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Operations Manual

MULTI DONOR FUND FOR ACEH AND NIAS

This Operations Manual is not a legally binding document. The purpose of this Manual is to describe the MDF governance structure and the operating principles, guidelines, and procedures for the day-to-day operations of the MDF.

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I. INTRODUCTION

1. In response to the Government of Indonesia's (GOI) request, the World Bank and several donors and donor agencies established a multi donor trust fund called the Multi Donor Fund for Aceh and Nias (from herein called the "Multi Donor Fund") to support a post-earthquake and tsunami rehabilitation and reconstruction program (herein called the "Reconstruction Program") in Indonesia. At the Government of Indonesia's request, the International Development Association (IDA) of the World Bank Group shall serve as Trustee for the Multi Donor Fund.

2. Contributions to the Multi Donor Fund are 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). Private sector partners, foundations, and non-governmental organizations may also contribute resources to the Multi Donor Fund.

II. DESCRIPTION OF THE MULTI DONOR FUND

3. The Multi Donor Fund is a trust fund established by the World Bank to be administered by the International Development Association (IDA) and constitutes pooled funds contributed by the IBRD and other contributors to provide grant financing for priority projects[1] under the Government of Indonesia's Reconstruction Program. The terms and conditions governing the contributions to the Multi Donor Fund 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 Multi Donor Fund, are reflected in the Standard Provisions, which are attached to each contribution agreement that shall 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 Multi Donor Fund shall be accounted as a single trust fund and shall be kept separate and apart from other funds of the World Bank. All contributions and all disbursements shall 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 Multi Donor Fund shall be received in cash. The Multi Donor Fund shall be maintained in United States Dollars.

[1] The term "project" used throughout the Operations Manual refers more widely to projects, programs and related activities in support of the Government's Reconstruction Program

6. **Eligible Expenditures:** grants made out of the resources of the Multi Donor Fund shall 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 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 Reconstruction Program.

7. **Commencement:** the Multi Donor Fund commenced its operations upon receipt of the first contribution from IBRD on 10 May 2005.

8. **Termination:** the closing date for the Multi Donor Fund is December 31, 2012[2] unless otherwise agreed upon by the donors and the World Bank in consultation with the Government of Indonesia. No new commitment out of the Multi Donor Fund resources can be made after the closing date. IDA, as Trustee, will then undertake all actions necessary, including accounting, auditing, and reporting, to wind up the activities of the Multi Donor Fund in an expeditious and orderly manner. With the exception of funds contributed by IBRD, which will be transferred to IDA, any undisbursed balance shall be returned to the contributors, in proportion to their total paid-in contribution to the Multi Donor Fund.

III. GOVERNANCE AND STRUCTURE

9. The Multi Donor Fund shall operate in accordance with fundamental principles of good governance set forth as follows:

- In close partnership among key agencies;
- The separation of responsibilities for allocation, fiduciary and administrative functions of the Multi Donor Fund; and
- Full transparency and openness in Multi Donor Fund processes.

10. Each Grant shall be approved and administered in accordance with the applicable guidelines of the Partner Agency, insofar as their procedures are acceptable to IDA, 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. The policies and procedures of the Partner Agency shall take precedence over the operational guidelines of this Manual in case of incompatibility.

[2] The original closing date is June 30, 2010 and has now been extended to December 31, 2012. However, all project activities must be completed by June 30, 2012 to allow for completion of associated reporting.

11. Based on these principles, the Multi Donor Fund shall have the following governance and structure:

A. THE TRUSTEE

12. IDA shall serve as Trustee of the Multi Donor Fund.

13. **Management of the Funds:** as Trustee, IDA shall 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 shall convert the contributions into United States Dollars upon receipt at the exchange rate prevailing on that day. The Trustee may exchange the Multi Donor Fund resources for other currencies as needed to facilitate disbursement. Pending disbursement, IDA shall invest the Multi Donor Fund 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 shall be credited to the Multi Donor Fund, thus increasing resources available for grants.

15. At closing date of the Multi Donor Fund, 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 Multi Donor Fund.

16. **Fiduciary Responsibilities:** IDA as Trustee shall be responsible only for performing those functions set forth in the Resolution, Contribution Agreements with contributors, Fiscal Agency Agreements with Partner Agencies, relevant World Bank rules and regulations, and as described in this manual. Nothing in the Contribution Agreements or Fiscal Agency Agreements shall 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 shall act as the Fiscal Agent with respect to grants administered by Partner Agencies other than the IDA and, in that capacity, shall 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 Agency Agreements with Partner Agencies. All responsibility for the appraisal[3], supervision and monitoring and evaluation of projects for which the Partner Agency is not IDA shall be borne by the Partner Agencies in accordance with their own fiduciary frameworks, policies, guidelines, and procedures. IDA, as Trustee, through the Secretariat, shall be coordinate reporting of all Multi Donor

[3] Appraisal pertains to assessment of technical, financial, procurement, and audit aspects of a project under preparation. The documentation resulted from appraisal is referred to as the Project Appraisal Document or PAD by IDA and Project Document or ProDoc by UNDP and other UN agencies. Throughout this manual PAD and ProDoc are used interchangeably.

Fund operations by all designated Partner Agencies to the Steering Committee and the public.

17. **Financial Reporting:** the Trustee shall 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 shall prepare, on a cash basis, an unaudited statement of receipts, disbursements and fund balance with respect to the Multi Donor Fund and forward a copy to the Contributors. Each such statement shall 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 shall cause a financial statement audit of the Multi Donor Fund to be performed by the Trustee's external auditors once every three years. The costs of such an audit, including the internal costs of the Trustee with respect to such an audit, shall be charged to the Multi Donor Fund. The Trustee shall 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 shall execute Contribution Agreements with each of the contributors contributing resources to the Multi Donor Fund. With respect to funds in the form of a grant that will be administered by IDA, IDA shall enter into a grant agreement with the recipient. With respect to funds in the form of grant that will be administered by Partner Agencies other than the World Bank, IDA shall enter into Fiscal Agency Agreements with those agencies. This Operations Manual is not a legally binding document, and only the legal provisions as outlined in the Contribution Agreements, Grant Agreements and Fiscal Agency Agreements are binding in the operations of the fund.

21. **Establishment of the Secretariat:** the Trustee shall establish a Secretariat manage the day-to-day operations of the Multi Donor Fund. The roles and responsibilities of the Secretariat are set out in paragraph 64.

22. **Authority to Deny Funding:** as Trustee, IDA shall 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

23. The Multi Donor Fund shall be governed by a Steering Committee. The Steering Committee shall be supported by a Secretariat that will be established by IDA for coordinating the day-to-day operations of the Multi Donor Fund and whose detailed responsibilities are described in a separate section of this Manual.

24. **Functional Responsibilities:** the Steering Committee shall be responsible for (i) setting overall priorities, developing policies, and providing strategic guidance for the Multi Donor Fund; (ii) reviewing progress of the Multi Donor Fund operations; (iii) oversight of the Multi Donor Fund portfolio including coherence and collaboration between projects funded by the Multi Donor Fund and the Government of Indonesia's Reconstruction Program; and (iv) endorsing the projects to be supported under the Multi Donor Fund, along with the corresponding proposals for grants to finance such activities and the designation of the Partner Agency responsible for administering such activities.

25. **Dialogue/ Coordination:** the Steering Committee shall serve as a forum for (i) continuous policy dialogue between the Government of Indonesia and contributors on the Reconstruction Program so as to enhance the capacity of the Government of Indonesia (GOI) and relevant public institutions 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 between contributors to the Multi Donor Fund and other donors on efforts in the Reconstruction Program.

26. **Oversight Responsibilities:** while the designated Partner Agencies (see below) shall be responsible for the appraisal, supervision, and monitoring of specific projects, 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 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, delegate such fiduciary oversight to that designated Partner Agency. However, the Steering Committee shall be responsible for the oversight of the overall portfolio to ensure that the project and the overall program reach its overall objectives and outcomes. Oversight duties of the Steering Committee shall be discussed in a separate section in this Manual.

27. **Steering Committee Operations:** the Steering Committee shall operate according to the following rules of procedures:

28. **Members:** the Steering Committee shall consist of representatives of the Government, contributors, civil society, and IDA, as Trustee, as voting members and other representatives of civil society and the United Nations as long-standing observer members, as described in the paragraphs below. All representatives

shall be nominated by their respective institutions and their names shall be communicated in writing to the Secretariat. Thereafter, each representative shall serve as a member on the Steering Committee for the full duration of the Multi Donor Fund 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.

29. There shall be a total of six Government of Indonesia representatives as voting members, 2 from Bappenas (Deputy of Regional Development & Autonomy and Deputy of Development Funding), 2 from the Ministry of Finance (Director General of Budget and Director General of Debt Management), 1 from the Government of NAD and 1 from the Government of North Sumatra.

30. A representative, if possible Jakarta-based, of each contributor that has contributed at least US$10 million shall 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.

31. There shall be two civil society representatives nominated by the Bappenas, with the approval of the Steering Committee, to serve as voting members of the Steering Committee.

32. IDA, as Trustee, shall be represented by its Country Director for Indonesia or his/her designee.

33. In addition to the abovementioned, there shall be two other non-voting members of the Steering Committee who shall have long-standing observer status. These are the United Nations Resident Coordinator or his/her designate, who shall represent the United Nations 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.

34. 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.

35. Members may, if they wish, arrange for a delegation comprised 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 shall, 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.

36. **Co-Chairs:** there shall be four co-chairs of the Steering Committee: Minister of National Development Planning/Chairman of Bappenas and the Governor of NAD representing the Government of Indonesia (as the Recipient), IDA (as Trustee), and a major contributor (which is currently the European Commission). Changes in co-chairmanship shall 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-chairs shall be high-level representatives of their institutions, i.e., Minister (in the case of Central Government), Governor (in the case of Provincial Government), Country Director (in the case of IDA) and the Head of Delegation (in the case of the major contributor) or their designees. In the absence of the designated co-chair, the designated alternate co-chair should be the next ranking official representative with decision making authority. The co-chairs shall have complementary but different responsibilities, based on their comparative advantages. All shall be responsible for helping to ensure the efficient and consensual working of the Steering Committee and effective implementation of the Multi Donor Fund. For all co-chairs this shall involve a significant commitment of time and professional engagement in the running of the Multi Donor Fund, much of which may take place outside of the Steering Committee meetings.

37. The Government of Indonesia as Co-Chairs, shall have responsibility for:

- ensuring that the Government's voice - central, provincial and local - is reflected coherently in Steering Committee meetings;
- ensuring that project concepts to the Multi Donor Fund are consistent with the Government's Reconstruction Program, and that they have adequate support from relevant agencies;
- the Central Government as Co-Chair shall have additional responsibility for:
  - helping to address any disagreements among government agencies on implementation responsibilities in a constructive manner; and
  - intervening at high levels if necessary to ensure that funds flow is not hampered by bureaucratic delays.
- the Provincial Government as Co-Chair shall have additional responsibility for:
  - ensuring that decisions to allocate funds to specific programs are followed up effectively by the relevant agencies;

- oversight of all implementing units to ensure sustained projects implementation; and
- coordinating closely to synchronize the sustainability of reconstruction with central and local governments along with other related stakeholders.

38. The Trustee (IDA) as Co-Chair shall have responsibility for:

- ensuring strong relations and effective communications with the Government on the Reconstruction Program for Aceh, and on the implementation of the Multi Donor Fund;
- 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;
- preparing, in consultation with the Secretariat, a provisional agenda with necessary supporting documents;
- oversight of the Secretariat, with the purpose of ensuring a strong pipeline of sound well-prepared and well-documented project concepts, well-recorded meetings, agreed agendas and minutes, and that the Steering Committee's operational guidelines are adhered to; and
- identifying and inviting key external participants to take part in Steering Committee meetings.

39. As tasked by the donor members of the Steering Committee, the largest single contributor as Co-Chair (currently the European Commission) shall have responsibilities for:

- engaging with other members of the Steering Committee, especially all other contributors, to ensure that a consensual and constructive spirit is maintained;
- liaising with large bilateral and multi-lateral donors to help ensure that their programs are complementary to those of the Multi Donor Fund;
- coordinating the Steering Committee's policy dialogue with the Government on special issues;
- interacting at a high level of government to express concerns on behalf of the contributors.

40. **Meetings:** the Steering Committee shall meet as frequently as necessary, minimum annually, to discharge its responsibilities. The location of each meeting shall 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 and official observers no less than five 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 other observers (e.g. representatives of potential contributors) to the meetings as it deems appropriate.

41. **Meeting Chairpersons:** the meetings of the Steering Committee shall be jointly chaired by the four 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.

42. **Quorum:** two-thirds of the members of the Steering Committee on record or donors representing at least 50% of fund received to date of such meeting shall constitute a quorum for decision-making purposes. In the case of a meeting without a quorum, views from absent members will be solicited virtually on a "no-objection" basis (see also Paragraph 46 on Method of Voting).

43. **Agenda:** the Secretariat shall prepare the provisional agenda for the meetings and the relevant documentation and shall 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 shall adopt the agenda for the meeting. Any item that was included in the agenda, but consideration for which was not completed at that meeting, shall be included automatically in the provisional agenda for the next meeting unless otherwise decided upon by the Steering Committee.

44. **Decisions of the Steering Committee:** the co-chairs shall 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.

45. Decisions requiring a formal vote shall 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. In the case of members representing contributors, the vote shall automatically be regarded as double with the second vote being weighted based on the contributor's current contribution.

46. **Conflict of Interest:** individuals representing the role of a sponsor or Partner or Implementing Agency for the proposed projects under deliberation by the Steering Committee are allowed to participate in the deliberation. However, such individuals shall be required to withdraw during the ensuing decision process.

47. **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". The Secretariat shall 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 Multi Donor Fund of the contributor members present. Views from absent members will be solicited virtually.

48. **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 virtually.

49. 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.

50. 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 Steering Committee meeting. 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 Steering Committee meeting. The Secretariat shall notify all members accordingly.

51. **Record of the Meeting:** following discussion of any particular item on the agenda, or other issue raised during the meeting, that requires a decision of the Steering Committee, the Co-Chairs shall present a joint summary of the main discussions and, based on those, endeavor to seek a consensus solution.

52. At the end of the meeting, the Secretariat shall summarize the decisions reached, whether by consensus or vote, and this summary shall be highlighted in the minutes of the Steering Committee meeting.

53. The Secretariat shall arrange appropriate recordings of the proceedings of each meeting. When the Steering Committee endorses a project concept the minutes shall include an endorsement number, the name of the project concept, the amount allocated subject to satisfactory appraisal, the name of the Partner Agency and the name of the Implementing Agency and the funding mechanism/flow of funding for the project. The minutes shall be circulated to members within 5 working days of the Steering Committee meeting and members shall be given 5 working days to comment on them from the date of such circulation. After that 5 day review period, the Secretariat shall include comments and circulate the final minutes. A draft version of the minutes, including any applicable revisions, shall then be circulated to members within 10 working days of the next Steering Committee meeting. These draft minutes shall be formally approved at the next Steering Committee meeting. Upon being formally approved they will then be

posted on the Multi Donor Fund website (www.multidonorfund.org) which is linked to the e-Aceh website.

54. **Amendments to the Rules:** these rules may be amended by following the same decision making processes of the Steering Committee as described above.

C. THE TECHNICAL REVIEW GROUP

55. The Steering Committee shall be assisted in their oversight function by the Technical Review Group (TRG). The purpose of the TRG is to carry out any duty delegated to it by the Steering Committee, though endorsements pursuant to Paragraph 24 will not be delegated by the Steering Committee to the TRG.

56. **Composition:** the Technical Review Group shall consist of officially nominated representatives of the members and official observers of the Steering Committee. Representatives shall be expected to have technical knowledge of the topics discussed and have sufficient time to attend meetings and carry out its responsibilities. When necessary, representatives from technical or related sectors from government institutions may be included in the TRG as advisors to the nominated TRG government institution representative/s.

57. **Functions:** TRG functions may include:

- Review the PCNs and PADs prior to "no objection" decision.
- Review the Quarterly Financial Reports and the semi-annual MDF portfolio reports, prepared by the Secretariat.
- Review the mandatory progress reports submitted by the individual projects, as well other related documentation such as project inception reports, project mid-term evaluations and project completion reports.
- Where applicable, participate in appraisal and supervision missions.
- Review amendments to the Operations Manual and Recovery Assistance Policy.
- Provide guidance on Monitoring and Evaluation related matters to the Secretariat
- Discuss any policy issue that the members and official observers of the Steering Committee want to raise to this forum.
- With assistance from the Secretariat, highlight issues in project and program performance to the Steering Committee.

The Technical Review Group shall be assisted by the Secretariat in carrying out its functions. The Secretariat may support the Technical Review Group by providing their evaluations of reports, PADs, PCNs and other relevant documents; organize the logistics for meetings and field trips; and other assistance where appropriate.

58. **Meetings:** the Technical Review Group shall meet as regularly as necessary to review the documentation submitted for its review. The Secretariat shall give notice of the date and venue for each meeting to the members no less than five working days prior to the date of such meeting. The Secretariat, on behalf of the Steering Committee, may invite other parties to the meeting as it deems appropriate.

59. **Agenda:** the Secretariat will provide the agenda and relevant documents (such as evaluation of PCNs and PADs) no less than five working days prior to the meeting. Members of the Technical Review Group shall have the right to request agenda items and/or where appropriate, initiate Technical Review meetings.

60. **Recommendations of the Technical Review Group:** recommendations of the Technical Review Group have no binding value to the Steering Committee. They are to provide assurance to the Steering Committee that each proposal/report/evaluation has been considered carefully at a technical working level, and provide the Steering Committee with guidance in their decision-making. Not all meetings of the Technical Review Group may result in recommendations.

61. **Record of Meetings:** the Secretariat shall keep minutes of each Technical Review Meeting. Minutes shall be circulated to all Technical Review Group members (including those who did not attend meetings) around five working days after the meeting.

D. THE SECRETARIAT

62. The Steering Committee and the Technical Review Group shall be assisted by the Secretariat, which shall be primarily responsible for coordinating the overall work program of the Multi Donor Fund. The Secretariat, which is established and managed by the Trustee, shall report to the Steering Committee on all operational matters and to the Trustee on all administrative matters. The Secretariat shall be based at the World Bank Office in Jakarta and in Banda Aceh and in such other location as the Trustee and Steering Committee may decide.

63. **Composition:** the Secretariat shall be led by the World Bank designated Program Manager for the Multi Donor Fund. The Program Manager shall be assisted by appropriate staff including but not limited to coordination, communication, finance, Monitoring and Evaluation. In addition, should additional short term expertise be required, the Secretariat may engage external consultants or bring in support from other partners.

