

**MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA
(MDTFANS)
Operations Manual**

I. INTRODUCTION

1. In response to the Government of Indonesia's (GOI) request, the World Bank and several donors and donor agencies agreed to establish a multi-donor trust fund for Aceh and North Sumatra (MDTFANS) to support a post-earthquake and tsunami emergency rehabilitation and reconstruction program (Reconstruction Program) in Indonesia. At GOI's request, the International Development Association (IDA) of the World Bank Group will also serve as Trustee for the MDTFANS.
2. Contributions to the MDTFANS will be sourced from the European Commission, individual donor countries, and multi-lateral financing institutions such as the International Bank for Reconstruction and Development (IBRD), and the Asian Development Bank (ADB). It is envisaged that some private sector partners, foundations, and non-governmental organizations may also contribute resources to the MDTFANS.

II. DESCRIPTION OF THE MDTFANS

3. The MDTFANS is a trust fund established by the World Bank to be administered by the International Development Association (IDA) and constituted of pooled funds contributed by the IBRD, and other contributors to provide grant financing for priority activities under the GOI's Reconstruction Program. The terms and conditions governing the contributions to the MDTFANS as laid down in IBRD Resolution No.2005-0004 and IDA Resolution No. 2005-0002 dated 12 April 2005 of the Board of the World Bank in establishing the MDTFANS, are reflected in the Standard Provisions, which will be attached to each contribution agreement that will be entered into between the World Bank and the contributors. Their administration will be common for all contributors and will provide for the following, among others:
4. **Contributions.** The contributions to the MDTFANS will be accounted as a single trust fund and will be kept separate and apart from other funds of the World Bank. All contributions and all disbursements will be on a grant basis. Contributions may not be earmarked for any specific component, activity or program but a contributor may state a preference that disbursements from the fund be used to support one or more implementing agencies and/or sectors and cross-cutting themes as defined in the GOI's recovery master plan.

5. Contributions to the MDTFANS will be received in cash. The MDTFANS will be maintained in United States Dollars.
6. **Eligible Expenditures.** Grants made out of the resources of the MDTFANS will be used to finance up to one hundred percent (100%) of the cost of works, goods and services, including studies, training and incremental recurrent expenditures, directly relating to the Project and Program Activity supported by the Grant, and such other related expenditures as the Trustee and the Steering Committee may agree from time to time. In particular, the Trustee and the Steering Committee may authorize Grants to assist with project design, program preparation or pilot activities, in order to facilitate future or on-going programs and projects that are part of the rehabilitation and reconstruction effort.
7. **Commencement.** The MDTFANS will commence its operations upon receipt of the first contribution from IBRD or any other donor.
8. **Termination.** The closing date for the MDTFANS is June 30, 2010 unless otherwise agreed upon by the donors and the World Bank in consultation with the GOI. No new commitment out of the MDTFANS resources can be made after the closing date. Consistent with normal practice of the Trustee, recipients will then have four months to submit withdrawal applications on account of eligible expenditures incurred before the closing date. IDA, at Trustee, will then undertake all actions necessary, including accounting, auditing, and reporting, to wind up the activities of the MDTFANS in an expeditious and orderly manner. With the exception of funds contributed by IBRD, which will be transferred to IDA, any undisbursed balance will be returned to the contributors, in proportion to their total paid-in contribution to the MDTFANS.

III. GOVERNANCE AND STRUCTURE

9. The MDTFANS will operate in accordance with fundamental principles of good governance set forth as follows:
 - Support for a GOI-owned rehabilitation and reconstruction program, as discussed with contributors;
 - Close partnership among key agencies;
 - The separation of responsibilities for allocation, fiduciary and administrative functions of MDTFANS; and
 - Full transparency and openness in MDTFANS processes
10. Each Grant shall be approved and administered in accordance with the applicable guidelines of the Partner Agency, with due regard to appropriate

standards of transparency, accountability and good governance, and the need to combat corruption and illegal practices in the management of grant funds.

11. Based on these principles, the MDTFANS will have the following governance and structure:

A. THE TRUSTEE

12. IDA will serve as Trustee of the MDTFANS.
13. **Management of the Funds.** As Trustee, IDA will be responsible for establishing and maintaining appropriate records and accounts to identify the contributions, make commitments to be financed out of the contributions, and document receipts and disbursements of the funds.
14. If contributions are received in currencies other than United States Dollars, IDA will convert the contributions into United States Dollars upon receipt at the exchange rate prevailing on that day. The Trustee may exchange the MDTFANS resources for other currencies as needed to facilitate disbursement. Pending disbursement, IDA will invest the MDTFANS resources in Washington in accordance with World Bank policies and procedures for the investment of trust funds that it administers. Income earned on those funds will be credited to the MDTFANS, thus increasing resources available for grants.
15. At closing date of the MDTFANS, the functions of IDA as Trustee shall terminate in an expeditious and orderly manner except for any action necessary for winding up activities of the MDTFANS.
16. **Fiduciary Responsibilities.** IDA as Trustee will be responsible only for performing those functions set forth in the contribution agreements with contributors, fiscal agreements with partner agencies, relevant World Bank rules and regulations, and as described in this manual. Nothing in the contribution or fiscal agreements will be considered a waiver of any privileges and immunities of IDA, under its Articles of Agreement or any applicable law, all of which are expressly reserved. IDA will act as fiscal agent with respect to grants administered by other partner agencies and, in that capacity, will have no responsibility to the contributors for the use of the proceeds of such grants over and above those responsibilities contained in the contribution agreements with contributors, fiscal agreements with partner agencies, relevant World Bank rules and regulations, and as described in this manual. Such responsibilities will be borne by the Partner Agencies in accordance with their own fiduciary frameworks, policies, guidelines, and procedures. However, IDA, as Trustee, through the Secretariat, will be responsible for ensuring the proper reporting of all MDTFANS operations by the designated Partner Agencies to the Steering Committee and the public.

17. **Financial Reporting.** The Trustee will maintain separate records and ledger accounts in respect of the contributions and the disbursements thereof. Within ninety (90) days of each March 31, June 30, September 30 and December 31, the Trustee will prepare, on a cash basis, an unaudited statement of receipts, disbursements and fund balance with respect to the MDTFANS and forward a copy to the Contributors. Each such statement will be expressed in United States dollars, the currency in which the Trustee will maintain the funds.
18. The Trustee will annually provide the Contributors with a management assertion, together with an attestation from the Trustee's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The costs of such attestations will be borne by the Trustee.
19. The Trustee will cause a financial statement audit of the MDTFANS to be performed by the Trustee's external auditors on the third and last year of the MDTFANS. The costs of such an audit, including the internal costs of the Trustee with respect to such an audit, will be charged to the MDTFANS. The Trustee will provide the Steering Committee with a copy of the auditors' report, which shall subsequently be made public.
20. **Execution of Legal Agreements.** As Trustee, IDA will execute contribution agreements with each of the contributors contributing resources to the MDTFANS. With respect to funds in the form of grant that will be administered by other partner agencies, IDA will enter into fiscal agency agreements with those agencies.
21. **Authority to Deny Funding.** As Trustee, IDA will have the authority to deny funding to any activity where in the view of IDA, as Trustee, after consulting with the Steering Committee, reasonable doubts arise as to whether the funds concerned will be effectively utilized for the agreed purposes.

