



QUARTERLY FINANCIAL MANAGEMENT REPORT No. 5

30 June 2006

Multi Donor Fund Secretariat
Jakarta, Indonesia



INTRODUCTION

One year ago, the Multi Donor Fund circulated its first Quarterly Financial Report, with information about contributions, partner agencies, and whether projects were on-budget or off-budget. The Report has evolved over the last year with a gradual increase in information about disbursements and project spending as more funds were committed to projects and as more projects started implementation. Since the majority of the Multi Donor Fund's resources have already been allocated, the Fund is moving towards the implementation phase and a stronger focus on the monitoring and evaluation of the Fund's portfolio. To this end, the Quarterly Financial Report will also reflect this trend, in particular by providing more detailed information about project spending and analysis on how the Multi Donor Fund resources have been used.

This edition of the Quarterly Financial Report will focus on the financial progress of the Multi Donor Fund during the second quarter of 2006. Specifically, it provides a brief analysis of trends in spending by projects in 2006.

CONTRIBUTIONS

The Multi Donor Fund has signed agreements valued at \$500 million during its first year of operations. In April 2006, the European Commission signed an agreement worth EUR 117 million. Only one agreement is outstanding that will be finalized in around September 2006. Most contributors have chosen to make one up-front payment, while others, such as EC and Netherlands, Finland and Belgium, are paying in instalments depending on the cash needs of the Fund.

Table 1. Pledges and contributions and cash paid into the Multi Donor Fund as of 30 June 2006			
Source	Pledge amount in \$ million	Contribution Agreements signed \$ Million	Cash Received \$ Million
European Commission*	247.58	247.58	53.27
Government of Netherlands	100.00	100.00	60.00
Government of United Kingdom*	47.96	10.00	10.00
World Bank	25.00	25.00	25.00
Government of Denmark	18.03	18.03	18.03
Government of Norway	17.96	17.96	17.96
Government of Canada	11.04	11.04	11.04
Government of Sweden	10.44	10.44	10.44
Asian Development Bank	10.00	10.00	10.00
Government of United States	10.00	10.00	10.00
Government of Germany	10.00	10.00	7.40
Government of Finland*	9.82	9.82	4.28
Government of Belgium*	9.82	9.82	2.55
Government of New Zealand	8.80	8.80	2.20
Government of Ireland	1.20	1.20	1.20
Total Contributions	537.67	499.70	243.38

* Exchange rate as at 30 June 2006; Source: Bank Indonesia

MULTI DONOR FUND PROJECTS**A. APPROVED PROJECTS AND CONCEPTS**

Table 2: Multi Donor Fund Projects and Concepts as of 30 June 2006				
	Partner Agency	Budget \$ million	Actual \$ million	%
Total Pledges/Receipts		537.67	243.38	45%
Projects				
Reconstruction of Aceh Land Administration System Project	World Bank	28.50	11.70	41%
Community Recovery Through The Kecamatan Development Project (KDP)	World Bank	64.70	49.00	76%
Community Recovery Through the Urban Poverty Program (UPP)	World Bank	17.96	6.55	36%
Community-Based Settlement Rehabilitation and Reconstruction Project for NAD and Nias	World Bank	85.00	21.44	25%
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	UNDP	14.74	11.00	75%
Tsunami Recovery Waste Management Program	UNDP	14.43	11.00	76%
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	UNDP	6.00	3.00	50%
Labor-based Rural Road Rehabilitation in Aceh	UNDP	6.42	2.42	38%
WFP Shipping Service	WFP	24.70	24.70	100%
Reconstruction and Rehabilitation of Ports	UNDP	3.58	3.58	100%
Aceh Forest and Environment Project	World Bank	17.53	1.60	9%
Flood Mitigation Program for Banda Aceh	World Bank	4.50	0.00	0%
Infrastructure Reconstruction Enabling Program	World Bank	42.00	0.00	
Total Projects		330.06	145.99	44%
Concepts				
Road and Bridge Repair Lamno-Calang	World Bank	11.50	0.00	
Nias Kecamatan-Based Recovery and Planning Project	World Bank	25.75	0.00	
Support for Poor and Disadvantaged Areas	World Bank	25.00	0.00	
Infrastructure Reconstruction Enabling Financing Facility	World Bank	100.00	0.00	
Total Concepts		162.25		
Total Allocations to Projects and Concepts		492.31	145.99	
Estimated Investment Income		12.50	4.34	35%
Estimated Administration, Appraisal and Supervision Costs		13.35	1.84	14%
Total Unallocated Funds*/Cash Remaining		44.51	99.88	

* Total unallocated funds may fluctuate depending on exchange rates and rate of investment and actual costs of administration, appraisal and supervision.