64. **Roles and Responsibilities:** the Secretariat shall: (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 Multi Donor Fund, 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 Multi Donor Fund, and other pertinent information; and (iii) review all reports submitted on the activities of the Multi Donor Fund prior to their submission to the Steering Committee, and inform the Steering Committee where projects fail to meet their reporting obligations. In addition, the Secretariat shall be responsible for: (iv) answering all queries related to the Multi Donor Fund; (v) handling logistical arrangements for meetings of the Steering Committee; (vi) 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; (vii) ensuring timely reporting of all MDF operations by the designated Partner Agencies to the Steering Committee and the public; and (viii) monitoring and evaluation of the MDF program according to a logical framework and reporting against that logframe in the semi-annual reports (the M&E function shall be elaborated further in a separate section in this Manual). 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.

E. PARTNER AGENCIES

65. IDA or other international development institutions (such as the ADB and selected agencies from the United Nations Group) may be endorsed by the GOI and the Steering Committee as Partner Agencies to be responsible for the appraisal, supervision, and monitoring and evaluation of a project, and for the administration of any grant from the Multi Donor Fund to finance such project. Each such endorsement shall indicate that the Partner Agency's own fiduciary framework and governance arrangements, policies and procedures, including audits, safeguards, and procurement procedures, are acceptable to IDA as Trustee and the Steering Committee. If an international development institution other than IDA is designated as the Partner Agency for a particular project then IDA, as Trustee, will enter into a Fiscal Agency Agreement with that Partner Agency. Under this circumstance, the Partner Agency shall administer the project in accordance with its own fiduciary framework and governance arrangements, policies and procedures, including audits and procurement procedures, and the fiscal agency agreement, and will be responsible for reporting on the grants they administer to the Government of Indonesia, the Trustee, 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 I.

66. For those grants administered by Partner Agencies other than IDA, IDA shall have limited responsibilities. In such cases, IDA, in its role as Trustee, shall only transfer such funds as endorsed by the Steering Committee to 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 project. In normal circumstances, it would be expected that funds would be transferred progressively in a series of tranches as implementation takes place. Partner Agencies may not be the same as Implementing Agencies for the projects financed by Multi Donor Fund unless the Partner Agency is a UN Agency that is able to internally separate the functions of the Implementing Agency (implementation of the project) and the Partner Agency (appraisal, supervision and monitoring of the project). It is also 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 Implementing Agency.

67. A Fiscal Agency Agreement shall be executed between the Trustee and the Partner Agency designated for that project as soon as practicable after endorsement of the project and designation of the Partner Agency by the Steering Committee.

F. IMPLEMENTING AGENCIES

68. Projects and programs for which funding is channeled through the Government's budget shall be implemented by a Government Line Agency or its designated Implementing Agency such as an NGO, or where requested by Government of Indonesia, a UN agency. Projects and programs for which funding is not channeled through Government's budget may be implemented by entities other than Government line agencies such as Partner Agencies, UN agencies and NGOs. The Multi Donor Fund operates a policy of financing projects under APBN (State Budget of Revenues and Expenditures), where appropriate. Therefore, additional explanation is required to justify why funding should be outside of the Government's budget channel.

G. COST RECOVERY ARRANGEMENTS

69. IDA, as Trustee, may deduct from the contributions and transfer to itself an amount representing the actual costs of administration of the Multi Donor Fund (MDF) and the costs of appraisal and supervision of projects by Partner Agencies. Current estimate of the cumulative administration costs of the MDF is less than 3%, and the appraisal and supervision costs of projects is also less than 3%. IDA, as Trustee, will maintain with best effort[4] the cumulative costs of administration

[4] Article 6.1(b) of the Standard Terms and Conditions Governing Contributions to the Multi-Donor Trust Fund for Aceh and North Sumatra signed between IDA and all MDF Contributions does not put a legal limit on either of these costs:"In order to assist in the defrayment of its administrative costs, the Trustee

of the MDF as well as those for appraisal and supervision by Partner Agencies. Factors affecting appraisal and supervision costs include number of projects prepared and under implementation, project implementation period and the operating environment. .

IV. MECHANISMS FOR FINANCING PROJECTS AND PROGRAMS

A. CONDITIONS FOR ELIGIBILITY

70. The Multi Donor Fund shall provide grant funding for projects, programs and related activities in support of the Government's Reconstruction Program. Proposals should meet the following selection criteria:

- In accordance with the Government of Indonesia Reconstruction Program,
  - *Perpres 47/2008 on the Revised Master Plan as the basis for planning and implementation of the reconstruction in Aceh and Nias*[5]
  - *Perpres 3/2009 on the end of BRR mandate and the continuation of the reconstruction efforts in Aceh and Nias.*
  - *Peraturan Pemerintah* (PP) 002/2006 (Government Regulation 2 of 2006) on procedures for the procurement of loans and/or grants and on-lending and/or on-granting
  - *PerMen* PER. 005/M.PPN/06/2006 (Ministerial Regulation 005 of 2006) regarding procedures for the planning and submission of the proposal as well as the assessment of activities funded by foreign loan and/or grant
  - *Any other special provisions that may apply to the Reconstruction and Rehabilitation of Aceh and Nias, or supersede the above.*
- The provisions of the Contribution Agreements, Grant Agreements and Fiscal Agency Agreements are binding, and in the event of any conflict between (i) any provisions of any such agreements and (ii) any provisions of the regulations listed in the paragraph above or any other Government laws or regulations, then the provisions of the Contribution Agreements, Grant Agreements and Fiscal Agency Agreements, as applicable, will prevail.
- Project Concepts should be consistent with the Government's revised recovery strategy and Reconstruction Program (the "Master Plan") and priorities of the Governments of Aceh and Nias and relevant GOI regulations referred to above.

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may deduct from the Contributions and transfer to itself an amount representing the actual costs of administration of the MDTFANS. The Trustee may also retain and transfer to the Partner Agencies amounts representing the actual costs of appraisal, supervision, and monitoring and evaluation, of Association-Managed Activities and Other Partner Agency-Managed Activities, respectively."

[5] The Government of Indonesia is formulating the Action Plan for Reconstruction Continuation 2010-2012 to ensure regulatory framework for the implementation of the Operations Manual beyond 2009.

- Project Concepts should be consistent with the Multi Donor Fund's "Recovery Assistance Policy" (as amended from time to time);
- Project Concepts should enable the efficient, speedy and sustainable recovery of Aceh and Nias, and be completed within the life of the Fund (June 2005-December 2012[6]);
- Projects or programs may be either on the government's budget, ("on-budget") in which case they will be implemented by a government agency (central, provincial, or local) or its designated Implementing Agency, such as an NGO, foundation, or UN agency with funds flowing through special accounts set up by Treasury, or off the government's budget, in which case the funds will flow directly through the Partner Agency to the Implementing Agency. The Multi Donor Fund operates on a policy of financing projects on-budget, i.e. funds flowing through the government's budget, APBN, where appropriate. Hence, if the project/program submitted seeks "off-budget" financing, the proponent must provide an explanation to justify why off-budget financing is more suitable.
- Project Concepts must be prepared using the MDF Project Concept Note (herein after referred to as the "PCN") template. PCNs must be submitted to the MDF Secretariat with recommendation from Bappenas in consultation with provincial governments supporting the PCN. Bappenas' submission of PCN will be taken as automatic confirmation that all relevant GOI regulations are conformed to.
- Project Concepts should be fully compatible with the Partner Agency's policies and procedures, including those for emergency operations and follow the Partner Agency's internal QA review processes.

B. TERMS AND CONDITIONS GOVERNING MULTI DONOR FUND GRANTS

71. Consistent with fast-tracking disbursements from the Multi Donor Fund, each Partner Agency shall 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 shall provide a summary of its ground rules/procedures for administering the project 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 in Annex I to this Operations Manual.

72. The following shall apply to all Multi Donor Fund grants:

[6] The official closing date of the MDF is December 31, 2012. However, all activities must be completed by June 30, 2012 to allow for completion of associated reporting.

- each grant shall be approved and administered in accordance with the applicable guidelines of the Partner Agency (World Bank, ADB or selected UN Agency), as the case may be, subject to the fifth bullet point of this paragraph below in respect of procurement eligibility;

- grants shall be denominated in United States Dollars;

- the Partner Agency (IDA, ADB or selected UN 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 Multi Donor Fund. The Grant Agreement will, among other clauses, include the various items bulleted in this paragraph;

- notwithstanding the foregoing bullet point, in those circumstances as described in paragraph 66, the funds may be used directly by the Implementing Agency without a grant agreement to a further recipient. Where the Partner Agency is a UN Agency that is able to internally separate the functions of the Implementing Agency (implementation of the project) and the Partner Agency (appraisal, supervision and monitoring of the project), or where one agency within the UN Group to be designated the Partner Agency while a different agency within the UN Group is designated as the Implementing Agency;

- the procurement of goods, works and services financed under the grants shall adhere to the principles of economy, efficiency, and transparency in the implementation of the approved project 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 projects financed by the grants shall 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, shall 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 project 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, by independent auditors acceptable to the Trustee;

- the grant recipient, or Partner Agency when also acting as the Implementing Agency, shall be required to provide, and implement projects in accordance with, procurement and anti-corruption plans.

C. ACTIVITY MENU

73. The Multi Donor Fund shall 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.

74. In terms of its policy, the Multi Donor Fund prefers that most of the fund expenditures will be on the Government's budget with funds flowing through dedicated accounts that are able to be monitored and reconcilable. All on-budget financing would be contingent upon the Government (i) issuing the necessary warrant (DIPA) to ensure the prompt release of funds, and (ii) putting in place a strong governance structure for each proposed activity, including fiduciary, management, accountability, and stakeholder participation components. In the event the Government cannot meet these conditions in a timely manner, the Fund shall also have the flexibility to provide quick-disbursing funds off the Government's budget. During appraisal, Partner Agencies, in conjunction with Implementing Agencies, would define indicators that would trigger further tranche releases.

D. OPERATIONS CYCLE OF MULTI DONOR FUND-FINANCED ACTIVITIES

(i) Summary Table

Steps/Actions Required	Who is Responsible?	Performance Standards
1. Project Concept Note (PCN) Submission		
(a) Proponent with relevant line ministry submits PCN to Bappenas (with endorsement from provincial/local government).	Proponent	MDF template
(b) Bappenas reviews and recommends PCN & proposed Partner Agency.	Bappenas	Bappenas internal standards
(c) Bappenas submits PCN to the Steering Committee (via Secretariat) with a letter from the Director for Multilateral Foreign Financing under the Deputy Minister for Development Funding supporting the request.	Bappenas	Bappenas internal standards
2. Evaluation by Secretariat and Technical Review Group		
(a) Secretariat circulates PCN to Technical Review Group with invitation to Technical Review meeting.	Secretariat	Upon receipt of PCN from Bappenas
(b) Secretariat conducts PCN evaluation and submits to Technical Review Group.	Secretariat	At least one working day before Technical Review meeting.
(c) Technical Review Meeting Prior to submission to the SC, the Partner Agency should seek all relevant internal clearances for the PCN.	Secretariat, Proponent, Partner Agency, Technical Review Group members	No later than ten working days after circulation
3. Steering Committee meeting and decision		
(a) Submit PCN to Steering Committee for "no objection" of PCN and designated PA with invitation to Steering Committee meeting.	Secretariat	At least five working days before Steering Committee meeting.
(b) "No objection" approval at Steering Committee meeting	Steering Committee	
(c) Inform proponent and Partner Agency of SC decision	Secretariat	Within five working days after Steering Committee meeting.
4. Appraisal[7] Partner Agency conducts appraisal of project/program and submits appraisal documentation to the Steering Committee (via the Secretariat)	Partner Agency	As agreed with Partner Agency and proponent at the time of PCN approval
5. Evaluation of appraisal documentation by Secretariat and the Technical Review Group a) Secretariat circulates appraisal documentation		Upon receipt of appraisal

[7] Appraisal pertains to assessment of technical, financial, procurement, and audit aspects of a project under preparation as well as on-budget readiness.

Steps/Actions Required	Who is Responsible?	Performance Standards
to Technical Review Group with invitation to Technical Review meeting.	Secretariat	documentation from Partner Agency.
(b) Secretariat reviews appraisal documentation and solicits external evaluation by sectoral experts before submitting to Technical Review Group.	Secretariat	At least one working day before Technical Review meeting.
(c) Technical Review Meeting Prior to submitting the PAD to the SC, the PA should seek all internal clearances for the PAD	Secretariat, Proponent, Partner Agency, Technical Review Group member.	No less than five working days after circulation
6. Steering Committee decision – appraisal documentation		
(a) Submit appraisal documentation to Steering Committee for "no objection" to PAD and designated PA.	Secretariat	Upon receipt of final version of the appraisal documentation
(b) Steering Committee provides "no objection" endorsement including designation of the Partner Agency.	Steering Committee	Within five working days of submission.
(c) Inform proponent and Partner Agency of SC decision	Secretariat	In writing within five working days of decision.
7. Partner Agency Approval		
The Partner Agency will process final approval from relevant authorities within its management to supervise utilization of the grant by the Implementing Agency	Partner Agency	As agreed with Partner Agency at PCN approval stage
8. Grant Agreement/Fiscal Agency Agreement and Funds Transfer		
(a) Execution of Grant Agreement or Fiscal Agency Agreement.	Trustee and Partner Agency	Within thirty working days of SC endorsement.
(b) Transfer funds	Trustee	Normally five working days of request for withdrawal of funds, in accordance with the legal agreement.
9. Project Implementation		
Implementation by the Implementing Agency	Implementing Agency (IA)	In accordance with appraisal documentation.
10. Project Supervision and Monitoring		
Supervision of the implementation activities and monitoring of physical and financial progress.	Partner Agency	In accordance with the rules and regulations of the Partner Agency, but in any event, supervision missions taking place at least every six months.
Reporting to the Steering Committee (via the Secretariat) of physical and financial progress.	Partner Agency	In accordance with the rules and regulations of Partner Agencies and the legal agreements, but no less than every six months. The Partner Agency may also be requested to provide regular updates to the Steering Committee.
11. Independent Evaluation of Implementation		
Independent monitoring and evaluation.	Suitable independent	At mid-term and closure of the

Steps/Actions Required	Who is Responsible?	Performance Standards
	entity engaged by Partner Agency acceptable to the Implementing Agency	activity (only for projects longer than two years).
12. Project Completion Preparation of completion report	Partner Agency	No later than six months after closing date of the Grant Agreement/Fiscal Agency Agreement for the particular activity

(ii) Explanation of Each Step in the Operations Cycle of Multi Donor Fund Financed Activities

STEP 1: Project Concept Note ("PCN") Submission

75. Project proponent with relevant line ministries may submit to the Bappenas (with endorsement letter from provincial/local government) a project concept in accordance with MDF PCN template (provided in Annex II). Submission to Bappenas implies confirmation that proponent and Partner Agency have taken the PCN through their respective internal clearance processes. The PCN should also indicate (i) whether the proposed concept is seeking on-budget or off-budget financing modality. As the Multi Donor Fund operates a policy to fund projects on-budget, where appropriate, if the PCN proposes off-budget financing, additional explanation is needed to justify why off-budget financing is more appropriate; and (ii) the Implementing Agency, which for on-budget project, would be a GOI line agency.

76. Government Agencies and/or potential Partner Agencies may, if considered appropriate, propose a project concept that may be an extension of an existing project that is being executed by the Government Agency and/ or supervised by the Partner Agency, so long as it is considered to be consistent with the Government's Reconstruction Program, and is considered to be a priority.

77. Bappenas will first register the PCN and review the project concept to (i) ensure that it is consistent with the Government's Reconstruction Program[8]; (ii) confirm that the proposed project concept is a priority for financing under the Reconstruction Program and meets local community needs, and whether it is priority for provincial and local governments. The project concept should indicate the proposed Implementing Agency. The Bappenas should also indicate whether the project will be financed on-budget (with funds flowing through the government, APBN) or off-budget.

[8] This refers to the revised Master Plan and considered as priorities by national and local governments.

78. In submitting project concepts to the MDF (via the Secretariat) for consideration by the Steering Committee, Bappenas should, indicate the preferred Implementing Agency and Partner Agency. Bappenas should also state their preference, in writing to the Secretariat, whether the grant should flow on the GOI's budget. Where the preference is off-budget, Bappenas must provide an explanation for choosing that path.

STEP 2: Evaluation of PCN by Secretariat and Technical Review Group

79. Upon receipt of the PCN (and any other supplementary information provided by the proponent), the Secretariat shall review the PCN for completeness and if needed return back to proponent with guidance for measures for improvement. Once the Secretariat is satisfied with the quality, the Secretariat shall circulate the document to members of the Technical Review Group (comprised of representatives of the Steering Committee members and official observers) with an invitation to attend the Technical Review meeting. The Technical Review meeting shall take place no less than five working days after PCN circulation. The purpose of the Technical Review is to enable (i) the proponent(s) to present the project concept to interested members/observers; and (ii) members/observers to seek and receive clarifications on any technical issues related to the concept, and (iii) TRG recommendation on project endorsement to the Steering Committee.

80. At least one working day prior to the Technical Review meeting, the Secretariat shall strive to circulate its evaluation of the PCN, using the template found in the Recovery Assistance Policy (Annex III). The Secretariat evaluates whether the PCN fulfills the eligibility criteria and is consistent with the Policy of the Multi Donor Fund. The Secretariat may seek external expertise in the relevant sector(s) to assist in its evaluation. While appreciating that it is still a project concept, the Secretariat may request at this time that the proponent(s) prepare supplementary information that it considers may be necessary to be provided to members/observers at the Technical Review. The purpose of this evaluation is to provide Technical Committee members the views of the Secretariat so that it may be used for further discussion at the Technical Review meeting.

81. At the Technical Review meeting, based on clarifications provided by the proponent(s), attendees of the Technical Review shall provide one of the following recommendations to the Steering Committee: (i) the project concept be presented for formal endorsement at the next SC meeting, (ii) the project concept be held over and revised for consideration at future SC meeting. The Secretariat will review revised PCNs regarding fulfillment of all future information needs as requested by TRG and documented in the minutes. Once the Secretariat is satisfied that all issues have been answered, then the PCN is submitted to the Steering Committee In any event, the Steering Committee meeting shall take place no earlier than 5 working days after the submission of the PCN to the SC. The Secretariat shall take and circulate minutes of the Technical Review meeting

that reflect key discussion points and recommendations. Depending on the nature of the revisions, the Secretariat may hold an additional Technical Review meeting prior to or after the proponent(s) re-submits the PCN. For PCN which the TRG considers not suitable for MDF financing, the TRG may recommend informing the Steering Committee of such rejection.

82. In exceptional circumstances where the Technical Review Group is satisfied that a project concept is ready for formal endorsement by the SC and the date of the next SC meeting is either unknown or programmed for several weeks away, then, at the recommendation of the Secretariat, the PCN (and any supplementary information), and the Secretariat evaluation, may be (i) posted on the Multi Donor Fund website, or (ii) circulated to members electronically. The Secretariat would then follow the Steering Committee's Rules of Procedures for a decision without meeting. Members would be given a period of five working days to formally object. If no objections are received by close of business on the fifth day, the project concept would be deemed to have been formally endorsed by the SC. The Secretariat would inform the Steering Committee of the decision and would record as such at the minutes of the next SC meeting. Only voting members of the Steering Committee will have the power to lodge an objection. If objections are received, then proposals would be submitted for full Steering Committee discussion.

