

**2006 ASIAN REGIONAL FORUM ON AID EFFECTIVENESS:
IMPLEMENTATION, MONITORING AND EVALUATION**

The Multi-Donor Trust Fund for Aceh and Nias

Country Initiative for Case Study No. 4: What methods have proved most effective for establishing country leadership of relief and reconstruction following natural disasters?

Paul Thornton
Verulam Associates

The opinions expressed in this case study are the author's alone,
and do not represent the official views of the organisers of
the Asian Regional Forum on Aid Effectiveness

Executive Summary

1. This assessment is one of twelve based on initiatives within Asia that demonstrate good practice and lesson learning with respect to the Paris Declaration. Together these country assessments inform the five thematic case studies which will be used as the basis for discussion at the Regional Forum.
2. The initiative assessed here is the Multi Donor Trust Fund for Aceh and Nias (MDF) in Indonesia which was established by fifteen donors who, in the aftermath of the December 2004 earthquake and tsunami, are pooling their grant assistance in a single trust fund. The World Bank acts as Manager, Trustee and Secretariat to the Fund which is co-chaired by the European Commission, the World Bank itself and the Government of Indonesia's (GoI) Agency for Reconstruction and Rehabilitation Aceh-Nias (BRR). MDF has contributions US\$547m. Its management structure includes seven GoI members representing five government bodies and civil society representation.

Box: 1 The Multi Donor Trust Fund for Aceh and Nias MDF

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

Multi Donor Trust Fund Mission Statement

3. The study looks not only at the MDF itself but also at the role of the BRR as the agency established by the Government of Indonesia to coordinate the process of relief, reconstruction, and rehabilitation and development.
4. The background, context and development of the GoI led response to the tsunami are reviewed. The costs, benefits and impact are discussed and the lessons learned to date by those involved and by external evaluations are summarised. The assessment concludes by identifying the lessons with respect to the main principles set out in the Paris Declaration – ownership, alignment, harmonisation, mutual accountability and management by results – and the implications for further developing an evaluation framework for implementation of the Paris Declaration
5. The main lessons are that:
 - The Paris Objectives are pertinent to a disaster response situation
 - Government ownership and leadership are prior; without them donor harmonisation can be counter-productive
 - Where there is little experience of the aid effectiveness debate and coordination is limited the experience from good practice in a disaster response can be an entry point
 - The experience of effective government leadership of a disaster response can establish the understanding, processes and confidence that can provide the basis for a more generic approach to aid effectiveness.

~ Table of contents ~

| | |
|----------------------------------------------------------|-----------|
| 1. INTRODUCTION | 1 |
| 2. CONTEXT | 2 |
| 3. THE INITIATIVE | 3 |
| 4. THE PROCESS | 6 |
| 5. COSTS AND BENEFITS..... | 7 |
| 6. IMPACT ASSESSMENT | 9 |
| 6.1 The Impact in Aceh | 11 |
| 6.2 Paris Declaration Objectives..... | 11 |
| 7. LESSONS LEARNED | 12 |
| ANNEX 1 | 15 |
| ANNEX 2..... | 16 |
| BIBLIOGRAPHY – AID EFFECTIVENESS INDONESIA TSUNAMI | 16 |

Acronyms and abbreviations

| | |
|---------|--------------------------------------------------------------------------------|
| ADB | Asian Development Bank |
| BAPENAS | Badan Perencanaan Pembangunan Nasional (National Development Planning Board) |
| BRR | Badan Rehabilitasi dan Rekonstruksi (Rehabilitation and Reconstruction Agency) |
| CGI | Consultative Group on Indonesia |
| DFID | Department for International Development |
| EC | European Commission |
| GAM | Gerakan Aceh Merdeka (Free Aceh Movement) |
| GDP | Gross Domestic Product |
| GoI | Government of Indonesia |
| IFI | International Financial Institutions |
| INGO | International Non-Government Organisation |
| JBIC | Japan Bank for International Cooperation |
| JICA | Japanese International Cooperation Agency |
| MDG | Millennium Development Goals |
| MDF | Multi Donor Trust Fund for Aceh and Nias |
| MIC | Middle Income Country |
| RAP | Recovery Assistance Policy |
| TEC | Tsunami Evaluation Coalition |
| UNDP | United Nations Development Programme |
| UNICEF | United Nations Children's Fund |
| UNODC | United Nations Office of the Recovery Coordinator |
| WFP | World Food Programme |
| WHO | World Health Organisation |

1. Introduction

1. Indonesia suffered more than any other country from the December 2004 tsunami. The following March a major earthquake struck Nias, Simeulue and southern parts of Aceh. These events caused immense social, economic and environmental devastation in an area that was already very poor with a third with incomes below the poverty line. Almost half of the population in the affected areas is now living below that level, with large numbers dependent on food aid. The background of conflict between the Government and the Free Aceh Movement (GAM), formally concluded with a peace accord in August 2005, provides an additional dimension to the recovery operation.

Box 2: Donor Reflections

“...In the dreadful days between Christmas and New Year 2004, when each day brought new horrors on the massive scale of the tragedy, none of us realized how this would change our lives in the coming year.

The scale of the tragedy was unparalleled ... The response was also unprecedented. Never have so many individuals, businesses and countries contributed so much in response to a single event. ... About \$9 billion will be available to rebuild Aceh and Nias, with around one third from NGOs and the private sector, one third from international donors, and one third from the Government of Indonesia.

Never before have non-government actors played such a central role in the long term reconstruction. ... 124 International Non Government Organisations (NGOs) and 430 local NGOs are working alongside dozens of donor and UN agencies engaged in the largest building program in the world.

A year on, what have we learned?

Bureaucracy: Doing things at normal speed would leave people in tents for years. Strong measures may be needed to cut through red tape

Coordination and Partnership: Holding meetings to share information is not enough. There must be disciplined coordination and joint decision-making. There are some important experiments in this regard. The Multi-Donor Fund is a \$525 million fund that pools resources of fifteen donors who are more concerned about setting the job done than in who gets the credit for it.

Passion: Reconstruction in a devastated environment is for the strong-hearted. It is messy, frustrating and extremely difficult.Never in my career have I seen greater commitment to get the job done, month after month.

Resilience: We are mere guests in Aceh. The main players are those whose home it is. ... Of the 500,000 who were displaced in Aceh, 320,000 of them no longer count themselves as displaced. They received help to be sure, but it was with their own initiative that they have picked up their lives.”

