

***Joint USINDO Open Forum with the World Bank***  
**Partnerships for Results: Lessons from Indonesia's  
Experiences in Disaster Reconstruction**



**Dr. Suprayoga Hadi**

*Deputy Minister for the Development of Special Regions,  
Ministry for the Development of Disadvantaged Regions,  
Republic of Indonesia*

**Dr. Shamima Khan**

*Manager, Multi Donor Fund for Aceh and Nias (MDF) and the  
Java Reconstruction Fund (JRF),  
World Bank*

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## **Introduction**

On April 25<sup>th</sup>, USINDO hosted a Joint Open Forum with The World Bank. Dr. Suprayoga Hadi, Deputy Minister for the Development of Special Regions, and Dr. Shamima Khan, the manager of the Multi-Donor Fund for Aceh and Nias (MDF) and the Java Reconstruction Fund (JRF), discussed natural-disaster reconstruction programs in Indonesia.

## **Opening Remarks from Dr. Barbara Harvey**

Dr. Suprayoga served as the representative from BAPPENAS (Indonesia's Planning Commission) to the Multi-Donor Fund (MDF) and Java Reconstruction Fund (JRF). He received his BA from the University of Lampung in South Sumatra and his MA in regional planning from the Institute of Technology Bandung. He got a Phd in Planning and Development Studies from the University of Southern California.

Dr. Khan managed the MDF and JRF for the World Bank. She also worked in South Sudan, Myanmar, and the Philippines. She received a Phd in economics from the University of Washington.

## **Summary of Shamima Khan's Key Remarks**

Dr. Khan explained how, after tsunamis in Aceh and Nias and the earthquake in Yogyakarta, the MDF and the JRF collected money from international donors for affected Indonesians. Combined, the two programs distributed over US \$7 billion, so victims could rebuild their communities and local economies. The Indonesian government provided one third of the money. NGOs provided another third. And the final third came from international donors. Both the MDF and JRF, according to Dr. Kahn, fulfilled their mandates: to help vulnerable Indonesians recover from natural disasters.

The MDF's and JRF's successes can provide lessons for other reconstruction efforts. Both programs pooled money from international donors and worked with local and national governments to distribute it. For instance, the JRF, using local partnerships, rebuilt 240,000 houses in Yogyakarta in only two years.

The MDF and JRF, according to Dr. Khan, focused on local peoples' needs. Both funds created jobs and upgraded infrastructure, so affected peoples could return to their livelihoods. The programs also focused on long-term goals. Unlike other short-term reconstruction programs, the MDF and JRF encouraged environmental reconstruction, institutional capacity building, information sharing, and transparency. However, with so many objectives, reconstruction efforts needed to be prioritized. The MDF and JSF did just that, Dr. Khan explained. In phase one, immediate emergency assistance was provided. In phase two, high-quality development and reconstruction projects began. And in phase three, the programs focused on improving affected peoples' welfare and livelihoods.

## **Summary of Dr. Suprayoga Hadi's Key Remarks**

Dr. Suprayoga explained how he worked with Indonesia's central government, writing up action plans for reconstruction efforts in Aceh in 2005 and in Yogyakarta in 2006. Previously, he said, the government did not have a comprehensive plan for dealing with natural disasters.

But now Indonesia has preemptive policies to mitigate the damage caused by natural disasters and to quickly respond to them when they occur. Following the Yogyakarta earthquake, reconstruction efforts used earthquake-resistant materials. That decision, Dr. Suprayoga said, paid off. In 2010, the new houses withstood a massive earthquake.

According to Dr. Suprayoga, other countries, trying to develop post-disaster reconstruction plans, are following Indonesia's example. The Indonesian model—which emphasizes partnerships between local communities, governments, and international donors—is easily adaptable. It can be applied to post-disaster reconstruction efforts around the world.

Indonesia has begun to prepare reconstruction plans for future natural disasters. It is creating a national disaster trust fund. When a future national disaster strikes, the government can use the fund to pay for assistance programs and reconstruction efforts.

Yet, despite the central government's preparations, local governments realize that they too must prepare disaster-response programs. They no longer can depend on international donors.

Most international aid, after the 2004 tsunami, dried up. The central government's trust fund only has one foreign donor: New Zealand. And without further foreign assistance, the fund will remain small. Indonesia, Dr. Suprayoga said, will remain unprepared to deal with post-disaster reconstruction efforts in the near future.

## **Question and Answer Session**

### **Commentary from Margaret Sullivan, who oversaw the construction of USINDO's school in Banda Aceh**

After the 2004 tsunami in Aceh, USINDO wanted to help with reconstruction efforts—especially regarding education—so USINDO formed a partnership with UNSYIAH University to build a high school. I've visited the school 19 times. The progress is fantastic. The school's teaching methods are sound, and the fourth graduating class just finished their examinations. The school, moreover, is locally funded. I cannot thank BRR (Indonesia's Agency for Rehabilitation and Reconstruction) enough. Its staffers cleared administrative roadblocks and gave valuable advice.

NGOs learned a lot in Aceh—in particular the importance of sticking with what they knew. Some NGOs, which had previously focused on disaster relief, tried to start reconstruction

projects in Aceh. They often struggled. Reconstruction was not their expertise. Most importantly, though, NGOs learned how to work with local communities in Aceh.