As of 30 June 2006, the Multi Donor Fund has allocated \$492 million to 17 projects. Of these projects, 13 are actively implementing, while another four are being developed. The Multi Donor Fund has approximately \$45 million pledged funds that remain unallocated (depending on the strength of the euro and pound sterling).

B. FINANCIAL STATUS

Table 3: Financial Status of the Multi Donor Fund as at 30 June 2006		
	Quarter between 1 April till 30 June 2006 \$ million	From inception till 30 June 2006 \$ million
Receipts		
Total Paid in Contributions	2.55	243.38
Total Investment Income	0.98	4.34
Total Receipts	3.53	247.71
Disbursements		
Disbursements to Projects		
Reconstruction of Aceh Land Administration System Project	8.70	11.70
Community Recovery Through The Kecamatan Development Project (KDP)	15.00	49.00
Community Recovery Through the Urban Poverty Program (UPP)	0.10	6.55
Community-Based Settlement Rehabilitation and Reconstruction Project	0.54	21.44
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nia	0.00	11.00
Tsunami Recovery Waste Management Program	0.00	11.00
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	0.00	3.00
Labor-based Rural Road Rehabilitation in Aceh	0.00	2.42
Sea Delivery and Logistics Project	9.88	24.70
Reconstruction and Rehabilitation of Port	0.00	3.58
Aceh Forest and Environment Project	1.60	1.60
Flood Mitigation Program for Banda Aceh	0.00	-
Total Disbursements to Projects	35.81	145.99
Other		
Administration, Appraisal, Supervision and Monitoring Cost	0.40	1.84
Total Administration, Appraisal and Supervision Costs	0.40	1.84
Total Disbursements	36.21	147.83
Total Cash Available	99.88	99.88

The Multi Donor Fund has received \$247.71 million, consisting of \$243.38 million from contributions and \$4.34 million from investment income. Since April, the Fund disbursed \$35 million, predominantly consisting of \$8.7 million to RALAS, \$15 million to KDP and \$9.88 million to the Sea Delivery and Logistics Project. In total, the Fund has disbursed \$146 million to its projects.

The Multi Donor Fund expects to receive second tranches of funds from donors in the next four months. To meet anticipated cash needs in 2006, the Netherlands will transfer the remaining \$40 million of their contribution in July, and the EC will transfer EUR 56 million in October 2006.