STEP 3: Steering Committee meeting and decision

83. An invitation to the Steering Committee meeting shall be circulated electronically to all members/observers and their representatives at least five working days prior to the meeting. The invitation shall contain details relating to the venue, date and time and the agenda. In addition, all relevant information pertaining to the SC meeting such as (i) draft minutes of the previous SC meeting; (ii) PCNs, supplementary information, Secretariat Concept Evaluation(s) put forward for SC "no objection"; and (iii) other up-dated relevant information on Multi Donor Fund financial and operational status; will be posted on the Multi Donor Fund website [www.multidonorfund.org].

84. The structure/format of SC meetings shall be flexible to suit the current prevailing situation. However, it is expected that the SC meeting would be normally divided into two parts: policy and technical. During the policy part of the meeting, members/observers may be updated on reconstruction progress, conflict resolution/reintegration activities, and coordination issues among donors, NGOs and the Government. The technical part of the meeting will consider Multi Donor Fund related matters such as the Multi Donor Fund Operations Manual, the Recovery Assistance Policy, PCNs put forward by the Technical Review Group and other Multi Donor Fund related operations and financial matters.

85. In the technical part of the meeting, the Steering Committee will discuss PCN(s) put forward for their "no objection" endorsement. The Steering Committee's endorsement will include the following: (i) designation of the Implementing Agency and the Partner Agency (and designation of the Partner Agency to act also as the Implementing Agency in the case of certain UN agencies as described in paragraph 66); (ii) 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, the proponent(s), Implementing Agency (if different) and Partner Agency by the Secretariat in writing within five working days of the minutes being approved.

86. Steering Committee endorsement may come in two forms: (i) unconditional endorsement; and (ii) endorsement subject to several conditions/issues that may be addressed at the appraisal stage. Should SC endorsement come in the second form, the conditions/issues shall be communicated in writing to the proponent(s), GOI, Implementing Agency and Partner Agency by the Secretariat. These conditions/issues shall be reflected in the minutes of the meeting.

87. If the PCN is not endorsed by Steering Committee, the Steering Committee can either (i) refer the PCN to the Bappenas as unsuitable, (ii) return the PCN back to the proponent. Revised PCN would follow the same process (# 79)

STEP 4: Appraisal

88. Endorsement of a PCN by the Steering Committee is a signal for the Implementing Agency to prepare the project/program and the designated Partner Agency to proceed with appraisal of the project as soon as practicable from the receipt of the Secretariat's written advice on the Steering Committee's endorsement. SC endorsement of the PCN does not guarantee that the project will be eventually approved.

89. The appraisal mission should be undertaken in accordance with the applicable policies and procedures of the designated Partner Agency and should be completed within the time frame as agreed with the Partner Agency and proponent at the time of PCN approval to ensure quality project document. In addition to ensuring compliance with the Partner Agency's own policies and procedures, the appraisal documentation should also confirm compliance of the proposed activities with the terms and conditions that govern Multi Donor Fund grants including the Board Resolution establishing the Multi Donor Fund, Standard Provisions governing contributions to the Multi Donor Fund and this Operations Manual. Amongst many factors for assessment, appraisal shall include assessment of institutional arrangements, technical quality and economic viability with specific attention given to governance and anti-corruption measures. Members of the Steering Committee and the Secretariat may also be invited to participate in the appraisal mission.

90. The appraisal documentation, submitted to the Multi Donor Fund, shall be formulated in accordance with the requirements of the designated Partner Agency but, at a minimum, must cover arrangements relating to:

- Procurement;
- Financial management;
- Social and environmental safeguards;
- Management structures;
- Visibility;
- Monitoring and evaluation;
- Governance;
- Anti-corruption.
- Mandatory reporting obligations;
- Requirement for Project Inception Report and project logframe to be produced within 3 months of the project becoming effective; and
- Supervision Plan for the life of the project (frequency, tentative dates, specialties/ responsibilities of each supervision team member etc).
- Completion by June 30, 2012[9].

91. The appraisal documentation shall meet minimum standards for monitoring and evaluation including adequately defined indicators with base-line values and arrangements for monitoring achievement of results. These will include:

(i) Precisely defined project indicators, base-line values, and targets:

- 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 able to be monitored at reasonable cost.
- Indicators, base-line values, 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.
- Where appropriate, the performance indicators used for monitoring achievement should integrate with sector indicators and quality standards agreed by all stakeholders operating in the concerned

[9] The official end date of the MDF is December 31m 2012. However, all activities must be completed by June 30, 2012 to allow for completion of associated reporting.

sector(s) and should be compatible with the GOI monitoring (information) system.

(ii) Ensuring that monitoring and evaluation functions are established within Implementing Agencies and Partner Agencies. The appraisal package 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 progress[10]. Implementing Agencies and Partner Agencies should have reasonable prospects of reporting on performance indicators on a six monthly basis and meet reasonable information requests from the Steering Committee.

92. Where Multi Donor Fund is funding an extension to a project that already exists in the Partner Agency Portfolio, the Partner Agency need only produce a brief document that highlights the key differences/changes between the project extension being funded by Multi Donor Fund and the existing project that it is supervising, and shows that the project meets the requirements of the Multi donor Fund as set out in paragraphs 91-93. The Partner Agency may then submit to the Secretariat its appraisal package comprising its previous appraisal document(s) for the project plus the brief document highlighting the differences/changes for the extension being funded by Multi Donor Fund.

93. The Partner Agency shall, within 30 working days of receiving notice of SC endorsement, submit completed appraisal documentation to the Multi Donor Fund (via the Secretariat).

STEP 5: Evaluation of the appraisal documentation by the Secretariat and the Technical Review Group

94. Upon receipt of the appraisal documentation from the Partner Agency, the Secretariat shall review and circulate the document to members of the Technical Review Group (comprised of representatives of the Steering Committee members and observers) no less than 5 work-days prior with an invitation to attend the Technical Review meeting. The Technical Review meeting shall take place no less than after five working days of appraisal documentation circulation. The purpose of the Technical Review is to enable (i) the Partner Agency to present the

[10] 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.

project to interested members/observers; and (ii) members/observers to seek and receive clarifications on any technical issues related to the appraised project.

95. At least one working day prior to the Technical Review meeting, the Secretariat shall circulate its evaluation of the appraisal documentation. The purpose of this evaluation is to provide Technical Committee members the views of the Secretariat so that it may be used for further discussion at the Technical Review. The Secretariat shall evaluate the project on the following:

(i) That the appraisal documentation complies with requirements of the Operations Manual;
(ii) That the appraisal documentation is consistent with the Recovery Assistance Policy;
(iii) To note any changes between the appraisal documentation and the PCN and request clarification from the Partner Agency on those changes.
(iv) Technical considerations of the project, including:
- Inclusion of Environmental and Social Safeguards
- Mitigation of Risks
- Procurement Plan and Anti-Corruption Plan
- Clear governance arrangements
- Adequate level of detail on the project, including specific M&E arrangements
- General recommendation of the appraisal, and specific recommendations for further improvements on the project.

(v) Financial and Disbursement arrangements
(vi) Capacity of the implementing agency to implement the project. This may include recruitment and procurement capacities, as well as ability to establish and implementing acceptable financial management processes.

96. Based on clarifications provided by the Partner Agency at the Technical Review meeting, members attending the Technical Review shall make one of the following recommendations to the Steering Committee: (i) the appraisal package as previously circulated may be put forward to the Steering Committee for their "no objection" endorsement; or (ii) subject to suggested revisions from the Technical Review Group, the revised appraisal package may be put forward to the Steering Committee for their "no objection" endorsement; or (iii) recommend for rejection and hold in technical review meeting. The TRG may decide to inform the Steering Committee of such rejection.

97. Where the World Bank is the Partner Agency, actual costs of preparation, appraisal, and supervision shall be charged as incurred. Partner Agencies other than the World Bank shall submit to the Secretariat a full and detailed invoice of its costs to appraise the project concept, in accordance with the legal agreement between the Trustee and the Partner Agency. Subject to all information being provided, the Secretariat, on behalf of the Trustee, will reimburse the Partner Agency its appraisal costs within reasonable time of the invoice being submitted.

STEP 6. Steering Committee decision on appraisal documentation

98. For purposes of securing the "no objection", the Secretariat will follow the Steering Committee's Rules of Procedures for a Decision without Meeting.

99. Where members at the Technical Review agree that the previously circulated appraisal documents do not need any further revision/ modification, the appraisal documentation is circulated to the Steering Committee for their "no objection" endorsement. Where as a result of the Technical Review meeting, the Partner Agency needs to incorporate revisions/modifications suggested by attendees of the meeting, the appraisal document shall be returned to the Partner Agency for revision. The Partner Agency shall re-submit the revised appraisal documentation to the MDF (via the Secretariat). Upon receipt of the revised documentation, the Secretariat shall review to ensure that the revisions are in accordance with the Technical Review meeting, and upon satisfactory review circulate to the Steering Committee for their "no objection" recommendation. Members shall have five working days, from the day of circulation by the Secretariat, to submit their objection.

100. Only voting members of the Steering Committee will have the power to lodge an objection. If no objections are received by close of business on the fifth day, the project would be deemed to have been formally approved by the SC.

101. Should any voting member of the Steering Committee raise an objection to the appraisal documentation within the five working day deadline, and no endorsement is given, the appraisal documentation shall be returned to the Partner Agency with suggested revisions from member(s) of the Steering Committee. A revised appraisal documentation, taking into consideration concerns raised by member(s) of the Steering Committee, may be re-submitted to the Secretariat for review and consideration to be put forward for Steering Committee endorsement via the usual five day "no objection" method. Depending on the nature of the revisions, the Secretariat may hold an additional Technical Review meeting prior to or after the proponent(s) re-submits the appraisal documentation.

102. Should any voting members reject the project document, the Secretariat will submit the project document to the next Steering Committee for full discussion and voting.

103. Implicit in this "No Objection" process is the Steering Committee authorization to utilize allocated implementation funds upon the Grant Agreement/Fiscal Agency Agreement becoming effective. The Steering Committee's endorsement will include the following: (i) designation of the Implementing Agency and the Partner Agency (and designation of the Partner Agency to act also as the Implementing Agency in the case of certain UN agencies as described in paragraph 66); and (ii) allocation of funds for implementation. At this stage, IDA, as Trustee, may, after

consulting with the Steering Committee, exercise its authority to deny funding to the proposed project 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 Multi Donor Fund.

104. The decision of the Steering Committee will not be contestable, and will be communicated by the Secretariat in writing immediately to the Partner Agency. The Partner Agency will then advise the Implementing Agency. Such notification(s) should be provided within five working days from when the SC no objection came into force.

STEP 7. Partner Agency Approval

105. Upon receipt of the Secretariat's written advice on the Steering Committee's "no objection", the Partner Agency will process final approval from relevant authorities within the Partner Agency management to supervise utilization of the grant by the Implementing Agency on the basis of the completed appraisal package report in compliance with its own policies and procedures.

STEP 8. Grant Agreement/Fiscal Agency Agreement and Funds Transfer

106. Where a Partner Agency other than IDA is designated by the Steering Committee (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, specify which part of the organization is Implementing and which part is Supervising; (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; and (iii) in applying the investment proceeds (interest, fees, other cost recovery income, etc.) accrued to the grant funds in the same manner (existing components) and for the same purposes (development objectives and associated outcome targets) as the grant funds, including reporting on uses of such funds and physical progress in implementation, and in returning any unused funds to the Trustee at project closing.

107. In such circumstances, IDA's responsibility will be limited to those of fiscal agent, first, transferring grant funds to (i) special account(s) where the project is "on the government's budget" or (ii) to Partner Agency accounts where the project is "off the government's budget. Where a project is "on the government's budget", the special account(s) may be either with the Bank of Indonesia or

another commercial bank depending on project circumstances. Second, IDA, as fiscal agent, will recover any surplus grant funds at completion of the project for deposit back into the Multi Donor Fund in accordance with the Fiscal Agency Agreement.

108. Where the Partner Agency of the endorsed project is IDA, a Grant Agreement shall be executed between the Implementing Agency and IDA as Partner Agency. This process should be normally completed within thirty working days of approval of supervision of the grant by the Partner Agency. The Partner Agency will furnish the Secretariat a copy of the countersigned Grant Agreement.

109. Unless special conditions for effectiveness are provided for in the Grant Agreement/Fiscal Agency Agreement, all Grant Agreements/Fiscal Agency Agreements shall become effective upon signature by both parties.

110. Upon receipt of the request for withdrawal from the Partner Agency, the Secretariat, on behalf of IDA, as Trustee, will arrange for the transfer of the initial payment to either (i) into the designated account(s) with Bank of Indonesia or other acceptable commercial bank at an appropriate location to suit the project when on the government's budget, or (ii) into the Partner Agency's account(s) when off the government's budget in accordance with arrangements between the designated Partner Agency and the Trustee. Subsequent payments shall be made in accordance with the arrangements between the Trustee and the Partner Agency. Upon completion of the project, all surplus funds either in Special Account(s) or in Partner Agency account(s) will be returned promptly to the Trustee for deposit back into the Multi Donor Fund.

STEP 9. Project Implementation

111. Upon effectiveness of the Grant Agreement/Fiscal Agency Agreement, the Implementing Agency may begin implementation and request for initial disbursements from the Partner Agency as applicable and as provided for in the arrangement between the Partner Agency and Implementing Agency. Implementation of the Grant will comply with the policies and procedures of the Partner Agency, as well as the terms and conditions governing Multi Donor Fund grants including the Board Resolution establishing the Multi Donor Fund, the Standard Provisions governing contributions from donors and this Operations Manual.

112. During project implementation, the Implementing Agency will produce regular progress reports and submit these to the Partner Agency, in accordance with arrangements between the Implementing Agency and Partner Agency. In cases of unsatisfactory progress, the Partner Agency may propose the suspension or cancellation of the Grant.

113. The Secretariat, on behalf of IDA as Trustee, will arrange to replenish the project account by means of a transfer from the Multi Donor Fund account for the activity in accordance with the Grant Agreement/Fiscal Agency. Such tranche releases may be in accordance with particular triggers agreed during appraisal.

STEP 10. Project Supervision and Monitoring

114. The Partner Agency will supervise the Multi Donor Fund grant in accordance with its policies and procedures. Nevertheless, it is expected that the Partner Agency will field a supervision mission for Multi Donor Fund-financed projects as frequently as considered appropriate for the activity but at least once every six months. Members of the Secretariat shall be invited to join these supervision missions and members of the Steering Committee may be invited.

115. Apart from its own internal reporting processes, the Partner Agency will submit both hard and soft (electronic) copies of reports on physical progress, and on achieving results, performance against relevant indicators, for each grant it administers to the Steering Committee, in accordance with the relevant agreements through the Secretariat, although in any event, at least every six months. Reports on financial progress will be provided at least every three months and results of audits as agreed per Fiscal Agency Agreement. The Secretariat may provide templates such that data for monitoring purposes is provided to the Secretariat in a format suitable for its subsequent analysis and evaluation.

116. Implementing Agencies and Partner Agencies should conduct monitoring according to performance indicators (both baseline values and expected targets) previously defined during project appraisal, and report on findings in the regular progress reports submitted to the Secretariat. The Implementing Agency and Partner Agency should strive to provide, on a regular basis, monitoring data that will feed into the GOI monitoring mechanism.

117. Progress reports of projects funded by Multi Donor Fund will be made available to Steering Committee members. Project specific monitoring data provided by the Implementing Agency in these reports will enable the Steering Committee to review the progress of grants by comparing the status of results over the period with project expectations.

118. In addition to supervision and monitoring through the Implementing Agency and the Partner Agency, the Secretariat may decide to review a selection of Multi Donor Fund-financed projects in more depth to verify brief reports and to obtain a greater understanding of obstacles to achieving results and how they may be overcome.

119. Where the World Bank is the Partner Agency, actual costs of preparation, appraisal and supervision shall be charged to the overall administration costs as

they are incurred. Partner Agencies other than the World Bank shall submit to the Secretariat payment requests of the costs to supervise the project, in accordance with the Agreement between the Partner Agency and the Trustee. Subject to all information being provided, the Secretariat, on behalf of the Trustee, will reimburse the Partner Agency its supervision costs from the Multi Donor Fund upon receipt of invoice.

STEP 11. Independent Evaluation of Implementation

120. Where projects are longer than two years, projects shall be subject to monitoring and evaluation at mid-term and closure by an independent entity engaged by the Implementing Agency acceptable to the Partner Agency. The independent entity shall submit a report to the Secretariat. Steering Committee members and the Secretariat may review the terms of reference and join these independent evaluation missions. Where appropriate, projects may contract independent parties, such as NGOs and CSOs to conduct external checks and evaluations on a regular basis.

STEP 12: Completion

121. The Implementing Agency and the Partner Agency are required to submit a post-implementation completion report in accordance with the Partner Agency procedures on the project activities financed under the Grant within six months after the completion of the project.

122. The Partner Agency will submit to the Secretariat, in conjunction with the completion report, a full and detailed final invoice of its costs to supervise the project. Subject to all information being provided, the Secretariat, on behalf of the Trustee, will reimburse the Partner Agency its final supervision costs from the Multi Donor Fund in a timely manner after the completion report has been accepted by the Secretariat.

NOTE: Accelerated Decision-Making

123. The above steps (1-12) represent standard procedures. The Multi Donor Fund also allows, in certain circumstances, for accelerated decision-making. Deviations from the above standard procedures shall not be undertaken unless with agreement from the members of the Steering Committee (refer to para # 47)

124. **Inception Reports:** The Steering Committee may endorse a project with the understanding that an Inception Report is prepared by the project team and submitted by the Partner Agency within a time-frame recommended by the Steering Committee after the date of effectiveness (i.e. the date of signing of the

relative Grant or Fiscal Agency Agreement) of the project. The Inception Report will include all documentation requested by the Steering Committee when the PAD is endorsed and/or as discussed at the TRG meeting.

125. **Withdrawal of Project Documentation:** PCNs are endorsed to the MDF together with designation of a Partner Agency, and the PCN and PAD are prepared in line with that particular Partner Agency's policies and procedures and based on all required internal Partner Agency clearances. Where PCNs or PADs (or the equivalent documents) have been withdrawn by the Partner Agency prior to any funds being allocated to the project (i.e. after PCN has been approved but prior to the endorsement of the PAD), and the project is then resubmitted by a new Partner Agency:

- the new Partner Agency would confirm that the internal clearance processes and guidelines of the previous Partner Agency are acceptable to the Partner Agency, and proceed with the project after Steering Committee approval of change of Partner Agency; or
- the new Partner Agency may elect not to accept the internal clearance processes and guidelines of the previous Partner Agency. In which case it would make the changes to the document and resubmit the PCN or PAD for Steering Committee endorsement, as recommended by the TRG.