**Q: Getting funding for the MDF was difficult. There were multiple forms, and the whole process took over a year. How can the system be simplified, especially for small projects?**

Dr. Khan: The majority of funding for reconstruction projects comes from the government. MDF fills the gaps, but getting funding from the MDF, I agree, is difficult, especially for small projects. That is why the MDF usually avoids small-scale plans.

**Q: Because of climate change and the resulting rise in ocean levels, Indonesian islands are particularly vulnerable. During reconstruction, how did you account for this vulnerability?**

Dr. Suprayoga: In 2009 in the Mantawai Islands, our action plan did account for climate change. New houses, the plan stipulated, must be built away from the coast—in hilly areas twenty-five meters above sea level. In Kalimantan and Sulawesi, we also have elevated housing projects.

Dr. Khan: The big problem, though, is that these people are fisherman. Their livelihoods are attached to their coastal communities.

George Soraya (form the World Bank's Jakarta Office): Many people don't believe in climate change. We have to talk with affected communities, so they understand the consequences of rising sea levels. MDF is starting those conversations.

**Q: For Dr. Khan, your programs were successful, but how replicable are they? For Dr. Suprayoga, how is Indonesia trying to reduce the risk posed by natural disasters?**

Dr. Khan: Our programs can be used worldwide, not just in Indonesia. By emphasizing a community-based approach, our programs are adaptable, including to post-conflict areas. The MDF, in particular, is a useful model. For governments, having one funding channel—such as with the MDF—is easier. Sometimes multiple funding sources compete with each other, making reconstruction efforts more complex and therefore more difficult. I think the more streamlined a reconstruction effort the better.

Dr. Suprayoga: Bangladeshi government officials asked me for information about the MDF. They want to emulate it in their own country. Myanmar also has expressed an interest in the MDF.

Every year, the Indonesian government allocates 1% of its budget for the Disaster Risk Reduction (DRR) program. However, government funding has lessened. In 2008, the government only gave 8 trillion rupiah to the DRR. The government, along with the DRR, also needs to research climate change. It must ask: Should we try to mitigate climate

change or adapt to it? The answer is important, and it will determine how the government deals with disaster preparedness in the future.

**Q: Were the MDF loans soft loans or grants? Also, there were many organizations involved in reconstruction. Who was leading their efforts?**

Dr. Khan: We received one long-term loan from Japan for road reconstruction. But the MDF's other funding came from grants. Along with BAPPENAS, MDF coordinated reconstruction efforts. We worked closely with all Indonesian ministries.

Dr. Suprayoga: Leadership depends on the scope of the disaster. If there is a smaller, more localized disaster, the local government will take the lead. However, with larger disasters, the central government will be more involved. Regardless of who is leading, partnerships are key.

**Q: The 2004 tsunami and the following reconstruction efforts lead to a U.S.-Indonesia military partnership. How does the TNI feature into reconstruction efforts? And who in the TNI is responsible for the military's involvement?**

Dr. Suprayoga: Disaster recovery and disaster relief are different. For the first three months after the tsunami, we focused on disaster relief. Many foreign militaries were involved. Yet, around April or May 2005, we began to work on disaster recovery, and the BRR took the lead. The TNI, I must add, still helped. It worked in hard-to-access villages, working on infrastructure projects. Now the BRR and other disaster-recovery organizations work closely with the TNI.

**Q: How could an MDF model be used in other situations, aside from disaster recovery?**

Dr. Suprayoga: To combat climate change, multi-donor funds are useful. However, not many international donors are pledging money to help Indonesia mitigate or adapt to climate change's effects.

Aceh was exceptional. The tsunami devastated the province, and the international community immediately pledged to help with reconstruction efforts.

However, after the tsunami, international attention—and funding—shifted. Even AIFDR (Australian-Indonesian Facility for Disaster Recovery) is not well-funded. We are trying to remain optimistic, though. We want to become more self-sufficient. Aceh, for example, wants international donors for the Aceh Development Trust Fund. But at the moment, the fund does not have much money.

Dr. Khan: The World Bank has many funds, including ones for Sudan, Iraq, and Afghanistan. Our funds focus on health and education. In our experience, a project with one focus or goal is the most successful. Technical issues are usually not a problem. Political and institutional problems are.

**Q: What is the private sector's role? How are you going to tap into its growing resources in the future?**

Dr. Suprayoga: We spent US \$6 billion in Aceh. Half came from the government. The other half came from the private sector and NGOs. Banks and their staffs gave a lot of money, and most of the rapid-response assistance came from the private sector. TV1 and RCTV, for example, collected donations for the disasters' victims. In the DRR, we have identified three crucial actors in reconstruction efforts: the government (both local and national), civil society, and the private sector. Much of DRR's funding comes from the private sector.

Dr. Khan: The International Finance Corporation, which is run by the World Bank, helped the MDF and JRF. Many other international donors and organizations helped the DRR's work as well.

Margaret Sullivan: Three fourths of the funding for USINDO's school came from the private sector.

George Soraya: While it is a good idea, coordinating with the private sector is difficult. For instance, with housing, one guy gets a \$20,000 house. Another gets a \$5,000 house. Intra-community tensions result.