B. THE STEERING COMMITTEE

22. MDTFANS will be governed by a Steering Committee. The Steering Committee will be supported by a Secretariat that will be established by IDA for coordinating the day-to-day operations of the MDTFANS and whose detailed responsibilities are described in a separate section of this Manual.
23. **Functional Responsibilities.** The Steering Committee shall be responsible for: (i) setting overall priorities, developing policies, and providing strategic guidance for the MDTFANS; (ii) reviewing progress of the MDTFANS operations; (iii) ensuring coherence and collaboration between

activities funded by the MDTFANS and the GOI's overall Reconstruction Program; and (iv) endorsing the activities to be supported under the MDTFANS, along with the corresponding proposals for Grants to finance such activities.

24. **Dialogue/ Coordination.** In addition, the Steering Committee will serve as a forum for: (i) continuous policy dialogue between the GOI and contributors on the Reconstruction Program so as to enhance the BRR's capacity to coordinate total efforts in the interim while reforming, strengthening, and revitalizing local government to ensure the long term sustainability of the Reconstruction Program, and (ii) coordination among contributors to the MDTFANS and other donors on their assistance and interventions related to the Reconstruction Program.
25. **Fiduciary Responsibilities.** While the designated partner agencies (see below) will be responsible for the appraisal, supervision, and monitoring of specific activities, as endorsed by the Steering Committee, in accordance with the partner agency's policies and procedures, it is implicit in the Steering Committee's endorsement and review functions that it exercises fiduciary oversight of the execution of the grants that it endorses. In normal circumstances, the act of designating a Partner Agency means that IDA, as Trustee, and the Steering Committee, accept the fiduciary framework and governance arrangements, policies and procedures, including audits and procurement procedures of the designated Partner Agency and, therefore, delegates such fiduciary oversight to that designated Partner Agency. However, should the Steering Committee so choose, it has the right to review the selection of auditors, the nature and frequency of audit reports, and the executing agency's financial management arrangements, as agreed between the partner and executing agencies and contained in the activity appraisal documents. Likewise, it implies that, in addition to the supervisory role of the partner agency, the Steering Committee will have the authority to review serious audit findings raised in audit reports and follow up on how these findings have been dealt with.
26. **Steering Committee Operations.** The Steering Committee will operate according to the following rules of procedures:
27. **Members.** The Steering Committee will consist of representatives of the Government, contributors, civil society, and IDA, as Trustee, as voting members and representatives of civil society and the United Nations Development Group as long-standing observer members, as described in the paragraphs below. All representatives will be nominated by their respective institutions and their names will be communicated in writing to the Secretariat. Thereafter, each representative will serve as a member on the Steering Committee for the full duration of the MDTFANS unless otherwise communicated by their respective institutions in writing to the Secretariat.

The names of contributor representatives shall be communicated to the Secretariat within one week from the signing of their respective contribution agreements. All names of all other representatives should be communicated to the Secretariat within one week from the signing of the first contribution agreement.

28. There will be a total of six Government representatives as voting members who are expected to be sourced from various levels of Government and Government agencies involved in the reconstruction of Aceh and North Sumatra. In addition to these six Government representatives, the Head of the Badan Rehabilitasi dan Rekonstruksi (BRR) NAD-Nias (Rehabilitation and Reconstruction Agency) will represent the GOI as a voting co-chair of the Steering Committee.
29. A representative who should be Jakarta-based, if possible, of each contributor that has contributed at least US\$10 million will be nominated to serve on the Steering Committee as a voting member. Those contributing less than this threshold may decide to pool their resources so as to reach or exceed this threshold thereby being able to nominate a representative as a voting member for their pooled contributions, possibly on a rotational basis.
30. There will be two civil society representatives appointed by the BRR's advisory and supervisory bodies or such other appropriate entity as the Steering Committee may decide, to serve as voting members of the Steering Committee.
31. IDA, as Trustee, will be represented as voting co-chair by its Country Director for Indonesia or his/her designee.
32. In addition to the abovementioned, there will be two other non-voting members of the Steering Committee who will have long-standing observer status. These are the United Nations Resident Coordinator or his/her designate, who shall represent the United Nations Development Group, and a representative of an appropriate international NGO that is currently active in rehabilitation and reconstruction of Aceh and North Sumatra. While holding non-voting status, the rights of these particular observers, as long-standing members, with respect to participation in meetings, access to information, ability to put items on the agenda, review of materials submitted to members in the "Decision without Meeting" process, and all other matters, shall be equivalent to those of the voting members with the exception that they will not have the power to object.
33. Should a member (i.e. nominated representative) be unable to attend a particular Steering Committee meeting, the member shall advise the Secretariat at least one day prior to the sitting of that Steering Committee meeting of the member's designated alternate who will attend instead.

34. Members may, if they wish, arrange for a delegation composed of other persons, such as delegates from contributor's capitals/ headquarters, or Government/ NGO agencies, to attend a particular Steering Committee meeting provided that such persons included in the member's delegation will, in the opinion of that member, provide value to those items on the agenda to be discussed by the Steering Committee. Members of a delegation, other than the designated Steering Committee member, shall have observer status for that meeting only but, at the discretion of the co-chairs, may be allowed to contribute to discussions.

35. **Co-Chairs.** There will be three co-chairs of the Steering Committee: the Government (as the Recipient), IDA (as Trustee), and the largest single contributor (which is currently the European Commission). Changes in co-chairmanship will require a decision of the Steering Committee to be taken in accordance with the decision making provisions stipulated in this Operations Manual. The individuals serving as co-chair will be high-level representatives of their institutions, i.e., Minister (in the case of Government), Country Director (in the case of IDA) and the Head of Delegation (in the case of the single largest contributor) or their designees. In the absence of the designated co-chair, the designated alternate co-chair should also be of a high level status. The co-chairs will have complementary but different responsibilities, based on their comparative advantages. All will be responsible for helping to ensure the efficient and consensual working of the Steering Committee and effective implementation of the MDTFANS. For all co-chairs this will involve a significant commitment of time and professional engagement in the running of the MDTFANS, much of which will take place outside of the Steering Committee meetings.