E. AMENDING EXISTING PROJECTS

126. Where the Implementing Agency seeks to make changes to an existing project and the Partner Agency determines whether or not these changes are significant (see Para 127), procedures for seeking MDF approval are outlined below. It should be noted that, in addition to the MDF procedures outlined below, the relevant internal guidelines and processing requirements of the relevant Partner Agency will apply.

127. **Amendments With or Without Request for Additional Financing**

(i) **Major/significant change** that require modifications to the project development objectives and/or associated outcome targets[11].

(ii) **Major/significant change** that do not require modifications to the development objectives or associated outcome targets but require modifications in project design, reallocations of inputs, changes in outputs[12].

(iii) **Minor changes** may include modifications in executing units or denominations, implementation plans and schedule changes, new action plans to bring the project back on track, new reporting requirements (or other adjustments

[11] According to IDA guidelines, this is first order restructuring of project
[12] According to IDA guidelines, this is second order restructuring of project

to improve implementation), closing dates[13], implementation dates that under the terms of the legal agreement may be put into effect by notice, or a reallocation of proceeds (< 10% of the allocation for a component or expenditure category) that do not affect the project's design, scope, or expected outcome.

Procedures for Processing Amendment Requests

128. **Minor changes and/or additional financing request less than < US$250,000:** For Additional Funding Requests for less than $250,000 as defined in Para 127(iii), the Secretariat shall, upon receipt of the documentation, circulate it to the Technical Review Group, for their virtual review with a Secretariat evaluation and recommendation. The Technical Review Group shall have five working days to recommend whether to (i) circulate to the Steering Committee for formal "no objection" endorsement; or (ii) circulate to the Steering Committee for formal "no objection" subject to satisfactory responses to questions and issues raised by the Technical Review Group; or (iii) recommend not endorsing the Additional Financing Request. Minor Changes without additional funding as defined in Para 127(iii) do not require TRG or SC approval.

129. The Technical Review Group or the Secretariat may deem the nature of Additional Financing Request would require a Technical Review meeting. Should this happen, the Secretariat shall organize the appropriate meeting. The Technical Review Group shall recommend at the meeting the next steps for the Additional Financing Request. The Secretariat shall take and circulate the minutes of the Technical Review meeting that reflect key discussion points and recommendations.

130. Subject to the recommendation of the Technical Review Group, the Secretariat shall circulate the Additional Financing Request to the Steering Committee for the five-day "no objection" period.

131. **Major Changes as defined in Para 127 (i), (ii) and/or should the Additional Funding Request be $250,000 or above**; **and/or the reallocation of inputs is greater than** 10% of the allocation for a category component or expenditure category**:** The Secretariat shall circulate it to the Technical Review Group with an invitation to the Technical Review meeting to discuss the Additional Funding Request with a Secretariat evaluation and recommendation. The Technical Review meeting shall take place no less than five working days after circulation of the Amendment Request. At the Technical Review meeting, the Technical Review Group shall recommend whether to (i) circulate to the Steering Committee for formal "no objection" endorsement; or (ii) circulate to the Steering Committee for formal "no objection" subject to satisfactory responses to questions and issues raised by the Technical Review Group; or (iii) recommend

[13] Closing date extension is often referred to as "no-cost" extension as there is no additional financing sought from the MDF by the Partner Agency to complete the project. However, it should be noted that any closing date extension would necessarily incur additional costs in supervision and other related expenses.

not endorsing the Additional Funding Request. The Secretariat shall take and circulate the minutes of the Technical Review meeting that reflect key discussion points and recommendations.

132. Subject to the recommendation of the Technical Review Group, the Secretariat shall circulate the Additional Funding Request to the Steering Committee for the five-day "no objection" period, or for full Steering Committee decision.

133. The implementation period for any projects for which Additional Funding Requests are submitted may not have existing or new closing dates of later than June 30, 2012 to meet the requirements of MDF closing date of December 2012.

Documentation Requirements

134. Where the project is seeking amendment to the existing project, the Partner Agency shall submit their request (herein called the Amendment Request[14]), no less than 45 days before the proposed changes are to take effect, including the following details to the Secretariat:
   (i) A short summary of the scope of the changes proposed, and a detailed description of the changes to the project including, but not limited to, outputs, implementation mode, and partners.
   (ii) Detailed table showing original budget against the new budget allocation by components and highlighting their differences. In the case of reallocation of inputs (funds) across cost categories in the Fiscal Agency Agreement or Grant Agreement, these should be clearly linked to the project activities and budget included in the PAD or Project Document.
   (iii) Rationale for why these changes are required and relevant to the reconstruction of Aceh and Nias to improve project performance.
   (iv) Provide the context on how the environment has changed since appraisal, so that the original design is no longer relevant.
   (v) Letter from the designated Bappenas representative supporting the amendments to the project[15].

135. **"No-cost" extensions[16]:** The Partner Agency should submit their request for "No-cost" extension for a well-performing project containing the following information[17] to the Secretariat:

[14] The Amendment Request package should be in accordance with the Partner Agency's internal documentation and clearance requirements. For example, IDA requires a Project Paper in the case of project restructuring. For UNDP, this could be an amendment to the original Project Document. For MDF processing, the relevant Amendment Request documents need to include information as stated in Para 134.
[15] This letter is not required in the case of major changes that relate to reallocations of inputs (fund) as per Clause 127 (ii).
[16] Closing date extension is often referred to as "no-cost" extension within the MDF. See also Footnote 12.
[17] The "No-cost" Extension Request package should be in accordance with the Partner Agency's internal documentation ad clearance requirements. The relevant documentation needs to include information as stated in Para 135. See also Footnote 13.

(i) Detailed description of why the project does not have sufficient time to achieve expected outputs, including the context on how the environment has changed since appraisal, so that the additional time for implementation is required and that project objectives continue to be achievable.
(ii) When required, Bappenas can issue a letter to support the request for additional time in coordination with the Ministry of Finance.

136. The Secretariat shall, upon receipt of the "No-cost" Extension Request documentation, process the request with the requesting Partner Agency according to the Trustee's internal amendment procedures and policies, and inform the TRG and Steering Committee accordingly.

137. The implementation period for any projects for which "No-cost" Extension Requests are submitted may not have existing or new closing dates of later than June 30, 2012 to meet the requirements of MDF closing date of December 2012.

V. COMPLAINTS PROCESSING AND RESOLUTION

138. The BRR created an anti-corruption division and a public complaints system for receiving allegations of corruption, fraud or misuse of recovery and reconstruction funds. This is now handled in accordance to regular Government mechanism.

139. Where complaints relate specifically to Multi Donor Fund-financed projects, they may be submitted, where relevant, directly to the projects through the project's complaint handling mechanisms. The complaint may also be submitted to the Secretariat of the Multi Donor Fund, or indirectly through the auspices of other agencies such as the Bappenas or relevant ministries and projects. 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 Multi Donor Fund. 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 shall be carried out by the Partner Agencies, 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 separate guidelines by the Multi Donor Fund 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.

VI. MONITORING AND EVALUATION

140. A monitoring and evaluation system has been established for the Multi Donor Fund to ensure that the expected results and outcomes of the GOI recovery program are achieved. The system operates at four levels: the Implementing Agencies, the Partner Agencies, the Secretariat and the Steering Committee (via the Technical Review Group). It covers both monitoring and evaluation of the achievements of individual projects and assessing performance of the overall portfolio. The following chapters define roles and responsibilities on all four levels.

A. MONITORING AND EVALUATION BY IMPLEMENTING AGENCIES

141. All monitoring and evaluation of Implementing Agencies will be in accordance with the relevant Grant Agreements/Fiscal Agency Agreements. The Implementing Agency shall be responsible for the monitoring of progress and the evaluation of achieving project goals of each project they have been designated Implementing Agency.

142. **Monitoring** activities of the Implementing Agency include checking on deliverables or outputs of the project, reviewing the quality of the deliverables, conducting baseline studies and measuring change in outcome and impact indicators.

143. **Evaluation** activities of the Implementing Agency include the evaluation of effectiveness and efficiency of projects against performance indicators and baseline data, conducting SWOT analyses, and evaluations to propose fundamental change and/or extension of the program (components). Evaluation can be done both internally and through recruitment of independent evaluators e.g. for mid-term reviews.

144. **Technical and Financial Audits:** the Implementing Agency shall be responsible for engaging, where relevant, independent audit companies to provide an independent evaluation on specific topics, such as, financial audits, assessment of the strength of anti-corruption measures and its implementation, adherence to environmental plans and compliance with laws and regulations.

145. **Reporting:** the Implementing Agency shall provide the Partner Agency with regular reports, as determined appropriate by the two parties. Reports shall include outcomes of its monitoring and evaluation activities.

B. MONITORING AND EVALUATION BY PARTNER AGENCIES

146. The Partner Agency shall be responsible for supervision of each project for which they have been designated Partner Agency (including those circumstances where the Partner Agency will also be the implementing agency). This includes monitoring and evaluating the overall project performance in terms of relevance, efficiency, effectiveness and impact and sustainability of the project. Results from project supervision shall be reported to the Trustee and the Steering Committee, through the Secretariat.

147. **Supervision** activities include monitoring and evaluating progress in achieving the project development objective, by:

- checking on the quality of outputs and the adequate implementation of all triggered safeguards (as indicated in the PAD);
- assessing whether the Implementing Agency manages the project according to agreed standards and has fulfilled its reporting and M&E obligations;
- identifying project implementation bottlenecks and project management issues and suggesting possible solutions to those problems;
- working with Implementing Agency to improve its performance and the project performance in a timely and comprehensive manner. Implementing Agencies are expected to follow up on recommendations made by the Partner Agency.

148. **Supervision Missions:** the Partner Agency is expected to conduct supervision missions according to its own standards, but in any event at least every six months. The Partner Agency shall invite members of the Secretariat and members of the Steering Committee and the Technical Review Group to these missions.

149. **Reporting:** the Partner Agency shall provide regular project progress reports to the Steering Committee, via the Secretariat, in accordance with the rules and regulations of the Partner Agency, although in any event at least every six months. The reports shall be forwarded to the Steering Committee via the Secretariat. The Partner Agency shall also provide the Steering Committee, through the Secretariat with other relevant documents such as annual work-plans, procurement plans and cash flow forecasts. Finally, the Partner Agency shall provide the Steering Committee through Secretariat with all data relevant to the MDF Logical Framework, as detailed out in the "Monitoring Arrangements" column of the Framework, and with further data as requested by the Secretariat to enable the Secretariat to monitor the portfolio status and prepare its own reports.

C. MONITORING AND EVALUATION BY THE SECRETARIAT

150. It is the task of the Secretariat to monitor progress of the portfolio and assess its performance with regards to the goals stated in the Recovery Assistance Policy that is in accordance with the GOI recovery program. The Secretariat uses (i) a Logical Framework, (ii) reporting from Partner Agencies to the Secretariat, (iii) external evaluations to be commissioned by the Secretariat, and (iv) portfolio

review exercises to be conducted by the Secretariat. In addition the secretariat should also regularly check whether the program (and its projects) is experiencing bottlenecks and problems that are hampering its progress, whether Partner Agencies are fulfilling its reporting obligations and inform and alert the SC accordingly. IDA as the Trustee has no supervision role or responsibility with respect to such projects, and such monitoring is therefore based only on the information provided by the Partner Agency to the Trustee and without independent supervision. The monitoring and evaluation system will help the Steering Committee to oversee aid flows, project activities and achievement of outputs and outcomes overall for Multi Donor Fund-financed activities, and will promote accountability for resource use. Ultimately the monitoring and evaluation system will help document and disseminate lessons learned and understand the development impact of the MDF portfolio within the overall rehabilitation and reconstruction effort.

151. The indicators in the Multi Donor Fund Logical Framework will reflect outputs and development outcomes. While the monitoring and evaluation plan should be reasonably comprehensive, a working system based on carefully selected information is preferable to a complex system that cannot be implemented. Therefore, the Logical Framework used by the Multi Donor Fund will be subject to regular review and update, as necessary, to accommodate newly approved projects in the Portfolio and their respective key performance indicators.

152. The Multi Donor Fund Secretariat monitoring system must be consistent with, and contribute to, the GOI's strategy for monitoring the Reconstruction Program. Where appropriate and feasible, it will cooperate and interlink with monitoring mechanisms set up by GOI to support a cohesive data collection and reporting on achieved results by the GOI. Reporting on achieved outputs, outcomes and impacts will mostly draw on project specific monitoring and evaluation data. Reporting on the results of Secretariat monitoring and evaluation activities will cover two areas:

(i) Reporting on Status of the Portfolio

153. The Secretariat shall submit semi-annual accountability reports to the Steering Committee and the Technical Review Group of the Trust Fund. This report will be based on the information contained in the Logical Framework, the project progress reports received during the reporting period, and additional monitoring and evaluation activities of the Secretariat, such as evaluations commissioned of information gained through the Outreach Officer or field visits. The reports will also provide (i) a section with lesson learned during the year, (ii) will include project summary with information on performance against project log frame and its indicators and follow up steps on issues facing the project, (iii) and an update on fulfillment of reporting obligations.

154. Further the Secretariat shall commission independent evaluations, such as a mid-term review of the portfolio and possibly other reviews that help assess the quality of implementation and results. Through these efforts, the Steering Committee will gain insight into the performance of the portfolio in addition to project-based reporting. The Technical Review Group shall be informed on such activities, and final reports shall be submitted to the Steering Committee.

155. A key component of the monitoring and evaluation system will 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 Multi Donor Fund website.

(ii) Reporting on Multi Donor Fund Operations

156. The Multi Donor Fund Secretariat will keep records of its operational processes and will report regularly, through its semi-annual reports, on its operational performance. This includes comparing actual performance with defined standards where appropriate. The report should also include the time taken to complete the different steps in the grant review and approval process[18] and complaints received and their handling, and the status of project supervision activities. The Multi Donor Fund logical framework will include performance indicators for the financial and operational management services of the Secretariat, and the Secretariat will report accordingly in its comprehensive semi-annual report to the Steering Committee.

157. The Multi Donor Fund Secretariat shall also provide quarterly financial reports which provide information on the financial performance of the MDF and its portfolio of projects.

D. MONITORING AND EVALUATION BY THE TECHNICAL REVIEW GROUP AND STEERING COMMITTEE

158. The Steering Committee is responsible for the general oversight of the MDF portfolio. It will be assisted in this function by the Secretariat, the Technical Review Group and the Partner Agencies. The Secretariat shall provide the Technical Review Group with the relevant reports and evaluations including, where relevant, their own comments and recommendations. The main role of the Technical Review Group, with assistance from the Secretariat, is to stay informed of the issues and bottlenecks facing projects and the overall program, particularly

[18] Such as the review of proposals by the Multi Donor Fund Secretariat, Steering Committee review and decision, release of appraisal budget, organization 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.

where projects are not performing to the appropriate standard. The Technical Review Group then notifies the Steering Committee of key issues with their recommendations for a possible course of action.

159. **Supervision Missions:** members of the Technical Review Group may choose to attend supervision missions conducted by Partner Agencies as observers.

160. **Evaluation:** the Technical Review Group, as representatives of the Steering Committee shall be expected to review all project monitoring and evaluation frameworks during appraisal, reports and other documentation submitted by Partner Agencies and the Secretariat and to attend Technical Review meetings to discuss their content where necessary. With support from the Secretariat, the Technical Review Group shall conclude on the overall performance of the MDF portfolio and report to the Steering Committee.

VII. DISCLOSURE AND VISIBILITY

161. **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.

162. **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 Multi Donor Fund and its operations in accordance with the Trustee's Disclosure Policy.

VIII. OVERRIDING AUTHORITY OF THE CONTRIBUTION AGREEMENTS / RESOLUTIONS

163. In the event of any conflict between the Contribution Agreements and the World Bank Resolutions establishing the Multi Donor Fund (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.

ANNEXES

ANNEX Ia: Project Cycle for World Bank (IDA) – Administered Projects Financed by Multi Donor Fund

ANNEX Ib: Project Cycle for United Nations Development Program (UNDP) – Administered Projects Financed by Multi Donor Fund

ANNEX Ic: Project Cycle for World Food Programme (WFP) – Administered Projects Financed by Multi Donor Fund

ANNEX Id: Project Cycle for International Labor Organization (ILO) – Administered Projects Financed by Multi Donor Fund

ANNEX II: Multi Donor Fund PCN Outline

ANNEX III: Evaluation Template used by the Secretariat to evaluate PCNs and appraisal documents.

ANNEX Ia: PROJECT CYCLE FOR WORLD BANK (IDA) – ADMINISTERED PROJECTS FINANCED BY THE MULTI DONOR FUND

Note: Each Multi Donor Fund financed project to be managed by the World Bank (the International Development Association [IDA]) as Partner Agency will be approved and implemented in accordance with the applicable policies and procedures of the World Bank. These include policies for emergency recovery assistance (OP/BP 8.50) and trust funds (OP/BP 14.40).

I. Introduction

1. As one of the lead Partner Agencies**,** the World Bank (the International Development Association [IDA]) is expected to manage a sizable number of projects funded by the Multi Donor Fund. In managing these projects, the World Bank operational policies and procedures would apply. These include policies for emergency recovery assistance (OP/BP 8.50) and trust funds (OP/BP 14.40). (Click on the links for details on the policies and procedures.)

2. The World Bank will accept to administer Multi Donor Fund projects that finance activities that are aligned with the Government's Reconstruction Strategy/Master Plan for Aceh and North Sumatra. Projects that the World Bank is designated to manage should clearly demonstrate that the Bank: (i) adds value; (ii) has a comparative advantage; and (iii) does not expose itself to significant reputational risk.

3. The Vice President for East Asia and Pacific Region (EAP) (or his designee) is authorized to approve Multi Donor Fund projects that will be administered by the World Bank. To ensure cost-effectiveness in the administration of a Multi Donor Fund project, the minimum threshold for a project that the World Bank will manage is set at US$1 million.

4. As noted above, Multi Donor Fund-financed projects that will be managed by the World Bank will follow Bank policies and procedures. In order to respond rapidly, the World Bank will fast-track its processes and apply appropriate procedures including, inter alia simplified project design and use of emergency procedures. An Ad Hoc Committee has been established at the Bank to provide advice to the Country Director on projects to be financed from the Multi Donor Fund that will be managed by the Bank. All projects will go through the World Bank Ad Hoc Committee at project concept stage prior to submission to the MDF Technical Review Group. Projects will be processed within the performance standards prescribed in the Operations Manual of the Multi Donor Fund. The detailed steps of the cycle of World Bank managed projects are provided in Appendix 1 to this Annex.

II. Multi Donor Fund Project Cycle

(i) Concept Stage

5. 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 a project concept note (PCN), using the MDF format/ template. The PCN summarizes: (a) strategic context and alignment with the Master Plan; (b) objectives of the proposed project; (c) types of activities to be supported; (d) potential economic effects; (e) project amount, proposed financing plan, and potential source of financing (such as the Multi Donor Fund); (f) implementation arrangements, including temporary mechanisms for in-country and donor coordination; (g) stakeholder participation; (h) monitoring process, and (i) if funding is sought from Multi Donor Fund, the preferred Partner Agency, and, the preferred Implementing Agency (if on the government's budget this will be a government sector line agency).