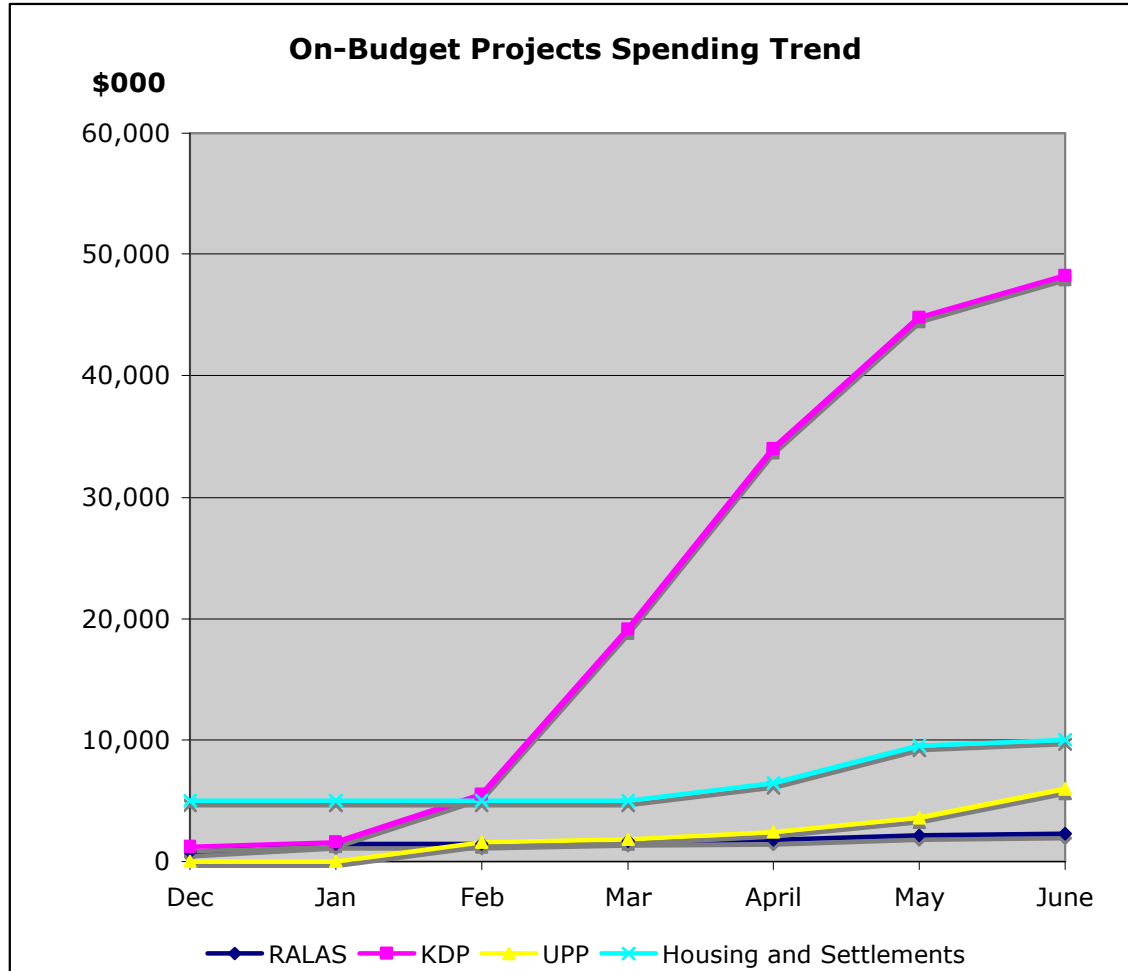
C. SPENDING BY PROJECTS

Table 4: Project Spending as of 30 June 2006			
	Disbursement to Projects as of 30 June 2006	Spending by Projects as of 30 June 2006	%
On-budget Projects*			
Reconstruction of Aceh Land Administration System Project	11,695,000	2,302,955	20%
Community Recovery Through The Kecamatan Development Project (KDP)	49,000,000	48,242,139	98%
Community Recovery Through the Urban Poverty Program (UPP)	6,554,671	5,974,753	91%
Community-Based Settlement Rehabilitation and Reconstruction Project for NAD and Nias	21,437,798	10,043,594	47%
Total On-Budget Projects	88,687,469	66,563,441	75%
Off-budget Projects			
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	11,000,000	5,669,888	52%
Tsunami Recovery Waste Management Program	11,000,000	3,560,613	32%
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	3,000,000	93,538	3%
Labor-based Rural Road Rehabilitation in Aceh	2,420,000	0	0%
WFP Shipping Service	24,700,000	9,870,000	40%
Reconstruction and Rehabilitation of Ports	3,580,000	377,251	11%
Aceh Forest and Environment Project	1,600,000	450,000	28%
Flood Mitigation Program for Banda Aceh**	0	296,679	0%
Total Off-Budget Projects	57,300,000	20,317,969	35%
Total	145,987,469	86,881,410	60%

* All on-budget project spending figures assumes that funds are immediately spent when they are withdrawn from the project bank account. Spending figure derived from balance of the project bank account

** All expenditure for the Flood Mitigation Program for Banda Aceh has been pre-financed by Muslim Aid. This amount will be reimbursed to Muslim Aid once MDF transfers the first tranche of the grant

Overall, Multi Donor Fund projects have spent \$87 million. This is approximately 59% of the funds disbursed to the projects and 16% of pledges. While strong spending does not necessarily mean that the project is performing well, low spending often indicates that the project has been delayed and encountering projects. The sections below provide a brief analysis on general trends in project spending.