Reflections on the past 12 months, Andrew Steer World Bank Country Director for Indonesia, December 22, 2005

2. This assessment examines the extent to which Paris Declaration principles were relevant to the coordination of the relief and recovery effort, especially the extent to which alignment of external assistance behind Government leadership was achieved; harmonisation of donor responses benefited the recovery, and more generally how far the Paris principles were relevant to a disaster response. It will examine the interaction between Government agencies, at central and local level, and donors, and the effectiveness of joint mechanisms for needs assessment, planning, financing, coordinating and monitoring. The particular roles of the BRR and MDF are the main focus of the assessment but attention will also be given to the roles of other actors

including INGOs, UN agencies, the military (from Indonesia and other countries) and donors who chose not to participate in the trust fund or did so in a limited way.

2. Context

3. Since 1998, Indonesia has been in transition from an autocratic, centralized state to a democratic, decentralized one. The fall of the New Order, the economic crisis of 1997/98, and radical decentralization have changed the political, economic and social context. Indonesia has successfully regained macroeconomic and political stability; economic growth has risen steadily reaching 5.6% in 2005. Though growth is predicted to be slow in 2006 it is expected to pick up again in 2007. Public debt has declined from 100% of Gross Domestic Product (GDP) at the height of the economic crisis to 47%, inflation had stabilised around 7% but returned to 10% earlier this year, and income poverty has fallen from 27% in 1999 to under 15%.

4. However much remains to be done if the Government is to achieve its medium-term growth target of 6.6%. Poverty reduction remains a challenge, and governance concerns continue to cloud its achievements. 86 million people still live on less than \$2 a day, and remain vulnerable to falling back into severe poverty. Indonesia continues to under-perform in comparison with its neighbours in access to quality health, education and other basic services, as reflected in the Millennium Development Goal (MDG) indicators. Weak governance institutions are keeping investors away and undermining service provision, especially to the poor. Indonesia has undertaken reforms that could lead to a more effective and accountable government, and a restoration of growth. It is on track to reduce poverty to 7.5% by 2008 and to return to higher Middle Income Country status (MIC). However this is largely due to expected development gains in the wealthier regions and sound implementation is needed to turn the promise into reality.

5. Whilst Indonesia receives support from a wide range of donors three quarters of official development assistance is provided by three institutions - Japan Bank for International Cooperation (JBIC), the Asian Development Bank and the World Bank. Overall Japan is Indonesia's largest external donor and investor and holds about 60% of Indonesia's debt. The official debt burden has continued to decline reaching 27% of GDP in 2005 and was further eased by debt rescheduling following the tsunami. Thus Indonesia is not a heavily indebted country and there is not a strong tradition of donor coordination.

6. The principal mechanism for donor coordination is the Consultative Group on Indonesia (CGI), now chaired by the GoI itself. The CGI meets twice a year, at a mid-term review/interim meeting and an annual meeting. The annual meeting is where the donor agencies and international financial institutions (IFIs) make their annual pledges as well as exchange ideas with the government on policy issues. However there appears to be little discussion linking the aid effectiveness debate with either the Poverty Reduction Strategy (PRS) or the MDGs. The Minister of Planning made a strong commitment to addressing aid effectiveness at the 2005 CGI and also at the High Level Forum on Aid Effectiveness but little has been done at a practical level where Bappenas, as the national planning agency, could take a more proactive lead.

7. Indonesia is a rapidly developing and confident nation. Sensitive to the challenges it faces due to geographic and political diversity there has been a tendency to keep the international development community at arms length. Coordination takes place and the PRS and MDGs provide a focus but most relationships are developed bi-laterally. Attention has only recently been given to harmonisation and alignment with donors taking the initiative in specific areas (e.g. decentralisation). Prior to the tsunami aid effectiveness was not high on the agenda with little evidence of leadership from GoI.

8. When the tsunami hit Aceh, a remote province of 4.2 million people on the northern tip of the island of Sumatra, it was in the midst of a separatist conflict that had continued since 1976. Socially and religiously marginalised the civil unrest had resulted in control from Jakarta and consequently local government and civil society were weak. The region was and continues to be one of the poorest in Indonesia and the tsunami exacerbated existing difficulties. Whilst the area is rich in natural resources the benefits have previously gone to the national economy with little local investment so economic and social indicators were low and institutional capacity negligible. In many ways the tsunami could not have found a weaker target or less prepared recipients.

3. The initiative

9. Whilst the impact of the tsunami itself was a devastating shock to the whole nation the international humanitarian response, welcome though it was, was also overwhelming and had the potential to undermine the ability of the GoI to lead the response. In practice this was not the case and the power of the tsunami and the response to it both propelled the GoI into a proactive leadership role. Instead of swamping the absorptive capacity of national, local and civil society institutions the availability of substantial resources acted as a catalyst to those in the GoI who were given responsibility.

| <i>Box3: Key Sequence of GoI Leadership</i> | |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 26th 2004 | Earthquake and Tsunami |
| Dec/Jan 2005 | GoI and Donors Joint Damage and Loss Assessment (\$4.5b) |
| Early January 2005 | World Bank and GOI signed a Memorandum of Understanding – outlines basis for collaboration and joint activities on financing reconstruction in Aceh. |
| January 19th 2005 | 15 th CGI Need Assessment and Recovery Strategy “People centred – empower Aceh” “Maximise on-budget support” “Government monitoring, evaluation and accountability” “Phase out National Government as Regional Government recovers” |
| February 2005 | Request to World Bank to coordinate a Multi Donor Fund |
| April 12th 2005 | GoI Master Plan “Ministerial Level Reconstruction Agency Established (BRR)” “Communities take the lead” |
| May 10th 2005 | Multi Donor Trust Fund Steering Committee |

10. The Government took the lead through the initial damage and loss assessment supported by the donor community whilst donors, INGOs and United Nations (UN) agencies supported the immediate relief effort on the ground. The sequence of key events is outlined in box 3. The Indonesian military and military forces from various countries led the search and rescue, relief distribution and immediate clean-up activities. The UN launched a US\$ 800 million flash appeal for the tsunami affected countries. NGOs and donors made record contributions.