36. **The Government as Co-Chair**, will have the responsibility for:

- i. ensuring that the Government's voice - central, provincial and local - is reflected coherently in Steering Committee meetings;
- ii. ensuring that proposals to the MDTFANS are consistent with the Government's overall strategy, and that they have adequate support from relevant agencies;
- iii. helping to address any disagreements among Government agencies on implementation responsibilities in a constructive manner;
- iv. ensuring that decisions to allocate funds to specific programs are followed up effectively by the relevant agencies; and
- v. intervening at high levels if necessary to ensure that funds flow is not hampered by bureaucratic delays.

37. **The Trustee (IDA) as Co-Chair** will have the responsibility for:

- i. ensuring strong relations and effective communications with the Government on the overall recovery plan for Aceh, and on the implementation of the MDTFANS;
 - ii. ensuring that the voices and concerns of both contributors and long-standing observer members are reflected coherently in Steering Committee meetings, and that those concerns are addressed. This would entail, inter alia, canvassing all members of the Steering Committee wherever possible at least one week prior to each meeting in order to identify items for the agenda;
 - iii. preparing, in consultation with the Secretariat, a provisional agenda with necessary supporting documents;
 - iv. oversight of the Secretariat, with the purpose of ensuring a strong pipeline of sound well-prepared and well-documented proposals, well-recorded meetings, agreed agendas and minutes, and that the Steering Committee's operational guidelines are adhered to; and
 - v. identifying and inviting key external participants to take part in Committee meetings.
38. As tasked by the donor members of the Steering Committee, **the Largest Single Contributor as Co-Chair** (currently the European Commission) will, have special responsibilities for:
- i. engaging with other members of the Steering Committee, especially all other contributors, to ensure that a consensual and constructive spirit is maintained;
 - ii. liaising with the large bilateral donors, the ADB and the UN, to help ensure that their programs are complementary to those of the MDTFANS;
 - iii. coordinating the Steering Committee's policy dialogue with the Government on special issues;
 - iv. interacting at a high level of Government to express concerns on behalf of the contributors.
39. **Meetings.** The Steering Committee will meet as frequently as necessary (meetings are expected to be held frequently during initial operations of the MDTFANS, but may subsequently become less frequent) to discharge its responsibilities. The location of each meeting will be at the discretion of the co-chairs. In addition to holding meetings in Jakarta, it is expected that some meetings may also be held in the capitals of the affected provinces, being Banda Aceh and Medan, The Secretariat shall give notice of the date and venue for each meeting to the members no later than ten working days prior to the date of such meeting. The Secretariat, on behalf of IDA, as Trustee, and in consultation with the co-chairs, may invite observers (e.g., representatives of potential contributors) to the meetings as it deems appropriate.

40. **Meeting Chairpersons.** The meetings of the Steering Committee will be jointly chaired by the three co-chairs. Depending on the agenda, the co-chairs will decide among themselves prior to each meeting as to how it should be conducted and chaired.
41. **Quorum.** Two-thirds of the members of the Steering Committee on record as of the date of such meeting will constitute a quorum.
42. **Agenda.** The Secretariat will prepare the provisional agenda for the meetings and the relevant documentation and will provide these to the members of the Steering Committee no later than five working days prior to the meeting. At the beginning of each meeting, the Steering Committee will adopt the agenda for the meeting. Any item that was included in the agenda, but consideration for which was not completed at that meeting, will be included automatically in the provisional agenda for the next meeting unless otherwise decided upon by the Steering Committee.
43. **Decisions of the Steering Committee.** The co-chairs will ascertain a consensus. If all practicable efforts by the members and the co-chairs have been made and no consensus appears attainable, any designated member may make a motion for a formal vote. Decisions requiring a formal vote will be taken by a double weighted majority, that is, an affirmative vote representing both a simple majority of the total number of members present at the meeting and a simple majority of the total contributions of the contributing members present.
44. Each member present shall cast one basic vote. In addition, each member representing a contributor shall cast a second vote, which will be weighted based on the contributor's current contribution. For the purpose of contributor's voting power, total contributions shall consist of the actual cumulative paid-in contributions as of the close of business of the working day before the date of the meeting.
45. **Conflict of Interest.** While members representing an entity, or affiliated with an entity, which is either a sponsor or Executing Agency for the proposed activities under deliberation by the Steering Committee, will be allowed to participate in the deliberation, such member will be required to abstain during the ensuing decision process.
46. **Method of Voting.** Voting shall be by roll-call, which shall be taken in alphabetical order of the names of the entities/ group of entities each represented by a member. Each member called shall indicate his/her vote by either a "yes", or "no", or "abstention". In the case of members representing contributors, the vote would automatically be regarded as double with the second vote being weighted based on the contributor's current

contribution. The Secretariat will be responsible for tallying votes on the above basis and for ensuring that any affirmative vote represents first a simple majority of the total number of members present at the meeting and second, in respect of contributor votes, that the weighted votes of the contributor members present casting an affirmative vote represent a simple majority of the total contributions to the MDTFANS of the contributor members present.

47. **Decision without Meeting.** Whenever, in the judgment of the Secretariat, a decision must be taken by the Committee which cannot be postponed until the next regular meeting of the Committee but does not warrant the calling of a special meeting, the Secretariat shall transmit to each member by any rapid means of communication a proposed decision with an invitation to endorse the decision on a no objection basis.
48. Each member's comments on the proposed decision on behalf of the entity it represents shall be sent to the Secretariat during such period as the Secretariat may prescribe, provided such period is not less than 5 working days.
49. At the expiration of the period prescribed for comments, the decision shall be endorsed unless there is an objection and recorded in the minutes of the next meeting of the Committee. If there is an objection raised by any member, the Secretariat shall include its proposed decision as an item on the agenda for consideration at the next meeting of the Committee. The Secretariat shall notify all members accordingly.
50. **Record of the Meeting.** Before the end of each meeting, the Co-Chairs shall present a joint summary of the main discussions and conclusions of the meeting. Any decisions endorsed by the Committee at a meeting shall be appended to the Co-Chairs' joint summary. The Co-Chairs' joint summary and the Committee decisions/ endorsements will be public documents.
51. The Secretariat will arrange appropriate recordings of the proceedings of each meeting. When the Steering Committee endorses a concept proposal the Minutes shall include an Endorsement Number, the name of the activity, the amount allocated subject to satisfactory appraisal, the name of the Partner Agency and the name of the Executing Agency. The Minutes will be circulated to members within 5 working days of the meetings and members will be given 5 days to comment on them from the date of such circulation. A revised version of the minutes will then be circulated to members within 10 days of the meeting. These revised minutes will be formally approved at the next meeting. Upon being formally approved they will then be posted on the e-Aceh website.

52. **Amendments to the Rules.** These rules may be amended by following the same decision making processes of the Committee as described above.

C. THE SECRETARIAT

53. The Steering Committee will be assisted by the Secretariat, which will be primarily responsible for coordinating the overall work program of the MDTFANS. The Secretariat will report to the Steering Committee and will be based at the World Bank Office in Jakarta or in such other location as the Steering Committee may decide.