6. The GOI reviews PCNs for Multi Donor Fund financing submitted by proponent(s), 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 Multi Donor Fund Steering Committee through the Secretariat, the GOI (i) ensures that the PCN is consistent with the Government's Reconstruction Program; (ii) confirms that the proposed activity is a priority for financing under the Reconstruction Program and the Multi Donor Fund; (iii) screens the PCN against the eligibility criteria for Multi Donor Fund financing – that it is consistent with the Recovery Assistance Policy; (iv) ensures that the PCN is consistent with the Financing Strategy for the Multi Donor Fund ; (v) indicates the preferred Partner Agency (IDA, ADB, UN agency or other) and the Grant Implementing Agency and whether the grant should on or off the GOI's budget. If off-budget, the PCN should provide clarification as to why off-budget is more appropriate.

7. Upon confirmation of Bappenas approval of the PCN, the Bappenas shall submit the PCN to the Multi Donor Fund Secretariat for potential Multi Donor Fund financing. Upon receipt to the PCN, the Secretariat shall circulate the PCN to the Technical Review Group with an invitation to the Concept Technical Review Meeting which shall take place within five working days of circulation of the PCN. The Secretariat shall concurrently undertake a quality assurance review/ evaluation of the PCN using its evaluation template derived from the Multi Donor Fund Steering Committee Policy document. In so doing, the Secretariat reserves the right to call upon independent evaluators, who are experts in the field/ sector to which the PCN relates. In undertaking this review/ evaluation, the Secretariat will confirm that the proposal meets the eligibility criteria and all information requirements of the Secretariat and will recommend for action by the Steering Committee accordingly. The Secretariat is to complete its review and submit to the Technical Review Group its evaluation at one working day prior to the Technical Review Meeting.

8. The Concept Technical Review Meeting shall take place irrespective of whether the project is an extension to an existing project in the Partner Agency (World Bank's) Portfolio or not. The purpose of the Concept Technical Review is to enable (i) the Proponent(s)[19] to present the project concept to interested members/ observers, and (ii) members/ observers seek clarification on any technical issues they may have through questions and answers. The PCN, which may, or may not, be revised as a result of the Concept Technical Review, is then circulated to Steering Committee members with an invitation to attend the next Steering Committee meeting.

9. In its meeting, the Steering Committee will discuss the project concept and make a decision whether to endorse or not endorse the PCN for financing under the Multi Donor Fund. The Steering Committee's endorsement will include the following: (i) designation of the Partner Agency and the Implementing 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. The decision of the Steering Committee will be communicated to the GOI, the proponent, Implementing Agency (if different), and Partner Agency by the Secretariat in writing within five working days of the meeting.

(ii) Appraisal

10. When the World Bank receives the notice of the Steering Committee's endorsement of a PCN of an Multi Donor Fund project ***with IDA designated as the Partner Agency***, the Country Director (CD) – based on the advice of IDA's Ad Hoc Committee – will authorize the conduct of combined "pre-appraisal-appraisal" mission[20]. The Task Team Leader (TTL) will immediately organize a team and conduct the mission. The TTL may invite interested members of the Steering Committee or their designated representatives to join the mission. The mission should be completed within the shortest time possible. The prescribed duration of a mission is between 10-30 working days depending on the complexity of the operation. The appraisal should be conducted taking into account the *Common Operating Principles and Guidelines for Tsunami Reconstruction (Annex 3 to the Memorandum form the President entitled "Indonesia: Proposed Multi Donor Trust Fund for Aceh and North Sumatra – R2005-0074/IDA R2005-0059).* During the Mission the TTL will work with Country Lawyer and the Implementing Agency on drafting the grant agreement so that it can be quickly finalized at subsequent "formal" negotiations.

11. Upon return from mission, the TTL prepares the draft appraisal package (Memorandum to the Vice President and Technical Annex) including the draft

[19] The proponent may, or may not, be IDA. It is possible for IDA to be designated as Partner Agency for a project concept that has a different proponent.

[20] If the Steering Committee approves a project preparation grant for the Grant Executing Agency, the TTL (together with the Country Lawyer) should prepare and ensure signing and effectiveness of the relevant Project Preparation Grant Agreement within five working days from receipt of Notice of the Steering Committee's endorsement. To facilitate the process, the new streamlined project preparation Grant Agreement format (e.g., PHRD grants) will be adopted for this purpose.

implementation plan, Operations Manual, procurement and anti-corruption plans, requisite safe guards, and draft grant agreement and submits these for Sector Manager endorsement. The memorandum and the technical annex should not exceed 15 pages in 12 point, single spaced text. The appraisal package template is provided in Appendix 2 to this Annex.

12. Immediately upon receipt of the Sector Manager's endorsement, the Country Director will issue the draft appraisal package for review and/or clearance[21]. The Country Director may conduct the review virtually or call a meeting. In addition, the Country Director may request a peer reviewer to provide comments on the technical aspects of the project proposed to be financed if warranted. This review process should be completed within three working days from issue of the draft appraisal package. Since speed is critical, no further comments will be accepted thereafter. The TTL then finalizes the appraisal package taking into account comments received and the package is submitted by the Country Director to the Multi Donor Fund Secretariat for processing. Upon receipt of the appraisal package, the Multi Donor Fund shall circulate the document to the Technical Review Group (comprised of representatives of the Steering Committee) with an invitation to the Technical Review Meeting, which shall take place within five working days of appraisal document circulation. Concurrently, the Secretariat shall conduct an evaluation to ensure the package satisfies all Multi Donor Fund requirements, including complying with requirements in this Operations Manual, that the document is consistent with the Recovery Assistance Policy and the Financing Strategy for the Multi Donor Fund. The Secretariat shall circulate its evaluation to the Technical Review Group at least one working day prior to the Technical Review Meeting. At the Technical Review Meeting, the TTL, plus other appraisal team members, if considered appropriate, will present details of the appraised project to, and discuss it with, members of the Multi Donor Fund Steering Committee at this Review. Members attending the Technical Review Meeting will then decide whether (i) the appraisal package as previously circulated, or (ii) an appraisal package revised/ modified as a result of the Technical Review, shall be circulated on a "no objection" basis, together with a covering recommendation from the Secretariat that the appraisal package meets its requirements. If no objections are received within the five working day period the project is then deemed to be approved by the Multi Donor Fund Steering Committee.

(iii) Negotiations

13. Upon receipt of the notice of the Steering Committee's "no objection", the TTL together with the Country Lawyer will quickly "negotiate[22]" and finalize the draft grant agreement previously discussed with the Project Implementing Agency during appraisal either through written exchanges or a meeting with the IA.

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[21] Package should be forwarded for review/clearance/"no objection" from the Sector Manager, but not limited to, LOAG, Social, Environment, Chief Counsel, ACTTF, Country Director, procurement and financial management.

[22] The appraisal package referred in Paragraph 12 also includes the negotiations package.

(iv) Approval

14. Upon completion of the "negotiation", the final versions of the appraisal package and the Grant Agreement will be submitted by the Country Director, through the Manager, Quality and Cofinancing, to the Regional Vice President (RVP) for approval[23]. This process should be completed within five working days. The list of documents required to be submitted to the RVP is provided in Appendix 3 to this Annex.

(v) Effectiveness

15. Upon Vice-President's approval, the Grant Agreement will be signed and made effective unless conditions for effectiveness have been provided for and not been met.

(vi) Supervision

16. Implementation of the project financed by the Multi Donor Fund Grant will be the responsibility of the Grant Implementing Agency and should follow the policies and procedures stipulated in the Grant Agreement.

17. Where the World Bank (IDA) has been designated as Partner Agency, project supervision will be the responsibility of IDA and will be performed by a team under the responsibility of the TTL. Field supervisions will be conducted at least every six months and may include interested members of the Steering Committee, or their designated representatives. Annual reporting on physical and financial progress and in achieving results for each project will also be required to be filed by the TTL through the World Bank's Implementation Status and Results Reporting System. These reports will be submitted to the Secretariat accordingly.

III. Fiduciary Policies/Procedures

18. The following will be applicable to World Bank managed Multi Donor Fund projects:

a. Procurement

The procurement of goods, works and services financed under Multi Donor Fund projects will take place in accordance with the Bank's "Guidelines for Procurement under IBRD Loans and IDA Credits" and the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency", as in effect at the date of the relevant Grant Agreement.

b. Financial Management and Disbursements

[23] Approval is required from the same groups listed in Footnote 21 on the appraisal package, specifically: Sector Manager, LOA, LEG, TACT, procurement, financial management, Social and Environmental Safeguards.

The Grant Agreement will require the Grant Recipient, among others, to: (A) 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 project financed under the Grant; and (B) have the above-mentioned records, accounts and financial statements audited, in accordance with auditing standards acceptable to the World Bank, by independent auditors acceptable to the World Bank. Such records and accounts (both un-audited and audited) may be provided to the Multi Donor Fund Steering Committee in accordance with the World Bank's disclosure policy.

IV. Environment and Social Safeguard Issues

19. The environmental and social safeguards arrangements will be carried out in accordance with the environmental and social screening and assessment guidelines provided for under the World Bank's applicable policies. An Integrated Safeguard Policies review and Environmental Assessment (EA) is performed as a standard part of the appraisal. If the EA determines that the project is rated in Categories A or B, an Environmental Impact Assessment (EIA) is required. This EIA must be disclosed. Clearances should be obtained in accordance with the procedures issued for use in post-tsunami operations.

V. Restructuring/Reallocation of Projects and Closing Date Extensions

20. Restructuring/reallocation of Multi Donor Fund-financed projects managed by the World Bank will follow normal World Bank procedures. If there are no substantive changes in the project, restructuring or reallocation of funds will be processed and approved by the Country Director. If there are substantive changes – for example a change in the development objectives, scope, design or alteration of the project concept, the RVP's approval must be sought through the Manager, Quality and Cofinancing.

21. Extension of a closing date for a Grant administered by the World Bank will be processed and approved by the Country Director[24] after the requisite internal clearances have been obtained including that of the Multi Donor Fund Secretariat to ensure and confirm that the Grant remains consistent with the terms and conditions of the Multi Donor Fund and the decisions of the Steering Committee on the Grant (see OP/BP 13.30).

[24] Cumulative extensions of two years or more of the original closing date and retroactive extensions of the closing date require RVP approval.

ANNEX Ia: Appendix 1

MULTI DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA

Cycle of World Bank Administered Projects

Steps/Actions	Responsibility	Performance Standards
PCN[25] Review and Technical Review Meeting	(1) Bappenas (2) Multi Donor Fund Secretariat	Technical Review meeting held within five working days from the time of submission of the PCN by Bappenas to the Secretariat. Secretariat evaluation submitted to Steering Committee at least one working day before Technical Review meeting.
Notice of Steering Committee **Endorsement** and allocation of funds for appraisal and implementation (subject to satisfactory appraisal)	Multi Donor Fund Secretariat	Within five working days of Steering Committee designation.
Establish **task code[26]** for the project in the World Bank system	TTL (in coordination with SM, CD and CAO's office)	One working day
CD authorizes "**appraisal**" **mission**	CD The CD may decide to combine "pre-appraisal and appraisal" mission (based on advice from the World Bank Ad Hoc Committee after referral of the PCN to it)	
Appraisal Mission Concurrently - if preparation grant was approved by the Steering Committee, a Preparation Grant Agreement	Task Team led by the TTL (including interested members of the Steering Committee)	Should be completed within 30 working days from date of authorization by CD for stand-alone investments, 20 working days for co-financing and 10 working days for technical assistance The Project Preparation Grant Agreement (if required) should

[25] All projects to be managed by the World Bank will go through the World Bank Ad Hoc Committee for approval, including environment and social safeguard review, at project concept stage prior to submission to the MDF Technical Review Group.

[26] The Special Financing Product line should be used to create the task code unless otherwise notified.

Steps/Actions	Responsibility	Performance Standards
should be processed and executed between World Bank and Grant Implementing Agency. (Use simplified project preparation grant agreement format)		be countersigned and effective within five working days from receipt of Notice of the Steering Committee's Approval
Review of the Appraisal Package[27] (including draft Grant Agreement) The package should include a draft Operations Manual for the Project, procurement and anti-corruption plans, monitoring and evaluation details, requisite environmental and social safeguards, and a draft Grant Agreement as discussed with the Grant Implementing Agency	CD issues and decides on whether a meeting or exchange of emails will be sufficient in consultation with the Ad Hoc Committee. Package should be prepared by Task Team (including procurement and FM specialists), and endorsed by the Sector Manager who may ask for peer reviews. Environment and Social Safeguard Clearances must be obtained. Clearances from LOAG and ACTTF are also required. Before circulation by CD, Country Lawyer must clear the package.	Within five working days from completion of field mission
Appraisal Package finalized	Task Team Leader and Country Lawyer	Within two working days from Review meeting
Completed appraisal package is submitted to the Multi Donor Fund Secretariat	Country Director	
Appraisal Technical Review	- Secretariat - Task Team Leader	Technical Review Meeting held within five working days of receiving Appraisal Package from TTL. Secretariat to submit to Steering Committee its evaluation at least one working day prior to the Technical Review Meeting.
Steering Committee "no objection"	Steering Committee	Five working days after circulation
Notice of Steering Committee "no objection"	Multi Donor Fund Secretariat	Within five working days.

[27] All PADs will go through the World Bank Ad Hoc Committee for approval prior to submission to the MDF Technical Review Group.

Steps/Actions	Responsibility	Performance Standards
"**Negotiations**" and Finalization of the Grant Agreement	TTL, Country Lawyer & Grant Implementing Agency (coordinates required clearances – Loans Administration and Accounting Trust Funds)	Within five working days
Submission of the final appraisal package to the **Regional Vice President**	CD (TTL follows-up)	
Approval	Regional Vice President, through Manager, Quality and Cofinancing (TTL follows-up)	
Signing & Effectiveness of the Grant Agreement	Task Team Leader & Country Lawyer CD and Grant Implementing Agency signs	Depending on the readiness of the Grant Implementing Agency
Implementation by the Grant Implementing Agency Disbursements will be made as provided for in the Grant Agreements	Grant Implementing Agency World Bank (IDA, as Trustee)	Depending on activity Within five working days of receipt of required withdrawal application package
Supervision of the Activities under Implementation Actual costs of supervision will be reimbursed from the Multi Donor Fund child "Appraisal and Supervision" fund upon receipt of invoices on a quarterly basis.	Task Team led by TTL (including interested members of the Steering Committee) Multi Donor Fund Secretariat	At least every six months Within five working days of receipt of invoice
Preparation of **Implementation Completion Report**	TTL and Grant Implementing Agency (cleared with SM and CD before submission to the Secretariat)	No later than six months after closing date of grants

ANNEX Ia: Appendix 2

MULTI DONOR FUND FOR ACEH AND NIAS
Appraisal Package Template

I. Memorandum to the Regional Vice President

- Brief context (link to GOI's Recovery Program and rationale for Bank involvement)
- Summary description of the project to be financed
- Terms and conditions of the grant
- Possible issues/risks and mitigation measures
- Recommendation

II. Technical Annex

I. Country Background

- Background
- Damage Assessment

II. IDA Response and Strategy

- Response to the Emergency Situation
- Response Gap and the Response by IDA
- Lessons Learned
- Rationale for IDA Involvement

III. Project Description

- Project Objectives
- Project Description
- Project Cost and Financing

IV. Institutional Arrangements and Project Implementation

- Project Organization and Management
- Accounting, Financial Reporting and Audit Arrangements
- Procurement
- Environmental and Social Aspects

V. Project Benefits and Risks

- Project Benefits
- Project Sustainability and Critical Risks

III. Complaints Handling and Anti-corruption Strategy

ANNEX Ia: Appendix 3

MULTI DONOR FUND FOR ACEH AND NAIS

Final Package Submission to RVP

The following documentation must be provided for seeking the RVP's approval of Projects:

RVP Approval Memorandum: A memo from the Country Director should be submitted to the RVP. The memo should confirm the following: (i) the MDTF Steering Committee's no objection has been received, (ii) confirmation by the Government on its approval of the negotiated documents; and (iii) confirmation that clearances have been obtained from LEGEA, LOA and TFADMIN.

Final Grant Package: The following documents should be included in the Grant Package:

- **Project Appraisal Document**
- **Grant Agreement**
- **ISDS Data sheet**
- **Draft Project Implementation Plan**
- **Summary of Negotiations**
- **Agreed Minutes of Negotiations**
- **Government Confirmation of Negotiated Package**
- **Notice from Multi Donor Fund Secretariat of Steering Committee No Objection**
- **Clearances from LEGEA, LOA, and TFADMIN**

Distribution List: The Package should be distributed to the same group listed in Footnote 21.

ANNEX Ib: PROJECT CYCLE FOR UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) – ADMINISTERED PROJECTS FINANCED BY THE MULTI DONOR FUND

Note: Each Multi Donor Fund financed project to be managed by UNDP as Partner Agency will be approved and implemented in accordance with the applicable policies and procedures of UNDP. These include policies defined in the UNDP User Guide (Results Management - Project Management).

I. Introduction

1. As one of the lead partner agencies**,** the United Nations Development Programme (UNDP) is expected to manage a sizable number of projects funded by the Multi Donor Fund. In managing these projects, UNDP's operational policies and procedures shall be applicable. These include policies for project cycle management defined in the UNDP User Guide (Results Management – Project Management Section).

2. The UNDP will accept to administer Multi Donor Fund projects that finance activities that are aligned with the Government's Reconstruction Strategy/Master Plan for Aceh and North Sumatra. Projects that the UNDP is designated to manage should clearly demonstrate that UNDP: (i) adds value; (ii) has a comparative advantage; and (iii) does not expose itself to significant reputational risk.

3. The Resident Representative/ Country Director (or their designee) is authorized to approve Multi Donor Fund projects that will be administered by the UNDP. To ensure cost-effectiveness in the administration of a Multi Donor Fund project, the minimum threshold for a project that the UNDP will manage is set at US$1 million.

4. As noted above, Multi Donor Fund-financed projects that will be managed by the UNDP will follow UNDP policies and procedures. In order to respond rapidly, the UNDP will fast-track its processes and apply appropriate procedures including procedures related to crisis situations. A Local Project Appraisal Committee (LPAC) has been established at the UNDP to provide advice to the Resident Representative / Country Director on projects to be financed from the Multi Donor Fund that will be managed by the UNDP. Projects will be processed within the performance standards prescribed in the Operations Manual of the Multi Donor Fund. The detailed steps of the cycle of UNDP managed projects are provided in Appendix 1 to this Annex.