11. Before the tsunami the GoI was relatively closed off but it's response after the impact was proactive demonstrating strong leadership. This initially delayed reconstruction, but gave recovery a firm foundation for long term, sustainable progress. It was defined by two major approaches:

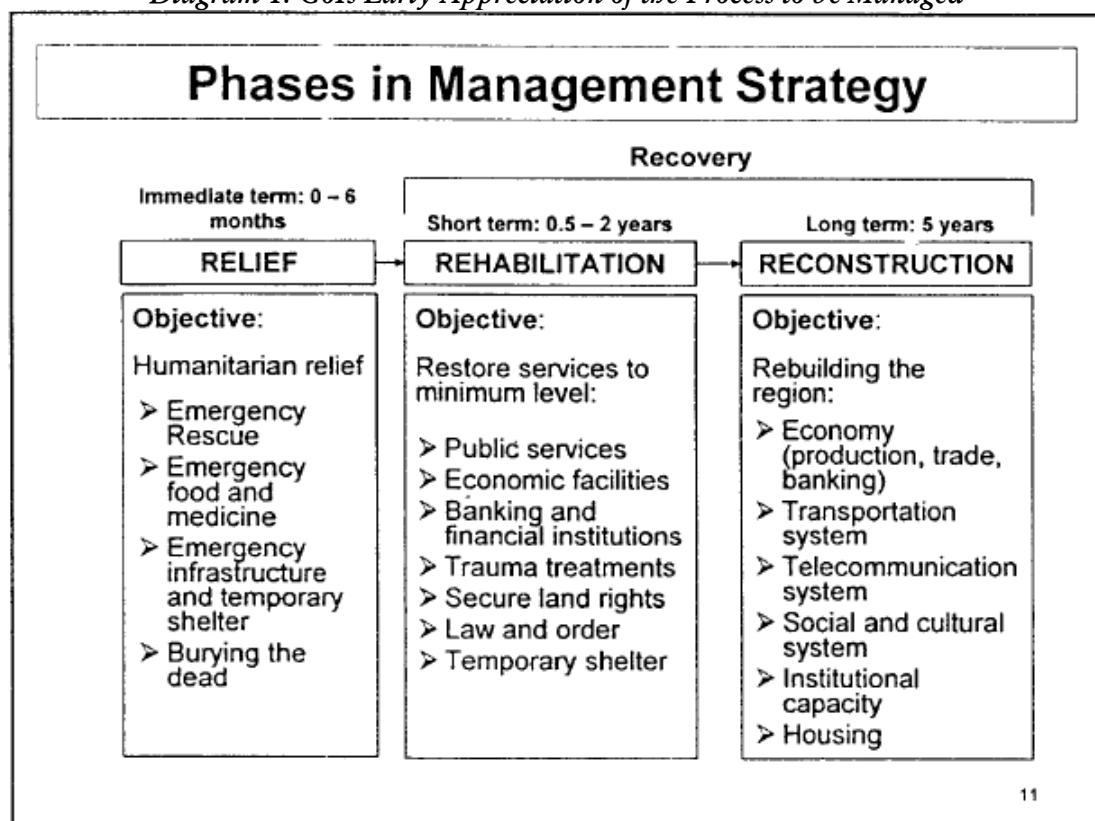
- GoI established a ministerial level Rehabilitation and Reconstruction Agency (BRR) – to provide leadership for recovery – and would lead to coordination, strategic leadership, and quality control of activities of donors and NGOs.

- It insisted that local communities took the lead in planning their own recovery.

12. The response is an example of good practice in community driven development on a massive unprecedented scale. By 2005 almost 1,000 reconstruction projects running, and much change evident on the ground – although small areas and remote or inaccessible communities are often being neglected. Currently 124 international NGOs, 430 local NGOs, dozens of donor and UN agencies, GoI agencies, local government, the military, and many others are working on reconstruction efforts.

13. From the outset the GoI recognised the long term needs of reconstruction and development that would follow the shorter term need for relief and rehabilitation (early reconstruction). Whilst the immense humanitarian response provided resources in excess of the absorptive capacity of the agencies involved the GoI appreciated that in the long term resource management and coordination would be an even greater requirement.

Diagram 1: GoIs Early Appreciation of the Process to be Managed



Slide 11 from Presentation by State Ministry of National Development Planning BAPPENAS at The Fourteenth Meeting of the Consultative Group on Indonesia Jakarta January 19th 2005

14. In developing its master plan and establishing the BRR the GoI were anxious to maintain their leadership of the process and ensure effective alignment and harmonisation of the longer term donor based support. Accordingly coincident with the establishment of BRR went a request to the World Bank to establish a Multi Donor Fund that would provide a single window of support to BRR.

15. The World Bank brought together fifteen donors (see annex 1) to pool support through the MDFTANS with a Steering Committee co-chaired by the European Commission (the largest donor), the World Bank itself and the BRR. The Funds objectives included reducing poverty, building capacity, supporting good governance and enhancing sustainable development. It established operational guidelines that provide support for the recovery process through grants for quality investments based on good

practice, stakeholder participation and coordination with other actors. At its first meeting the Steering Committee allocated \$250m to 4 projects including technical support to BRR. By the end of the first six months some \$238m had been allocated to active projects and after 12 months this had risen to \$288m supporting 12 projects with a further \$104 (4 projects) under development – a total of 71% of the pledged \$525m. Of the \$288m 51% (\$146m) had already been disbursed.

Box 4: The first Year of MDF

| | |
|---------------|---------------------------------------------------------------------------|
| May 2005 | 1 st Steering Committee Meeting approves high priority package |
| July 2005 | Recovery Assistance Policy focuses on filling key gaps in recovery |
| August 2005 | Funding of appropriate implementing partners in addition to GoI |
| October 2005 | Supporting BRR's programme to address immediate needs |
| January 2006 | BRR proposes new strategy to focus remaining funds on infrastructure |
| February 2006 | New strategic projects developed for co-financing with BRR |
| May 2006 | Lessons and challenges from 1 st year of operation identified |

16. Whilst World Bank systems and processes are used for appraisal, supervision and fund management the MDF followed the policy and direction of GoI through the BRR. BRR set the framework for the overall recovery process and acted to coordinate plans, inputs, financing arrangements and monitoring. With support from the Fund the BRR has been able to provide substantive funding for:

- recovery of land titles and land administration;
- community recovery;
- urban poverty;
- housing and settlements;
- waste management;
- forests and environmental impact;
- rural roads;
- sea delivery and logistics;
- role of civil society in reconstruction;
- Reconstruction and rehabilitation of ports;
- flood mitigation; and
- technical support to BRR itself.

17. This has enabled BRR to develop its core programme complementing GoIs own resources often on a co-financing basis. The strategy has been based on the initial joint needs assessment and operational approaches are developed through policy dialogue and objective setting at the Fund Steering Committee meetings. BRR has been able to establish wider consultative processes with other actors and ensure overall complementary programming.