54. **Composition.** The Secretariat will be led by the World Bank designated Program Manager for the MDTFANS. The Program Manager will be assisted by full time staff based in the Secretariat's Jakarta office that may include, among others, a Deputy for Communications and Coordination¹, an Accountant, an Operations Officer, and an MDTFANS Team Assistant. Consideration is also being given to appointing a Monitoring and Evaluation expert using donor funding. In addition, should additional short term specialist expertise be required, the Secretariat will be supported by other units and staff of the World Bank. The Secretariat will also include two Acehese staff based in Banda Aceh, being the Deputy for Aceh and Nias, and a communications officer¹.

55. **Functions and Responsibilities.** The Secretariat will: (i) prior to each meeting of the Steering Committee, prepare reports and make recommendations, as appropriate, for endorsement by the Steering Committee; (ii) prepare a semi-annual consolidated report on activities funded by the MDTFANS, including status of portfolio of Projects and Programs, status of implementation, disbursements for the previous period and projections, pipeline and financing requirements of Projects and Programs, costs incurred to administer the MDTFANS, and other pertinent information; and (iii) review all reports submitted on the activities of the MDTFANS prior to their submission to the Steering Committee. In addition, the Secretariat will be responsible for: (i) answering all queries related to the MDTFANS; (ii) handling logistical arrangements for meetings of the Steering Committee; and (iii) disseminating to contributors and long-standing observers all such information, recommendations and requests as may be received from time to time relating to the Programs and Projects requirements. The Secretariat will also prepare minutes of each meeting of the Steering Committee and provide copies thereof to each member in accordance with the procedures for recording Steering Committee meetings described above.

¹ Secretariat staff responsible for communications in Banda Aceh and Jakarta will also be responsible for registering/ screening any grievances/ complaints that relate specifically to MDTFANS-financed activities

D. PARTNER AGENCIES

56. IDA or other international development institutions (such as the ADB and an agency from the United Nations Group) may be endorsed by the GOI and designated by the Steering Committee as Partner Agencies to be responsible for the appraisal, supervision, and monitoring and evaluation of an activity, and for the administration of any Grant made to finance such activity. If an international development institution other than IDA is designated as the partner agency for a particular activity then IDA, as Trustee, will enter into a fiscal agency agreement with that partner agency. Under this circumstance, the partner institution will administer the grant assigned to it in accordance with its own fiduciary framework and governance arrangements, policies and procedures, including audits and procurement procedures, insofar as they are acceptable to IDA as Trustee and the Steering Committee, and will be responsible for reporting on the grants they administer to the GOI, contributors, and the Steering Committee. As a result of ongoing harmonization among such multi-lateral agencies, there is a lot of common ground among the fiduciary frameworks, governance arrangements, policies and procedures of each. However, there are also others which can be specific to a particular partner institution. A summary of the operational procedures of each of the potential partner agencies is provided in Annex ____.
57. For those grants administered by Partner Agencies other than IDA, IDA will have limited responsibilities. In such cases, IDA, in its role as Trustee, will only transfer such grant funds as endorsed by the Steering Committee to special Treasury account(s) arranged by the relevant Partner Agency for its administration in accordance with the Fiscal Agency Agreement between IDA and the designated Partner Agency, for that particular activity. In normal circumstances, it would be expected that funds would be transferred progressively in a series of tranches as implementation takes place. Moreover, Partner Agencies cannot be Executing Agencies for the activities financed by any grants from MDTFANS that they are administering. This applies also to agencies within the United Nations Group. However, it is possible for one agency within the UN Group to be designated the Partner Agency while a different agency within the UN Group is designated as the Executing or Implementing Agency.
58. A fiscal agency agreement will be executed between IDA and the Partner Agency designated for that activity as soon as practicable after endorsement of the activity and designation of the Partner Agency by the Steering Committee.

E. GRANT EXECUTING AGENCIES

59. Allocations for projects and programs that are on the Government's budget will be fully executed by a Government agency (national, provincial or local) or its designated implementing agency such as an NGO, or where requested by GOI, a UN agency.

F. COST RECOVERY ARRANGEMENTS

60. IDA, as Trustee, will strive for maximum efficiency and effectiveness in administering MDTFANS, while promoting sound financial management and accountability. In order to assist in the defrayment of its administrative costs, IDA as both Trustee and designated Partner Agency (where applicable) may deduct from the MDTFANS "child" Administration Fund and transfer to itself a fee for its administration of the MDTFANS. Other designated partner agencies may also submit invoices to the Secretariat for reimbursement from the MDTFANS "child" Administration Fund of amounts representing the actual costs of appraisal, supervision, monitoring and evaluation, of those grant activities that they are administering. IDA, as Trustee, will ensure that such cumulative costs, both related to its own administration of the fund and the administration of grant activities by Partner Agencies do not exceed two percent of the total amount contributed into the MDTFANS.

IV. MECHANISMS FOR FINANCING PROJECTS AND PROGRAMS

A. CONDITIONS FOR ELIGIBILITY

61. The MDTFANS will provide grant funding for projects, programs and related activities in support of the Government's Reconstruction Program. Proposals should meet the following selection criteria:
- Proposals should be consistent with the Government's recovery strategy and Reconstruction Program in response to the expressed needs of the citizens of Aceh, and North Sumatra².
 - Proposals should enable the efficient, speedy and sustainable recovery of Aceh, and North Sumatra, and be completed within the life of the trust fund (June 2005-June 2010).
 - Projects or programs will be generally on the government's budget and will, therefore, be executed by a government agency (central, provincial, or local) or its designated implementing agency, such as an NGO, foundation, or UN agency.

² Including the island of Nias

- Proposals must be prepared using templates provided by the BRR, the format of which will be mutually agreed between the BRR and the MDTFANS Secretariat, to ensure more efficient processing, and be fully compatible with the Partner Agency's policies and procedures, including those for emergency operations.

**B. TERMS AND CONDITIONS GOVERNING
MDTFANS GRANTS**

62. Consistent with fast-tracking disbursements from the MDTFANS, each partner agency will apply their own appropriate procedures including simplified project designs, use of emergency procedures and project start-up support etc. As stated above, each potential partner agency will provide a summary of its ground rules/ procedures for administrating the activity including project/ program appraisal and approval, procurement and anti-corruption plans, flow of funds, financial reporting, accounting and audit arrangements (including technical audits) quality assurance arrangements and a results-based monitoring and evaluation framework. These summaries will be included as annexes to this MDTFANS Operations Manual.