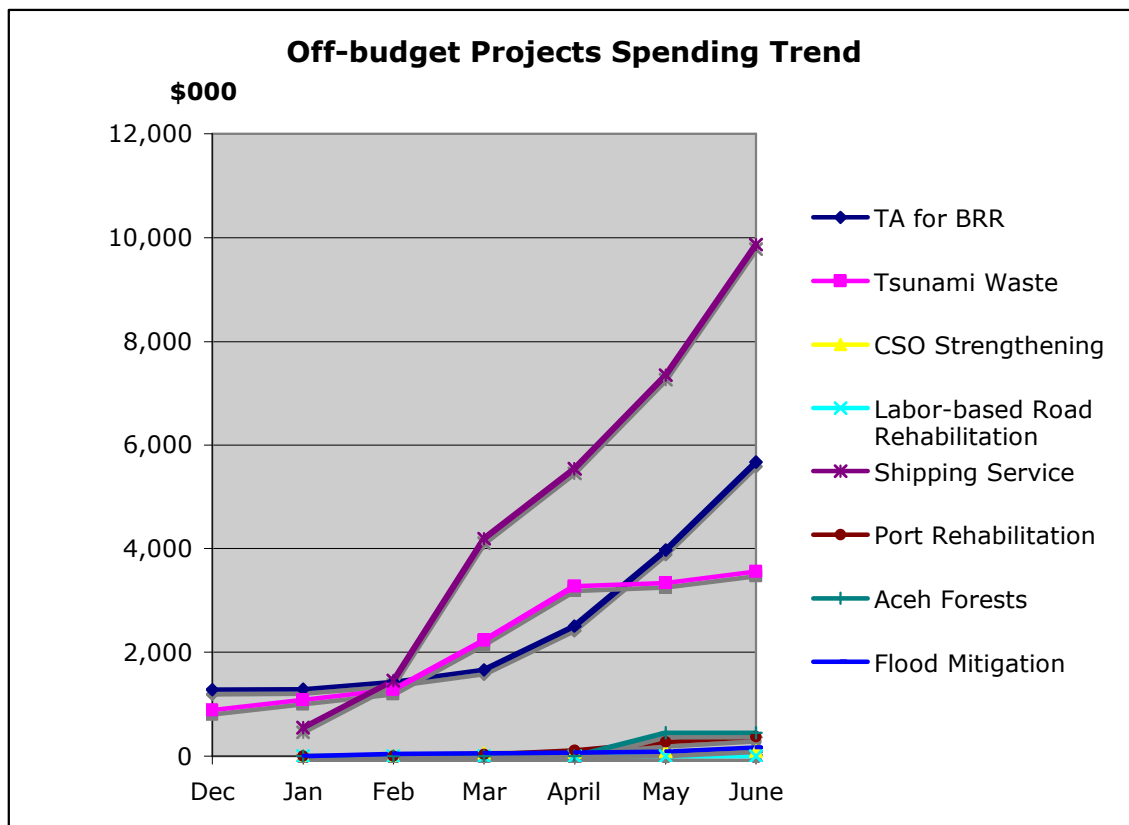
On-budget projects

On-budget projects have spent \$67 million of the \$87 million spent by Multi Donor Fund projects. All four on-budget projects use the community-driven development (CDD) approach. Overall, these projects show that CDD mechanisms has been relatively quick in both spending of funds and achieving results.

- For the **Kecamatan Development Project**, after a slow 2005 start (due to the delays experienced through the DIPA process), the project's spending increased significantly in 2006. From March to June 2006, the project spent \$42 million, mostly towards block grants to villages. This acceleration in KDP's spending means that all building activities are expected to be largely completed by December 2006, well ahead of schedule.
- The **Housing and Settlements Project** has spent over \$10 million. The graph above shows that spending trend in the Housing project is staggered according, rather than gradually increasing. By December, the Project had disbursed almost \$5 million. From January till April, there was very little financial activity. In May and June, however, a new tranche of housing payments was made, and this almost doubled the Project's spending.

- The **Urban Poverty Program** has spent \$6 million on its project activities. The structure of the project is that the community map out their entire needs first. This is a time consuming process, but once completed reconstruction activities can also progress very quickly. This is shown by the graph where financial activity is low from December to March 2006. Spending increased significantly during the last three months because community mapping was finished and UPP had also expanded significantly into hundreds of new urban neighbourhoods.
- The **RALAS** project received \$3 million from the Multi Donor Fund in September 2005. As of 30 June 2006, the Project has only spent \$2.3 million. This reflects the delays and problems encountered by the RALAS including: 1) delays in the DIPA process; 2) delay in the issuance of the GOI law to waive fees and taxes associated with issuing land titles; 3) the Banking and Finance law yet to be issued by the President, preventing some land titles from being issued; 4) time lag between deployment of teams into the field; and 5) reluctance of local agency heads to sign off titles for distribution. Both the Partner Agency and the Implementing Agency are working towards resolving these issues.

Off-budget projects



Off-budget projects have spent approximately \$20 million. As the above graph shows, of the eight off-budget projects, three are clearly spending much more quickly than the others. These are:

- The **Technical Support for BRR** project, which has spent \$5.7 million of the \$14.7 million grant from the Multi Donor Fund. This project has also committed another \$8.2 million to contracts and with only \$900,000 remaining unearmarked. This project is on-track to spend the grant by June 2007.
- The **Tsunami Waste Management** program has spent \$3.56 million on its activities. A further \$6.3 million is committed to contracts. This project is also expected to complete its spending by June 2007.
- The **Sea Delivery and Logistics Program** received a \$24.7 million grant from the Multi Donor Fund, which financed the program from December 2006. The project has, to date, spent \$9.8 million, and has committed another \$6 million in contracts. It was expected that the grant would be spent by May 2006. Due to an initially smaller than anticipated demand for the service, the funds are expected to last until September 2006. However, as reconstruction of housing activities pick up pace in the second half of the year, and the demand for sea transportation become more important with the onset of the rainy season, it is expected the exponential growth of usage will continue in the next 6-12 months, which will also increase the rate of spending. The project will be seeking a replenishment of funding from the Multi Donor Fund to continue the project beyond September. The project will also be implementing cost recovery from 1 August 2006 (postponed from 1 April 2006).

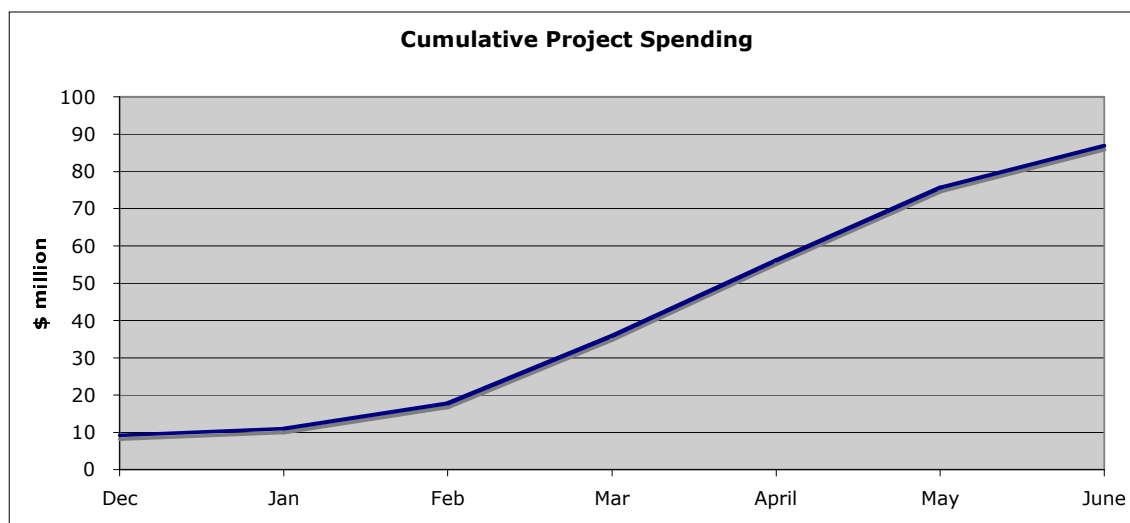
The other five projects have only disbursed \$1.2 million. This is sometimes due to the nature of the project and in other circumstances due to delays experienced by the project:

- The **Support to Strengthen CSOs** was endorsed by the Steering Committee in mid-December 2006. In late December 2006, the Multi Donor Fund transferred \$3 million to UNDP (of the \$6 million grant) for project implementation. However, as of June 2006, only \$93,000 has been spent on project activities. This project was delayed on several fronts: 1) prior to commencing implementation, the project needed Bappenas approval. This was received in March, which resulted in delaying the commencement of the project by three months; and 2) the progress on contracting training services has been slower than anticipated. The project manager is working towards resolving these issues and expects the pace of the project to increase significantly in the second half of 2006. The project will also run until December 2009, therefore it is still too early to conclude whether implementation is going well.
- The **Redevelopment of Ports** project was endorsed in January 2006. Funds were made available to the project in late March, because negotiations for the Fiscal Agency Agreement was longer than anticipated. This problem should not occur again, because the World Bank and UNDP have agreed to a template that will be used for future projects. The project also experienced delays in identifying locations for port facilities and in coordinating with the BRR and local government to establish what work needs to be done. Despite some obstacles, the project has achieved good results including, by September 2006, full design plans of the Calang and Sinabang Ports.
- The **Flood Mitigation Program for Banda Aceh** project was endorsed by the Steering Committee in late December 2006. Due to World Bank processes, the Grant Agreement was only signed in April 2006. The project was not significantly delayed because Muslim Aid, the Implementing Agency, pre-financed approximately \$200,000 of work until the agreement was signed. It took the project another month for the Agreement to become effective, as the financial management framework was strengthened to satisfy World Bank guidelines. The project received funds in July 2006. Current low spending is because the team is designing the pumping stations.

Designs are expected to be completed in November and spending rate will increase significantly once construction commences.

- The Steering Committee endorsed the **Labor-based Rural Roads Rehabilitation** project in mid-December 2005. Due to several delays, the project was not able to commence until June 2006. These include: 1) the negotiation period between ILO (Implementing Agency) and UNDP (Partner Agency) did not complete until March 2006. This meant that the Fiscal Agency Agreement could not be signed, and money was only transferred to UNDP in late March; 2) due to UNDP's rules, Bappenas approval must be obtained before implementation. UNDP received approval in late-May and ILO received a first tranche of \$1.4 million from UNDP in June 2006. A project team is now in place in Aceh, and road rehabilitation works should commence in August.
- The **Aceh Forest and Environment Project** was endorsed by the Steering Committee in late-December 2006. The Grant Agreement was signed in February 2006. The project became effective in April 2006 (when certain World Bank requirements were fulfilled) and received \$1.6 million to commence operations. This project will receive \$17.53 million, and is expected to continue until June 2010. Due to the longer-term nature of the project, it is too early to determine whether its implementation progress is on track.

Overall Trends



The graph above shows that spending increased significantly in February 2006. This is largely because KDP, UPP and Housing spending were very high during these three months. This reflects the nature of CDD projects whereby significant time and resources must be committed upfront for the planning process, but once the planning is completed, it becomes a very effective spending mechanism.

In June 2006, rate of spending slowed slightly mainly because KDP had already spent almost all their block grants in May. In the second half of 2006, RALAS expects to spend more quickly because it now has 30 teams (increase from 10 teams), as are the off-budget projects when they enter the full-implementation phase.

OUTLOOK

The cash forecast presented in Table 5 shows expected cash receipts and disbursements for the current portfolio of concepts and projects. As shown below, the Fund expects to disburse another \$147 million to project accounts in 2006. The Fund currently has \$77 million remaining. The Fund is expecting a transfer of \$40 million from the Netherlands in July, and another EUR 56 million in October to meet the cash needs of 2006.

Projection of Cash Receipts and Disbursements 2006-2010						
	Actuals	Projected Disbursements to Projects				
	Until 30/6/2005	2006	2007	2008	2009	2010
	USD million	USD million	USD million	USD million	USD million	USD million
Expected Receipts						
Cash remaining from prior period	0.00	99.88	77.75	69.64	20.82	0.92
Cash receipts during current period	243.38	122.13	153.10	19.05	0.00	0.00
Investment Income	4.34	2.99	2.30	1.73	1.15	0.00
Expected Cash Available to MDTFANS	247.71	225.01	233.15	90.42	21.97	0.92
Disbursements						
Disbursements to Projects						
Reconstruction of Aceh Land Administration System Project	11.70		8.31	8.50		
Community Recovery Through The Kecamatan Development Project (KDP)	49.00	15.70				
Community Recovery Through the Urban Poverty Program (UPP)	6.55	8.53	1.25	1.00	0.63	
Community-Based Settlement Rehabilitation and Reconstruction Project	21.44	40.00	23.56			
Technical Support for Badan Rehabilitasi Rekonstruksi (BRR) NAD-Nias	11.00	3.74				
Tsunami Recovery Waste Management Program	11.00	3.43				
Support to Strengthen the Role and Capacity of CSOs in the Recovery of Aceh	3.00		3.00			
Labor-based Rural Road Rehabilitation in Aceh	2.42	0.00	4.00			
World Food Programme Shipping Service	24.70	0.00				
Reconstruction and Rehabilitation of Ports	3.58					
Aceh Forest and Environment Project	1.60	3.00	5.00	5.00	2.93	
Flood Mitigation Program for Banda Aceh		4.50				
Road and Bridge Repair Lamno-Calang		5.75	5.75			
Infrastructure Reconstruction Enabling Program		14.00	25.00	3.00		
Nias Kecamatan-Based Recovery and Planning Project		6.44	6.44	6.44	6.44	
Support for Poor and Disadvantaged Areas		8.33	8.33	8.33		
Infrastructure Facility		25.00	50.00	25.00		
<i>Other project</i>		5.00	20.00	10.00	9.51	
Other						
Administration Costs	0.55	0.59	0.55	0.65	0.52	0.47
Appraisal, Supervision and Monitoring Costs	1.29	3.25	2.33	1.68	1.02	0.45
Expected Total Expenditure	147.83	147.26	163.51	69.60	21.05	0.92
Total Cash Available for subsequent year(s)*	99.88	77.75	69.64	20.82	0.92	0.00

Assumption that total allocations will be \$537 million but will change depending on exchange rate.

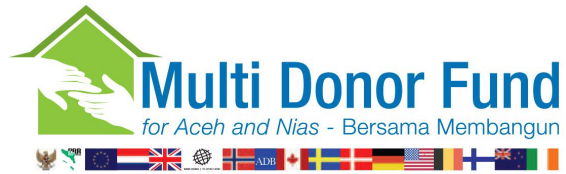
ANNEX 1		
MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA (TF054838)		
Unaudited Statement of Receipts, Disbursements and Fund Balance as at 30 June 2006 (Expressed in USD)		
	Quarter ending 30 June 2006	Inception to 30 June 2006
Receipts (Note 1)		
<i>Cash Contributions</i>		
European Commission		53,268,716.31
Government of Netherlands		59,999,970.00
Government of United Kingdom		10,000,194.42
International Development Association		25,000,000.00
Government of Denmark		18,033,865.72
Government of Norway		17,957,215.37
Government of Canada		11,042,215.24
Government of Sweden		10,441,206.22
Asian Development Bank		10,000,000.00
Government of Germany		7,397,875.00
Government of United States		10,000,000.00
Government of Finland		4,283,248.80
Government of Belgium	2,551,600.00	2,551,600.00
Government of New Zealand		2,200,375.00
Government of Ireland		1,198,700.00
Total Contributions	2,551,600.00	243,375,182.08
Investment Income (Note 2)	1,076,909.05	4,335,534.02
Total Receipts	3,628,509.05	247,710,716.10
Disbursements		
Disbursement to Grantee	(35,813,468.79)	(145,987,468.79)
<i>Direct Costs Disbursed by WBG</i>		
Staff Costs	(7,121.65)	(584,320.17)
Consultant Fees	(232,124.83)	(817,843.19)
Associated Overhead Costs	(2,414.79)	(11,088.94)
Travel Expenses	(121,241.20)	(308,956.56)
Airfare Rebate	4,994.20	4,994.20
Equipment Costs	(2,933.12)	(5,618.25)
Media Workshop	(17,368.89)	(86,615.18)
Contractual Services	(19,465.43)	(30,299.25)
Total Direct Costs Disbursed by WBG	(397,675.71)	(1,839,747.34)
Total Disbursements	(36,211,144.50)	(147,827,216.13)
Fund balance, beginning of period	132,466,135.42	
Fund balance (Cash and Investment)	99,883,499.97	99,883,499.97
Commitments Outstanding as of 8/7/2006 (Note 3)		233,745.22

* Source: SAP as of 30 June 2006

NOTES:

1 - This statement is prepared on the basis of cash accounting. Transactions subsequent to this statement date are recorded in the period in which they occur

2 - Investment income is not credited to any trust fund where the daily balance is less than USD equivalent \$5,000.



For further information about this report, please contact:

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