II. Multi Donor Fund Project Cycle

(i) Concept Stage

5. Government agencies (central, provincial, local), contributors (including the World Bank and the Asian Development Bank), the United Nations Group and other international agencies, non-government agencies, villages and communities may submit to the GOI a project concept note (PCN), using the MDF format/template. The PCN summarizes: (a) strategic context and alignment with the Master Plan; (b) objectives of the proposed project; (c) types of activities to be supported; (d) potential economic effects; (e) project amount, proposed financing plan, and potential source of financing; (f) implementation arrangements, including temporary mechanisms for in-country and donor coordination; (g) stakeholder participation; (h) monitoring process, and (i) if funding is sought from Multi Donor Fund, the preferred Partner Agency, and, the preferred Executing or Implementing Agency (if on the government's budget this will be a government sector line agency).

6. The GOI reviews PCNs for Multi Donor Fund financing submitted by proponent(s), 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 Multi Donor Fund Steering Committee through the Secretariat, the GOI: (i) ensures that the PCN is consistent with the Government's Reconstruction Program; (ii) confirms that the proposed activity is a priority for financing under the Reconstruction Program and the MDTFANS; (iii) screens the PCN against the eligibility criteria for Multi Donor Fund financing; (iv) indicates the preferred Partner Agency (World Bank, ADB, UN agency or other) and the Executing or Implementing Agency.

7. Upon confirmation of Bappenas approval of the PCN, the Bappenas shall submit the PCN to the Multi Donor Fund Secretariat for potential Multi Donor Fund financing. Upon receipt of the PCN, the Secretariat shall proceed with the internal processing of the PCN.

8. During the approval process of the MDF, the Secretariat may request that the PCN be revised as a result of feedback from various parties..

(ii) Appraisal

10. When the UNDP receives the notice of the Steering Committee's endorsement of a PCN of an MDTFANS project ***with UNDP designated as the Partner Agency***, UNDP will undertake a project appraisal process as defined in Appendix 1 to this Annex. The appraisal process may include an appraisal mission, to which interested members of the Multi Donor Fund Steering Committee or their designated representatives may be invited. The appraisal process should be completed within 30 working days from date of the Multi Donor Fund Steering Committee endorsement. The process will culminate in the review and endorsement of the draft project document (template is provided in Appendix 2 to this Annex) by the UNDP Local Project Appraisal Committee (LPAC). During the appraisal process, the responsible programme unit in UNDP will work with the Deputy

Resident Representative (Operations) and the Implementing Partner on drafting the Fiscal Agency Agreement so that it can be quickly finalized at subsequent "formal" negotiations.

11. Within five working days of endorsement by the UNDP LPAC, the responsible UNDP Programme Unit prepares the draft appraisal package including the draft project document/annual work plan, Operations Manual, procurement and anti-corruption plans, requisite safeguards, and draft Fiscal Agency Agreement and submits these for the endorsement of the Section Manager and RR/Country Director. The list of appraisal package documents is provided in Appendix 3 to this Annex.

12. Immediately upon endorsement by the Section Manager and the RR/Country Director, the appraisal package is submitted to the Multi Donor Fund Secretariat for processing.

(iii) Negotiations

13. Upon receipt of the notice of the Steering Committee's endorsement, the PM together with the Deputy Resident Representative (Operations) will quickly "negotiate" and finalize the draft Fiscal Agency Agreement with the Trustee previously discussed with the Project Executing/Implementing Agent during appraisal either through written exchanges or a meeting with the E/IA.

(iv) Approval

14. Upon completion of the "negotiation", the final versions of the appraisal package and the Fiscal Agency Agreement will be submitted to the RR/Country Director for approval.. This process should be completed within five working days unless there are any deviations from the agreed Fiscal Agency Agreement format that would need review by UNDP's Headquarters office in New York and the World Bank.

(v) Effectiveness

15. Within two working days of the RR/Country Director's approval, the Fiscal Agency Agreement will be signed and made effective unless conditions for effectiveness have been provided for and not been met.

(vi) Supervision

16. Implementation of the project financed by the Multi Donor Fund will be the responsibility of the Executing / Implementing Agency and should follow the policies and procedures stipulated in the Fiscal Agency Agreement.

17. Where the UNDP has been designated as Partner Agency, project supervision will be the responsibility of UNDP and will be performed by a team under the responsibility of the PM. Field supervisions will be conducted at least every six months and may

include interested members of the Steering Committee, or their designated representatives. Annual reporting on physical and financial progress and in achieving results for each project will also be required to be filed by the PM through the UNDP's results reporting system. These reports will be submitted to the Secretariat accordingly.

III. Fiduciary Policies/Procedures

18. The following will be applicable to UNDP managed MDTFANS projects:

a. Procurement

The procurement of goods, works and services financed under Multi Donor Fund financed projects will take place in accordance with the UNDP's Procurement User Guide and the Personnel, SSA, ALD, Service Contract Manuals and other Human Resource policy guidelines, as in effect at the date of the relevant Fiscal Agency Agreement.

c. Financial Management and Disbursements

The Fiscal Agency Agreement will require the Recipient, among others, to: (a) 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 project financed under the Fiscal Agency Agreement; and (b) have the above-mentioned records, accounts and financial statements audited, in accordance with auditing standards acceptable to the UNDP, by independent auditors acceptable to the UNDP. Such records and accounts (both un-audited and audited) may be provided to the Multi Donor Fund Steering Committee in accordance with the UNDP's disclosure policy.

IV. Environment and Social Safeguard Issues

19. The environmental and social safeguards arrangements will be carried out in accordance with the environmental and social screening and assessment guidelines provided for under the UNDP's applicable policies.

V. Restructuring/Reallocation of Projects and Closing Date Extensions

20. Restructuring/reallocation of Multi Donor Fund-financed projects managed by the UNDP will follow normal UNDP procedures. If there are no substantive changes in the project, restructuring or reallocation of funds will be processed and approved by the RR/Country Director. If there are substantive changes – for example a change in the development objectives, scope, design or alteration of the project concept, a revision document is prepared describing the changes in the original document, and this revision document is then submitted to the MDF through the Secretariat for processing.

21. Extension of a closing date for a project administered by the UNDP will be processed and approved by the RR/Country Director before being submitted to the MDF for processing.. The Fiscal Agency Agreement shall be amended to reflect the new closing date.

ANNEX Ic: Appendix 1

MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA

Cycle of UNDP Administered Projects[28]

Steps/Actions (Project Management Sub-Processes)	**Responsibility**	**Performance Standards**
SUB-PROCESS 1 – JUSTIFYING A PROJECT		
Possible project is identified	UNDP Programme Team and national counterpart	Dependent on type and nature of project
Identify project approach / Implementing Partner / Proposed Outputs	UNDP Programme Team and national counterpart	As above.
Provide justification to the proposal and outputs	UNDP Programme Team and national counterpart	As above.
Multi Donor Fund-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 2 – DEFINING A PROJECT		
Define project management team	UNDP Programme Team and Implementing Partner	Dependent on type and nature of project
Draft Project Document	UNDP Programme Team and Implementing Partner	As above.
Define project results framework including outputs, deliverables, activities, and resources	UNDP Programme Team and Implementing Partner	As above.
Conduct Local Project Appraisal Committee (LPAC).	LPAC Committee Chaired by UNDP Country Director or Officer in Charge	Appraisal should be completed within 30 working days from the Steering Committee endorsement of the concept.
Generate Award in Atlas Open initial project Risk Log	UNDP Programme Team	One Week
Create and Approve Initiation Plan (as required)	UNDP Programme Team; UNDP Country Director	As above.
Review and Sign Project Document	UNDP Resident Representative / Country Director, Implementing Partner	
Approval of project as relevant by BAPPENAS and CCITC	UNDP Programme Team and Implementing Partner	
MDTFANS-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 3 – INITIATING A PROJECT		
Finalize activity details and schedule	UNDP Programme Team and Implementing Partner	Initiation period of 2 weeks to 1 month
Finalize management arrangements with Implementing Partner	UNDP Programme Team and Implementing Partner	As above.
Finalize project structures and project roles	UNDP Programme Team and Implementing Partner	As above.
Create project communication and monitoring plan	UNDP Programme Team and Implementing Partner	As above.
Open initial project Issues Log and Lessons Learned Log	UNDP Programme Team and Implementing Partner	As above.
Complete Annual Work Plans	UNDP Programme Team and Implementing Partner	As above.

[28] Extracted from UNDP User Guide: Results Management: Project Management.

Steps/Actions (Project Management Sub-Processes)	**Responsibility**	**Performance Standards**
Activate budget	UNDP Programme Team and Implementing Partner	As above.
MDTFANS-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 4 – RUNNING A PROJECT		
Make funds available to the project	UNDP Programme Team and Implementing Partner	Dependent on type and nature of project
Mobilise goods & services and initiate activities, including Drafting of TORs and work specifications based on deliverable descriptions	As above.	Continuous.
Monitor delivery of project deliverables and outputs as defined by the Communication and Monitoring Plan	As above. Plus UNDP Monitoring Section.	Continuous.
Update Issues Log	As above. Plus UNDP Monitoring Section.	Quarterly.
Update activity status	As above. Plus UNDP Monitoring Section.	Quarterly.
Update output status	As above. Plus UNDP Monitoring Section.	Quarterly.
Monitor risks and update risk log	As above. Plus UNDP Monitoring Section.	Quarterly.
Update lessons learned log	As above. Plus UNDP Monitoring Section.	Quarterly.
Confirm project relevance	As above. Plus UNDP Monitoring Section.	Quarterly.
Prepare Quarterly Progress Report	As above. Plus UNDP Monitoring Section.	Quarterly.
Prepare and certify Combined Delivery Report	As above. Plus UNDP Finance Section.	Annually by June the following year.
Arrange for periodic audits	As above. Plus UNDP Monitoring Section, UNDP Office of Audit and Performance Review (OAPR).	Annually within 12 months of implementation.
Prepare Annual Review Report	As above. Plus Monitoring Section.	Annually.
Plan the next annual cycle	As above.	Annually.
If during the project any defined project tolerance is exceeded, a project revision in the form of a revised Atlas budget must be developed	As above.	Annually / as required.
Revise AWP and Activity Schedule	As above. Plus UNDP Monitoring Section.	Annually / as required.
Project Review; conducted annually, when project tolerance is exceeded, and as necessary	As above. Plus UNDP Monitoring Section.	Annually / as required.
Finalize and approve revised or next cycle AWP	As above. Approved by RR/CD.	Annually / as required.
Multi Donor Fund-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 5 – CLOSING A PROJECT		
Ensure operational completion of the project	UNDP Programme Team and Implementing Partner	Upon operational completion.
Prepare the end project review report	As above. Plus UNDP Monitoring Section.	Upon operational completion.

Steps/Actions (Project Management Sub-Processes)	**Responsibility**	**Performance Standards**
Identify follow-on actions and update Outcome Evaluation Plan	As above. Plus UNDP Monitoring Section.	Upon operational completion.
Conduct final annual review	As above. Plus UNDP Monitoring.	Upon operational completion.
If Project is extended, go to plan next annual cycle. Otherwise, next step	As above.	Upon operational completion.
Operationally close the project	As above.	Upon operational completion.
Transfer project deliverables and documents	As above.	Upon operational completion.
Ensure that all financial transactions are in Atlas	As above. Plus UNDP Monitoring Section.	Upon operational completion.
Review and sign final Combined Delivery Report (CDR)	As above. Plus UNDP Finance Section.	Upon operational completion.
Ensure project accounts are closed	As above. Plus UNDP Monitoring Section and Finance Section.	Upon operational completion.
Financially close the project	As above. Plus UNDP Finance	Upon operational completion.
MDTFANS-Specific Processes		
Preparation of Implementation Completion Report	UNDP Programme Team and Implementing Partner	No later than six months after closing date of the agreement

ANNEX Ib: Appendix 2

MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA
Project Document Template

Cover Page:

The cover page contains the title and brief narrative.

Section I—elaboration of the narrative
(As the CPAP is adopted by countries, the elements of this section could be moved to the CPAP)

Part I. Situation Analysis – minimum one paragraph, suggested maximum one page

To the greatest extent possible, link to the CP/GCF(GPD)/RCF(RPD), CCA and UNDAF situation analysis. State the problem to be addressed usually in terms of needs for capacity development, and provide a reference (and hypertext links) to the relevant outcome in the country programme. References to the HDR and MDGs may also be included. Explain the national institutional and legal framework and the intended beneficiaries. Provide a reference (and hypertext links) to the findings of relevant reviews or evaluations. If the situation analysis has been explained elsewhere in the document narrative section, there is no need to reproduce the text. Simply refer to the section. This would be especially true for GEF projects.

Part II. Strategy – minimum one paragraph, suggested maximum one page

Link to the CP/GCF(GPD)/RCF(RPD) and UNDAF to the greatest extent possible, which should outline the global/national strategy including the national commitment to achieving the outcome and UN niche in supporting the strategy. This section should detail how the project outputs will support achievement of the outcome. Explain in particular how UNDP will support policy development and strengthen national capacities and partnerships to ensure that there are lasting results. In addition, in cost sharing projects, the rationale for donor assistance and how they support the outcomes should be described. If the strategy has been explained elsewhere in the document, there is no need to reproduce the text. Simply refer to the section. This would be especially true for GEF projects.

Part III. Management Arrangements - minimum one paragraph, suggested maximum two pages

Explain the roles and responsibilities (including clarification on the accountability for resources) of the parties in carrying out the project activities. These should correspond with the parties listed in the signature page as implementing partner/executing entity and responsible parties, and include annexes (e.g., project cooperation agreements, TORs for staff or contracts if necessary[29]) as needed. This section should note results of capacity assessments of the partners and how

[29]GEF projects would require detailed TORs for certain key staff and subcontracts, a brief description of the overall team composition, and one paragraph descriptions of all other staff/consultants and all subcontracts. In addition, for GEF projects the summary of LPAC minutes and recommendations could be annexed to this section as well.

resources will be transferred (e.g., direct payment, country office support, advances). It should also address measures for strengthening capacities where they are weak.

Other elements in this section include collaborative arrangements with related projects (if any), prior obligations and prerequisites, a brief description/summary of the inputs to be provided by all partners, agreement on intellectual property rights and use of logo on the project's products, and audit arrangements.

Part IV. Monitoring and Evaluation - minimum one paragraph, suggested maximum two pages

Describe briefly how the key corporate principles for monitoring, measurement and evaluation will be applied for the project or outcome. GEF project will follow standard M&E templates and requirements.

Part V. Legal Context
Standard text.

Section II - Results and Resources Framework

Describe concisely the desired outcome (with outcome indicator), and outputs to be produced through UNDP-supported efforts, and related activities and inputs. Include annual output targets where necessary to clarify the scope and timing of the outputs. The RRF[30] template is given in Annex 3.

Section III—The total workplan and budget[31]

The Annual Work plan is produced for each year. When a project has multiple years of duration, Workplans of each year with total budget sheet will accompany the project budget. Total Budget will use the same format, except that timeframe will be blank. The level of detail in AWPs for subsequent years, provided at the beginning of the project, need not be complete and may contain only the agreed activities and contractual commitments. However as they progressively become current, the respective AWP for a given year should be completed in detail. Project budgets in ATLAS would also be entered and revised accordingly.

Section IV—other agreements

Any additional agreements, such as cost sharing agreements, project cooperation agreements signed with NGOs[32] (where the NGO is designated as the "implementing partner/executing entity") should be attached.

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[30] The RRF is optional for GEF projects, as it will be replaced with the project's GEF Logical Framework matrix

[31] Mandatory for GEF projects. *For GEF projects, the first Annual Work Plan (AWP) will be considered indicative at the time of PRODOC signature. The Mandatory Inception Workshop organized within three months of PRODOC signature, will finalize and approve the AWP as per required procedures. Subsequent AWPs will be prepared and approved at the project annual TPR. Upon signature of the PRODOC, UNDP will automatically affect the first quarter disbursements. The second and subsequent disbursements will be conditional upon agreement reached at the Inception Workshop.*

The Annual Work Plan

The **Expected Outputs and Monitoring** activities should be linked to the expected output(s) and UNDAF outcome listed on the cover page, and include the relevant indicators/benchmarks. For an explanation of the terms and concepts, please refer to the UNDP Results Framework Technical Note[33]. In addition, the timeframe of monitoring activities such as field monitoring visits, technical backstopping missions, evaluations, quarterly and annual project reports should be indicated.

Key activities would include the activities to be undertaken during the year to achieve the output targets for that year.

For ease of recording, inputs that contribute to more than one 'key activity' listed in the AWP (e.g., staff, equipment, project administration costs), can be listed as a separate 'key activity'. Since these inputs frequently have durations of more than one year, they should be included in the total budget, and pro-rated if appropriate[34].

Timeframe would indicate the planned quarter for the activity.

Responsible party would be either the Implementing partner or 'responsible parties' listed on the cover page.

Source of funds-- The new budgeting practice will permit better donor reporting and country office management. In ATLAS, each budget category is associated to a chart of accounts (COA). A chart of accounts is composed of:

- Account to identify what type of input being financed
- Fund to specify what fund is used to finance an input
- Donor to specify who made contributions to an input
- Responsible party to specify who is accountable for provision of an input
- Department to specify who owns the budget to finance an input
- Operating Unit to specify whose balance sheet will belong to a transaction to finance an input

Budget Description is the input budget code (i.e., personnel, contract, etc.)

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[32] *For GEF projects, the agreement with any NGO pre-selected to be the main contractor should include the rationale for having pre-selected that NGO.*

[33] (http://intra.undp.org/osg/results) . The Note should be used for guidance on the concepts, not on the SRF tool.

[34] Since the UN does not depreciate equipment, equipment should be budgeted in the year expected to be purchased.

ANNEX Ib: Appendix 3

MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA
Final Package Submission to RR/CD

The following documentation must be provided for seeking the RR/CD's approval of Projects:

RR/CD Approval Memorandum: A memo from the Programme Unit Head should be submitted to the RR/CD. The memo should confirm the following:

i. the MDTF Steering Committee's no objection has been received,
ii. confirmation by the Government on its approval of the negotiated documents; and
iii. confirmation that all final revisions requested by the Local Project Appraisal Committee (LPAC) have been addressed.

Final Package: The following documents should be included in the Final Package:

- Project Document
- Annual Work Plan
- Minutes of Local Project Appraisal Committee (LPAC) review meeting
- Summary of Negotiations
- Agreed Minutes of Negotiations
- Fiscal Agency Agreement
- Government Approval of Project
- Notice from MDTFANS Secretariat of Steering Committee No Objection

ANNEX Ic: PROJECT CYCLE FOR UNITED NATIONS WORLD FOOD PROGRAMME (UN WFP) – ADMINISTERED PROJECTS FINANCED BY THE MULTI DONOR FUND

Multi Donor Fund financed project to be managed by United Nations World Food Programme as Partner and Implementing Agency will be approved and implemented in accordance with the applicable policies and procedures of United Nations World Food Programme. These include policies defined in the United Nations World food Programme - Policy and procedures.

I. INTRODUCTION

1. As a Partner agency (Implementing Agency)**,** the United Nations World Food Programme (UN WFP) is expected to manage projects funded by the Multi Donor Fund. In managing these projects, UN WFP's operational policies and procedures shall be applicable. These include policies for project cycle management defined in the United Nations World Food Programme User Guide (Results Management – Project Management Section).