63. The following will apply to all MDTFANS Grants:

- each Grant shall be approved and administered in accordance with the applicable guidelines of the World Bank, ADB or Other UN Partner Agency, as the case may be, subject to fourth bullet point below in respect of procurement;
- Grants shall be denominated in United States Dollars;
- IDA, ADB, or Other UN Partner Agency, as the case may be, shall, for purposes of each Grant, conclude a Grant Agreement with the Grant Recipient, indicating in particular that the resources have been provided from the MDTFANS. The Grant Agreement will, among other clauses, include the various items bulleted in this paragraph;
- the procurement of goods, works and services financed under the Grants will adhere to the principles of economy, efficiency, and transparency in the implementation of the approved activity while giving all eligible bidders a fair and equal opportunity to bid on a competitive basis without restriction for the supply of such goods, works, and services based on nationality or country of origin;
- the design and implementation of activities financed by the Grants will ensure that appropriate governance, environmental, and social safeguards arrangements are established and carried out in accordance with principles that build ownership, prevent and mitigate undue harm to people and their

environment in the rehabilitation and reconstruction process, through the participation of recipients and other stakeholders;

- the Grant recipient will be required to: (i) maintain an appropriate and adequate financial management system, including records and accounts, and prepare financial statements adequate to separately reflect the operations, resources and expenditures related to the activity financed under the Grant; and (ii) have the above-mentioned records, accounts and financial statements audited, in accordance with auditing standards acceptable to the Trustee and the Steering Committee, by independent auditors acceptable to the Trustee and the Steering Committee;
- the Grant recipient will be required to provide, and implement activities in accordance with, procurement and anti-corruption plans.

C. ACTIVITY MENU

64. The MDTFANS will help fund projects, programs and related activities in support of the GOI's recovery and reconstruction efforts, including the following:

- ***Project Investments and Technical Assistance.*** This type of support will include: new stand-alone projects, co-financing of new projects, additional financing of new components within ongoing projects, and technical assistance activities;
- ***Program Support*** to the GOI's sectoral or multi-sector programs that are part of the rehabilitation and reconstruction efforts. Funding will be provided in tranches that will be disbursed against achievement of indicators agreed with the GOI.

65. Most of the fund expenditures will be on the Government's budget with funds flowing through dedicated accounts that are monitorable and reconcilable. All on-budget financing would be contingent upon the Government putting in place a strong governance structure for each proposed activity, including fiduciary, management, accountability, and stakeholder participation components. During appraisal, partner agencies, in conjunction with executing agencies, would define indicators that would trigger further tranche releases. The fund will also have the flexibility to provide quick-disbursing funds off the Government's budget.

D. CYCLE OF MDTFANS-FINANCED ACTIVITIES

66. The cycle of MDTFANS-Financed On-Government Budget Activities is as follows:

Steps/Actions Required	Who is Responsible?	Performance Standards
1. Prepare Concept Note or Draft Project/ Program/ Technical Assistance Proposal & Submit to GOI	Proponent (who can be GOI's line ministries, local governments, communities, NGOs, UN agencies)	As necessary
2. GOI reviews, prioritizes and endorses to the Steering Committee through the Secretariat	GOI (BRR with endorsement of MOF for on-budget activities)	Applicable Government (BRR?) Standards
3. Secretariat and its Ad hoc Committee reviews and endorses to Steering Committee	Secretariat	Within five working days
4. Steering Committee (SC) reviews and endorses concept proposals, designates the Partner Agency (administrator), Executing Agency, and authorizes allocation of resources for appraisal and allocation of funds for subsequent implementation subject to appraisal successfully meeting requisite terms and conditions, quality, viability etc.	Steering Committee	Decision taken at Regular Meetings of the SC. The Proponent, the Executing Agency (if different), and the Partner Agency will be informed by the Secretariat of the SC decision within five working days of the meeting.
5. Where it is designated that project administration will be undertaken by an agency other than IDA, a Fiscal Agency Agreement shall be executed between IDA, as Trustee, and the designated Partner Agency	IDA, as Trustee, and designated Partner Agency (ADB or UN Agency)	Executed within five working days of the SC meeting

<p>6. Designated Partner Agency organizes and conducts appraisal of endorsed project/program and negotiates draft Grant Agreement with the Executing Agency</p>	<p>Partner Agency (IDA, ADB, or UN Agency)</p>	<p>Up to two months</p>
<p>7. Completed appraisal package including the Activity Operations Manual, procurement and anti-corruption plans, and a draft negotiated Grant Agreement is submitted to Secretariat for review.</p> <p>Secretariat and its Ad hoc Committee reviews package and then forwards concise review notes to the Steering Committee for “no objection”.</p> <p>Partner Agency submits to Secretariat its invoice for appraisal costs.</p> <p>Reimbursement of Partner Agency from the MDTFANS “child” Administration Fund</p>	<p>Partner Agency</p> <p>Secretariat</p> <p>Partner Agency</p> <p>IDA as Trustee</p>	<p>(i) Upon receipt, provide “early warning” to SC members that an appraisal package will be forwarded for “no objection” within the next five days and (ii) review no later than five working days after receipt</p> <p>No later than five working days after receipt of appraisal package</p> <p>Within five working days of receipt of invoice</p>
<p>8. Steering Committee “no objection” (implicit in this is the Steering Committee authorization to utilize previously allocated implementation funds upon effectiveness of the Grant Agreement)</p>	<p>Steering Committee</p>	<p>Within five working days of submission (unless a member has objection)</p>

<p>9. Secretariat advises Partner Agency of SC “No objection”</p> <p>Executing Agency advised of the Approval of the Activity (Project/ Program/ Technical Assistance)</p>	<p>Secretariat</p> <p>Partner Agency</p>	<p>Within five working days of SC “No Objection”</p> <p>Within five working days of SC “No Objection”</p>
<p>10. Signing & Effectiveness of the Grant Agreement</p>	<p>Partner Agency and GOI or designee (It is expected that the designee would usually be the original Proponent, however GOI may decide that another agency may be a more suitable Executing Agency).</p>	<p>Within five working days of SC “No Objection”</p>
<p>11. Transfer of the first of a series of tranches from the MDTFANS in accordance with the Fiscal Agency Agreement, to the special account</p>	<p>IDA as Trustee</p>	<p>Within five working days of effectiveness of the Grant Agreement</p>
<p>12. Implementation by the GOI or designee (executing agency)</p> <p>Disbursement of funds from the special account for activity purposes following processing of withdrawal applications and endorsement by Partner Agency that its procedures have been followed</p> <p>Replenish special account from MDTFANS (tranche releases in accordance with triggers agreed during appraisal)</p>	<p>GOI or designee (executing agency [EA]) The EA will encourage the inclusion of local civil society in monitoring implementation, and hold accountability meetings, open to the general public (further details given below).</p> <p>Partner Agency</p> <p>IDA as Trustee</p>	<p>Depends on the activity</p> <p>As provided for in the Grant Agreement</p> <p>As provided for in the Grant Agreement and appraisal documents</p>