18. The presence of BRRs main offices and the Funds own local office in Banda Aceh has focused coordination of the longer term development within Aceh. BRR are in the process of co-locating their local offices with the rebuilt or refurbished local government offices and have invited the UN to do likewise. This is demonstrating the linkages between the relief and recovery phases and is promoting the role of local government which will be the next major transition. The key feature of this strategy is to develop a joint BRR/MDF mechanism to plan, design, finance, and oversee the construction of infrastructure by engaging local governments on their own infrastructure needs within a framework of strong planning and management by the BRR with appropriate technical assistance and financial resources from the Fund.

19. The peace accord between GoI and GAM has broadened the base of recovery to include recovery from the civil unrest. GoI is taking the lead in re-integrating Aceh into wider national systems including substantial increases in budgetary allocation based on the retention of income from the substantial natural resources base of the region. However BRR is being used as the major coordination and delivery mechanism together with local government. The partnerships that BRR is developing with local government

and civil society to implement post tsunami recovery provides the systems, capacity and learning for improved longer term development. This also applies to alignment with other national systems including line ministries where BRR acts as the link for policy dialogue and financial management.

20. The net effect has been a parallel development of the national reconstruction effort under the dynamic leadership of BRR and the coordination of donor responses through direct funding by the Fund and wider policy dialogue at its Steering Committee. Government leadership and authority has been affirmed and reinforced through the central role of BRR. Donor alignment in terms of funding and programme development has been facilitated by the role and performance of the Fund.

4. The process

21. The initial intent of GoI in taking such a strong lead by inviting the establishment of the Fund was to maximise on-budget support for relief and recovery of Aceh and coordinate and maximise the long term donor support. Wider coordination was less significant than establishing a single route for donor provided financial support. BRR was seen as the lead agency for GoI's own management and coordination of the recovery and development process.

22. The World Bank responded by putting in place the practical and administrative arrangements based on other trust fund models. Some innovative features were designed for the Fund including serving as a forum for wider donor coordination and policy dialogue with GoI on recovery issues, the broader governance structure with national and local government, civil society, INGOs and other donors participating in the Steering Committee, opening up quality control through appraisal and supervision by UN agencies and the ADB, as well as the World Bank and charging actual costs for fund management with a target of 2% of the value of MDF.

23. The deeper coordination and emergence of a closer collaborative approach has been strongly influenced by the leadership of BRR complemented by the responsiveness of the donors. This is perhaps symbolised by the roles of the three co-chairs. BRR is demonstrating the leadership of GoI and its own proactive role as a unique empowered rehabilitation and reconstruction agency; The World Bank bringing its established technical expertise in both trust fund and programme management; and the EC representing the grant providing donors and articulating their broader policy interests.

24. Whilst problems and tensions have been and continue to be present within barely a year of operating together BRR and the Fund have developed a symbiotic relationship function effectively as part of a single coordinated process. At an operational level for the fund the role of the World Bank has been key but without BRR it would have been no more than a traditional trust fund providing financing for classic donor managed development projects. GoI took a bold step in appointing a dynamic leader as chair of BRR and he in turn drew on the best talent available to form the management team. Aceh acquired an institutional champion based locally that has the stature and capacity of established Jakarta based ministries. This has clearly been the cause of some friction on the government side but has provided the capacity to drive and influence the process.

25. On the part of the Fund the movement beyond acting as a financing mechanism that pools money to achieve a common set of objectives agreed with government is the key development feature. To date the MDF only accounts for a sixth of the \$3 billion expected total international donor support for the tsunami recovery and reconstruction effort. Some who are supporting the Fund have done so in a nominal way in order to participate in the policy dialogue but are putting the bulk of their support either outside

the Fund or are adopting a ‘mixed economy approach’ funding directly and through the Fund. For example the Asian Development Bank (ADB) launched the Earthquake and Tsunami Emergency Support Project with its own US\$ 300 million grant. In part they chose this direct approach because of their historic relationship as a major lender to Indonesia. In practice the ADB disbursement has been much slower than the MDF. Germany and America adopted a similar strategy. Others chose to remain outside the Fund completely. Japan as the most substantial financing partner of Indonesia wished to maintain that unique position. Australia wishing to ensure a higher profile for its support has channelled the majority through the Australia-Indonesia Partnership for Reconstruction and Development.

26. In practice however the Fund is now acknowledged as the forum for donor discourse and engagement with GoI related to the tsunami recovery. The major non contributing donors attend Steering Committee meetings as observers and it has come to play a critical role on the donor side in the transition from relief to recovery. Significantly several key informants within Aceh commented on the need for the Fund to plan a stronger and more active role in this later area. There is always sensitivity around donor coordination in part related to dominance and respective functions amongst the donors and in part the risk of undermining Government leadership. The BRR/MDF relationship appears to be managing this process. The combination of Secretariat, Trustee, Fund Manager and Co-Chair roles for the World Bank gives it a strong position but the Steering Committee has taken the institutional authority and the Fund Secretariat seems to have been particularly responsive. Similarly the Fund has responded to the leadership and authority of BRR not in a subservient way but by reinforcing and complementing its responsibilities. These relationships are still developing but from a Paris perspective a significant feature in this situation is the way in which ownership, leadership, and alignment have played out in the dynamic of the institutional and personal relationships. The BRR/MDF initiative has succeeded not because Paris principles have been articulated but because they have been embedded in the experience.

5. Costs and benefits

27. The tsunami was unique in scale and impact and provoked an equally unique humanitarian response. Whilst some elements of the relief – rehabilitation – reconstruction process notably the transitions from relief to rehabilitation/early recovery and again to longer term reconstruction/development have mirrored other disasters others have been different; the costs and benefits of the need to be seen in that light.

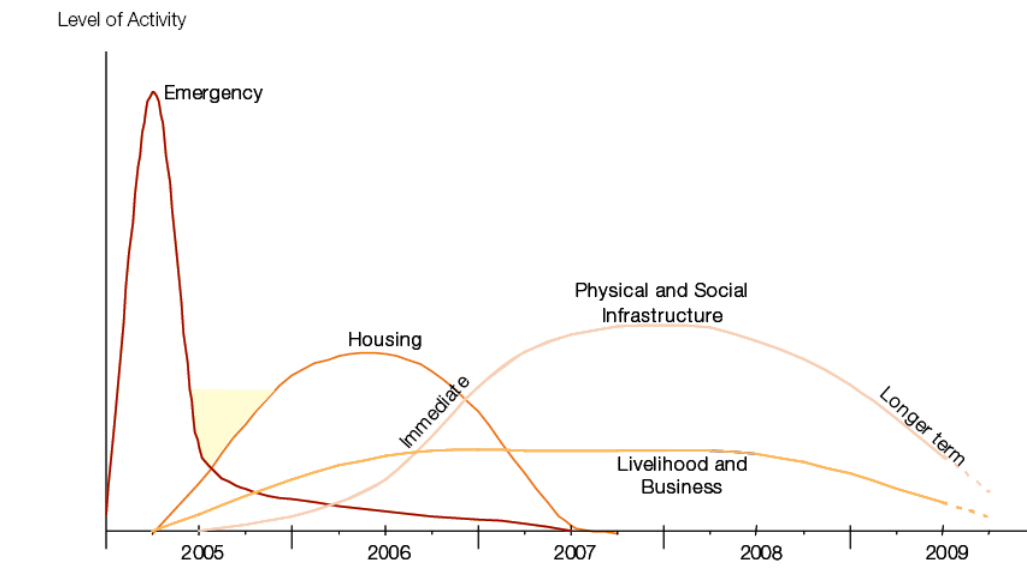
28. The scale of response resulted in large numbers of international agencies some with less experience but all with substantial resources. Money has to date never been a problem in the Aceh experience but its application and the coordination and management of effort has been. The focus here is on the mobilisation of the donor sourced finances and government leadership of the longer term development but the costs and benefits of that process have their roots in the initial relief response.

29. Much of the relief effort did not adopt the Governments principle of local community leadership. Contributions were imposed and uncoordinated. By the time BRR was established, staffed and able to function the lack of coordination amongst a vast number of in some cases new actors was considerable. The UN agencies played a significant role especially the office of the UN Recovery Coordinator (UNOCR) and overall the efforts have been consolidated effectively. However BRR inherited a large number of NGO and INGO activities some without sound community linkages that needed to be included in the coordination process. The time required to establish the agency has paid off but the cost in terms of government leadership in the early weeks is a

price BRR has had to pay. Sound planning and preparation take time that a disaster is not generous in providing.

30. The transition from relief to reconstruction has also not been seamless. A hiatus in activity in the middle of 2005 gave the impression that the recovery effort was running out of steam. Planning for the recovery phase started in earnest in March and did not end till the Government's revised budget was approved in June. Disbursements for recovery activities remained on hold just as the emergency response was beginning to wind down. This created a trough in the funding flows - illustrated in figure 1

Figure 1 Sequencing of Emergency and Recovery Effort (schematic)



Aceh and Nias One Year after the Tsunami: the Recovery Effort and Way Forward, a Joint Report of the BRR and International Partners, December 2005 p19

31. It was at this time (May/June) that both BRR and MDF became fully operational. The first Steering Committee Meeting on May 10th saw approval of the first set of projects and the first formal dialogue with GoI led by the chair of BRR. Sound preparation meant that operations were able to commence speedily. Paradoxically there was a cost here with early preference to more traditionally developed World Bank projects and concerns expressed that the Fund was moving too quickly and only acting as a project financing mechanism. The benefit was that the Fund was seen to be able to deliver effectively. Systems were developed including a Recovery Assistance Policy (RAP). The benefit of a large group of active contributors has been their expertise and experience which has provided input to the RAP, technical reviews of project proposals, field visits and the policy dialogue. To summarise the costs and benefits associated with establishing the Fund as a mechanism responsive to GoI leadership through BRR are:

COSTS

- Challenges of making the transition from relief to recovery
- Time to establish
- Dependence on World Bank processes
- Dependent on GoI procedures and policy direction

BENEFITS

- Community based approach to reconstruction
- Transparent and accountable governance structure
- Enhanced quality and lower costs through common and international calibre procedures
- Speedy and effective disbursement

- Transaction costs of donor coordination
- Weak linkages with other actors
- Forum for influencing policy dialogue and donor coordination
- Breadth of experience amongst donors, GoI and communities

32. Looking to the future BRR will achieve its greatest success the day it closes and local government in Aceh and Nias takes full responsibility for the development and governance of the region collaborating closely with civil society. To that extent the benefits of the structures and processes of both BRR and NDTFANS are time limited. However the learning around GoI leadership and ownership, and donor harmonisation and alignment with GoI, on both sides potentially has a lasting impact. Senior officials within BRR point out that there have been major changes in the way they have learnt to relate to donors:

“Before their agenda came first before listening to our priorities; now BRR Strategy drives the proposal process”

“There has been a change for proposal to partnership”

“We are different – we do our homework, they don’t know about the details”

“We are responsible for the preparation, knowledge and consequences”

“Here we have ownership, this never happened before with bilaterals”

“The World Bank lobbies on our behalf”

33. When BRR closes these officials will return to other Ministries and this learning may inform future development relationships and ‘aid effectiveness’ not just the remainder of the reconstruction period.

34. Even in the medium term BRR has established processes that are community led and yet ensure donor support. A more strategic use of the pooled finance available through the Fund is coming into play as BRR moves to the next phase of strengthening local government to take on more responsibility.

35. There is now a shift within the BRR from a project approval mode to a portfolio management approach in which the BRR plays a more active role in the strategic use of remaining Fund resources to fill critical gaps in the rehabilitation and reconstruction process, as well as leveraging MDF resources to improve the overall performance of funds available for the rehabilitation and reconstruction of Aceh and Nias. The Fund structures and processes are being used and adapted to support this. The participation of the UN Resident Coordinator and regular attendance by major non contributing donors as observers at MDF Steering Committee meetings indicates that Fund institutions are the basis for wider coordination of the disaster response.

36. So the structures and processes have application during the rest of the reconstruction phase and potentially for future development partnerships as well. This perception is strongest for those on the GoI side. Donors both Fund contributors and others are a little more reserved. They see the benefits but want to improvements in policy dialogue and monitoring and evaluation to ensure sustainable change and effective investments. For some MDF is still not different enough from other World Bank trust funds to expect major lessons related to wider aid effectiveness.

6. Impact assessment

37. Stakeholders from the GoI, donor community, INGOs and UN agencies are all positive about the technical quality of the institutional arrangements. The portfolio of

projects supported during the first year has already shown the benefits. Individual monitoring by the Fund and programme wide monitoring by BRR suggest as positive impact. Implementation during the first year has demonstrated that the community driven approach while requiring a significant initial investment in capacity building has resulted in greater client satisfaction, more rapid disbursement and greater local empowerment. In it significant that this echoes GoI's original commitment to the communities of Aceh should take the lead in planning their own recovery. To have such a strong consensus around programme effectiveness after only a year is surprising. There are criticisms and concerns but these are more focused on community involvement and the strengthening local government than perceived weaknesses in the effectiveness of the BRR and MDF institutional processes.

38. As noted above BRR is not intended as a permanent agency. The real test of the institutional arrangements will be if they can inform the systems and processes elsewhere within GoI and in other donor partnerships. Here the strength and delegated authority of BRR may be a factor in hampering learning by other Ministries.

39. The success of the initiative and the consensus over its achievements (see Box:5) has certainly strengthened the development partnership between national authorities and donors. At present most of the practice learning centres on the BRR/MDF relationship but there is wider appreciation and endorsement. Other donors have commented positively and the benefits are acknowledged widely within GoI.

Box 5: Achievements identified in the MDF Lesson Learning

- Achieving results on the ground that has a positive impact on the people and communities of Aceh and Nias;
 - houses have been built,
 - land titles issued,
 - local infrastructure built by communities themselves, giving them a sense of pride and ownership;
 - tsunami waste cleared,
 - over 58,000 cubic metres of reconstruction materials shipped along the west coast of Aceh and to Nias, and
 - essential technical assistance provided to the BRR.
- Establishment of a quality and flexible governance structure, which enabled the Fund to become operational immediately allowing funds to be mobilized quickly to support implementation.
- The Steering Committee has created an effective forum for donor coordination and policy dialogue resulting in engagement with the BRR on general recovery and sectoral policy.
- The leverage gained by pooling considerable resources (approximately \$526 million) from 15 major bilateral and multi-lateral donors has allowed the Fund to influence reconstruction policy and bring attention to issues and bottlenecks that required resolution.
- The BRR Financing Strategy and co-financing arrangements support government ownership and build the capacity of local government, both essential for the long-term success of the reconstruction.

MDF Lesson Learning Outcomes Report May 2006

39. All these achievements rest on the quality of the institutional arrangements and the capacity of BRR and MDF. More fundamentally their achievement has depended on capacity building at local level. Capacity within Aceh was extremely weak and yet new institutions new working arrangements and much greater confidence in engaging with

the development process at local, national and international level has emerged. GoI set community involvement as a principle and BRR has put that into practice. The Fund gave priority to supporting capacity building and this has paid off again within a short timeframe. There is also evidence of capacity development amongst the donors. Learning to collaborate when personal and organisational incentives do not always reinforce such behaviour is difficult. It is important to acknowledge the capacity building that has taken place within the Steering Committee and the Secretariat as well as in Aceh.

6.1 The Impact in Aceh

40. The major and most sustainable impact of the disaster response of which BRR and MDF are key elements is the impact in Aceh itself. One set of indicators from the draft report of a recent public expenditure review given in Box: 6 shows that whilst much has been achieved Aceh was starting from a negative position and much remains to be done. The eighteen months of reconstruction and the first year of BRR and MDF have made a significant contribution but this is just the beginning.

Box 6: Aceh – A Public Expenditure Perspective

- Aceh now faces a “golden” opportunity to boost development and improve the quality of public services with development and reconstruction funds.
- Despite large fiscal resources, Aceh remains very poor. It has the 3rd highest revenue per capita but the 4th highest poverty rate in Indonesia.
- The new Aceh bill will stabilize revenues at the current level. Additional revenues through the Dana Otsus and continued high revenue shares from oil and gas will compensate for the decline in oil and gas production.
- The education sector was most affected by the conflict. Recent peace process allows improvements in education and other public services.
- Local government capacity and budget planning process needs to be improved. Most districts still rank low on budget planning, execution and fiduciary controls.

Draft Aceh Public Expenditure Analysis July 2006

6.2 Paris Declaration Objectives

41. During the preparation of the case study few informants beyond a limited group of donors were aware of the Paris Declaration or its relevance to the tsunami response. There is a much stronger appreciation of the benefits, indeed the necessity of country ownership of the reconstruction and development agenda. With the exception of a few voices within the NGO and UN community where the emphasis on immediate humanitarian response to the tragedy remains high there is also a strong endorsement of the benefits in this case of alignment of external assistance behind country priorities and strategies given the positive experience of BRR. Ownership and alignment, along with mutual accountability between government and donors are however seen as relevant because they have proved themselves pertinent to this context not because of the links to the Paris Declaration. The test will be if these objectives are acknowledged and put into practice more widely because of the learning from the tsunami experience.

42. Joint working and harmonisation amongst donors is in this case a secondary aspect. Where government leadership and ownership is strong then harmonisation can be a vehicle for support. Several informants observed that often trust fund arrangements dominate weak government leadership and can be counterproductive. Again the tsunami experience has provided learning that may be applied more widely because it has worked and the aid delivery was seen to be more effective.

43. The gap in this initiative and many others is in relation to monitoring and management for results. BRR are anxious to be measured by their results but concerns have been raised about the weakness in monitoring within BRR and during the MDF lesson learning (see below). This seems to be an area where the Paris Declaration objective has been proven essential in its absence since without proven results effectiveness is unclear.

Overall in a context where the aid effectiveness objectives were low priority they have been found to be relevant and of value particularly to GoI in implementing its response to the tsunami. Generalising these benefits more widely has yet to happen.

7. Lessons Learned

44. Three independent studies have reviewed MDF – the “Eye on Aceh” NGO, the United Nations Development Group (UNDG) and a consortium of the Canadian and Norwegian Governments and the World Bank. This in itself indicates that the lessons are of wider interest and application. In May 2006 the MDF conducted its own lesson learning exercise. The achievements related to impact have been discussed in the previous section and the remaining challenges are outlined in Box 7.

45. Lessons pertinent to this assessment form all these reviews fall in three key areas:

- ***Enhancing Portfolio Quality*** – now the Fund is established and the recovery programme progressing the outstanding need is to improve quality without diminishing the efficiency and effectiveness that has become a hallmark.
- ***Monitoring and Evaluation*** - Common output indicators and targets could be harmonised and more programmatic monitoring coordinated by BRR and MDF to enhance overall results based monitoring and evaluation.
- ***Strengthening Policy Dialogue*** – confidence and commitment have been built but the policy dialogue needs deepening if the Steering Committee is to develop this function.