The Country Programme, guided by UNDAF, will continue to provide the frame work for designing UN WFP supported activities consistent with National Development Strategies and related strategies and activities.

> *i. WFP's Strategic Objectives are derived from its mandate, its Mission Statement and the Millennium Development Goals (MDGs) agreed upon by all United Nations member states.*
>
> *SO 1: Save lives and protect livelihoods in emergencies;*
> *SO 2: Prevent acute hunger and invest in disaster preparedness and mitigation measures;*
> *SO3: Restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations;*
> *SO4: Reduce chronic hunger and undernutrition; and*
> *SO5: Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase*

2. The United Nations World Food Programme, will undertake to administer Multi Donor Fund projects that finance activities that are aligned with the Government's Reconstruction Strategy/Master Plan for Aceh and North Sumatra. The Projects that the United Nations World Food Programme is designated to manage should clearly demonstrate that UN WFP: (i) adds value; (ii) has a comparative advantage; and (iii) does not expose itself to significant reputational risk.

3. The Country Director (or as designated) is authorized to approve Multi Donor Fund projects that will be administered by the UN WFP. To ensure cost-effectiveness in the administration of a Multi Donor Fund project, the minimum threshold for a project that the United Nations World Food Programme will manage is set at US$..(Each project to be considered) million.

4. As noted above, Multi Donor Fund-financed projects that will be managed by the United Nations World Food Programme will follow United Nations World Food Programme policies and procedures. In order to respond rapidly, the United Nations World Food Programme, will expedite its processes and apply appropriate procedures including measures related to crisis situations. A Project Review Committee (PRC) will be assembled, as required, at the United Nations World Food Programme's appropriate office to provide advice to the Country Director on projects to be financed from the Multi Donor Fund, managed by the UN WFP. Projects will be processed within the performance standards prescribed in the Operations Manual of the Multi Donor Fund.

The detailed steps of the cycle of United Nations World Food Programme managed projects are provided in Appendix A to this Annex, with defined links to present day policy and procedures.

II. MULTI DONOR FUND PROJECT CYCLE

(United Nations World Food Programme includes in the project cycle the generic processes that are presently followed by MDF and GOI)

(i) CONCEPT STAGE

5. Government agencies (central, provincial, local), contributors (including the World Bank and the Asian Development Bank), the United Nations Group and other international agencies, non-government agencies, villages and communities may submit to the GOI a project concept note (PCN), using the MDF format/template. The PCN summarizes: (a) strategic context and alignment with the Master Plan; (b) objectives of the proposed project; (c) types of activities to be supported; (d) potential economic effects; (e) project amount, proposed financing plan, and potential source of financing; (f) implementation arrangements, including temporary mechanisms for in-country and donor coordination; (g) stakeholder participation; (h) monitoring process, and (i) if funding is sought from Multi Donor Fund, the preferred Partner Agency, and, the preferred Executing or Implementing Agency (if on the government's budget this will be a government sector line agency).

6. The GOI reviews PCNs for Multi Donor Fund financing submitted by proponent(s), which, for activities on the government's budget, shall be subsequently submitted for endorsement by the MDF. In its review and endorsement of the proposal to the Multi Donor Fund through the Secretariat, the GOI: (i) ensures that the PCN is consistent with the Government's Reconstruction Program; (ii) confirms that the proposed activity is a priority for financing under the Reconstruction Program and the MDTFANS; (iii) screens the PCN against the eligibility criteria for Multi Donor Fund financing; (iv) indicates the preferred Partner Agency (World Bank, ADB, UN agency or other) and the Executing or Implementing Agency.

7. Upon confirmation of Bappenas approval of the PCN, the Bappenas shall submit the PCN to the Multi Donor Fund Secretariat for potential Multi Donor Fund financing. Upon receipt of the PCN, the Secretariat shall proceed with the internal processing of the PCN.

8. During the approval process of the MDF, the Secretariat may request that the PCN be revised as a result of feedback from various parties.

(ii) APPRAISAL

9. When the United Nations World Food Programme receives the notice of the Steering Committee's endorsement of a PCN of an MDTFANS project with United Nations World Food

Programme designated as the Partner Agency, United Nations World Food Programme will undertake a project appraisal process as defined in Appendix A to this Annex. The appraisal process may include an appraisal mission, to which interested members of the Multi Donor Fund Steering Committee or their designated representatives may be invited. The appraisal process should be completed within 30 working days from date of the Multi Donor Fund Steering Committee endorsement. The process will culminate in the review and endorsement of the draft project document (template is provided in Appendix B to this Annex) by the United Nations World Food Programme Project Review Committee (PRC). During the appraisal process, the responsible programme unit in United Nations World Food Programme, will work with the Country Director and the Implementing Partner (if other then UN WFP) on drafting the Fiscal Agency Agreement , so that it may be quickly finalized at subsequent "formal" negotiations.

10. Within five working days of endorsement by the United Nations World Food Programme Project Review Committee, the responsible United Nations World Food Programme Unit prepares the draft appraisal package including the draft project document/annual work plan, Operations Manual, procurement and anti-corruption plans, requisite safeguards, and draft Fiscal Agency Agreement and submits these for the endorsement of the Project Manager and Country Director. The list of appraisal package documents is provided in Appendix C to this Annex.

11. Immediately upon endorsement by (the Project Manager and) the Country Director, the appraisal package is submitted to the Multi Donor Fund Secretariat for processing.

(iii) NEGOTIATIONS

12. Upon receipt of the notice of the Steering Committee's endorsement the Project Manager together with the Country Director or duly appointed designate ,will "negotiate" and finalize the draft Fiscal Agency Agreement with the Trustee previously discussed with the Project Executing/Implementing Agent during appraisal either through written exchanges or a meeting with the Executing partner /Implementing.

(iv) APPROVAL

13. Upon completion of the "negotiation", the final versions of the appraisal package and the Fiscal Agency Agreement will be submitted to the Country Director for approval. This process should be completed within five working days unless there are any deviations from the agreed Fiscal Agency Agreement format that would need review by UN World Food Programme Headquarters office in Rome and the World Bank.

(v) EFFECTIVENESS

14. Within two working days of the Country Director's approval, the Fiscal Agency Agreement will be signed and implemented unless conditions for effectiveness have been provided for and not been met.

(vi) SUPERVISION

15. Implementation of the project financed by the Multi Donor Fund will be the responsibility of the Executing / Implementing Agency and should follow the policies and procedures stipulated in the Fiscal Agency Agreement.

16. Where the United Nations World Food Programme has been designated as Partner Agency, project supervision will be the responsibility of United Nations World Food Programme and will be performed by a team under the responsibility of the Project Manager, reporting through to the Country Director or appointed designate, supervisory visits will be conducted at least every six months and may include interested members of the Steering Committee, or their designated representatives.

17. Annual reporting on physical and financial progress and in achieving results for each project will also be required to be filed by the Project Manager through the UN WFP's results reporting system (SPR). These reports will be submitted to the Secretariat accordingly.

III. FIDUCIARY POLICIES/PROCEDURES

The following will be applicable to United Nations World Food Programme managed MDTFANS projects:

(vii) PROCUREMENT

The procurement of goods, works and services financed under Multi Donor Fund financed projects will take place in accordance with the internal procurement of services for the administration complies with WFP procurement policy and procedures (*Management Services Directive*, 11 November 1999; MS99/022), as in effect at the date of the signature of the relevant Fiscal Agency agreement.

Where appropriate and subject to cost, availability and quality, required items are purchased from local vendors, which directly stimulates economic and development activity in the region.

Procurement of services for non food items related to the training and development modules will be conducted through a formal closed tender process, with tender documents being sent to previously identified companies, and suitable organizations.

(viii) FINANCIAL MANAGEMENT AND DISBURSEMENTS

The Fiscal Agency Agreement will require the Recipient, among others, to: (a) 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 project financed under the Fiscal Agency Agreement; and (b) have the above-mentioned records, accounts and financial statements audited, in accordance with auditing standards acceptable to the UNWFP, by independent auditors acceptable to the UNWFP.

Such records and accounts (both un-audited and audited) may be provided to the Multi Donor Fund Steering Committee in accordance with the UNWFP's disclosure policy.

IV. FINANCIAL MANAGEMENT

(ix) FINANCIAL AUTHORITIES

The UN WFP will report to and be accountable for administration functions to the Country Director, (with technical support being provided, by the Regional Bureau in Bangkok and Headquarters in Rome).

The funds manager will be the finance officer of WFP Indonesia and the allotment manager will be the World Food Programme Country Director for Indonesia

Day-to-day financial procedures will be conducted in accordance with prevailing rules and regulations pertaining to WFP operations, including:

- World food Programme General Regulations; General Rules
- Finance Regulations – Rules of procedure of the Executive Board, Sections FR III; FR XII; FR XIV; and
- The World Food Programme Finance Manual, Sections 3, 5, 7-12.

(x) FINANCIAL STRUCTURE

The financial structure and other operating detail such as availability, the use of funds and reporting requirements will be set out in the Fiscal Agreements between UN WFP and the International Development Association, acting as trustee for the Multi Donor Trust Fund for Aceh and North Sumatra (MDTFANS).

(xi) SAFEGUARD POLICIES

UN WFP complies with the following policies and procedures:

- Gender (World Food Programme /EB.3/2002/4-A)
- Harassment (Policy on Harassment, Sexual Harassment and Abuse of Authority, ED2007/003)
- Human Resources (UN Staff Rules, ST/SGB/2002/1 & subsequent amendments)
- Procurement (Management Services Directive, 11 November 1999, MS99/022)
- Administration (MS Administrative Services Manual)
- Safety and Security (World Food Programme Corporate Security Management Policy, ED2003/001)

V. ANTI-CORRUPTION MECHANISMS

(xii) ANTI-CORRUPTION POLICY

UN WFP processes and staff are subject to the *2001 Standard of Conduct of the International Civil Service and Charter* of the United Nations. This standard is brought to the attention of all staff on induction.

VI. ENVIRONMENT AND SOCIAL SAFEGUARD ISSUES

The environmental and social safeguards arrangements will be carried out in accordance with the environmental and social screening and assessment guidelines provided for under the UN WFP applicable policies.

VII. RESTRUCTURING/REALLOCATION OF PROJECTS AND CLOSING DATE EXTENSIONS

20. Restructuring/reallocation of Multi Donor Fund-financed projects managed by the United Nations World Food Programme will follow normal United Nations World Food Programme procedures. If there are no substantive changes in the project, restructuring or reallocation of funds will be processed and approved by the Country Director, through the UN WFP Budget

review process ,If there are substantive changes – for example a change in the development objectives, scope, design or alteration of the project concept, a revision document is prepared describing the changes in the original document, and this revision document is then submitted to the MDF through the Secretariat for processing.

21. Extension of a closing date for a project administered by the United Nations World Food Programme will be processed and approved by Country Director before being submitted to the MDF for processing. The Fiscal Agency Agreement shall be amended to reflect the new closing date.

(xiii) FINANCIAL CLOSURE

22. Prior to the operational closure, the project will have a given period to effect transactions against the outstanding obligations. This allows the recording of goods received notes against outstanding Purchase Orders (POs), recording of invoices and payments. This period after the operational closure, but prior to the financial closure, is used for liquidating all commitments existing at the time of the operational closure. New obligations should not be made against the project during this period.
23. If resource transfer request is approved, ‘ commodities ‘ and unobligated cash is transferred and LTSH, DSC and ODOC are advanced to the receiving project.
24. During the period described in paragrph 2.2 , the Country Offices/ Project Managemnt Units are responsible for liquidating all PRs and POs issued against the project, in conjunction with the responsible authorities.
25. Liquidation occurs through registration of a goods receipt note, payment or surrender of the obligations. The Country Office/Spending Unit is responsible for informing FLA (Field Level Agreement) of any outstanding liabilities, which have not been settled. FLA will then proceed with financial closure at which time no further expenditures can be made against the project.
26. Once the project is financially closed, FLA will run Automation 1, which returns to the donor any unutilized cumulative fund balances, and will produce a final SPR. FLA will communicate to the unspent balances and outstanding contributions by donor as presented in the final SPRs.
27. The unspent balances and outstanding contributions will then be presented to the donors for potential reprogramming or refunding.

VIII. MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA

(xiv) Cycle of United Nations World Food Programme Administered Projects linked to the generic processes followed by MDF and Related organizations.

Steps/Actions (Project Management Sub-Processes)	Responsibility	Performance Standards
SUB-PROCESS 1 – JUSTIFYING A PROJECT		
Possible project is identified	United Nations World Food Programme, Country Director (through Project Plan Review and Project Review Committee)	Dependent on type and nature of project. Link to WFP country strategy. EMOP , PRRO , SO
Identify project approach / Implementing Partner / Proposed Outputs	United Nations World Food Programme, Project Management and national counterpart	As above.

Steps/Actions (Project Management Sub-Processes)	**Responsibility**	**Performance Standards**
Provide justification to the proposal and outputs	United Nations World Food Programme, Project Management and national counterpart	As above.
Multi Donor Fund-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 2 – DEFINING A PROJECT		
Define project management team	United Nations World Food Programme, Project Management and Implementing Partner	Dependent on type and nature of project
Draft Project Document	United Nations World Food Programme, Project Management and Implementing Partner(s)	Dependent on type and nature of project
Define project results framework including outputs, deliverables, activities, and resources	United Nations World Food Programme, Project Management and Implementing Partner(s)	Dependent on type and nature of project
Conduct Project Review Committee (PRC).	Project Review Committee Chaired by United Nations World Food Programme Country Director or designated official	Appraisal should be completed within 30 working days from the Steering Committee endorsement of the concept.
Generate Award in WINGS Open initial project Risk Log	United Nations World Food Programme, Project Management	One Week
Create and Approve Initiation Plan (as required)	United Nations World Food Programme, Project Management; United Nations World Food Programme Country Director/ or designate	21 Days
Review and Sign Project Document	United Nations World Food Programme, Representative / Country Director, Implementing Partner(s)	
Approval of project as relevant by through Project Management Unit to BAPPENAS and CCITC	United Nations World Food Programme, Project Management and Implementing Partner(s)	
MDTFANS-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 3 – INITIATING A PROJECT		
Finalize activity details and schedule	United Nations World Food Programme, Project Management and Implementing Partner	Initiation period within 30 working days
Finalize management arrangements with Implementing Partner	United Nations World Food Programme, Project Management and Implementing Partner	Initiation period within 30 working days
Finalize project structures and project roles	United Nations World Food Programme, Project Management and Implementing Partner	Initiation period within 30 working days
Create project communication and monitoring plan	United Nations World Food Programme, Project Management and Implementing Partner	Initiation period within 30 working days
Open initial project Issues Log	United Nations World Food	Initiation period within 30

Steps/Actions (Project Management Sub-Processes)	**Responsibility**	**Performance Standards**
and Lessons Learned Log	Programme, Project Management and Implementing Partner	working days
Complete Annual Work Plans	United Nations World Food Programme, Project Management and Implementing Partner	Initiation period within 30 working days
Activate budget	United Nations World Food Programme, Project Management and Implementing Partner	Initiation period within 30 working days
MDTFANS-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 4 – RUNNING A PROJECT		
Make funds available to the project	United Nations World Food Programme, Project Management and Implementing Partner	Dependent on type and nature of project- Continuous
Mobilize goods & services and initiate activities, including Drafting of TORs and work specifications based on deliverable descriptions	United Nations World Food Programme, Project Management and Implementing Partner	Dependent on type and nature of project- Continuous
Monitor delivery of project deliverables and outputs as defined by the Communication and Monitoring Plan	United Nations World Food Programme Monitoring Section - Project Manager	On going (SPR / Monthly Funding and Pipe Line Report)
Update Issues Log	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly. (SPR)
Update activity status	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly. . (SPR)
Update output status	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly. . (SPR)
Monitor risks and update risk log	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly. . (SPR)
Update lessons learned log	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly – SPR monthly – Pipeline and Funding Report
Confirm project relevance	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly – SPR.
Prepare Quarterly Progress Report	United Nations World Food Programme Monitoring Section. - Project Manager	Quarterly - SPR Monthly – Pipeline and Funding Report.
Prepare and certify Combined Delivery Report	United Nations World Food Programme Finance Section.	Annually by June the following year.
Arrange for periodic audits	Country Director ,United Nations World Food Programme Monitoring Section, United Nations World Food Programme Office of Audit and Performance	Annually within 12 months of implementation.

Steps/Actions (Project Management Sub-Processes)	**Responsibility**	**Performance Standards**
	Review (OAPR).	
Prepare Annual Review Report	Monitoring Section. - Project Manager	Annually – linked to SPR and Pipeline and Funding Report.
Plan the next annual cycle	Project Manager	Annually.
If during the project any defined project tolerance is exceeded, a project revision in the form of a revised WINGS budget must be developed	Project Manager	Annually / as required. Internal WFP processes
Project Review; conducted annually, when project tolerance is exceeded, and as necessary	United Nations World Food Programme Monitoring Section. Project Manager	Annually / as required.
Multi Donor Fund-Specific Processes	Refer to MDF Operations Manual Section D for MDF processes	
SUB-PROCESS 5 – CLOSING A PROJECT		
Ensure operational completion of the project	United Nations World Food Programme, Project Management and Implementing Partner	On Completion of the operation
Prepare the end project review report	United Nations World Food Programme, Project Management and Implementing Partner.	On completion of the operation ,
Identify follow-on actions and update Outcome Evaluation Plan	United Nations World Food Programme , Project Management and Implementing Partner.	On completion of the operation
Conduct final annual review	United Nations World Food Programme, Project Management and Implementing Partner	On completion of the operation
If Project is extended, go to plan next annual cycle. Otherwise, next step	United Nations World Food Programme, Project Management and Implementing Partner	
Operationally close the project	United Nations World Food Programme, Project Management and Implementing Partner	On completion of the operation
Transfer project deliverables and documents	United Nations World Food Programme, Project Management and Implementing Partner	On completion of the operation
Ensure that all financial transactions are in WINGS	United Nations World Food Programme, Project Management and Implementing Partner	On completion of the operation within internal and external agreed time scales.
Review and sign final Combined Delivery Report (CDR)	United Nations World Food Programme, Project Management and Implementing Partner	On completion of the operation
Ensure project accounts are closed	United Nations World Food Programme, Project Management and Implementing Partner	On completion of the operation
Financially close the project	United Nations World Food Programme, Project Management	Within agreed time scales.

Steps/Actions (Project Management Sub-Processes)	Responsibility	Performance Standards
	and Implementing Partner	
MDTFANS-Specific Processes		
Preparation of Implementation Completion Report	United Nations World Food Programme, Project Management and Implementing Partner	No later than six months after closing date of the agreement

(IX) MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA

Project Document Template
(As outlined in MDF Policy)

(xv) COVER PAGE:

The cover page contains the title and brief narrative.

Section I—elaboration of the narrative
(As the CPAP is adopted by countries, the elements of this section could be moved to the CPAP)

Part I. Situation Analysis – minimum one paragraph, suggested maximum one page

Part II. Strategy – minimum one paragraph, suggested maximum one page

Part III. Management Arrangements - minimum one paragraph, suggested maximum two pages

Part IV. Monitoring and Evaluation - minimum one paragraph, suggested maximum two pages

Part V. Legal Context
Standard text.

Section II - Results and Resources Framework

Section III - The total work plan and budget

Section IV - other agreements

(X) THE ANNUAL WORK PLAN

The **Expected Outputs and Monitoring** activities should be linked to the expected output(s) and outcomes listed on the cover page, and include the relevant indicators/benchmarks.

(XI) MONITORING AND EVALUATION

(xvi) M&E FRAMEWORK

The M&E framework will comply with MDF requirements. The main features :-

- Results framework based on output/outcome/impact chain

- Project Development Objectives (PDOs) to be measurable and achievable within the project lifetime
- Defined targets both for the overall project and for agreed intervals
- Framework to be compatible with and align with MDF's overall results framework
- A set timetable of evaluations including:
  - Mid-term review
  - Budget reviews
  - Evaluation of training delivery
  - Project evaluation (project completion report)

The identification of impacts is twofold.

In principle only impacts that can be measured within the project lifetime are recorded in the results framework, impacts beyond a project lifetime, to be considered.

The result framework develops output, outcomes and impacts for each component.

(xvii) BASELINE DATA

To support the results based monitoring and evaluation (M&E) framework, it will be necessary to establish a baseline for comparison during project and post project evaluation.

Key activities would include the activities to be undertaken during the year to achieve the output targets for that year.

For ease of recording, inputs that contribute to more than one 'key activity' listed in the AWP (e.g., staff, equipment, project administration costs), can be listed as a separate 'key activity'. Since these inputs frequently have durations of more than one year, they should be included in the total budget, and pro-rated if appropriate.

Timeframe would indicate the planned quarter/ period for the activity.

Responsible party would be either the Implementing partner or 'responsible parties' listed on the cover page.

Source of funds-- The new budgeting practice will permit better donor reporting and country office management. In WINGS, each budget category is associated to a chart of accounts (COA). A chart of accounts is composed of:

- Account to identify what type of input being financed
- Fund to specify what fund is used to finance an input
- Donor to specify who made contributions to an input
- Responsible party to specify who is accountable for provision of an input
- Department to specify who owns the budget to finance an input
- Operating Unit to specify whose balance sheet will belong to a transaction to finance an input

Budget Description is the input budget code (i.e., personnel, contract, etc.).

(XII) <u>MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA</u>

(xviii) FINAL PACKAGE SUBMISSION THROUGH COUNTRY DIRECTOR

The following documentation must be provided for seeking through the Country Director approval of Projects:

Through the Country Director Approval Memorandum:

A memo from the Project Manager should be submitted to the through the Country Director.
The memo should confirm the following:

iv. The MDF Steering Committee's " no objection " has been received,
v. Confirmation by the Government on its approval of the negotiated documents; and
vi. Confirmation that all final revisions requested by the Project Review Committee (PRC) have been addressed.

Final Package: The following documents should be included in the Final Package:

- Project Appraisal Document
- Annual Work Plan
- (Minutes of Project Review Committee(PRC) review meeting) (Internal Document)
- Summary of Negotiations
- Agreed Minutes of Negotiations
- Fiscal Agency Agreement
- Government Approval of Project
- Notice from MDTFANS Secretariat of Steering Committee No Objection

ANNEX Id: PROJECT CYCLE FOR INTERNATIONAL LABOR ORGANIZATION (ILO) – ADMINISTERED PROJECTS FINANCED BY THE MULTI DONOR FUND

Note: Each MDFANS-financed project to be executed by the ILO as Partner Agency will be approved and implemented in accordance with the applicable policies and procedures of the ILO. These include policies defined in the ILO Technical Cooperation Manual and relevant governance documents.

I. Introduction

1. The management of MDFANS-funded Technical Cooperation Programmes and Projects throughout the programme/project cycle is governed by ILO rules and regulations concerning Technical Cooperation. The ILO Technical Cooperation Manual (ILO TC Manual) provides a comprehensive guidance on technical cooperation project management (PCM) and relevant rules and regulations governing each stage of technical cycle management, relevant practices and the roles and responsibilities of different ILO units in HQs and the field. These documents are regularly broadcast, available on the ILO's intranet, and accessible to all ILO officials working in the MDFANS-funded projects.

2. The ILO will accept to administer MDFANS-funded projects that finance activities that are aligned with the Government of Indonesia's reconstruction and development strategies and plans for Aceh and North Sumatra. Projects that the ILO is designated to execute should clearly demonstrate their relevance to the Indonesia Decent Work Country Programme, which provides a programmatic strategy of ILO's operations in Indonesia that has been endorsed by the Government of Indonesia, employers' and workers' organizations.

II. Scope & Responsibilities

3. The ILO adopts a Project Cycle Management (PCM) approach to ensure the relevance, efficiency, effectiveness, and sustainability of ILO's projects and programmes. The PCM sets out responsibilities and procedural steps for the design, appraisal, approval, implementation and monitoring, and evaluation of extra-budgetary technical cooperation programmes and projects. The ILO TC Manual guides ILO managers and staff hired under the MDFANS-financed projects in each phase of the project cycle.

4. The MDFANS-financed project is considered as an extra-budgetary technical cooperation project. Its management is under the responsibility of a designated ILO Responsible Official, who shall be supported by various ILO units. The Director of the ILO Office for Indonesia and Timor-Leste is delegated the

responsibility to manage the technical cooperation projects that are funded by the MDFANS.

5. The Director of the ILO Office for Indonesia and Timor-Leste has overall authority and final responsibility for project implementation and reporting, and for ensuring that the project is undertaken in compliance with the ILO's rules and regulations.

6. ILO's technical backstopping units in the ILO Regional Office for Asia and the Pacific in Bangkok and in the ILO's headquarters in Geneva are responsible for providing technical support and overseeing the consistency of project implementation with ILO technical approaches through coordination with the Director of the ILO Office for Indonesia and Timor-Leste.

7. ILO's Partnership Development and Resources Mobilization Bureau (PARDEV) provides oversight of and sets standards on the management of the project cycle. PARDEV assists ILO's technical units and the ILO Office for Indonesia and Timor-Leste in the overall process of planning and formulating projects and provides guidance on technical cooperation policy and procedures throughout implementation. PARDEV is also responsible for coordinating the appraisal phase, tracking delivery and implementation of projects and, where necessary, coordinating with donors to reallocate resources.

8. ILO's Technical Cooperation Budget Bureau (BUD/CT) ensures that financial arrangements in funding agreements and project budgets are prepared in accordance with the ILO's rules and regulations and provides advice to originating units and field offices accordingly. During implementation, BUD/CT is responsible for preparing the quarterly unaudited financial statement and certified financial statements to the MDFANS through the Director of the ILO Office for Indonesia and Timor-Leste. BUD/CT approves financial changes for any budget revisions and prepares the final financial statement.

9. ILO's PROCUREMENT Bureau (PROCUREMENT) reviews and provides guidance on implementing agency agreements, preparing procurement plans and coordinates major purchases during implementation.

10. All agreements involving technical cooperation projects-funded by the MDFANS must be reviewed by the ILO's Office of the Legal Adviser (JUR), which also provides advice on the legal aspects of cooperation between the ILO and other intergovernmental organizations, and on operational matters.

11. The Evaluation Bureau (EVAL) is responsible for setting evaluation guidelines based on the ILO's evaluation policy and for ensuring adherence to the policy. EVAL is responsible for oversight of all independent project evaluations. As such it approves the final terms of reference, selection of external consultant(s) and the final report.

III. Project Design

12. ILO's project ideas are identified based on clear needs as expressed in ILO's priorities and Decent Work Country Programmes at the country, sub-regional and regional level. Project proposals must be consistent with the ILO technical cooperation policy framework and approach as set out in relevant ILO's governance documents.

13. ILO's projects are designed using the logical framework approach. Project documents incorporate the required elements of Project Concept Note and Project Appraisal Document as specified by the MDFANS.

14. Prior to the submission of the Project Document to the MDFANS, the project documents will have received internal ILO clearances as follows:
    a. Technical endorsement from the field offices and technical departments concerned;
    b. Quality assurance through the ILO's Appraisal Mechanism; and
    c. Clearance for budget, procurement plans and associated legal agreements.

IV. Project Approval

15. Fiscal Agency Agreement between the ILO and the MDFANS for a specific project will be subject to clearance from PARDEV and JUR. The signature of the agreement is delegated to the Director of the ILO Office for Indonesia and Timor-Leste.

16. The ILO will seek an official endorsement of the Government of Indonesia for the implementation of the project as per details specified in the Project Document approved by the MDFANS.

17. Upon the deposit of project funds from the MDFANS as per the amount agreed upon in the Fiscal Agency Agreement, PARDEV will issue an Approval Minute to the Director of the ILO Office for Indonesia and Timor-Leste. The Approval Minute serves as the ILO's official approval of the project and donor agreement, and sets out binding project-specific requirements which must be adhered to during implementation.

18. The procurement of goods and services and staff recruitment will be in accordance with the prevailing rules and regulations of the ILO and in accordance with the terms and conditions as specified in the Fiscal Agency Agreement between the ILO and the MDFANS.

V. Implementation, Monitoring, and Evaluation

19. Once the project is activated, the Director of the ILO Office for Indonesia and Timor-Leste is responsible for ensuring an effective project start-up. In consultation with the technical backstopping units and the ILO Human Resources

Development Department, the Project Manager (Chief Technical Advisor or Team Leader) will be recruited. The project manager will in turn be responsible for the implementation of the MDFANS-financed projects in accordance with the Project Appraisal Document that has been approved by the MDFANS Steering Committee.

20. The project manager will carry out the day-to-day implementation and management of the project. She/he reports to the designated ILO responsible official. The role of ILO responsible official and project manager shall not reside with the same individual.

21. Project monitoring takes place both in respect to implementation and progress towards achieving outcomes and in line with guidance set out in the ILO TC Manual. All projects are to submit their finalised monitoring plan to PARDEV no more than three months after project approval.

22. ILO management will be informed of progress on project implementation, with reporting between the project manager and the ILO responsible official taking place no less than quarterly.

23. The quarterly unaudited financial statements, the quarterly Financial Monitoring Report (FMR) and the final reports will be prepared by the competent ILO units, cleared and submitted to the MDFANS according to the schedule established in the Fiscal Agency Agreement. The FMR will follow the ILO standardized template and incorporate the specific reporting requirements as communicated to the ILO by the MDFANS Secretariat.

24. All ILO projects are subject to evaluation, which must adhere to the minimum requirements set out in the ILO evaluation policy.

VII. Fiduciary Policies/Procedures

25. The ILO will manage the Grant from the MDFANS in accordance with its Financial Rules and Regulations and in accordance with the terms and conditions of the Fiscal Agency Agreement with between the MDFANS and the ILO.

26. The audit of the project's account and operations will be in accordance with ILO standards. Provisions of information to the MDFANS will be in accordance with ILO's policy on public information disclosure and the Fiscal Agency Agreement between the ILO and the MDFANS.

VIII. Project Revision and Extension and Closing Date of Extensions:

27. A substantive revision of the MDFANS-funded projects executed by the ILO will be subject to the ILO's internal review procedures prior to presentation to the MDFANS for approval. Substantive changes in the project refer to a change in the project's development objectives, scope, targets and indicators, design or alteration of the project's implementation strategy, a revision document will be

prepared for submission to the TC Appraisal Mechanism. The revision document shall describe the changes in the original document and submit for review and endorsement by the Project's national counterparts as appointed by the Government of Indonesia and the MDFANS for confirmation that the use of the funds remains consistent with the terms and conditions of the Multi Donor Fund Fiscal Agency Agreement and the decisions of the MDFANS Steering Committee on the Project.

28. Extension of a closing date for a project administered by the ILO will be processed and approved by the Director of the ILO Office for Indonesia and Timor-Leste before being submitted to the MDF for processing. The Fiscal Agency Agreement shall be amended to reflect the new closing date.

ANNEX II: MULTI DONOR FUND PCN OUTLINE

Multi Donor Fund for Aceh and Nias

Explanatory Note for the Project Concept Note (PCN) Outline

Purpose of the PCN:
The purpose of the PCN is to convince the MDF Steering Committee that the proposed project concept is relevant to the reconstruction and that it should be financed by the MDF. Specifically, a successful PCN should convince the Steering Committee that is fills a critical gap or solves a critical problem in the reconstruction.

The evaluation and endorsement of the PCN is the first step of the MDF two-tier approval process. Should the concept be considered relevant, the Partner Agency designated for this project concept shall appraise the project and create a detailed project plan. During the second stage, the Steering Committee evaluates the technical details of the project only.

The PCN, therefore, should not be filled with project implementation details, but provide an overall explanation of:

- Why is it relevant and should be financed?
- Who will do it?
- What and how will it be done? E.g. what type of activities will be undertaken?
- When will it be done?

Why did the Secretariat develop this PCN Outline?
During the Lessons Learned Workshop in May 2005, it was identified that the current PCN template was not sufficient to meet the needs of the Steering Committee. At the time, it was suggested that the Secretariat take a lead in revising this template. The template, however, was a BRR document and the Secretariat decided a better solution would be to provide an outline to guide proponents preparing a PCN on the type of information the Steering Committee requires.

How long should a PCN be?
To fulfill all the requirements set out below, but still keeping the document concise, the PCN should be no more than 10 pages.

Project Concept Note Outline

1. **Project Title**

2. **Proponent Information:** name, address, phone number, mobile number, email address of two people from the proponent's organization, as well as the name of expected Partner Agency, if different.

3. **Goal and Objective of the Project:** in one or two sentences, state the overall benefit or change this project aims to achieve.

4. **Relevance of the project concept:** this section should convincingly document why this project is fulfilling a critical gap or solving a critical problem in the reconstruction. Suggested information include:
    a. What the current state is, and how this project aims to improve that current state, and to what aim;
    b. Why this is the most appropriate forum to implement these activities and it has not been solved by other parties;
    c. A table describing all the other players in the sector, and how this project complements the other initiatives.
    d. If this is an existing project, evidence from an independent evaluation that the project has achieved good results and outcomes.

5. **Rationale for MDF Funding:** this section should be completed by the Government, detailing why they feel that the MDF is the most appropriate forum to finance this project. This section should also assess the alternative financing routes and why they were not considered appropriate (e.g. Government's own budget).

6. **Project Description:** the purpose of this section is not for a detailed project plan, but to give the Steering Committee a comprehensive set of information to understand the scope of the project and its activities and who will be doing what. In addition, the MDF has a set of 9 quality criteria in which the project will be evaluated against, and this project description should provide information on some of the criteria. At minimum, the project description should contain the following information:
    a. *Description of all project components and how they interact to reach the project objective;*
    b. *Location(s) of each component*;
    c. *Targeted beneficiary(s) of each component*;
    d. *Time duration of each component*;
    e. *Expected results and outcomes of each component*;
    f. *Implementation arrangements for each component* – in general terms, describe who is expected to be responsible for what aspect of the activity – this will be further elaborated during appraisal;

g. *Project Management Team*: expected staffing required to manage the project – to be further elaborated during appraisal;
h. *Environmental and Social Considerations* – in general terms, describe expected environmental and social impacts of the project. Further safeguards assessments needs to be elaborated during appraisal.
i. *Prioritizing vulnerable groups – women, children and the poor*: state how this project will promote the participation of women, both in its activities but also to ensure that they are prioritized as beneficiaries.
j. *Community participation and involvement*:
    i. Describe the extent to which the activities of this project have been driven by the community, if appropriate. Where the project is not community driven, indicate why this is the case.
    ii. Identify the elements of the project (if any) where community participation is essential, and how the project will facilitate that consultative process.
k. Funding Plan and Budget

7. **Sustainability and Capacity Building:** this section should describe how the project will work towards making its activities, outputs and outcomes sustainable in the short term, medium term and long term. Elements may include:
    a. Institutional sustainability;
    b. Operating and maintenance costs;
    c. Asset management (including ownership transfer);
    d. Training and capacity building;
    e. Human resources planning.

8. **Implementing Agency – Background and Experience:** in one or two paragraphs, show why the designated Implementing Agency is most appropriate organization to implement this project. For example, what are the Agency's comparative advantages and capacities in implementing all the activities of this project? Where relevant, identify areas where capacity is weak and how the organization will strengthen this capacity.

9. **Risks and Dependencies:** in one or two paragraphs, describe the broad risks and dependencies for the success of this project. For example, what are the critical factors for success, and what are the common pitfalls for failure? During appraisal, a more comprehensive risk assessment should be conducted, as well as a strategy for the mitigation of those risks.

10. **Alignment with the Masterplan and Regional Development:** in one or two paragraphs, indicate how this project concept is aligned with, and supports, the master plan and regional development as well as GOI and LG priorities.

ANNEX III: EVALUATION TEMPLATE USED BY THE SECRETARIAT TO EVALUATE PCNs AND APPRAISAL DOCUMENTS

Evaluation of Concept Proposals Submitted for Multi Donor Fund Financing		
GOI Ref. No. :	**Proponent:**	
Date Received by GOI:	**Project Name:**	
Date Received By Secretariat:		
Proposal would be ON/OFF the Government's budget	On-Budget: If funded, XX% of approved MDTFANS funding would be ON the Government's budget* *all percentage calculations exclude the 2nd phase of the housing project	
Decision-making Criteria	**0= Non-compliance 5= full compliance**	**Comments**
Responds to needs by either filling a financing gap or resolving critical issue(s) in a priority sector		
Enhances quality by tailoring good practice to local conditions, serving as a reference point and enhancing aid coordination		
Builds capacity in the short, medium and/or long term.		
Is the project driven by the community?		
Can the project be considered to alleviate poverty either directly, or indirectly? *If directly, what are specific interventions?*		
Supports good governance by controlling corruption, transparency and accountability, and stakeholder participation		
Supports environmentally and socially sustainable development		
Includes features/strategies that facilitate and encourage the involvement of women and provides them with tangible benefits		
If the activity focuses on one locality have there been any other Multi Donor Fund-financed activities in the same locality? *- If funded, how would the geographic distribution of the Multi Donor Fund portfolio change?* *- If located in a GAM-influenced area will it be conflict-sensitive?* *- Would the activity cause regional disparity?*		
Corresponds with policies and procedures that are acceptable to the Trustee		
Additional Comments (where appropriate, include risks assessment, cost effectiveness, potential for rapid implementation, and list all issues that should be raised during appraisal if not covered above) **:**		
If funded, activity would represent XX% of approved Multi Donor Fund Financing and XX% of remaining resources		
Recommended for Concept Endorsement by Multi Donor Fund Steering Committee	**(Y/N)**	**Sec Clearance for submission to TRG/SC**
	Y	**Signature** **Date**