<p>13. Supervision of the Activities under Implementation and Monitoring of Physical and Financial Progress in Achieving Results</p> <p>Reports, including performance indicators, on physical and financial progress and in achieving results for each grant are to be submitted to the Steering Committee through the Secretariat every six months.</p> <p>Partner Agency submits to Secretariat quarterly invoices for supervision costs.</p> <p>Reimbursement of Partner Agency from MDTFANS “child” Administration fund.</p>	<p>Designated Partner Agency (and other members of the Steering Committee, or their representatives, if interested)</p> <p>Partner Agency</p> <p>IDA as Trustee</p>	<p>At least every six months</p> <p>Every three months (Quarterly)</p> <p>Within five working days of submission of invoice</p>
<p>14. Evaluation</p> <p>Independent monitoring and evaluation.</p>	<p>Suitable independent entity engaged by Partner Agency acceptable to the Executing Agency</p>	<p>At mid-term and closure of the activity.</p>
<p>15. Preparation of Completion Report (Implementation Completion Memorandum)</p> <p>Partner Agency submits to Secretariat final invoice for supervision costs</p> <p>Reimbursement of Partner Agency from the MDTFANS “child” Administration fund.</p>	<p>GOI or designee and Designated Partner Agency</p> <p>Partner Agency</p> <p>IDA as Trustee</p>	<p>No later than six months after closing date of grant for the particular activity</p> <p>Together with the Implementation Completion Memorandum</p> <p>Within five working days of submission of invoice</p>

67. **Brief Explanation of Each Step in the Cycle of MDTF-Financed On-Government Budget Activities**

1. Concept/Proposals

68. Government agencies (central, provincial, local), contributors (including the World Bank, Asian Development Bank), the United Nations Group and other international agencies, non-government agencies, villages and communities may submit to the GOI (through the BRR) a concept note or proposal for financing under the MDTFANS. The proposal template is provided in Annex --. The completed template for submission should be no longer than ten pages inclusive of the covering endorsement page.

2. GOI Review and Endorsement of Concept/ Proposal

69. The GOI (the BRR) will review proposals for MDTFANS financing submitted by proponent agencies, which, for activities on the government's budget, shall be subsequently endorsed by the MOF. In its review and endorsement of the proposal to the Steering Committee through the Secretariat, the GOI is to: (i) ensure that the proposal is consistent with the Government's Reconstruction Program; (ii) confirm that the proposed activity is a priority for financing under the Reconstruction Program and the MDTFANS; (iii) screen the proposal against the eligibility criteria for MDTFANS financing; (iv) indicate the preferred Grant executing agency and Partner Agency (IDA, ADB, UN agency or other). GOI will convey its endorsement from both the BRR and MOF in writing to the Secretariat as soon as practicable using the covering endorsement page provided.

3. Secretariat Review and Endorsement of Concept/Proposal

70. Upon receipt of the GOI endorsement, the Secretariat (its Ad hoc Review Committee) will undertake a quality assurance review of the proposal prior to endorsing it to the Steering Committee for discussion and decision during its meetings. The Secretariat is to confirm that the proposal meets the eligibility criteria and all information requirements of the Secretariat and recommend for action by the Steering Committee. The Secretariat is to complete its review within five working days.
71. If additional information is required from GOI or the proponent, the Secretariat should inform the relevant parties no later than five working days after receipt of the GOI endorsement.

4. Steering Committee Review/Endorsement

72. In its meeting, the Steering Committee will discuss the proposal and make a decision whether to endorse or not endorse a proposal for financing under

the MDTFANS. The Steering Committee's endorsement will include the following: (i) designation of the Grant Executing Agency and the Partner Agency; (ii) approval of the budget allocation for appraisal and project preparation; and (iii) allocation of funds for implementation subject to appraisal successfully meeting requisite terms and conditions, quality, viability etc. as specified elsewhere in this Manual. The decision of the Steering Committee will be communicated to the GOI, proponent agency, Grant Executing Agency (if different) and Partner Agency by the Secretariat in writing within five working days of the meeting.

5. Execution of Fiscal Agency Agreement between IDA, as Trustee, and the designated Partner Agency, if different from IDA

73. Where it is designated that project administration will be undertaken by an agency other than IDA (such as the Asian Development Bank or an agency of the United Nations), a Fiscal Agency Agreement shall be executed between IDA, as Trustee, and the designated Partner Agency. The Agreement will define the responsibilities of the Partner Agency: (i) in supervising the execution of the activity i.e. in appraising, supervising, monitoring and evaluating an activity in accordance with its own fiduciary framework and governance arrangements, policies and procedures, insofar as they are acceptable to IDA as Trustee; and (ii) in processing withdrawal applications and monitoring the use of grant funds i.e. in administering the grant, as specified in the Fiscal Agency Agreement, and for reporting on the utilization of the grant.
74. In such circumstances, IDA's responsibility will be limited to those of fiscal agent transferring grant funds to the activity special account, which may be either with the Bank of Indonesia or another commercial bank depending on the circumstances of the activity, and recovering any surplus grant funds at completion of the activity for deposit back into the MDTFANS in accordance with the Fiscal Agency Agreement.
75. The Fiscal Agency Agreement should be executed by IDA, as Trustee, and the Partner Agency within five working days of the Steering Committee's endorsement of the Proposal.

6. Appraisal

76. Endorsement of the proposal by the Steering Committee is a signal for the Grant Executing Agency to prepare the project/program and the Partner Agency administering the proposal to proceed with appraisal as soon as practicable but no later than five working days from the receipt of the Secretariat's written advice on the Steering Committee's endorsement. However, it does not guarantee that the project proposal will be eventually

approved. If deemed necessary by the Steering Committee, the Trustee will make the necessary arrangements for extending project preparation grants to the designated Grant Executing Agency.

77. The appraisal mission should be undertaken in accordance with the applicable policies and procedures of the designated Partner Agency and should be completed within two months from receiving the written advice of the Secretariat. In addition to ensuring compliance with the Partner Agency's own policies and procedures, the appraisal package should also confirm compliance of the proposed activities with the terms and conditions that govern MDTFANS grants, particularly with respect to procurement, financial management, social, and environmental safeguards. Appraisal will include assessment of institutional arrangements, technical quality and economic viability with specific attention given to governance and anti-corruption measures. The appraisal package shall also include a draft Operations Manual for the Activity, procurement and anti-corruption plans, and a negotiated draft Grant Agreement between the designated Partner Agency and GOI, or its designee.
78. A template for the appraisal package report is provided as Annex ----. The Appraisal Package Main Text (Sections A-D) should not exceed 30 pages in 12 point, single spaced text including a governance/ anti-corruption action plan.

