitation and reconstruction for Aceh and Nias, using a comprehensive and holistic framework to restore public services and redevelop communities that are directly

or indirectly affected by the disasters. The MDF has been supported by its Government counterpart, the special Agency (Badan) for the Rehabilitation and Reconstruction of Aceh and Nias (BRR), coordinating the reconstruction efforts in Aceh and Nias.

The MDF's approval process ensures that its portfolio is aligned with the priorities for the reconstruction. The Multi Donor Fund receives project proposals endorsed by BRR for funding. The Steering Committee reviews and endorses proposals assisted by a Technical Review Committee, whose members include representatives of the Government, donors, the World Bank and UN as observers. The World Bank and several other agencies are Partner Agencies², responsible for appraisal and supervision of projects, including making grants to governmental and non-governmental implementing entities. Most of the MDF's funds (75%) are channeled through the government budget, and implemented by national agencies.

1 Master Plan for Rehabilitation and Reconstruction for the Regions and People of the Province of Nanggroe Aceh Darussalam and Nias Islands of the Province of North Sumatra, Government of Indonesia, April, 2005.

2 Approved Partner Agencies of the Multi Donor Fund are the UNDP, World Food Programme and World Bank

The Multi Donor Fund's Recovery Assistance Policy (RAP) serves as a framework for MDF operations. It establishes the priority sectors and approach for funding and also outlines a range of quality issues and cross-cutting themes that should be considered in MDF projects. Some of these cross-cutting themes include environmental sustainability and social sustainability, with a focus on gender. Other cross-cutting issues are conflict sensitivity, regional equality and poverty alleviation. The MDF is undertaking reviews to assess the performance of the portfolio on social and environmental sustainability issues.

The Multi Donor Fund has proven to be a strong framework for realizing the goals of the Paris Declaration on Aid Effectiveness in the context of the recovery. It also serves as a platform for broader policy dialogue with all stakeholders involved in the reconstruction process³. The Multi Donor Fund portfolio draws on five of the Partnership Commitments of the Paris Declaration on Aid Effectiveness. These include ownership, alignment, harmonization, results and mutual accountability⁴.

During 2008, the fourth year after the tsunami, priorities shifted from emergency reconstruction to ensuring the sustainability of reconstruction investments and promoting economic development. Vast investments have been made in Aceh and Nias during the ongoing reconstruction efforts. To ensure the proper maintenance and operational procedures are in place is paramount to sustaining these investments, and therefore projects are gearing towards a focus on sustainability. This is in line with the recommendations by BRR that remaining funds are programmed to projects with strong capacity building emphasis. In order to ensure sustainability, the MDF has prioritized its efforts in two areas during 2008: (1) supporting the transition from BRR to local governments, and (2) enhancing the long-term economic development of Aceh and Nias.

The Multi Donor Fund's Secretariat ensures quality, and coordinates and reports on the performance of the portfolio. The Secretariat's role includes providing effective coordination and communication as well as ensuring quality and adherence to the Government's Master Plan in proposals submitted for MDF funding. The Secretariat monitors and reports on project activities and results and convenes Technical Review and Steering Committee meetings to approve proposals for MDF funding and evaluate the results. Over the past year seventeen Technical Review Committee meetings and three Steering Committee meetings were held to approve five new projects at a value of US \$ 99 million,

and the extension of four existing projects totaling US \$ 14 million. Continued discussions with Civil Society Organizations also provide input on community needs and how projects can deliver more effectively.

The closing of BRR in 2009 affects the operation of the Multi Donor Fund at various levels. The MDF's Secretariat has engaged in a series of discussions with stakeholders on the impact of BRR's exit. This includes governance arrangements relating to representation at Co-chair and Steering Committee levels, and implementation arrangements of projects that will continue beyond the closing date of the BRR. Six projects in the Multi Donor Fund portfolio that involve BRR in executing or implementing capacities will extend beyond the life of the BRR. The MDF supports the transitions by providing assistance to both the BRR and local governments in preparing to hand over reconstructed assets and projects to relevant agencies.

The Multi Donor Fund has been extended to ensure implementation continues to meet critical needs of the reconstruction. The closure of the MDF has been extended from December 2010 to December 2012. This extension will also ensure that the recovery is institutionally, financially and socially sustainable and will allow the MDF to strengthen institutions to ensure a smooth handover process. The Multi Donor Fund is well-poised to continue to play a critical, multifaceted role in the recovery of Aceh and Nias.

Effective Communication and Coordination

The Multi Donor Fund plays a coordination role with key entities at various levels. This includes participating in fora and special events such as program evaluations, stakeholder meetings, exhibitions and policy dialogues conducted by the BRR, donors and other multilateral agencies. During the past year the MDF has participated in an exhibition held by the National Planning Agency and BRR during the Mid Term Review of the Reconstruction in Aceh and Nias. It was also a participant in the 4th Nias Island Stakeholder Meeting and was asked to make a presentation on MDF activities at the parliament of the European Commission. Communication activities such as these provide visibility for the MDF and its projects.

³ Review of Post-Crisis Multidonor Trust Funds, Final Report prepared by the Scan team, February 2007; *First Year of Rebuilding Together: Results, Challenges and Opportunities: Lessons Learned Outcomes Report*, May 2006.

⁴ *Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results, and Mutual Accountability*, February-March 2005.

The Multi Donor Fund facilitated the opportunity for both provincial government and BRR to outline priority sectors for programming of the remaining funds to the donors and other stakeholders. The recommendations were presented in line with the new revised Government Master Plan for the reconstruction of Aceh and Nias. The sectors put forward for additional funding were infrastructure and economic development, with a strong emphasis on capacity building activities.

The Multi Donor Fund promotes the involvement of a broader audience in the reconstruction process. In March 2008 a policy dialogue entitled "The Role of CSOs During the Transition Period and Beyond" was held, with the objective of discussing how Civil Society Organizations can participate in the proper transfer of reconstructed and rehabilitated assets to the appropriate local authorities, organizations or individuals. The discussion also emphasized the general issue of longer-term sustainability of development processes and results. Many Multi Donor Fund projects have also set up Steering Committees that bring together various stakeholders in the reconstruction process.

Communication on Multi Donor Fund activities promotes awareness of the reconstruction needs and efforts. Reaching out to beneficiaries is achieved through an

integrated media approach using newspaper and radio, as well as participating in public gatherings (see box 1: Dialogue with Beneficiaries: A Day in Takengon, Central Aceh). This integrated media approach is taken to many villages during the past year, the MDF Secretariat visited 11 villages in Aceh and Nias. The MDF Secretariat also organizes field visits for donors and other visiting delegations to facilitate direct contact with beneficiaries and the reconstruction efforts. In addition field visits include the opportunity to join supervision missions conducted by projects under the World Bank.

Managing feedback contributes to the quality of the portfolio. Queries are handled directly by the MDF Secretariat or are forwarded to the respective projects for response. All projects in the Multi Donor Fund portfolio are required to set up an Anti Corruption Action Plan (ACAP) in their project management. One of the activities supporting the ACAP is the complaints handling unit (CHU). Complaints submitted typically involve general questions, misuse of funds, the approaches to and methods in settling cases, and implementation compliance issues. Complaints are forwarded to relevant agencies or projects for follow up. During the 2008 reporting period, the MDF received 270 queries, of which 79 percent related to MDF projects or other organizations, such as BRR.

Dialogue with Beneficiaries: A Day in Takengon, Central Aceh



MDF Outreach Officer has a dialog with community representatives in Kecamatan Bintang Takengon, Central Aceh

At least once a month, the MDF Secretariat makes a visit to beneficiary communities, where activities may include conversations with beneficiaries, community dialogues, a radio talk show or meetings with the Bupati or Camat.

Last January 2008 the MDF Secretariat visited Takengon in Central Aceh, a community affected more by the prior-and-post tsunami earthquakes than by the tsunami itself. The Kecamatan Development Program (KDP) included Takengon in its community based reconstruction effort in order to help rebuild community infrastructure. The program was followed by Support for Poor and Disadvantaged Areas (SPADA), a program that links the participatory sub-district planning process of KDP to district government decision-making, and provides block grants to improve public services and the recovery of economic infrastructure.

The Secretariat's visit to Takengon included a one-hour talk show at the largest local radio station. Both KDP and SPADA supplied facilitators who offered information, answered questions, and commented on program progress. Questions came in through telephone call-ins and text messages, and most were related to

how funds are transferred to communities, the accountability process, the village selection process and how to avoid overlapping projects.

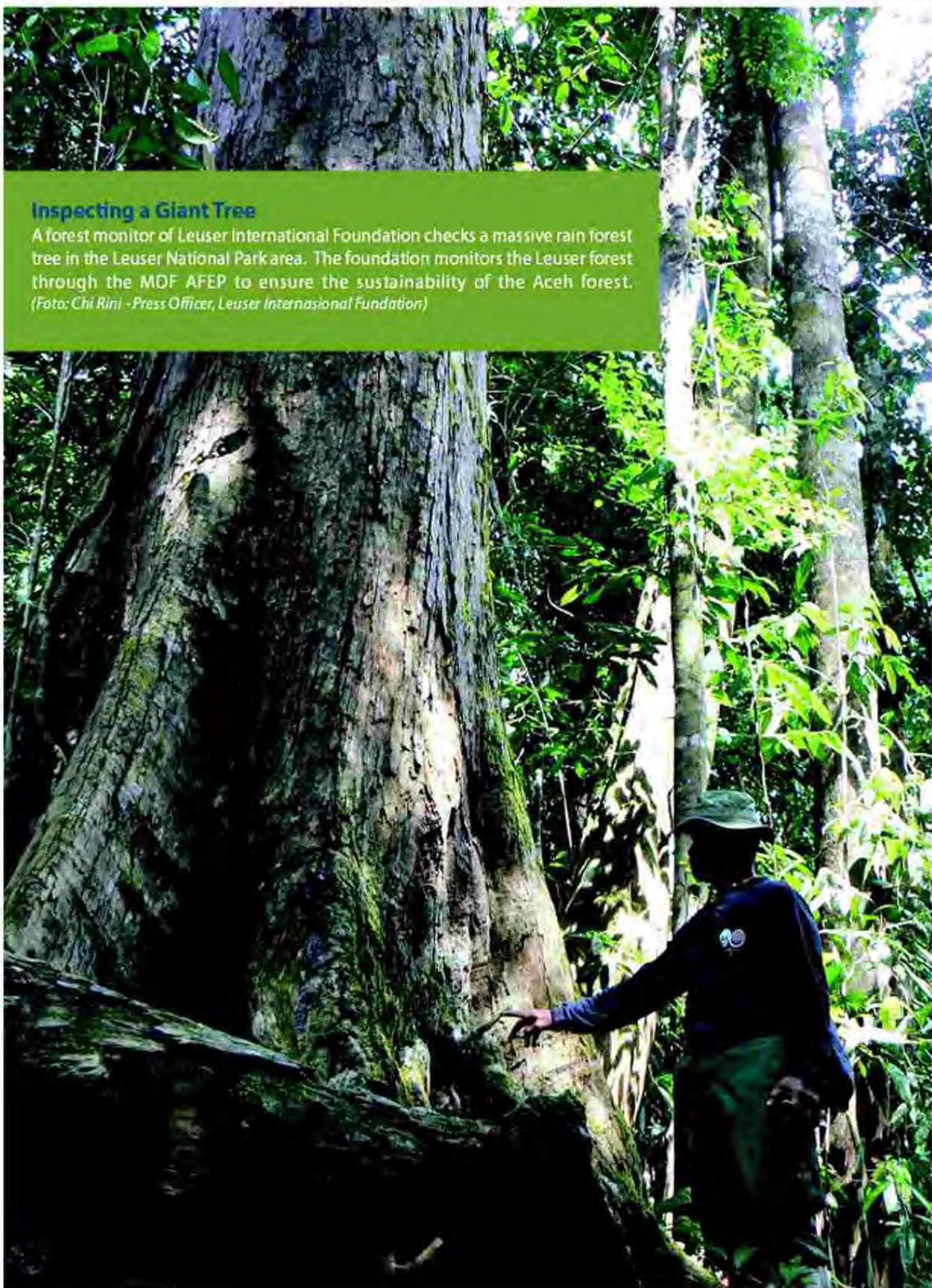
The MDF team also visited Bintang, a village at the northern tip of Lake Takengon. As the team headed towards the village, they learned that fishing is one of the community's livelihood sources but noted that, interestingly, lakeside restaurants were closed. "The restaurants operate only on the weekends," said a local fisherman, "Our weekday job is tending to our small plantations – rubber, coffee and chocolate." Only a few fishermen could be seen out on the lake, trying to catch "depik," a popular local fish.

In Bintang, KDP and SPADA facilitators worked to socialize a new program to the community, called PNPM -Program Nasional Pemberdayaan Masyarakat – or the National Community Empowerment Program, which is the extended and integrated version of the two current programs. During the session, the MDF secretariat received input on the impact of KDP and SPADA on the communities and areas where more community assistance is needed.



A meeting with local government ended the day. Officials thanked the MDF for helping their communities and expressed their wishes that more grants be made available to assist remote villages.

(Foto: Nio S.)



Inspecting a Giant Tree

A forest monitor of Leuser International Foundation checks a massive rain forest tree in the Leuser National Park area. The foundation monitors the Leuser forest through the MDF AFEP to ensure the sustainability of the Aceh forest. (Foto: Chi Rini - Press Officer, Leuser Internasional Foundation)



ILM COMMUNITY RADIO IN KRUENG RAYA PRESENTS RADIO FROM, BY AND FOR THE COMMUNITY

Hendri, an activist of Krueng Raya FM community radio, conducts a voice sampling for production of a community service advertisement in a meunasah at Lamreh village. Writer & Producer: Hendri. Voice talent: Delfi & La. Production partner: ARNet. The production was a runner-up in a competition held by Child Fund Int'l in December 2007.

(Foto: Khoerudin Wahyu M - Staff of ARNet, Faskab Aceh Besar)

CHAPTER

2

PORTFOLIO ACHIEVEMENTS

The Multi Donor Fund for Aceh and Nias contributes to the reconstruction activities in five major sectors based on the Government of Indonesia's Master Plan and the MDF's own Recovery Assistance Policy. Projects in the MDF portfolio are in the sectoral areas of Community Recovery, Infrastructure, Governance, Environmental Sustainability, and Economic Development sectors. The initial MDF response focused on the recovery of communities, particularly housing and community infrastructure. In the next phase larger infrastructure projects were started to establish access to facilitate recovery through the reconstruction of ports and roads, water systems, and flood control systems. Environmental and governance strengthening projects were also implemented with a view to ensuring sustainability of the MDF's investments in the longer term. While supporting livelihoods has been a component of many projects from the outset of the MDF, the focus has shifted during the past year to include a more direct strategy of support for economic development as the reconstruction-generated construction boom winds down.

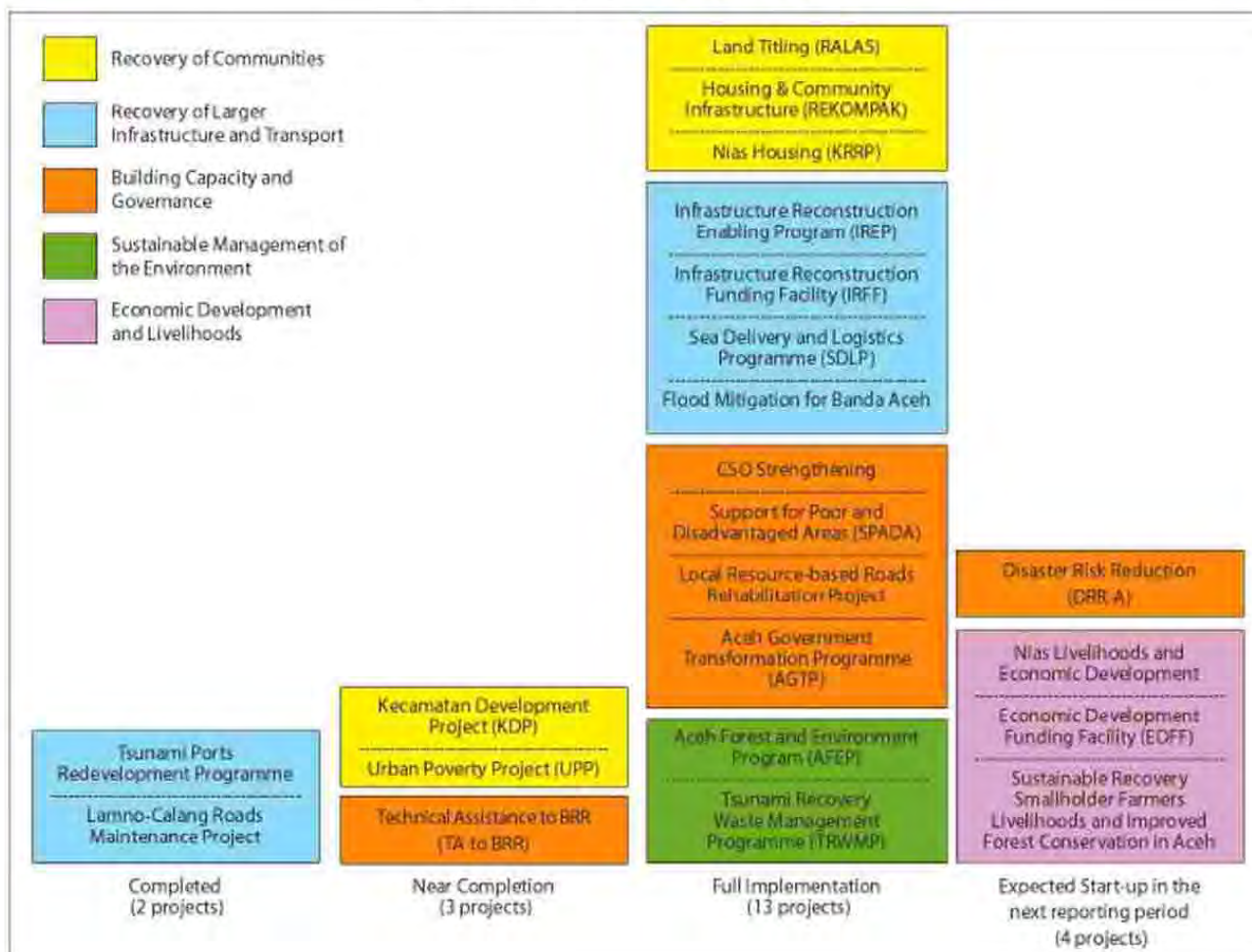
At the end of this reporting period, the Multi Donor Fund portfolio consists of a total of 18 projects, with an additional four new projects expected to start up in the next year. Multi Donor Fund projects can be classified as (i) mature or near-completion projects that have delivered on

most of their targets; (ii) projects in full implementation or on-going and delivering results; (iii) projects in the start-up phase, ramping up to deliver results during the upcoming six months; and (iv) completed projects. Figure 2.1 shows the implementation status of the MDF's portfolio, indicating two projects as completed, three projects near completion and thirteen projects in full implementation. This chapter reports results as of September 30, 2008.



Irrigation constructed by the community.
(Foto: Lilis - World Bank Consultant)

Figure 2.1: Status of Projects as of September 30, 2008



Recovery of Communities

The performance of the Multi Donor Fund in supporting community recovery has been strong during the last reporting period. Most projects are now in full implementation or nearing completion.

An estimated 168,000 lives were lost and approximately 300,000 houses were damaged or destroyed by the tsunami and earthquakes in Aceh and Nias. In August 2006, a survey by the Kecamatan Development Program of 5,698 villages concluded that more than 50% of the main infrastructure was destroyed or damaged in the affected areas, and it was

estimated that US \$ 752 million was needed to restore village and productive community infrastructure in these areas.

An early priority of the Multi Donor Fund focused on the recovery of communities, and these commitments have mostly been met. This includes emergency support, and the reconstruction and rehabilitation of houses and community infrastructure in both Aceh and Nias. More than US \$ 222 million (43% of allocated funds) has been dedicated to projects with community reconstruction as a main focus, with the Government of Indonesia committing to US \$ 31 million in co-financing.

Supporting the reconstruction of housing was a crucial component of community recovery, and most of the targets have been achieved. The community driven approach has proven an efficient means not only to rebuild houses but to also create a sense of ownership and pride among beneficiaries. A total of 6,554 houses (81% of targets) have been constructed through community housing projects in Aceh, filling remaining housing gaps in 130 communities.

Over 2000 houses have been completed in Aceh during the last year alone – the most houses completed in one year since the start of the reconstruction process. More than 3,400 houses are currently under construction in Aceh and Nias. Ninety-eight percent of houses targeted for rehabilitation (6,900 houses in Aceh) have been completed, with an occupancy rate of 100%. The occupancy rate for newly constructed houses is currently 86%, with a significant increase expected once all facilities are completed.

The Multi Donor Fund has reached most of its targets in the reconstruction of vital community infrastructure. Through the Kecamatan Development and Urban Poverty

programs, communities received block grants to build infrastructure in over 2,900 villages in Aceh and Nias. This includes the construction or rehabilitation of 275 school buildings, over 2,500km of roads, 19 health posts, 1,380 clean water supply systems, and 118 water storage systems. These two programs have achieved most of their targets and have together built 159 village halls and 20 village markets, and delivered significant results in the repair and construction of bridges and irrigation and drainage systems.

Systems were developed to meet the pressing need for land rights to be verified and recorded. The project has introduced a computerized land records system and has played a major role in the prevention of land grabbing and speculation. Although the project has not been able to meet all of its targets, beneficiary satisfaction among those who received certificates is high. A total of 112,460 land titles have been distributed to date, and 126,107 land titles registered. Surveys have been completed on 211,829 parcels of land.



**FACILITATORS AND ACTIVITY-MANAGEMENT
TEAM CHECK COMMUNITY MEETING
MINUTES**

MDF Rekompak facilitators teach the community the value of transparency in village development activities. They also teach the community to write Community Meeting Minutes in order to publish community decisions on the local bulletin board.

(Foto: Ahmadra Penta Wardana Putra)

The community-based approach has broader impacts on beneficiaries. Over 13.5 million work days have been generated through the projects aimed at reconstructing communities. More importantly, the spirit in which the community-based approach was applied has resulted in a high level of beneficiary satisfaction. This has led to swift reconstruction once the funds reach beneficiaries and a strong sense of ownership.

Women have been empowered through the community-based approach to reconstruction. The Urban Poverty (UPP) and Kecamatan Development Projects (KDP), and the Community Housing project (REKOMPAK) have placed great emphasis on the inclusion of women in the reconstruction process. By enabling education through the provision of scholarships, the KDP is further building the skills of community members, especially women, for the future.

Project	Funds Allocated in US \$ million
Community-based Settlement Rehabilitation and Reconstruction Project (REKOMPAK)	85.00
Community Recovery through the Kecamatan Development Program (KDP)	64.70
Community Recovery through the Urban Poverty Project (UPP)	17.96
Nias Kecamatan-based Reconstruction and Rehabilitation Planning Project (KRRP)	25.75
Reconstruction of Aceh Land and Administration Project (RALAS)	28.50
Total	221.91

Recovery of Larger Infrastructure and Transport

The most significant progress in the Multi Donor Fund's portfolio in the past year has been in the reconstruction of key infrastructure. Following the preparation activities required for infrastructure projects, the majority of the projects have been able to start construction this year.

The Government of Indonesia identified extensive reconstruction and rehabilitation needs in the infrastructure sector. Providing access to the affected areas for reconstruction and rehabilitation activities to take place was identified as a crucial need early in the reconstruction. The goal of "Building Back Better" has become synonymous with the reconstruction effort, particularly in reference to infrastructure. The Multi Donor Fund has invested a total of US \$ 176 million (34% of allocated funds) in the recovery of large scale infrastructure and transportation projects, with significant co-financing from the Government of Indonesia.

Enabling access to the affected areas immediately after the tsunami and earthquake was a vital role fulfilled by the Multi Donor Fund. The MDF's initial emergency response concentrated on providing the means of access for reconstruction materials to reach the tsunami affected areas through funding the Sea Delivery Logistics, Ports Redevelopment, and the maintenance of the Lamno-Calang road projects. The Ports Redevelopment project focused on the continued functioning of badly damaged ports to allow delivery and storage of cargo. It was supported by the Sea Delivery Logistics Project which enabled the crucial transportation of reconstruction cargo to remote areas otherwise inaccessible by road. Both the Ports



LAMNO-CALANG ROAD
Workers press roads in anticipation
of the rainy season.
(Foto: UNDP)

Redevelopment and Lamno-Calang road projects were completed on schedule at the end of 2007. The Sea Delivery and Logistics program ceased direct provision of shipping services in January 2007, and now focuses on providing training to port authorities to ensure sustainable management of the newly constructed ports and equipment.

The most noteworthy progress in the reconstruction effort over the past year has been in the infrastructure sector. US \$ 227 million, including BRR co-financing, has been committed to 57 sub-projects through the Infrastructure Reconstruction Financing Facility (IRFF). Projects to the value of US \$ 7.8 million have been completed, with projects totaling US \$ 210 million under construction and one project (US \$ 9.2 million) at bidding stage. These investments, together with an additional US \$127 million in BRR co-financing will provide vital roads, ports and water systems to support economic and community recovery throughout Aceh and Nias. Support to the Infrastructure Reconstruction Enabling Project (IREP) has helped ensure quality of the infrastructure investments. The IREP teams have helped to prepare a total of 63 investment packages to build 748 km of roads, 16 water systems and five ports in Sinabang, Calang, Gunung Sitoli, Lhokseumawe, and Malahayati.

The Banda Aceh Flood Mitigation project protects the reconstruction investments and mitigates future damage to areas susceptible to floods. This project protects the central business area of Banda Aceh through the construction of pumping stations and drainage systems, and the installation of flood valves. This has proved to be an important project in safeguarding the investment in this urban area.

Project	Funds Allocated in US \$ million
Banda Aceh Flood Mitigation Project	4.50
Infrastructure Reconstruction Enabling Project (IREP)	42.00
Infrastructure Reconstruction Funding Facility (IRFF)	100.00
Lamno-Calang Road Maintenance Project	1.46
Sea Delivery and Logistics Project (SDLP)	24.70
Tsunami Recovery Ports Redevelopment Programme (TRPRP)	3.78
Total	176.44

Strengthening Governance

The Multi Donor Fund is ongoing in its support of various government institutions to promote continued development, the sustainability of the reconstruction and the delivery of public services.

Supporting good governance to ensure quality of reconstruction and delivery of public services has been a key focus. To ensure the sustainability of the reconstruction and rehabilitation investments in Aceh and Nias, a strong public administration element is required. The Multi Donor Fund has allocated US \$ 62 million to support the strengthening of governance.

Targeted support is being provided to strengthen institutions to ensure smooth transition of on-going reconstruction projects and assets from BRR to relevant government agencies. Transferring knowledge relating to policy development, project design and development, and quality assurance activities is a focus of both the Technical Assistance to BRR and the Aceh Government Transformation Programme. The Technical Assistance (TA) to BRR project is providing support in the transfer of all assets from BRR to the relevant local authorities once the BRR closes. This includes the development and implementation of relevant processes and funding mechanisms to facilitate the transition process. The Aceh Government Transformation project works with the Provincial government to build capacity to manage reconstruction assets. This will be achieved by strengthening the government's policies and capacities to effectively coordinate the numerous transition and recovery-related capacity building programs supported by a variety of stakeholders.



GOVERNANCE
Women offer key input as they participate in community meetings. (Foto/Nic. S)

Local government institutions have been strengthened in various sectors. Multi Donor Fund projects to date have provided formal training, accompanied by on-the-job training to over 2,000 local government staff to enhance capacities in areas such as planning and budgeting, education, infrastructure construction, waste management and drainage, forest management, and spatial planning. Further informal on-the-job training is embedded through the Technical Assistance to BRR project by placing technical experts in regional BRR offices. The resource-based roads project has successfully engaged local government and communities in building their capacity in local resource-based methods. Training activities on contract management, road construction, and construction supervision techniques are continuously provided to the engineers and supervisors of relevant district government.

Participatory processes and accountability have been promoted in the Multi Donor Fund's projects. The Support to Disadvantaged Areas project supports integrated "bottom-up" planning through targeted block grants to 17 districts in Aceh and two districts in Nias. This involves the training of government staff, civil society members, university staff and community representatives. The Civil Society strengthening project promotes broader participation of civil society, including women, in governance processes. This project has established two Resource Centers, one in Aceh and another in Nias, which are becoming important training facilities, and the focal points for dialogues between the government and the communities. Through the Civil Society strengthening project, 45% of beneficiaries of grants for livelihoods development have been women.

Sustainable Management of the Environment

The environment programs in the Multi Donor Fund portfolio are introducing sound environmental management practices and alternative livelihoods.

Environmental sustainability is achieved through a multi-pronged approach. This involves supporting policies and strengthening capacity for good environmental management and adherence to environmental safeguards; and the creation of alternative, environmentally sustainable livelihood activities. The forests of the Leuser and Ulu Masen ecosystems in Aceh and North Sumatra are two of the largest remaining forested areas in Southeast Asia. These forests are critically important in ensuring the water supply of approximately 60% of the population as well as maintaining one of the region's richest sources of biodiversity. The Aceh Forest and Environment project is designed to help protect approximately 3.3 million hectares of these forest ecosystems from illegal logging. Significant success has been achieved in strengthening institutions related to the governance of forest ecosystems at various levels through this project.

Project	Funds Allocated in US \$ million
Aceh Government Transformation Programme	9.92
Capacity Building for Local Resource-based Rural Roads	11.80
Support for Poor and Disadvantaged Areas	25.00
Support to Strengthen the Role and Capacities of CSOs	6.00
Technical Support for BRR NAD-Nias	22.48
Total	75.20



ACEH FOREST RANGERS

Aceh forest rangers discuss a case during a training held by the Leuser International Foundation through MDF-AFEP in Takengon, Aceh Tengah in mid May 2008. MDF-AFEP supports technical training for 250 forest rangers whose job is to provide security for the Aceh forest, especially the Leuser Ecosystem Area.

(Foto: Chik Rini - Press Officer, Leuser International Foundation)

The Tsunami Waste Management program has been particularly successful in meeting its targets. In the immediate aftermath of the tsunami these efforts focused on the physical removal of solid waste and setting up landfills and other infrastructure for disposal of solid wastes. The Waste Management project has created or upgraded 10 temporary landfills in eight districts and assisted in the clearance of 1.1 million cubic meters of tsunami generated waste. Twenty percent of all tsunami-generated waste in Aceh was removed through this single Multi Donor Fund project.

The Waste Management project introduced a model for regional solid waste management to Indonesia. This has been enabled by the strong partnership that the project has forged with the local government, and the strong commitment that it has been able to elicit from this partnership. The project has proposed to focus on the construction of permanent landfills in a planned next phase.

Building environmental awareness among stakeholders is a key feature of Multi Donor Fund projects. The Forest and Environment project helps the government in developing the strategic plan and initiatives for forest development in Aceh. It has contributed to key environmental initiatives such as reforestation and the protection of the forest through monitoring and training activities. By involving the communities in the construction of the landfills, the Waste Management project institutionalizes the practice and

transfers knowledge and skills to continue landfill development in the future. In the recovery phase increasing efforts are going into building local capacity and commitment to create and operate sustainable solid waste management systems.

Environment programs under the MDF aim to support environmentally sensitive livelihood activities. Projects include the recycling of tsunami timber waste through carpentry projects, collection and recovery of plastics and other recyclable materials, biogas and composting. Palapa Plastic Recycle, a plastics recovery sub-project, is one of three finalists for the Global Development Network Award. The only contestant from Indonesia, the project was one of 120 nominees from around the world. Helping people return to agriculture-based livelihoods is increasingly important as the employment effects of the reconstruction process begin to taper off. Supporting this, over 880 hectares of tsunami impacted farm land have been cleared and returned to productive use.

Project	Funds Allocated in US \$ million
Aceh Forest and Environment Project (AFEP)	17.53
Tsunami Recovery Waste Management Programme (TRWMP)	24.41
Total	41.94



PLANTING FOR THE FUTURE
Trees are crucial to support life on earth. This environment awareness program is supported by the MDF.
(Foto: Gerald Forzi)

Economic Development and Livelihoods

The Multi Donor Fund promotes sustainable economic development in Aceh and Nias through investments, employment and livelihoods.

The MDF has committed to enable a stronger environment for long term economic development. During September 2008, the Steering Committee endorsed the allocation of US \$ 50 million to the Economic Development Funding Facility, a new project specifically aimed at supporting sustainable economic opportunities in various livelihood sectors in Aceh. The project will contribute to economic recovery post-tsunami and aims to build a more competitive and supportive business environment necessary to create broad based private sector job opportunities and growth, targeting the poor and other vulnerable groups. The project will also fund project management and capacity strengthening and will support the development of production, processing and manufacturing activities in the agriculture and fisheries subsectors, and increased access to

markets. Increased domestic and foreign investment in Aceh is a further goal of the project.

The reconstruction and rehabilitation process has driven the economy in Aceh and Nias since the tsunami and earthquake. Reconstruction activities have created much needed work for communities affected by the disasters, with a large portion of the population previously engaged in agricultural or fisheries activities turning to other forms of daily labor fueled by the reconstruction. With this period drawing to a close, other sustainable sources of employment and income need to be encouraged, especially in the key sectors of agriculture and fisheries, to ensure continued development and livelihood security.

Integrated community recovery processes have promoted the revival of small scale economic activities. The Kecamatan Development Program and other community recovery projects also generated employment through community recovery and Infrastructure activities and direct support for small scale economic activities.



HOME BUSINESS
Access to finance for women allows them to develop home businesses.
(Foto: Siti Rahmah)

Cross Cutting Issues and Complementary Programs

Creating synergies and a focus on sustainability and quality in the reconstruction and rehabilitation process enhance the process of "Building Back Better".

Coordination at the portfolio level emphasizes the holistic approach of the Multi Donor Fund to the reconstruction process. Some important areas where the MDF builds synergies across projects include the following:

- **Poverty reduction and the restoration of livelihoods are key goals.** As a result, supporting livelihoods in various sectors is an important component in many Multi Donor Fund projects such as the Waste Management, Forest and Environment, and Civil Society Strengthening projects. Livelihoods programs under the Waste Management project focus on the recycling of garbage and tsunami waste. These programs aim to support communities in the recovery process through environmentally sensitive and sustainable income generating activities.
- **Strengthening Institutions and capacity building are important components of most projects.** The majority of projects in the MDF portfolio aim to enhance technical skills and local capacity to carry out and manage program activities through strengthening local communities, institutions, civil society organizations, and government. This is especially important as the BRR prepares to turn over responsibility for on-going projects and completed assets to local government.
- **Environmental sustainability.** Building environmental awareness and capacity for environmental management and safeguards are important not only within the Aceh Forest and Environment and Tsunami Waste Management Programs, but across all projects. The MDF aims to address environmental sustainability during implementation across a range of other projects including infrastructure and community recovery.
- **Strengthening social sustainability and women's roles in reconstruction.** The role of communities in the reconstruction efforts is a key focus in several of the MDF's programs. The inclusion of women in community decision making processes is an important approach across the portfolio's community recovery programs including the Kecamatan Development, Urban Poverty, and Community Housing programs.
- **Coordination between projects promotes complementary outcomes.** The Technical Assistance to BRR project and the Aceh Government Transformation Program both target capacity building to support the transition of assets and responsibilities from BRR to the Provincial Government of Aceh. A similar program is being proposed for Nias.
- **Linking infrastructure to economic development.** Increasing access to economic opportunities and markets through the reconstruction of infrastructure such as roads and ports is a vital component in supporting the long term economic development of Aceh and Nias.



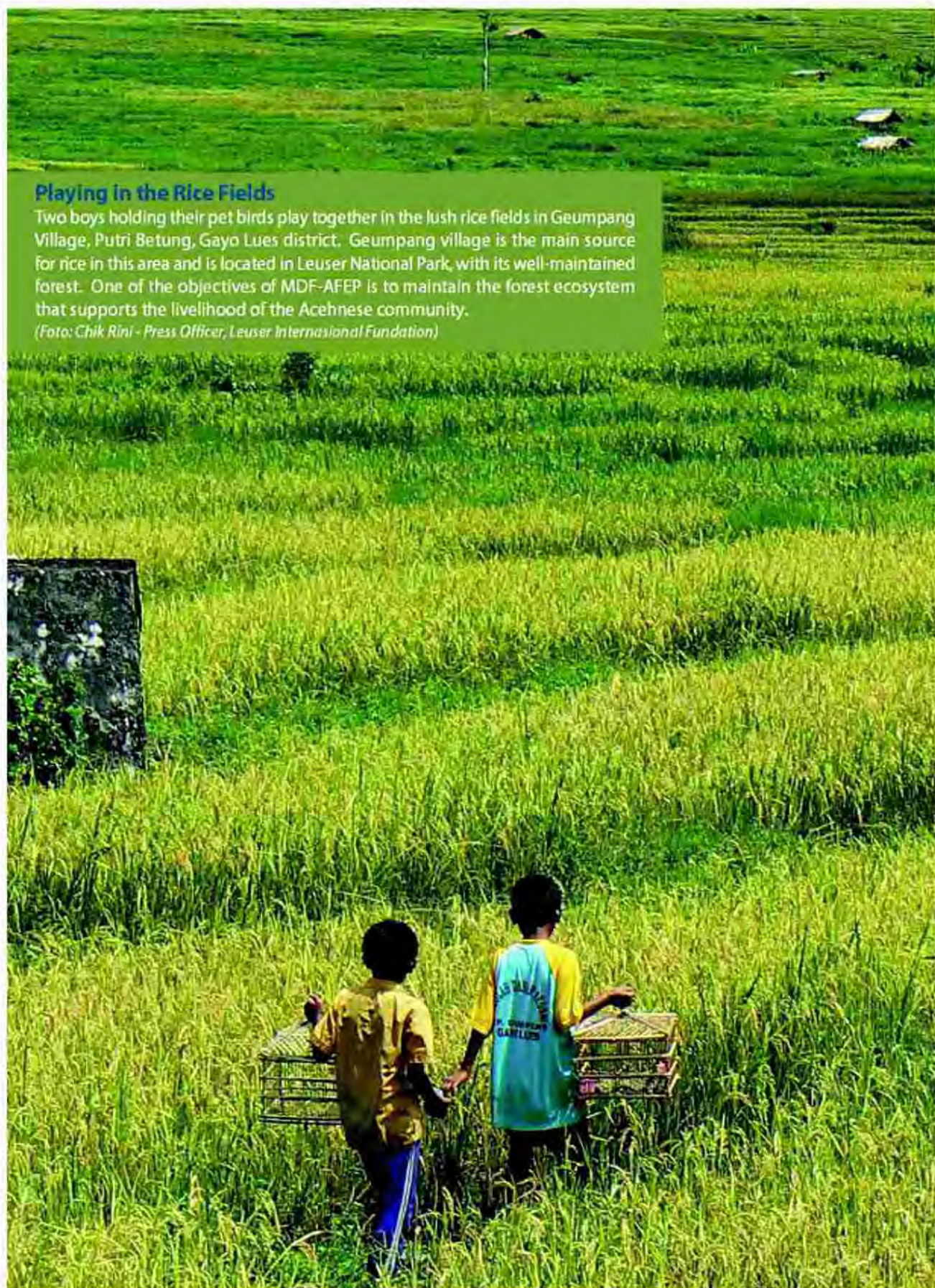
LIVELIHOODS

The agriculture sector must be recovered so that communities can resume their daily activities
(Foto: Marzi Afriko - World Bank Consultant)

Playing in the Rice Fields

Two boys holding their pet birds play together in the lush rice fields in Geumpang Village, Putri Betung, Gayo Lues district. Geumpang village is the main source for rice in this area and is located in Leuser National Park, with its well-maintained forest. One of the objectives of MDF-AFEP is to maintain the forest ecosystem that supports the livelihood of the Acehese community.

(Foto: Chik Rini - Press Officer, Leuser Internasional Foundation)





OBSERVING A FUND ALLOCATION BOARD

Authorities of Tringgadeng Sub-District, Pidie Jaya District listen seriously to the Sub-District Facilitator on the allocation of village projects proposed through the KDP Inter Village Meeting. In 2008 the national program has been able to improve the quality of life of about 6,000 villages in Aceh.
(Foto: Hendra Syahputra - Conflict and Development, World Bank Consultant)

CHAPTER

3

FINANCIAL REPORT

Pledges

As of September 30, 2008, the Multi Donor Fund (MDF) has a total of US \$ 692 million in pledges from 15 different donors as illustrated in Table 3.1. As all pledges are not made in US Dollars and have not yet been received, the total amount pledged varies based on the exchange rate at the end of the reporting period.

Table 3.1: Multi Donor Fund Pledges and Contributions as of September 30, 2008

Source	Total Pledges in US\$ million	% of Total Pledges
European Commission*	272.62	39%
Government of Netherlands	171.60	25%
Government of United Kingdom*	73.71	11%
Government of Canada	25.55	3.7%
World Bank	25.00	4%
Government of Sweden	20.72	3.0%
Government of Norway	19.57	2.8%
Government of Denmark	18.03	2.6%
Government of Germany	13.93	2.0%
Government of Belgium	11.05	1.6%
Government of Finland	10.13	1.5%
Asian Development Bank	10.00	1.4%
Government of United States	10.00	1.4%
Government of New Zealand	8.80	1.3%
Government of Ireland	1.20	0.2%
Total Pledges	691.92	100%

* Based on World Bank foreign exchange rate as of September 30, 2008

In the current reporting period (October 2007 to September 2008) the MDF received additional contributions from the Government of Norway and the Government of Canada totaling US \$ 16 million.

Cash Available

All pledges have been formalized through signed contribution agreements between the MDF and the respective donors, and the MDF has received US \$ 472 million of the total pledges from the donors. Cash projections are monitored on a regular basis to ensure that the MDF has sufficient means to continue funding project activities.

capacities. In addition, a total of US\$ 14 million in supplemental funds was approved for the Sea Delivery Logistics, Resource-based roads, Technical Assistance to BRR and Support to Disadvantaged Areas projects.

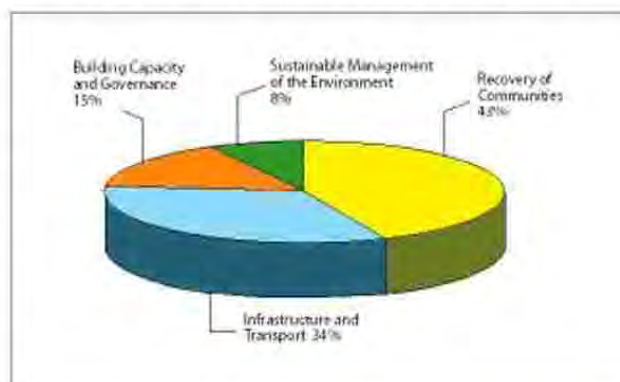
The majority of funds (43%) allocated by the MDF are for the Recovery of Communities, as set out in Graph 3.1. The Infrastructure and Transport sector received 34% of allocated funds, while projects implemented in the Environment and Governance sectors received the remaining 23% of funds. At the 17th Steering Committee meeting held in September 2008, BRR presented an analysis of priority areas still in need of funding.

Funding Allocation and Commitments

As of September 30, 2008, the MDF has allocated US \$ 515 million to 18 projects in four sectors: recovery of communities, infrastructure and transport, rebuilding governance and support for sustainable management of the environment. The BRR has committed to contribute an additional US \$ 236 million in co-financing for four projects in the MDF portfolio.

During the last reporting year, the Steering Committee has committed a further US\$ 99 million for funding five new project concepts. These proposals focus on economic development, disaster preparedness and strengthening of

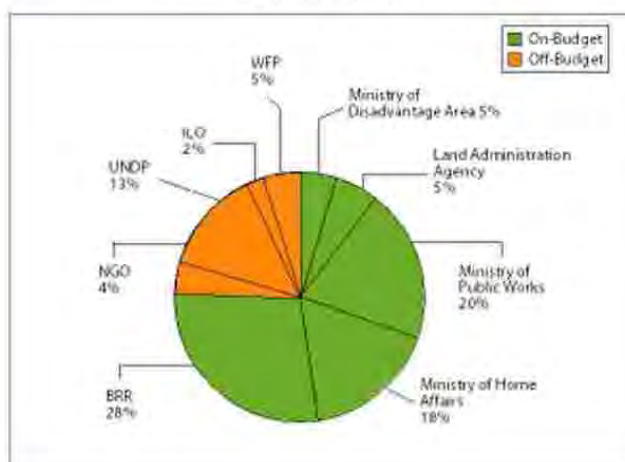
Graph 3.1: Sectoral Allocation as of September 30, 2008



IMPACT
Community accountability in managing funds ensures effective results in the reconstruction of houses.
(Foto:Relampak)

Approximately 75% of funds allocated to projects in the Multi Donor Fund portfolio are channeled through the Government of Indonesia's national budget. The remaining funds are implemented through the United Nations Development Programme, the World Food Programme, the International Labour Organization and Non-Government Organizations, as shown in Graph 3.2.

Graph 3.2 Allocations of Funds per Implementing Agency as of September 30, 2008



Disbursement

As of September 2008, the Multi Donor Fund has disbursed US\$ 334 million (approximately 65% of allocated funds) to the 18 projects implemented. Approximately US\$ 234 million has been disbursed to the Government of Indonesia for funding on-budget project activities, while the remaining funds were disbursed to off-budget projects.

Outlook

The total amount of unallocated funds within the Multi Donor Fund budget as of September 30, 2008 is US \$ 57 million¹.

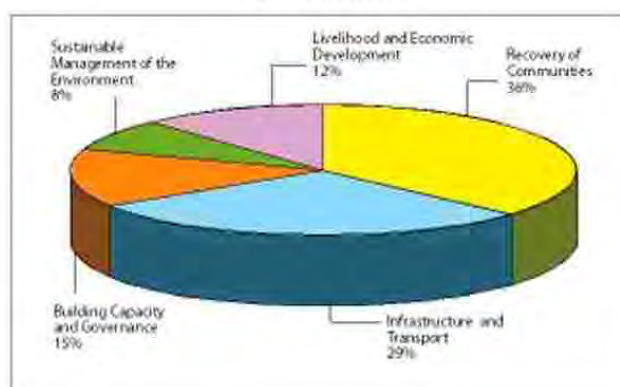
Beyond September 30, 2008, the MDF has committed US \$ 3.9 million to the Nias Island Transition Project and an additional US \$ 15 million to Phase 3 of the Tsunami Recovery Waste Management Programme.

Based on allocations and commitments in the reporting period, 11% of the MDF portfolio now includes support for Livelihood and Economic development.

The MDF closing date has been extended to the end of 2012. However, taking into account the time required for project preparation and implementation, the swift allocation of these remaining funds is imperative.

¹ The estimate of remaining funds may change due to the fluctuations in exchange rates and interest rates.

Graph 3.3 Sectoral Allocations and Commitments as of September 30, 2008

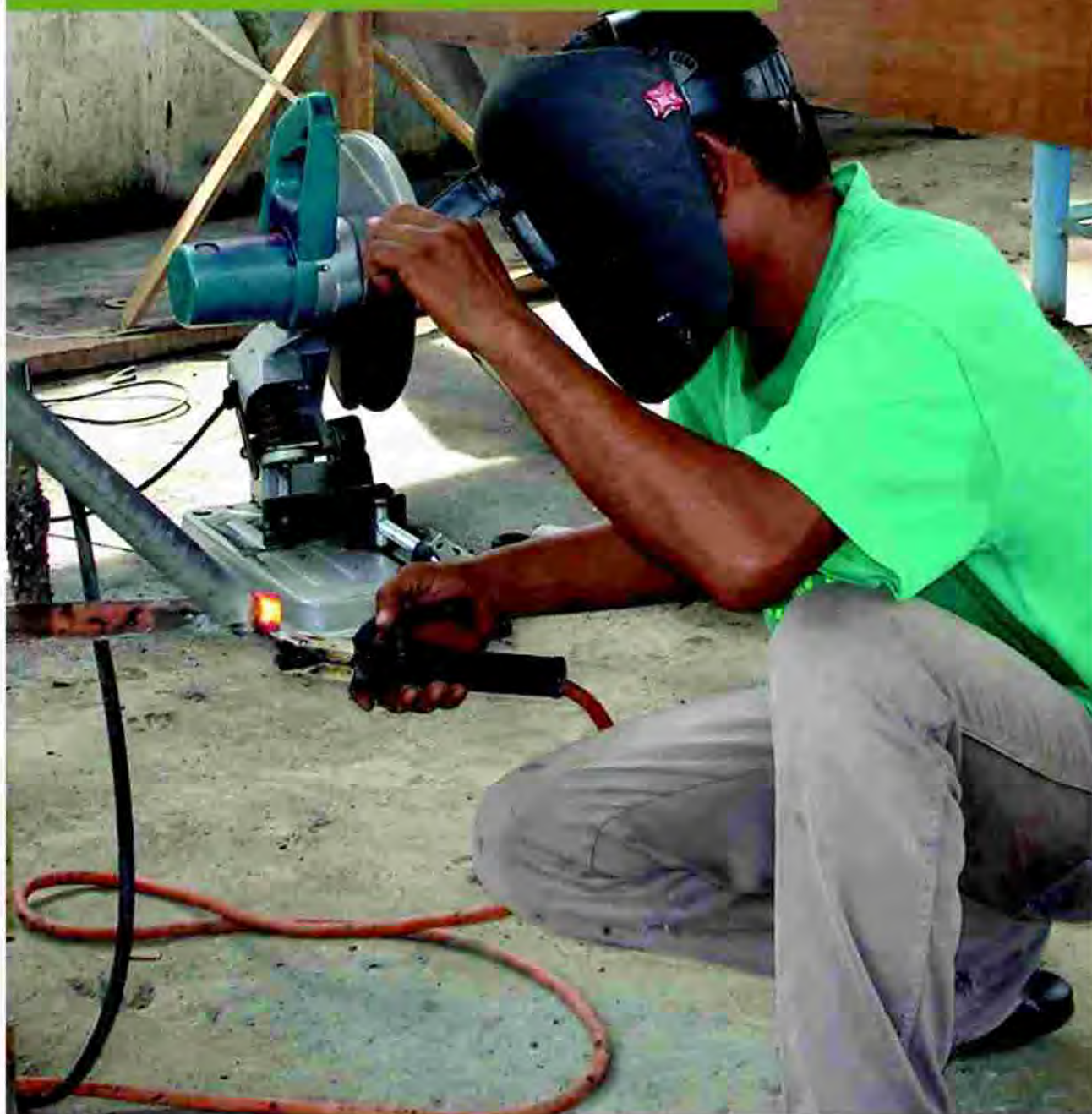


Definition of terms used:

- ¹ "Allocated funds" refer to funds that are assigned to projects through signed legal agreements.
- ² "Committed funds" refer to funds that have been endorsed as project concepts by the Steering Committee.
- ³ "Disbursed funds" refer to funds that have been transferred from the Multi Donor Fund to projects.

Tambon Baroh Youth Center

Taruna Tambon Baroh in North Aceh's Dewantara sub-district is a Training Center for welding. It is funded by MDF-KDP with a value of 216 million Rupiah and a village contribution of 15 million. Many vocational school students have an internship at the center that also provides training to village youth.
(Foto: Siti Rahmah)





RETURNING A SUMATRAN ELEPHANT TO THE FOREST

The people of Le Jerneh village attempt to return elephants to their natural habitat using traditional methods. The community strives to avoid conflicts between elephants and the village.

(Foto: Mahdi Ismail - FFI)

CHAPTER

4

LOOKING AHEAD TOWARDS SUSTAINABLE ECONOMIC DEVELOPMENT

The Multi Donor Fund for Aceh and Nias is responding to important changes in both the overall reconstruction context and its own portfolio as it moves into its fifth year. The closure of the BRR will impact the MDF both in its operations and portfolio as local governments and relevant agencies take over projects and reconstructed assets. The MDF has extended its operations; it will contribute to the recovery of Aceh and Nias until 2012 and is presently reviewing its performance with a focus on improvements and looking forward. At the same time, Aceh's economic context is changing as the impacts of reconstruction that have sustained the local economy in the past few years wind down, and this will also have implications for new funding priorities.

The Changing Operational Context

A Presidential Decree under preparation is expected to outline the arrangements for the closure of BRR. The

revised composition of the Multi Donor Fund Steering Committee will be formalized once this decree is endorsed. Beyond December 2008, Bappenas, provincial governments and line ministries will take over the BRR responsibilities.

Transition arrangements for Multi Donor Fund projects need to be formalized before BRR closes. The decree will outline the government arrangements for implementing reconstruction efforts after the transition. This will determine the relevant flow of funds through the government agencies, and impact the coordination role of the government at portfolio level. Projects have already identified the anticipated arrangements and project teams are working with the government to ensure a smooth handover to line ministries. Amendments to project grant agreements will be required. Continued support to on-budget programs in line with the Government's Master Plan is essential. This will enable local governments to align the development needs of their communities with project objectives.

MDF Portfolio Responding to Changing Needs

Over the next year, projects currently under implementation are expected to reach their targets. Project implementation will be completed by June 2012 to allow for adequate time to bring projects and MDF operations to closure. Therefore, all remaining funds need to be programmed by mid-2009. These time constraints pose a significant challenge to the Multi Donor Fund, especially in the effort to ensure that the necessary mechanisms, knowledge and skills are in place at relevant institutions to sustain the sizeable investments made in the reconstruction and rehabilitation of Aceh and Nias.

The use of remaining funds will have a strong focus on infrastructure, institutional strengthening and economic development. The Aceh Economic Update shows a decline in economic activity in Aceh¹. Therefore the sustainability of the economy of Aceh and Nias is a key focus in the immediate future. These efforts aim to counteract the slowdown in the reconstruction and rehabilitation process driven the Aceh economy over the past four years. There is an urgent need to support the development of a strong private sector to become an engine of economic growth. The Government of Aceh has identified economic

development as a priority area for investment. It also recognizes that reforming the policy and regulatory framework for investment and improving infrastructure remove barriers to economic development. In Nias, increasing access to economic opportunity and reducing vulnerability to disaster are high priorities for sustaining the impact of reconstruction investments into the future.

Aceh's public resources from the Special Autonomy Fund represent a unique opportunity to support the continuation of reconstruction and transition to development. In the next stage of the reconstruction process, new projects will complement programs initiated by the Government of Aceh. Projects selected for future funding will focus strongly on enabling capacity building and institution strengthening as an integrated, cross cutting theme. The Multi Donor Fund's remaining resources will be used to leverage local government programming and co-financing in the agreed priority sectors. Through this approach the MDF will contribute to developing capacity of the Governments of Aceh and Nias to manage the assets from investments made in reconstruction and strengthen their ability to effectively use their own resources aimed at sustained economic growth.

¹ Aceh Economic Update October 2008; Bank of Indonesia and the



PUBLIC DIALOGUE
Policy Dialogue conducted by the MDF provides input to the overall reconstruction of Aceh and Nias.
(Foto: G. Inge Susilo)

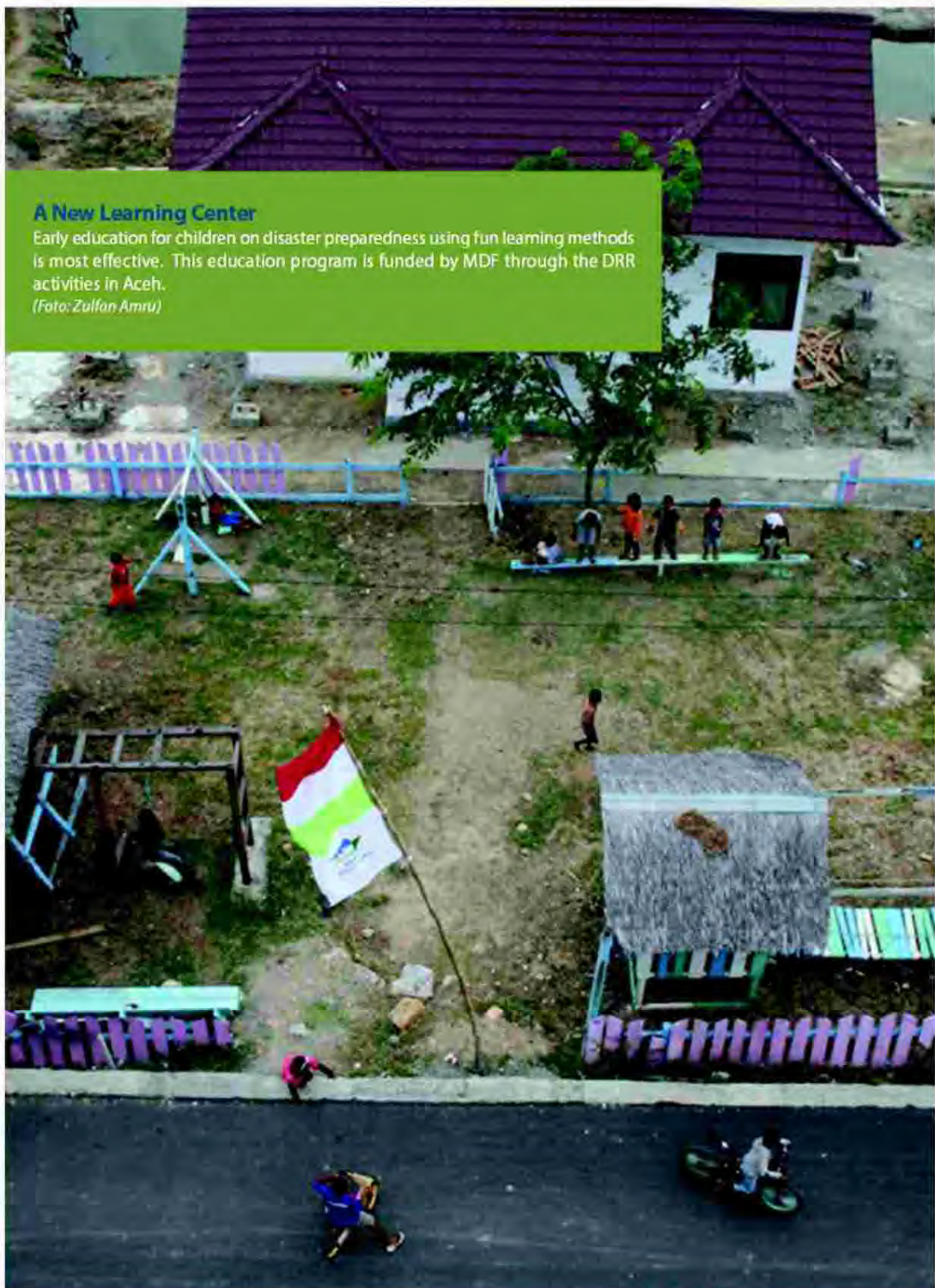
A Commitment to Improving Quality and Performance

The Multi Donor Fund is assessing its performance and achievements as it looks ahead. To examine how well the MDF has delivered on its commitments to ensure social and environmental sustainability in the portfolio, reviews have been conducted in these two areas during 2008. An independent external mid-term review to evaluate the portfolio and operational performance of the MDF has been

commissioned, and the review will provide the MDF with an overall view of its achievements in the reconstruction process and recommendations for the remainder of the duration of the MDF. Lessons learned from the Multi Donor Fund's experiences will be used not only to enhance the operations for the MDF's own portfolio but also shared widely so that its forward looking recommendations can enhance the quality of future post-disaster reconstruction efforts in other contexts.



Community monitoring is effectively conducted, facilitated by civil society organizations. (Foxor/30)



A New Learning Center

Early education for children on disaster preparedness using fun learning methods is most effective. This education program is funded by MDF through the DRR activities in Aceh.

(Foto: Zulfan Amru)

PROJECT PORTFOLIO

No.	Projects	Budget (US \$ million)
1	Community-Based Settlement Rehabilitation and Reconstruction Project for NAD and Nias (Rekompak)	85.00
2	Community Recovery Through The Kecamatan Development Project (KDP)	64.70
3	Community Recovery Through the Urban Poverty Program (UPP)	17.96
4	Nias Kecamatan-Based Recovery and Planning Project (KRRP)	25.75
5	Reconstruction of Aceh Land Administration System Project (RALAS)	28.50
6	Banda Aceh Flood Mitigation Project	4.50
7	Infrastructure Reconstruction Enabling Program (IREP)	42.00
8	Infrastructure Reconstruction Enabling Financing Facility (IRFF)	100.00
9	Lamno-Calang Road Maintenance Project	1.46
10	Sea Delivery and Logistics Program (SDLP)	24.70
11	Tsunami Recovery Ports Redevelopment Programme (TRPRP)	3.78
12	Aceh Government Transformation Programme (AGTP)	9.92
13	Capacity Building for Local Resource-based Rural Roads	11.80
14	Support for Poor and Disadvantaged Areas (SPADA)	25.00
15	Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	6.00
16	Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	22.48
17	Aceh Forest and Environment Project (AFEP)	17.53
18	Tsunami Recovery Waste Management Programme (TRWMP)	24.41
Total Allocation to Projects		515.49

1. Community-Based Settlement Rehabilitation and Reconstruction Project for NAD and Nias

<i>The Community-Based Settlement Rehabilitation and Reconstruction Project provides grants to 130 communities to rebuild and repair houses and rehabilitate their settlement infrastructure through a community-driven approach.</i>	Grant Amount	US \$ 85 million
	Implementation Period	October 2005 – February 2009
	Partner Agency	World Bank
	Implementing Agency	Ministry of Public Works
	Disbursements	US \$ 81.66 million

Supported by this project, communities jointly map and assess the damages in their communities to establish construction needs and identify housing beneficiaries. The project fills remaining housing gaps in 130 communities. Grant recipients will rebuild about 8,000 houses and repair about 7,000 houses. This is the only project that has supported the rehabilitation of houses. It also provides grants to rebuild community infrastructure based on jointly developed settlement plans. Housing facilitators strive to ensure that the work performed is of the required standard.

Achievements to date

The community-driven approach has proven to be efficient in rebuilding houses within a limited timeframe. It has also created a strong sense of ownership among beneficiaries and a sense of pride in their achievements. While the occupancy rate of rehabilitated houses is 100%, approximately 86% of newly constructed houses are occupied – the project continues to work with the communities to address this issue. First tranche grants for priority infrastructure have been disbursed to 120 villages. Over 10% of these recipients have completed their activities and received the second payment.

Challenges

The progress of retrofitting houses to enhance quality has progressed at a slower pace than anticipated. This is mainly due to the reluctance of the home owners to make the proposed changes and the low technical capacities of the workers. The project has reacted with a comprehensive audit of the quality of houses and the introduction of structural improvements. Raising the occupancy rate for new houses is another challenge.

Results as of September 30, 2008	Targets	Achievements	
Houses reconstructed	8,004		
• Complete		6,554	81%
• Under construction		1,450	19%
Houses rehabilitated	6,999		
• Complete		6,911	98%
• Under construction		88	2%
Community settlement plans	126*	126	100%
Short-term employment created (workdays)	n/a	7,767,662	

* Corrected target of 128 has been revised to 126



HOUSING
Rehabilitated
house.
(Foto:
Rekompak)

2. Community Recovery through the Kecamatan Development Program

<i>The Kecamatan Development Program (KDP) provides block grants directly to villages for community-led reconstruction. This supports the restoration of community infrastructure in 2,900 villages across Aceh and Nias.</i>	Grant Amount	US \$ 64.70 million
	Implementation Period	August 2005 – December 2008
	Partner Agency	World Bank
	Implementing Agency	Ministry of Home Affairs
	Disbursements	US \$ 64.70 million

At KDP, communities decide on their priority needs in terms of tertiary infrastructure and support for economic activities or socially vulnerable groups. Block grants with a total value of US \$ 49.9 million have been directly transferred to sub-districts where democratic decisions have been taken on funding that should be allocated to villages. KDP has a multi-layered control mechanism to prevent corruption throughout planning and implementation of village projects.

Achievements to date

To date, all funds have been disbursed to sub-district accounts except in the Pidie and Aceh Besar districts. Most villages have either completed their activities, or are in the final stages of construction. More than 90% of the funds were used for infrastructure. In the 2007 financial year, BRR channeled over US \$ 13 million to finance 74 sub-district block grants, to compliment the US \$ 9.5 million national PNPM Mandiri program that was delivering assistance to 131 sub-districts.

Challenges

The project may look to extend the closing period beyond its current time line as two districts have yet to fully spend all their block grant funds. In addition, it will be important to sustain community-led development activities from other sources of funding such as the national loan and the upcoming National Community Empowerment Program (PNPM).

Results as of September 30, 2008	Targets	Achievements
Roads repaired/constructed (km)	2,412	2,359
Bridges repaired/constructed (unit)	1,007	932
Irrigation and drainage (unit)	931	1,211
Clean water projects (unit)	598	621
Water storage reservoirs (unit)	118	118
Sanitation units	939	778
Village level Markets (unit)	21	20
School buildings (unit)	289	274
Health clinics/posts (unit)	33	10
Value of scholarships (number of recipients)	US \$ 380,604 (6,052)	US \$ 329,967** (6,022)
Amount for loans	US \$ 379,000	US \$ 346,544**
• Number of recipients	• 4,045	• 3,685
• Number of businesses/groups	• 350	• 350
Persons employed through sub-projects	n/a	429,421
Workdays generated	n/a	5,053,529
Emergency relief funds	US \$ 4,528,898	US \$ 4,502,470**

* Final targets are still being verified through completion reports. Price changes to (re)contracted scope of work-guaranteed, e.g. due to cost increases.

** Figures reported in Indonesian Rupiah. Exchange rate used: US \$ 1 = (Rp)15,000.



VILLAGE SPECIAL MEETING

The community, village leader, village facilitators, and village activists gather to report on the MDF-KDP activities conducted in their village.

(Foto: Sri Rahmah - World Bank Consultant)

3. Community Recovery through the Urban Poverty Project

<i>The Urban Poverty Project (UPP) provides block grants directly to 271 communities to rehabilitate and develop community infrastructure in Acehese municipalities.</i>	Grant Amount	US \$ 17.96 million
	Implementation Period	August 2005 – December 2009
	Partner Agency	World Bank
	Implementing Agency	Ministry of Public Works
	Disbursements	US \$ 17.9 million

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

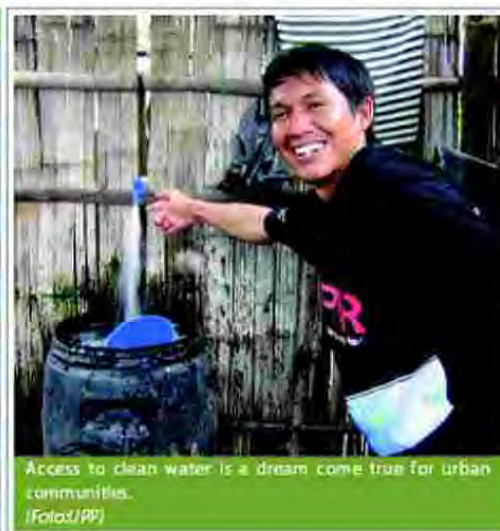
Achievements to date

Implementation in most communities has been completed. Communities outside of Banda Aceh often opted to provide labor themselves instead of hiring workers. Using this method, results increased significantly. To augment direct benefits for women, UPP introduced a two-phased component for women's empowerment in 2008. Phase I provided US \$ 11,100 to 50 urban communities for strengthening the roles and participation of women in project implementation. Phase II, which builds on the strengths of the first phase, is now in progress and has targeted the next batch of 50 best performing urban wards.

Challenges

An ongoing challenge is to improve the quality of infrastructure and ensure that it conforms to *kelurahan* integrated infrastructure plan. In addition, there is room for improvement in the operations and maintenance components to ensure the sustainability of the investments. Increasing tangible benefits for women is another challenge that the project has taken up.

Results as of September 30, 2008	CDP ¹	Initial Plan	Achievements
Roads repaired/reconstructed in km		61	226
Reconstruction of bridges in m		6,150	1,282
Drainage (in km)		37	165
Clean water projects (units)		79	787
Sanitation units		22	281
School buildings	119	N/A	1
Students receiving scholarships	8,420	N/A	3,430
Value of scholarship (US\$)	440,639	N/A	74,043
Health clinics/posts		28	9
Waste disposal facilities		284	684
Work days generated	6,356,016	N/A	1,056,195
Social Aid funds	3,692,231	N/A	726,877
Village Halls (Unit)	171	N/A	120



Access to clean water is a dream come true for urban communities.
(Folosi/PP)

4. Nias Kecamatan-based Recovery and Planning Project for Nias

<i>The Kecamatan Rehabilitation and Reconstruction Planning Project for Nias (KRRP) provides block grants for the reconstruction of 5,000 houses, 100 schools and other public infrastructure in Nias. KRRP builds on the KDP participatory planning process and strives to enhance sectoral planning of district governments.</i>	Grant Amount	US \$ 25.75 million
	Implementation Period	November 2006 – December 2009
	Partner Agency	World Bank
	Implementing Agency	Ministry of Home Affairs through BRR
	Disbursements	US \$ 10.2 million

The project builds on the experiences of the Aceh housing project REKOMPAK, and contributes to the rehabilitation of housing and education in Nias. It aims to construct approximately 5,000 houses, and reconstruct 100 schools and 100 sub-district/village assembly halls. KRRP has a window for the promotion of cultural heritage and also strengthens local governments' ability to facilitate community-led planning in the future.

Achievements to date

Due to the delays encountered, activities for 2007 are being implemented in 2008. Construction work is taking place in all targeted villages, and it is expected that the targeted construction of 2,138 units will be reached. Disbursements have been made for the construction of schools, village offices and infrastructure.

Challenges

Construction activities in Nias are greatly influenced by the high level of poverty, poor quality of infrastructure and the remoteness of many areas on the island. Local government capacities were low even before the tsunami, and the cultural diversity of the island requires local solutions that respect community norms and values. This has led to delays in implementing project activities. Timber Management issues have been resolved through Community Forest Management effort.

Results as of September 30, 2008	Targets	Achievements
Project coverage		
• Number of kabupaten	2	2
• Number of kecamatan	9	9
• Number of villages/keurahan	123	123
Houses	5000*	1998 under construction
Schools	100	1 under construction
Basic village infrastructure (projects)	48	8 under construction

* These targets are to be revised due to increased reconstruction costs, currently estimated at 4,750



5. Reconstruction of Aceh Land Administration System Project

<i>The Reconstruction of Aceh Land Administration System Project (RALAS) identifies land ownership and issues land titles. Over three years, landowners in Aceh and Nias will receive legal title documents which will provide them with a solid foundation for restarting their lives.</i>	Grant Amount	US \$ 28.5 million
	Implementation Period	June 2005 – December 2008
	Partner Agency	World Bank
	Implementing Agency	National Land Administration Agency (BPN)
	Disbursements	US \$ 11.7 million

The objectives of RALAS are to support the reconstruction of property rights and issuance of land title certificates, as well as support the reconstruction/development of the land institutions in Aceh and the rebuilding of land administration systems in the province. The project envisages BPN's engagement with communities and NGOs in conducting land inventory and adjudication processes, thereby supporting and accelerating reconstruction activities.

Land ownership is restored through a multi-tiered process. Facilitated by NGOs or the Land Administration Agency (BPN), communities conduct a land inventory process in accordance with BPN guidelines. BPN adjudicates the results by measuring the parcels and validating community agreements on ownership and boundary demarcation. Results of adjudication are publicized for four weeks, followed by registration and issuance of the land titles. The project also establishes a modern land administration data base to prevent the loss of documentation caused by future disasters. In addition, the project also restores some of the land administration buildings that were destroyed due to the tsunami. All services are delivered free of charge.

Achievements to date

This project has strengthened local capacities in land management. Since the project started in 2005, RALAS has strengthened local capacities in land administration and management and trained about 700 NGO facilitators as well as 610 BPN personnel who helped facilitate community land surveying of about 200,000 land parcels. Additionally, BPN's provincial office and three district land offices have been rehabilitated. Currently two of them are in use. Further progress has been made in the development and the computerization of the land records system in nine districts and the provincial land office. The project has also facilitated the resolution of land disputes at the local levels; advocated and enforced empowerment of women through joint titling; and introduced computerized land management information systems and records management

Challenges

The project closing date is December 2008. Achievements to date are well below target figures. An extension is under consideration.

Results as of September 30, 2008	Targets	Achievements
Land titles distributed	600,000	112,460
Joint and female ownership	n/a	Approximately 40%
Land titles registered in land book	600,000	126,107
Land parcels out for public Notification	600,000	158,972
Land parcels officially surveyed by BPN	600,000	211,829
Land parcels mapped	600,000	207,341



Forty percent of women beneficiaries are included as joint owners of land titles.

6. Banda Aceh Flood Mitigation Project

<i>The Flood Mitigation Project for Banda Aceh will help protect the central business area of Aceh's provincial capital Banda Aceh against flooding.</i>	Grant Amount	US \$ 4.5 million
	Implementation Period	April 2006 – June 2009
	Partner Agency	World Bank
	Implementing Agency	Muslim Aid
	Disbursements	US \$ 2.1 million

Banda Aceh has been prone to flooding from tide and rains since before the tsunami. The destruction of flood gates and pumping stations has resulted in periodic flooding of the low-lying areas of Banda Aceh. Without flood protection, reconstructed public and private goods are prone to new damage. The project closely coordinates with the overall drainage and flood prevention reconstruction plan of the Municipality. It installs rubber flood valves and restores the pumping and drainage system in Drainage Zone 2. Government staff is trained to ensure maintenance and sustainability of the installed hardware.

Achievements to date

In early 2006, the project installed 11 flood valves to prevent tidal flooding and drain one of the most flood-prone areas of Banda Aceh, reducing the occurrence of flooding after rains and during high tide, and leading to increased community satisfaction. The main civil works contract consisting of three pumping stations is at the final stage of construction.

The project has been extended to June 2009, and has refocused on Zone 2. A new consulting firm was appointed and the main contract work has been re-bid. Contractors have already been mobilized for part of this work. The project is now on track to complete implementation by mid 2009.

Challenges

One critical threat to the functioning of the reconstructed drainage infrastructure is the clogging of drainage with waste. Therefore the project will need to ensure the coordination and integration of its work with other waste management activities.

Results as of September 30, 2008	Targets	Achievements
Immediate flood reduction through flood valves Drainage system reconstructed	11	11
• Pumping stations	3 stations	Under construction
• flood valves	All flood valves in Zone 2	Bidding finished
• drainage (reconstruction/ rehabilitation)	4.4km/ 12.3km	Under construction



Urban Drainage in zone 2, built by Muslim Aid

7. Infrastructure Reconstruction Enabling Program

The Infrastructure Reconstruction Enabling Project (IREP) provides strategic planning, designs for physical infrastructure and infrastructure implementation support, thereby enabling the coordinated reconstruction of infrastructure in Aceh and Nias.

Grant Amount	US \$ 42.0 million
Implementation Period	July 2006 – September 2009
Partner Agency	World Bank
Implementing Agency	BRR
Disbursements	US \$ 14.1 million

IREP provides technical assistance at two levels: Under the supervision of BRR, an Infrastructure Program Management Team assists in the strategic planning and coordination of all infrastructure reconstruction activities for Aceh and Nias, while technical teams design infrastructure and provide implementation support. The implementation of the designs will be funded through the Infrastructure Reconstruction Funding Facility, co-financed by the Multi Donor Fund and the BRR, as well as other sources of funding.

National, provincial and district level infrastructure are covered by IREP. The project aims to strengthen the capacities of local governments in strategic planning, project design, implementation and supervision. A further objective focuses on operational and maintenance issues to better prepare local governments for their roles in ensuring the sustainability of the reconstruction investments.

Achievements to date

All five IREP consultant teams were mobilized by May 2007. During this reporting period, disbursements to the projects have increased. IREP consultancy teams are providing ongoing support to the IRFF program and BRR's infrastructure program. The Strategic Infrastructure Plan, Annual Infrastructure Investment Plans, and Annual Procurement Plans for Aceh and Nias have been completed and approved by BRR. Teams also support the development of investment plans at the regional level for the west coast and Nias.

The IREP consultant teams have helped prepare a total of 63 investment packages to build 748 km of roads at national, provincial and district levels, 16 water systems and five ports. With the implementation of the projects underway through IRFF, IREP consultants are now engaged in construction supervision and quality control activities.

Challenges

With BRR's impending closure, the project will need to help support the proper hand-over of both the BRR's infrastructure program, and the IRFF program to the relevant authorities.



IREP consultants supporting supervision of Gunung Sitoli Port, Nias

8. Infrastructure Reconstruction Financing Facility

<i>The Infrastructure Reconstruction Financing Facility (IRFF) is a BRR co-financed project providing funds for key infrastructure projects identified through the Infrastructure Reconstruction Enabling Program.</i>	Grant Amount	US\$ 291.0 million (incl. US\$191.0 million BRR co-financing)
	Implementation Period	July 2006 – December 2009
	Partner Agency	World Bank
	Implementing Agency	BRR
	Disbursements	US\$ 19.6 million

IRFF increases the flexibility of BRR to fund infrastructure activities, allowing projects to be funded as soon as they are ready. The project finances infrastructure at Province and District level, identified through the Infrastructure Reconstruction Enabling Project (IREP) framework. Like IREP, it strongly emphasizes capacity building for local and provincial governments. Together, both projects strive to contribute to the BRR's transition strategy of progressively involving local governments and eventually handing over decision-making and implementation responsibilities to them.

Achievements to date

The project has utilized local investment plans as well as the IREP strategy to identify possible projects for implementation. Environmental safeguards are ensured by the preparation of environmental impact assessments and associated management plans. The IRFF portfolio includes 57 sub-projects totaling US \$ 227.4 million. To date, 56 contracts have been awarded, totaling US \$ 218.2 million. One sub-project (valued at US \$ 9.2 million) is still at the bidding stage.

Challenges

Approximately 50% of the IRFF portfolio (in terms of value) is estimated to be implemented after the closure of BRR. Therefore, it is critical to ensure that all IRFF investments can be brought to a sustainable closure beyond the phasing out of BRR.

Results as of September 30, 2008	Amount of sub projects	Value of projects
Completed:	8	US \$ 7.79 m
• water systems	1	US \$ 1.98 m
• district roads	7 for 37 km	US \$ 5.81 m
Under construction:	48	US \$ 210.40 m
• water systems	11	US \$ 30.27 m
• ports	5	US \$ 47.42 m
• national roads	8 for 266 km	US \$ 37.92 m
• provincial roads:	9 for 317 km	US \$ 67.14 m
• district roads	15 for 153 km	US \$ 27.70 m
At bidding stage:	1	US \$ 9.17 m
• district roads	1	US \$ 9.17 m



9. Lamno-Calang Road Maintenance Project

The Lamno-Calang Road Maintenance Project maintained the 103 km stretch of road from Lamno to Calang from November 2006 to December 2007. The objective of the project was to ensure uninterrupted overland access to tsunami-affected communities on the west coast of Aceh, thereby facilitating the reconstruction and recovery process, and promoting social and economic recovery.

Grant Amount	US \$ 1.5 million
Implementation Period	October 2006 – December 2007
Partner Agency	United Nations Development Programme
Implementing Agency	United Nations Development Programme
Disbursements	US \$ 1.5 million

In 2006, as a result of truck overloading and lack of maintenance, the road stretch between Lamno-Calang was in critical condition, often rendering the road impassable to traffic, especially during the rainy season. This project provided urgently needed continuous maintenance services to keep the road passable for a period of fourteen months.

Achievements to date

The project was completed by December 31, 2007 and a completion report submitted. The lack of government funding, expertise and equipment resources needed to undertake this emergency maintenance work within the limited timeframe underscores the importance of this project. The Lamno-Calang Road is the main transportation route for materials to the west coast. This project is seen as a great success, and, though relatively small, a key investment in the reconstruction and recovery process.

Results as of September 30, 2008	December 2007
Roads graveled (km)	52
Ditch excavation and lining (km)	132
Bridge decks repaired (units)	21
Bailey bridges installed (units)	4
Short-term local labor created (workdays)	3,000



BRIDGE BUILDING IN ACEH BESAR

A number of workers repair the hooks for a bridge between Banda Aceh-Calang. MDF-financed maintenance of the 103 km stretch of road between Lamno-Calang to ensure uninterrupted overland access.
(Foto : Ibra Saifur)

10. Sea Delivery and Logistics Program

This project filled a vital need during the reconstruction by supporting the transportation of reconstruction materials and other cargo to affected areas, including remote areas of Nias and Simeulue. Over the past year, the project has moved its focus to enhancing sustainability of the investments through comprehensive training programs and logistics support.

Grant Amount	US \$ 24.7 million
Implementation Period	March 2006 – February 2010
Partner Agency	World Food Program
Implementing Agency	World Food Program
Disbursements	US \$ 24.7 million

This project provided a full-fledged shipping service throughout 2006. Since then, shipping of goods has transitioned to the commercial sector, while the project continues to provide logistics support. It also continues to operate heavy equipment such as forklifts and reach stackers to enable off-loading of cargo in an efficient and safe manner. The project is now focusing on both classroom and on-the-job training for port authorities to ensure sustainable management of the newly constructed ports and equipment.

Achievements to date

Transportation of goods to remote destinations throughout the affected areas, including beaches in Nias and Simeulue, has been a major benefit of this project. The project transported a total of 98,185mt/256,006m³ of relief and reconstruction cargo during 2005 and 2006.

Port evaluation and assessment of training needs has been completed. An organization specializing in port training has been identified to implement training, which will commence in December 2008. This component of the program will complement the reconstruction of ports in Aceh and Nias through other Multi Donor Fund projects, where designs were prepared by the UNDP Ports Redevelopment project to be funded by the IRFF project.

Challenges

It will be a challenge to ensure maintenance and operational safety of the heavy equipment used once this is transferred to the relevant authorities (e.g. ports authorities). Therefore there has been a shift in the focus of the program to enhancing sustainability through training.

Results as of September 30, 2008	Shipping Service (Until March 2007)*	Logistic Services (from 2007)
Number of agencies that used shipping service	84 users	25 users
• International Red Cross Agencies	51%	0.6%
• UN Agencies	24%	0.1%
• Other NGO/reconstruction agencies	18%	2.3%
• Government	0.2%	0.1%
• Private Sector	0.1%	93%
• Other	6.7%	3.9%
Reconstruction materials shipped (until Dec 2006, metric tons)	98,185*	
Cargo movement facilitated through logistics services (since Jan 2007, metric tons)		about 174,000

*WFP SS re-delivered the last vessels to owners on March 10th, 2007. The facilitation of cargo is through logistics support and advisory.



WFP provides equipment services to rebuild ports.
(Foto:WFP)

11. Tsunami Recovery Port Redevelopment Program

This project provides physical designs and further technical support for the reconstruction of major sea ports and one river port in Aceh and Nias.

Grant Amount	US \$ 3.8 million
Implementation Period	December 2005 - December 2007
Partner Agency	United Nations Development Programme
Implementing Agency	United Nations Development Programme
Disbursements	US \$ 3.8 million

This project focused on the reconstruction effort through preparing detailed designs, environmental impact assessments and economic feasibility studies for port reconstruction on the North and West coasts of Aceh. The project also improved the functionality of several ports through minor rehabilitation works and the construction of temporary wharves.

All activities were coordinated with the BRR, the Provincial, District and Municipal Agencies for Transport, and the Department of Sea Communications, and complement work done in other ports of Aceh. Activities were also based on close consultation with communities and representatives of local fishermen and other sea related stakeholders.

Achievements to date

This project included carrying out assessments and studies of sea ports in Calang, Meulaboh, Sinabang and a river port in Lamno, as well as the redesign of these ports. In Gunung Sitoli the project reviewed a previous design so that works could be tendered. Temporary wharves in Calang and Sinabang were completed, enabling better docking conditions and storage of cargo. All works for this project were completed by December 2007.

Results at Completion	Targets	December 2007
Ports redesigned	5	5
Functionality of ports improved		
• land sites	2	1*
• temporary wharves	2	2

* Slope was reduced (no works in Balishari) since local government had taken up the works



The Gunung Sitoli Port design under implementation.
(Foto/Nis. S)

12. Aceh Government Transformation Programme

<i>The Aceh Government Transformation Programme will provide strategic and essential support to the transition by ensuring that the provincial government has the necessary capacity and institutional strength to take over projects, assets, functions, capacities and resources from BRR and other reconstruction and recovery programs at the end of their mandate.</i>	Grant Amount	US \$ 9.93 million
	Implementation Period	May 2008 – December 2009
	Partner Agency	United Nations Development Programme
	Implementing Agency	Provincial Government of NAD
	Disbursements	US \$ 9.93 million

AGTP will support the smooth transition from BRR to provincial and local governments as BRR ends its operations. This capacity building project will focus on promoting the sustainability of the investments made by donors during the reconstruction process. This will be achieved by strengthening the government's ability to effectively coordinate the numerous donor-supported transition and recovery-related capacity building programs through addressing shortcomings in the Aceh government's policy-making and technical capacity.

Achievements to date

The primary achievement to date has been the initiation of project implementation. Discussions with stakeholders were held to agree upon the project implementation modality, which will be the first time in which the central government delegates the full responsibility for project implementation to the local government. Initial policy support for the Aceh Governor's office has been provided to ensure the smooth transition of functions from BRR to the local government, and advisory teams are at work in seven local government agencies. Of particular note is the support provided on the drafting of the presidential decree which will determine which agencies/institutions will take over the various functions of the BRR.

Challenges

The main risk that the AGTP faces is the limited capacity of the newly formed provincial government. At the moment limitations include the absence of ancillary regulations that spell out procedures for transferring grant funds from the national government to regional government and the lack of institutional capacity in the local government agencies to implement large amounts of funds.



An interview is conducted as part of the fit and proper test for the Nanggroë Aceh Darussalam Governor's advisory team selection.
(Foto:AGTP)

13. Capacity Building for Local Resource-Based Rural Roads

<i>This project builds capacities of local governments and contractors to reconstruct and maintain roads with low-tech methods. It rehabilitates district roads in five districts in Aceh and Nias, drawing on local resources, creating short-term and long-term employment opportunities.</i>	Grant Amount	US \$ 11.8 million
	Implementation Period	January 2006 – December 2009
	Partner Agency	United Nations Development Programme
	Implementing Agency	International Labor Organization
	Disbursements	US \$ 11.8 million

This project focuses on improving the capacity of district governments and local contractors in Aceh and Nias by providing techniques, standards, systems and strategies and involving local communities in provision and maintenance of district and other rural roads.

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

The local resource-based approach and community based maintenance system for roads have been adopted by local contractors in road works under ILO contracts. The achievements of the initial objectives enabled this project to be extended to Phase II until end of 2009, with an expansion into three new districts.

Achievements to date

The project has successfully engaged government officials and communities in the districts of operation in building their capacity in local resource-based methods. Training activities on contract management, road construction, and construction supervision techniques are continuously provided to the engineers and supervisors of relevant district government. Manuals and guidelines have been produced and updated following the dynamics of the implementation.

Challenges

The project met strong interest on the side of governments and contractors. The main challenge is to ensure the absorption of the local resource-based approach in undertaking high-volume road rehabilitation and construction works, and to introduce it into regular practice of other infrastructure works.

Results as of September 30, 2008	Targets	Achievements
Total Roads Rehabilitated (km)	98	95,3
Total Roads Maintained (km)	98	97,3
Number of local contractors trained	80	186
Number of local government staff trained:		
• Engineers and Supervisors for contract management and construction supervision (% women)	60 (30%)	115 (2%)
• Staff trained in managing infrastructure (% women)	15 (30%)	67 (20%)
Worker-days created	300,000	218,636
Composition men/women		73%/27%



Road reconstruction in Nias (Foliodi)

14. Support for Poor and Disadvantaged Areas Project

The Support for Poor and Disadvantaged Areas Project (SPADA) strengthens district government capacities to promote the longer-term development of the province. It links the participatory sub-district planning process of KDP to district government decision-making, and provides block grants to improve public services and the recovery of economic infrastructure.

Grant Amount	US \$ 25.00 million
Implementation Period	February 2007 – June 2010
Partner Agency	World Bank
Implementing Agency	Ministry of Disadvantaged Areas through BRR
Disbursements	US \$ 4.08 million

District government capacities to provide adequate public services are low. It is important to strengthen their capacities ensuring that they will be able to provide sustainable, long-term development. This project provides block grants to all districts in Aceh and Nias to fund larger, technically demanding projects that emerge from sub-district planning within the KDP mechanism.

Projects are selected by district development committees with thirty percent of grants reserved for health and education. The project will also promote the improvement of the economic environment through infrastructure investments. To strengthen the capacities of local governments, a combination of training, practical exercises, and technical support will be offered throughout the project.