Box 7: Challenges remaining for MDF

- Ensuring a Quality and Relevant Portfolio by:
 - assisting BRR in collating accurate and timely information;
 - ensuring quality projects;
 - replenishing MDF funds; and
 - developing a longer-term exit strategy.
- Impact oriented Monitoring and Evaluation with:
 - more aggregated and cross-cutting information to improve management of the portfolio; and
 - results from monitoring integrated into decision making process;
 - clarify roles of all actors in M&E;
 - systems and log-frames to ensure results oriented information; and
 - coordination of donor evaluation missions into a single exercise.
- A more Effective and Inclusive Policy Dialogue Forum
 - mechanisms to identify and solve policy issues more effectively so that projects on the ground are implemented as quickly and efficiently;
 - prioritizing issues for discussion, creating links to other forums to coordinate efforts through a close cooperation with the BRR;
 - improving Dialogue with Government at central and decentralized levels;
 - increase the involvement of CSO’s and beneficiaries;

- address concerns on 'soft issues' e.g. gender, environment,...
- increase interaction with donors to promote policy dialogue with the government; and
- providing a unified voice to encourage necessary policy change.

MDF Lesson Learning Outcomes Report May 2006

46. The objectives set for MDF and the related outputs are all being met and feedback from BRR, local government and communities is positive.

47. The design was appropriate and 'fit for purpose' from the perspective of the Fund itself. The constraints from following an established model of World Bank management were balanced by the benefits of a tried and tested methodology and in practice flexibility has been possible and is increasing.

48. The Fund has depended on the leadership and ownership of the recovery effort by GoI. The alliance between Fund and BRR has been the most significant area of lesson learning. Collaboration, clear communication and transparency have built mutual confidence and effective implementation.

49. For BRR itself the initial slower process due to choosing a community-led reconstruction effort as opposed to 'top-down' Jakarta led effort was an area of lesson learning. In practice the benefits have already been shown to be of value and the long term benefits arising from effective consultation with Acehnese citizens, and those in Nias will be substantial. BRR has learnt as a new GoI agency how government can lead such a complex process and the benefits of working closely with a donor consortium. The recent decision to provide government co-financing for Fund supported projects demonstrates the lessons learnt in relation to ownership and the longer term development benefits.

51. The tsunami was unique, the response as unique and much of the context was unique. This is often the way with disasters which of their nature come unannounced. There are however lessons from this case that are applicable more widely suggesting good practice in disaster responsiveness:

- A lead government agency with authority, skill and resources can effectively plan, coordinate and monitor the overall response from relief through recovery to longer term development.
- Pooling donor contributions through a Trust Fund can maximise support for an endorsement of government ownership
- Such harmonisation is more valuable where it extends to policy dialogue, joint monitoring and an acceptance of the discipline of Government leadership
- Relief and Recovery are different processes; the pace and priorities and different and managing the transitions is critical
- Communities effected by disasters are not helpless victims, their role in planning and implementing reconstruction is part of their recovery and ensures local institutions and civil society are also 'built better'

52. There have been lessons for MDF and BRR in terms of monitoring and evaluation. Programme wide monitoring of the overall recovery effort that meets BRR and donor requirements is a challenge that is now recognised. The weaknesses in in this case mirror the weaknesses in developing an evaluation framework for implementation of the Paris Declaration. The experience in Indonesia suggests:

- Evaluation should focus on the outputs and results not on inputs, activities and processes

- Prior agreement amongst donors to harmonise evaluation frameworks and focus on common results based targets and indicators is essential
- Context is important as is participation by communities; an understanding of these principles at the level of the Paris Declaration will move the evaluation debate forward.

53. This assessment has focused on the methods that appear to have been effective in establishing GoI leadership of the relief and reconstruction in Aceh following the tsunami. The MDF was a critical part of that process not only as a source of pooled and coordinated funding but as a support to GoI in taking the lead and as a forum for policy dialogue. The messages that are relevant for wider application are that:

- Governments should send a clear and consistent message to donors from the beginning that requests alignment with government policies, harmonization and coordination establish competent leadership of the relief and recovery efforts
- Government should be integrally involved in the decision-making process of all Paris Declaration based mechanisms
- Governments should develop credible institutional arrangements for leadership and should be supported in this process
- Government should be in the driver's seat when it comes to programme development and project approval
- Co-financing arrangements are valuable in support of Government leadership and should be encouraged
- Invest in building the capacity of local government to eventually take over the task of reconstruction and longer-term development

54. Given the strength of government ownership and leadership of the process it is appropriate to leave the final word to GoI. Eighteen months after the earthquake and tsunami and a year after BRR and MDF become operational the Consultative Group on Indonesia met again in Jakarta. The thanks of the Chair of BRR are an indication of the strength of Government ownership, leadership and pride with the recovery effort. The context of the annual policy dialogue with donors demonstrates the value of harmonisation and joint working not just between donors but through effective partnerships between Government and Donors.

Box 8: The Government Responds

“...I would like to use this opportunity to thank you once again. I truly believe that great things have been achieved and will yet be achieved. The reconstruction and rehabilitation of Aceh and Nias has shown what can be done through collective effort. It has shown that no matter how huge the disaster or how great the challenge, we, the people of the world, have the strength and the goodness to rebuild hope and give back a future to those who have suffered. I thank you, the international community, for the part you continue to play. It is your support, the support of your governments and your people, that allows us to demonstrate how magnanimous is humankind.”

Dr. Kuntoro Mangkusubroto, Chair BRR, at 15th CGI Meeting Jakarta, June 14th 2006

ANNEX 1

CONTRIBUTORS TO MULTI DONOR TRUST FUND FOR ACEH & NIAS

(pledges and contributions as at December 14th 2005)

| Source | Pledges in \$ million | Contributions in \$ million |
|-------------------------------|--------------------------|--------------------------------|
| European Commission* | \$255.91m | \$53.27m |
| Government of the Netherlands | \$100.00m | \$60.00m |
| Government of United Kingdom* | \$47.96m | \$10.00m |
| World Bank | \$25.00m | \$25.00m |
| Government of Norway | \$18.03m | \$18.03m |
| Government of Denmark* | \$17.96m | \$17.96m |
| Government of Canada | \$11.04m | \$11.04m |
| Government of Sweden | \$10.44m | \$10.04m |
| Asian Development Bank | \$10.00m | \$10.00m |
| Government of Germany | \$10.00m | \$7.40m |
| Government of United States | \$10.00m | \$10.00m |
| Government of Finland* | \$10.24m | \$4.28m |
| Government of Belgium* | \$10.24m | \$2.55m |
| Government of New Zealand | \$8.80m | \$2.20m |
| Government of Ireland | \$1.20 | \$1.20m |
| Total Contributions | \$546.83m | \$243.38m |

Exchange Rate as at 31 May 2006; Source Bank of Indonesia

BIBLIOGRAPHY – AID EFFECTIVENESS INDONESIA TSUNAMI

- ADB (2002) *Indonesia Country Strategy and Program 2003—2005*, Jakarta: Asian Development Bank
- ADB (2005) *Country Strategy and Program Update*, Jakarta: Asian Development Bank
- ADB (2003) *Indonesia Country Strategy and Program Update 2004-2006*, Jakarta: Asian Development Bank
- AIPRD (2005) *Assessment of Priority Mapping Needs Nanggroe Aceh Darussalam and Nias Island, Northern Sumatra*. Canberra: AusAID, Australia Indonesia Partnership for Reconstruction and Development.
- Badan Rehabilitasi dan Rekonstruksi (BRR) and the International Community (2005) *Aceb and Nias One Year after the Tsunami, The Recovery Effort and Way Forward, A Joint Report of The BRR and International Partners*, Jakarta: December 2005
- BRR/World Bank. (2005). *Rebuilding a Better Aceh and Nias: Stocktaking of the Reconstruction Effort*. October, 2005, Washington DC: World Bank
- BRR (2006) Speech of Dr. Kuntoro Mangkusubroto at 15th CGI Meeting Jakarta, June 14th 2006
- BAPENAS (2005) *Indonesia: Preliminary Damage and Loss Assessment: The December 26, 2004 Natural Disaster, A Technical Report prepared by Bappenas and the International Donor*, Jakarta: Community The Consultative Group on Indonesia January 19-20, 2005.
- Burke, A. and Afnan (2005) *Aceb: Reconstruction in a Conflict Environment: Views from civil society donors and NGOs*, Indonesian Social Development Paper No. 8.
- Fengler, W, J Clark, M Stephens, Alhsan, A Sim, A Bald, *et al.* (2005) *Building a Better Aceh and Nias* Jakarta: World Bank.
- Government of Indonesia, Ministry of Home affairs, Directorate General of Rural and Community empowerment (2005) *Kecamatan Development Program Information Package Year 2005*, Jakarta: Secretariat Pembinaan Program Pengembangan Ketamatan.
- Guggenheim, S (2006) *The Differences between Spada National and Spada Nad-Nias*, Note for MDF Technical Review Group
- High Level Forum (2005) *Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability*, Paris: February 28 – March 2 2005.
- JICA (2006) *JICA in Aceh*, JICA Indonesia Office January 2006
- Ministry of Home Affairs (2005) *Ketamatan Development Program, Information Package*, Directorate General of Rural Community MEpowerment.
- Multi Donor Fund Secretariat (2005) *Rebuilding Together: Multi-Donor Fund for Aceh and Nias Progress Report, December 2005*, Jakarta: MDTF
- Multi Donor Fund Secretariat (2006) Minutes of Technical Review Meeting, 20 March 2006, Jakarta: MDTF
- Multi Donor Fund Secretariat (2006) *The First Year of Rebuilding Together: Results, Challenges and Opportunities: Lessons Learned Outcomes Report*, Jakarta: MDTF May 2006
- Multi Donor Fund Secretariat (2006) *The First Year of the Multi-Donor fund: Results, Challenges and Opportunities*, Jakarta MDTF Progress Report II, June 2006.
- Telford, J, and J Cosgrave (2006) *Joint Evaluation of the international response to the Indian Ocean tsunami: Synthesis Report*. London: Tsunami Evaluation Coalition.
- UNDP (2005) *Where's My House? Improving Communication with Beneficiaries: an Analysis of Information Flow to Tsunami Affected Populations in Aceh Province*. UNDP.

Walsh, T. (2005) *Perceptions of Development Partners and Evidence on Aid Effectiveness in Indonesia*, DFID

WFP/UNICEF (2005) *Rapid Emergency Food Security and Nutrition Assessment: Pakistan Earthquake*. October 2005 (mimeo).

The World Bank (2003) *Indonesia Country Assistance Strategy: 2004 -2007*, Washington and Jakarta: World Bank

The World Bank Operations Evaluation Department (2005) *Lessons from Natural Disasters and Emergency Reconstruction*, January 10, 2005

The World Bank (2005) *Indonesia Economic and Social Update 2005*, October 2005

World Bank (2006) *GAM Reintegration Needs Assessment: Enhancing Peace through Community-level Development Programming*, Jakarta: Decentralisation Support Facility, March 2006

The World Bank (2006) *East Asia Update*, East Asia and Pacific Region, March 2006

The World Bank (2006) *Aceh Public Expenditure Analysis: Understanding and Managing Public Financial Resources in Aceh*, Unpublished DRAFT June 21st 2006.

The World Bank (2006) *Support for Poor and Disadvantaged Areas Project, Indonesia, Project Appraisal Document*, World Bank East Asia and Pacific Region.

Electronic Sources

ADB Indonesia Country Website: <http://www.adb.org/Indonesia/default.asp>

Badan Rehabilitasi dan Rekonstruksi (BRR) NAD-Nias (Rehabilitation and Reconstruction Agency) www.brr.go.id/

Multi Donor Trust Fund for Aceh and Nias Website

[Multi-Donor Fund for Aceh and Nias http://www.multidonorfund.org/](http://www.multidonorfund.org/)

RAN Recovery Aceh – Nias Database Indonesia; Aid Management Solution promoting good governance and public accountability and transparency <http://rand.brr.go.id/RAND/>

Tsunami Evaluation Coalition (TEC) <http://www.tsunami-evaluation.org/home>

The TEC is hosted by ALNAP at ODI in London. ALNAP is the Active Learning Network for Accountability and Performance in Humanitarian Action.

Unitary Website for Aceh & North Sumatra Reconstruction Information Sharing <http://www.e-Aceh-Nias.org>

World Bank Indonesia Country Website [Indonesia Country Website http://www.worldbank.org/id](http://www.worldbank.org/id)

World Bank Tsunami Recovery Website [Tsunami Recovery](http://www.worldbank.org/eaptsunami)

World Bank Tsunami Recovery in East Asia Website [Tsunami Recovery in East Asia http://www.worldbank.org/eaptsunami](http://www.worldbank.org/eaptsunami)

UN Special Envoy Website: [UN Special Envoy page http://www.tsunamispecialenvoy.org/](http://www.tsunamispecialenvoy.org/)