**7. Submission of the Appraisal Package for Steering Committee
“no objection” and Invoice for Appraisal Costs**

79. The Partner Agency will submit to the Secretariat, its completed appraisal package (inclusive of draft Operations Manual, procurement and anti-corruption plans) in form and substance required by the Steering Committee together with a negotiated draft Grant Agreement within five working days of completion of the appraisal exercise.
80. Upon receipt, the Secretariat will advise members of the Steering Committee that they can expect receipt of the appraisal package for the concerned activity together with a summary of the Secretariat's review within the next five working days. The Secretariat (its Ad hoc Review Committee) will review the appraisal package and draft Grant Agreement, to verify that they are consistent with the approved concept and ensure that any deviations are justified, and confirm their completeness with respect to the form and substance required by the Steering Committee before submitting concise notes to the Steering Committee for “no objection”.
81. The Partner Agency will also submit to the Secretariat a full and detailed invoice of its costs to appraise the activity. Subject to all information being provided, the Secretariat, on behalf of the Trustee, will reimburse the

Partner Agency its appraisal costs from the MDTFANS “child” Administration fund within five working days of the invoice being submitted.

8. Steering Committee “No Objection”

82. For purposes of securing the “no objection”, the Secretariat will follow the Steering Committee’s Rules of Procedures for a Decision without Meeting except that the full process should be completed within ten working days of receipt of the completed appraisal package and negotiated draft Grant Agreement by the Secretariat. (Five working days for review by the Secretariat and five working days for review by members of the Steering Committee). Only voting members of the Steering Committee will have the power to object. Implicit in this “No Objection” process is the Steering Committee authorization to utilize previously allocated implementation funds upon the Grant Agreement becoming effective. At this stage, IDA, as Trustee, may, after consulting with the Steering Committee, exercise its authority to deny funding to the proposed activity where, in the view of IDA, as Trustee, reasonable doubts arise as to whether the funds concerned will be effectively utilized for the agreed purposes of the MDTFANS.
83. The decision of the Steering Committee will not be contestable, and will be communicated by the Secretariat in writing immediately to the GOI, the Grant Executing Agency and the Partner Agency.

9. Approval of the Activity

84. Within five working days of the receipt of the Secretariat’s written advice on the Steering Committee’s “no objection”, the Partner Agency will process final approval of the grant for utilization by the Executing Agency on the basis of the completed appraisal package report and negotiated Grant Agreement in compliance with its own policies and procedures.

10. Signing and Effectiveness of the Grant Agreement

85. Once a grant is approved by the Partner Agency, the previously “negotiated” Grant Agreement will be ratified by the Grant Executing Agency and the Partner Agency and signed by both parties. This process should be completed within five working days of approval of the grant by the Partner Agency. The Partner Agency will furnish the Secretariat a copy of the countersigned Grant Agreement, which will also be publicly disclosed.
86. Unless special conditions for effectiveness are provided for in the Grant Agreement, all Grant Agreements will become effective upon signature by both parties.

11. Transfer of Initial MDTFANS Funds for Implementation to the Special Account

87. Within five working days of effectiveness of the Grant Agreement, the Secretariat, on behalf of IDA, as Trustee, in accordance with the Fiscal Agency Agreement, will arrange for the transfer of the first of a series of tranches from MDTFANS previously allocated by the Steering Committee for implementation of the endorsed activity into the special account with either Bank of Indonesia or other acceptable commercial bank at an appropriate location to suit the activity in accordance with the Grant Agreement between the designated Partner Agency and GOI. In the case of the special account being with a commercial bank, any interest accrued will be credited to the account thereby increasing resources available for that particular activity. Upon completion of the activity, all surplus funds in the special account will be returned promptly to the Trustee for deposit back into the MDTFANS.

12. Implementation by the GOI or designee

88. Upon effectiveness of the Grant Agreement, the Grant Executing Agency may begin implementation and request for initial disbursements from the Partner Agency as applicable and as provided for in the Grant Agreement. Implementation of the Grant will comply with the policies and procedures of the Partner Agency as well as the terms and conditions governing MDTFANS grants with further disbursements being released after processing of withdrawal applications by the Partner Agency as provided for in the Grant Agreement. Suitable measures will be taken to encourage the inclusion of local civil society in monitoring of the implementation process, including the provision of a small budget to cover related costs.
89. The Grant Executing Agency for each project will hold accountability meetings, open to the general public, for:
- launching each new project cycle, to popularize the project concepts, explain objectives, detail scope and obtain direct feedback prior to implementation;
 - progress reporting, at least once, mid-way through the implementation of each cycle;
 - hand over/ accountability at the end of each implementation cycle.
90. These meetings will include presentations from the key consultants/contractors involved in the activities funded under the MDTFANS.
91. During project implementation, the Grant Executing Agency will produce regular progress reports and submit these to the Partner Agency, as

specified in the Grant Agreement. In cases of unsatisfactory progress, the Partner Agency may propose the suspension or cancellation of the Grant.

92. The Secretariat, on behalf of IDA as Trustee, will arrange to replenish the special account by means of a transfer from the MDTFANS account for the activity in accordance with the Grant Agreement.

13. Supervision of the Activities Under Implementation and Monitoring of Physical and Financial Progress in Achieving Results

93. The Partner Agency will supervise the MDTFANS grant in accordance with its policies and procedures. Nevertheless, it is expected that the Partner Agency will field a supervision mission for the Grant-financed activities as frequently as considered appropriate for the activity but at least once every six months. The Partner Agency may also invite members of the Steering Committee, or their representatives, to join its supervision missions.
94. Apart from its own internal reporting processes, the Partner Agency will submit reports on physical and financial progress and on achieving results for each grant it administers to the Steering Committee through the Secretariat every six months based on templates that will be provided by the Secretariat.
95. Performance indicators defined in proposals should be summarized by grant Executing Agencies and Partner Agencies every 6 months and included in the reports submitted to the Steering Committee. The progress of grants should be reviewed by the Steering Committee at a similar interval comparing the status of results with expectations. In addition, a selection of grant activities may be reviewed in more depth to verify brief reports and to obtain a greater understanding of obstacles to achieving results and how they may be overcome. A short report with a matrix of the status of performance indicators across the portfolio should be made widely available by the Secretariat, together with examples of best practices, and considered by the Steering Committee in decisions to adjust, extend, or close funds, and as a factor in prioritizing future grant proposals.
96. The Partner Agency will submit to the Secretariat full and detailed invoices of its costs to supervise the activity every three months (quarterly). Subject to all information being provided, the Secretariat, on behalf of the Trustee, will reimburse the Partner Agency its supervision costs from the MDTFANS “child” Administration fund, within five working days of each invoice being submitted.

14. Evaluation

97. Activities should be subject to monitoring and evaluation at mid-term and closure by an independent entity engaged by the Partner Agency acceptable to the Executing Agency.