Achievements to date

SPADA has taken up activities in all 17 districts of Aceh and two in Nias where project offices have been established. Multi-stakeholder district advisory fora have been established to advise the District Development Councils. Joint SPADA-BRR-Local Government Secretariats have been formed in all districts & cities where health and education consultants were trained and have produced a needs assessment for their respective sectors.

A Grant Agreement was drawn up and is expected to be signed in the second quarter with RTI to deliver the USAID-Local Government Support Program in ten districts. Two regional offices have been set up, staff recruitment is ongoing, and two workshops were conducted in two clustering areas, covering six districts.

The project has also provided planning grants to all districts. These grants will support the district governments identifying prioritized needs in participatory process which includes multiple stakeholders from Government agencies, civil society, universities, and sub-district representatives. Once district planning activities are complete, the project will disburse block grants in the first quarter of 2008 to build physical, health and educational infrastructures.

Challenges

The project experienced significant delays due to conditions not being met on time. An ongoing challenge on the ground is to ensure strong coordination to avoid overlaps between the upcoming capacity building activities of SPADA and those of other agencies. Also, SPADA will face the challenge of involving local government resources when civil servants will increasingly focus on the transition and preparing to manage the Special Autonomy Funds at the same time.



Increasing capacity for midwives through training.
(Foto: Bud Hermawan)

15. Support to Strengthen the Role and Capacity of Civil Society Organizations in the Recovery of Aceh and Nias

<i>This project builds technical and organizational capacities of Non-Governmental Organizations and Community-Based Organizations in Aceh and Nias. Small grants enable NGOs and CBOs to engage in demand-oriented reconstruction activities.</i>	Grant Amount	US \$ 6.0 million
	Implementation Period	December 2005 – February 2010
	Partner Agency	United Nations Development Programme
	Implementing Agency	United Nations Development Programme
	Disbursements	US \$ 6.0 million

The project also supports NGOs and their networks to set up local Resource Centers as focal points for activities, exchange, training, and a forum for dialogue with the local governments and civil society. Civil Society Organizations (CSOs) participate in training and compete for small grants that can be used either for monitoring of reconstruction activities or as community development grants. In this way, the project supports initiatives such as building basic social services and income generating activities.

Achievements to date

There has been significant progress in project activities over the course of 2008. Civil Society Resource Centers in Aceh and Nias have been established and are operational. In Aceh, 716 people representing 125 CSOs attended capacity trainings. These trainings, provided by the Resource Centers, aimed at strengthening community and organizational development. All necessary service providers to the program have been contracted and 144 CSOs have received small grants. Policy dialogue workshops have provided opportunities to increase collaboration between CSOs and the Government. A Mid-Term Review of the program commenced in August, with a number of follow-up dialogue activities planned to socialize the findings. Approximately 80 percent of the targeted CSOs have received small grants.

Challenges

Special attention needs to be placed on ensuring the sustainable funding and management of the resource centers in Aceh and Nias. Another immediate challenge is to ensure that the closing of BRR will not interfere with project implementation. UNDP has engaged in discussions with various parties involved to ensure a smooth transition.

Results as of September 30, 2008	Achievements
Small grants provided/value of grants	144/US \$ 1.173 million
Beneficiaries of livelihood grants	6,693 men/ 5,425 women
CSRC staff trained (training of trainers)	50 (18 women)
CSOs staff trained	716(192 women)



Small community grants help increase sewing skills.
(Photo: UNDP)

16. Technical Support for Badan Rehabilitasi and Rekonstruksi (BRR) NAD-Nias

<i>The Technical Assistance to BRR Project supports the Agency for Rehabilitation and Reconstruction (BRR) to efficiently implement its mandate in planning, implementing, supervision and coordination of the recovery process through provision of technical support and key services.</i>	Grant Amount	US \$ 22.5 million (2 phases)
	Implementation Period	July 2005 – May 2009
	Partner Agency	United Nations Development Programme
	Implementing Agency	BRR
	Disbursements	US \$ 22.5 million

This project enables BRR to enhance the quality of its operations and the implementation of the Government's reconstruction program in all relevant sectors. It provides national and international expertise tailored to the BRR's specific needs, both in its central and regional offices. Project support consists of (i) recruitment of individual consultants, (ii) the procurement of key services for BRR operations, and (iii) and enhancing transparency in decision making and strengthened participation of all stakeholders.

Achievements to date

To date, the project has hired 80 technical experts to assist various BRR departments in implementation and transition activities. The project has significantly contributed to the planning, implementation and monitoring of on-going projects. The main focus of the project has shifted to supporting Asset Transfer and Knowledge Management Departments, with an emphasis on the transfer of assets and responsibilities after the closure of BRR.

Operational services such as legal support, support to human resource management and IT services continue to operate on an ongoing basis to secure the functionality of the BRR until its closure. Stakeholder relations management was initiated in September 2008.

Challenges

The project experienced challenges in sourcing suitable for the asset transfer team. The progress of the team is also dependent on the presidential decree on the closure of the BRR. The sustainability of the impact of the BRR initiatives supported by this project has become a priority.

Results as of September 30, 2008	Achievements
Support to guideline, strategy and policy development	212
BRR projects monitored for quality	275
Project Proposals reviewed	188
Households relocated (percentage of target 16,606)*	11,574 (70%)
Socialization meetings held	25

* Due to the dynamic environment, targets are constantly evolving



The project provided technical assistance to build a new international airport
(Foto:UNDP)

17. Aceh Forest and Environment Project

<i>The project helps protect the Leuser and Ulu Masen forest ecosystems from illegal logging. The sound protection of this 3.3 million hectare area will not only help protect the water supply of approximately 60% of the Acehnese population, but also South East Asia's richest remaining biodiversity.</i>	Grant Amount	US \$ 17.5 million
	Implementation Period	February 2006 – June 2010
	Partner Agency	World Bank
	Implementing Agency	Leuser International Foundation; Fauna and Flora International
	Disbursements	US \$ 8.4 million

The project seeks to establish an appropriate balance between forest protection and economic benefits and livelihood opportunities to local communities. Protection is based on a multi-stakeholder governance framework, forest monitoring and sustainable forest management. Activities include capacity building for government forest and park management agencies. Environmental sustainability will further be promoted through support to spatial planning, environmental awareness campaigns, community-based rehabilitation activities, and through assessing the use of carbon trading as a funding mechanism for conservation.

Achievements to date

The project has developed a baseline for the status of the Leuser and Ulu Masen Ecosystems: at the end of 2006, 69% of both ecosystems were categorized as undisturbed forests. The 2007 map is still under preparation.

Significant success has been achieved in supporting and strengthening institutions related to the governance of forest ecosystems at various levels through training, facilitating meetings and organizing workshops. The project has also positively contributed to key environmental initiatives (such as marketing carbon trading) through its technical assistance and strong partnerships. Spatial planning activities have contributed to improvement of provincial and district plans through various ways, including human-wildlife conflict and strengthening the roles of *mukims*. Numerous environmental and conservation activities have been conducted and reforestation activities were continued.

Challenges

The project covers a large and remote area, which places a heavy burden on staff monitoring and reporting on the area. To sustain protection, alternative livelihoods to illegal logging need to be addressed, requiring intervention beyond the scope of this project. In addition, forest clearing for plantations and new roads poses further threats, and underscores the need for the project to remain flexible in its approaches to protect the Leuser and Ulu Masen Ecosystems.

Results as of September 30, 2008	Targets by 2010	Achievements
Spatial plans (community level/ district level)	40 villages/ 10 mukims/ 7 districts	2 village plans completed (LIF)/ 3 Mukim plans complete (FFI)/ 1 District plan complete (FFI) & Contributed to 2 districts plans that are now completed (FFI)
Teachers trained in conservation (female teachers in %)	500	476 (56.9%)
School Eco-clubs established (number of members)	500	19 eco-clubs (1896)
Governmental forest guards trained (number of women): Conservation /Forestry officers trained (number of women)	1,000	179 (14 women)
Community monitors trained (number of women)	15	11 (1 woman)
Forest replanted (ha)	5,000	741ha



FOREST MONITORING

FFI's community-based monitoring team investigates a fire starting point and traces of the suspect in Ilang Raweu Savannah. This savannah is part of the Ulu Masen Ecosystem, often burned by irresponsible deer hunters. MDF has funded training of forest guards and conservation/forestry officers since 2006. (Foto: Mohd Izzat - FFI)

18. Tsunami Recovery Waste Management Programme

<i>The Tsunami Recovery Waste Management Programme builds government capacity in waste management, creates immediate employment and longer-term livelihoods in waste management and provides benefits to the environment through collection, recovery and recycling of waste materials.</i>	Grant Amount	US \$ 24.4 million
	Implementation Period	September 2005 – December 2010
	Partner Agency	United Nations Development Programme
	Implementing Agency	United Nations Development Programme
	Disbursements	US \$ 19.4 million

The project provides a coordinated response to the public health concerns and environmental impacts of tsunami and earthquake waste, and municipal solid waste. Much of the disaster waste is recycled, with potential for use in rehabilitation and reconstruction. The project also creates employment through "cash for work" and sustainable livelihoods in recycling related activities. A second phase of the project will focus on making municipal waste services sustainable by focusing on capacity building as well as operations and maintenance activities.

Achievements to date

The project has removed 20% of all tsunami generated waste in Aceh, enabling 1,400 families to return to working their fields and fish ponds while also reducing environmental and health risks. Municipal waste services in eight districts have resumed with the help of new or upgraded interim land fills. In the new phases, local governments will be supported in setting up permanent landfills.

Challenges

The main challenge is to provide sustainable services through securing adequate budget support for waste management activities, based on a strong buy-in of local governments and the population. In addition, discussions on the construction of the landfills are on-going with key stakeholders.

Results as of September 30, 2008	Targets	Achievements
Tsunami generated waste cleared (cubic meters)	1,000,000	1,132,863
Municipal waste collected (cubic meters)	300,000	161,432
Number and size of interim landfills (waste cells in ha)	13 (24ha)	12 (25 ha)
Rice paddies/fish ponds rehabilitated (ha)	3,000	891
Private and government buildings demolished (unit)	500	553
Tsunami wood stockpiled and processed for recycling (cubic meters)	10,000/ 5,000	18,204/ 3,371
Agricultural grade compost produced (kg)	1,000,000	235,000
Recycled rubble provided for road construction (km of road)	50	99
Total short-term employment		400,000
average persons employed per day since project start	1000	695
(workdays)/ women employed/ IDPs employed	30%/ 25%	19%/14%
Number of SMEs with sustainable livelihoods created in Waste Management sector	200	120



PACKING RECYCLABLES

This trash collector was trained to recognize quality and types of plastic. He works very hard to pack the recyclable litter for re-selling. This project is a cooperation between Palapa Plastic Recycle and Austrac, one of the implementers of the MDF-funded UNDP Waste Management Programme. The program provides daily income for close to 700 people. (Photo: Irlina Spiludin)

ABBREVIATIONS

AFEP	Aceh Forest and Environment Project
AGTP	Aceh Government Transformation Programme
AMDAL	Environmental impact assessment according to GOI standards
Bappenas	National Development Planning Agency
BPKP	National Board for Controlling Development Finance (state auditor)
BPN	Badan Pertanahan Nasional (National Land Agency)
BRR	Agency for the Rehabilitation and Reconstruction of Nanggroe Aceh Darussalam – Nias (Badan Rekonstruksi dan Rehabilitasi NAD-Nias)
CBO	Community-based Organization
CTC	Community Trustee Committee
CDA	Community-driven adjudication
CDD	Community-driven development
CFAN	Coordination Forum Aceh-Nias
CSO	Civil Society Organization
DFID	Department for International Development of the United Kingdom
DMC	District Management Consultants
EC	European Commission
FFI	Fauna and Flora International
GIS	Geographic Information System
GOI	Government of Indonesia
ILO	International Labour Organization
IPM	Infrastructure Program Management consultants
IT	Information Technology
IREP	Infrastructure Reconstruction Enabling Project
IRFF	Infrastructure Reconstruction Financing Facility
KDP	Kecamatan Development Project
KRRP	Nias Kecamatan-based Reconstruction and Recovery Planning Project
LIF	Leuser International Foundation
MDF	Multi Donor Fund for Aceh and Nias
M&E	Monitoring and Evaluation
MIS	Management Information System
NGO	Non-Governmental Organization
RALAS	Reconstruction of the Aceh Land Administration System Project
REKOMPAK	Community-based Settlement Rehabilitation and Reconstruction Project
SDLP	Sea Delivery and Logistics Program
SMS	Short Message Service
SPADA	Support for Poor and Disadvantaged Areas Project
TA	Technical Assistance
TRPRP	Tsunami Recovery ports Redevelopment Programme
TRWMP	Tsunami Recovery Waste Management Programme
UN	United Nations
UNDP	United Nations Development Programme
UPP	Urban Poverty Project
WFP	World Food Programme