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PRESS RELEASE

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Investing in Institutions: Sustaining Reconstruction and Economic Recovery

Jakarta, December 18, 2008 -- The Multi Donor Fund for Aceh and Nias reports that the reconstruction process has progressed, and that priorities have shifted from emergency reconstruction to ensuring the sustainability of reconstruction investments and promoting economic development. 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. 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.

“Our investment in institutions does not stop at the BRR and provincial governments, but also reaches as far as the grassroots level, which include strengthening the capacity of civil society organizations in Aceh and Nias,” said **Joachim van Amsberg, MDF Co-Chair and World Bank Country Director**. “At the district level, the MDF provides grants to integrate bottom-up planning in 19 districts, which includes training of government staff, civil society members, university staff and community representatives.”

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 of the reconstruction and rehabilitation of Aceh and Nias. With BRR at the helm of the MDF, it leads the course in outlining priorities for strategic and effective utilization of MDF funds to fill critical needs and gaps.

“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,” said **MDF Co-Chair and Chairman of BRR, Kuntoro Mangkusubroto.**, “With BRR closing, the transition strategy has been outlined, and now fulfilling this strategy is the task that lies ahead for MDF.”

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,” said **MDF Co-Chair and Chargé d'affaires a.i European Commission, Pierre Philippe.**

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.

Governor of Aceh, Irwandi Yusuf, as representative of the local government, stated that it is important for the local governments to continue the engagement with the international community to sustain the success of the recovery program. “Their role is critical, not only on the financing side, but also in improving governance and capacity, especially in operating and maintaining physical assets, as well as providing assistance in improving community livelihoods.

The Multi Donor Fund as of September 30, 2008 received pledges at a total value of US\$ 692 million from 15 different donors and of that US \$ 472 million has been received. US \$ 515 million have been allocated to 18 projects. 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 as additional funds to four ongoing projects. 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) have been disbursed to the 18 projects implemented by the MDF. After September 30, 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. Thus the remaining unallocated funds have been reduced from US \$ 57 million to US \$ 38 million.

“Timely allocation of the remaining MDF funds is imperative to ensure that projects can be implemented for a full three year period and completed by the extended MDF closing date in 2012,” said **MDF Manager, Shamima Khan.** “Our challenge is that with these time constraints, all MDF projects will need to make extra efforts to ensure that the necessary mechanisms, knowledge and skills are in place to ensure sustainability of the investments made in Aceh and Nias.”

The Multi Donor Fund for Aceh and Nias consists of donor countries and international agencies: the European Commission, the Netherlands, United Kingdom, Canada, World Bank, Sweden, Denmark, Norway, Germany, Belgium, Finland, Asia Development Bank (ADB), United States, New Zealand and Ireland. For more information, visit www.multidonorfund.org