15. Completion

98. The Grant Executing Agency and the Partner Agency are required to submit an implementation completion memorandum (ICM) on the activities financed under the Grant within six months after the closing date of the Grant. A template is provided in Annex ----.
99. The Partner Agency will submit to the Secretariat, in conjunction with the ICM, a full and detailed final invoice of its costs to supervise the activity. Subject to all information being provided, the Secretariat, on behalf of the Trustee, will reimburse the Partner Agency its final supervision costs from the MDTFANS “child” Administration fund, within five working days of the final invoice being submitted.

V. COMPLAINTS PROCESSING AND RESOLUTION

100. Under the BRR, the GOI will establish a public complaints system for receiving allegations of corruption, fraud or misuse of recovery and reconstruction funds.
101. Where complaints relate specifically to MDTFANS-financed activities, they may be submitted directly to the Secretariat of the MDTFANS, or indirectly through the auspices of other agencies such as the BRR. The Secretariat’s communications staff located either in Banda Aceh or Jakarta will then process these in accordance with procedures acceptable to IDA, as Trustee of the MDTFANS. The communications staff will be fully responsible for recording, referring and tracking of complaints, as well as the systematic analysis of related data. Further investigation and processing of complaints may be carried out by the Secretariat or may be referred to relevant authorities, depending on the type and seriousness of each case. The reporting procedures and other details related to the work of the Secretariat’s communications staff in handling such complaints will be prepared as a separate manual by the MDTFANS Secretariat and agreed with IDA as Trustee. The Secretariat will have an operational budget made available sufficient to fund its needs in handling such complaints, including relevant public relations activities. Confidentiality with respect to Partner Agencies will be strictly observed at all times. Nothing in, or relating to, this Operations Manual shall be deemed a waiver, express or implied, of any of the privileges and immunities of the respective designated partner

agency for the activity be it IDA, the Asian Development Bank, or the United Nations, including its subsidiary organs.

VI. MONITORING AND EVALUATION

102. A monitoring and evaluation framework will be established for the MDTFANS to help ensure that the desired results and outcomes of the GOI recovery program are achieved. The M&E framework will help (i) Grant Executing Agencies, Partner Agencies, and the Steering Committee to monitor aid flows, project activities and achievement of results for MDTFANS funded activities and enable funding or activities to be adjusted as necessary (ii) to promote accountability for resource use and achievement of results by Grant Executing Agencies, Partner Agencies, and the Steering Committee (ensuring alignment of the MDTFANS-financed activities with the goals of the GOI recovery program and proper and efficient application of funds) (iii) to document, provide feedback on, and disseminate results and lessons learned.

103. A key component of the monitoring and evaluation framework should be the wide dissemination of performance reports. Where possible, these will be made available in real time through the use of information technology such as the E-Aceh web-site. The framework will cover two areas:

1. Grant approval and supervision process.

104. The MDTFANS Secretariat will keep records of its operational processes and will prepare a summary report every three months comparing actual performance with defined standards where appropriate. The report will be forwarded to the GOI, its Grant Executing Agencies, designated Partner Agencies, and the Steering Committee as necessary. The report should cover the time taken to complete the different steps in the grant review and approval process³, financial performance (contributions versus pledges, disbursements), complaints received and their handling, and the status of project supervision activities.

2. Reporting on Results

105. Grant proposals should have adequately defined arrangements for monitoring achievement of results before approval. These will include:

- (i) Precisely defined indicators and targets:

³ Such as the review of proposals by the MDTFANS Secretariat, Steering Committee review and decision, release of appraisal budget, organisation of project appraisal, submission of completed appraisal, approval of grant by the Steering Committee, signing and effectiveness of the grant agreement and release of the initial, and subsequent, implementation funds.

- Indicators of progress should be limited in number and reflect elements that make a critical difference to the lives and welfare of people affected.
- Indicators should be measurable (allowing meaningful comparison between geographical areas, over time, and with expectations). Their status should be monitored at reasonable cost.
- Indicators and targets should be clearly defined to avoid disputes about whether or not a program is on track.
- Expected results or targets should be achievable within the time frame indicated.

(ii) Ensuring that M&E functions are established within Executing Agencies and Partner Agencies. Proposals should indicate what strategy will be used to obtain and disseminate information and how monitoring will feed into the decision-making process – what mechanisms exist (or need to be established) for program review and adjustment, and how local communities and civil society organizations will be involved in monitoring progress⁴. Grant Executing Agencies and Partner Agencies should have reasonable prospects of reporting on performance indicators on a six monthly basis.

106. The monitoring framework must be consistent with, and contribute to, the GOI's strategy for monitoring the reconstruction program. It may represent a selection of elements from a more comprehensive monitoring framework within a sector (which might include indicators for inputs, processes, outputs and outcomes) but the indicators in the MDTFANS M&E framework will tend to reflect outputs rather than outcomes (which are influenced by factors beyond a program's control). While the M&E plan should be reasonably comprehensive, a working system based on carefully selected information is preferable to a complex system that cannot be implemented.

VII. DISCLOSURE AND VISIBILITY

107. **Visibility.** Whenever possible, the Trustee, in consultation with the appropriate Indonesian authorities, will promote Contributor visibility on information materials pertaining to Projects and Programs and at the sites of the Projects and Programs.

⁴ Possible strategies for obtaining and using information include (i) Routine information systems or surveys operated by the GOI or other Executing and/or Implementing Agencies. (ii) Independent monitoring by qualified outside agencies (universities, NGOs, other agencies). (iii) Participatory processes in which communities engage in monitoring of services independently of formal structures. The M&E plan may also specify what training and other support might be needed by community organizations to take part in monitoring.

108. **Disclosure.** The Trustee and the GOI may disclose to the public Contribution Agreements, Fiscal Agency Agreements, Grant Agreements, and any other information with respect to the MDTFANS and its operations as the Steering Committee may decide.

VIII. OVERRIDING AUTHORITY OF THE CONTRIBUTION AGREEMENTS / RESOLUTIONS

109. In the event of any conflict between the Contribution Agreements and the World Bank Resolutions establishing the MDTFANS (IBRD Resolution No.2005-0004 and IDA Resolution No. 2005-0002 dated 12 April 2005) and this Operational Manual, the provisions of the Contribution Agreements and the Resolutions will prevail.

Annex ---

Endorsement of Concept Proposal

Endorsements & Steering Committee Decision
Endorsement by the GOI (BRR) Comments: Name & Title of Endorsing GOI Official: Date:
Endorsement by the GOI (Ministry of Finance) Comments: Name & Title of Endorsing GOI Official: Date:
Endorsement by the Secretariat Comments: Date:
Decision by the Steering Committee: Endorse Activity for Financing under MDTF? Yes ___ No ___ Endorsed Grant Amount: _____ Designated Grant Executing Agency _____ & Approved Preparation Grant (if applicable) _____ Designated Partner Agency _____ & Approved Appraisal Budget _____ Additional Comments: Date: