



MEMORANDUM OF UNDERSTANDING

REGARDING

**THE INDOONESIAN MULTI DONOR FUND FACILITY
FOR DISASTER RECOVERY**

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

AND

THE UNITED NATIONS

AND

THE WORLD BANK

The Government of Indonesia (referred to herein as GOI), the United Nations (referred to as "United Nations") and the International Bank for Reconstruction and Development (referred to as "the World Bank") have agreed to sign this Memorandum of Understanding ("Memorandum"), which represents a statement of intent by the Parties outlining the basis for collaboration in the implementation of Indonesia Multi Donor Fund Facility for financing rehabilitation and reconstruction of disaster recoveries in Indonesia.

Objective

1. The Indonesia Multi Donor Fund Facility for Disaster Recovery ("the Facility") will be a standing mechanism to help fund implementation of the Government's Rehabilitation and Reconstruction Action Plans (RENAKSI), or Action Plans that are formulated following disaster events considered by the Government as requiring International supports. Such RENAKSI or Action Plans are based on Government led Post-Disaster Needs Assessments conducted with support from the United Nations and the World Bank and provide the foundation for priority setting for the Facility. The Facility will initially fund disaster recovery activities for the Western Sumatra earthquake of September 2009, and thereafter disaster recovery for all future disasters affecting Indonesia that are determined by the Government as requiring International support.
2. All projects funded by the Facility would be in support of, and strictly aligned with the Government's DALA, Early Recovery Plan and RENAKSI or post-disaster Action Plans, thus ensuring full national ownership and control over implementation. They will complement government-funded recovery activities and bring strategic value in developing capacity and promoting sustainability.
3. The guiding principles of the Facility shall be twofold (i) national ownership and alignment with Jakarta Commitments and (ii) speed and flexibility in delivering results.
4. Further details governing the role and function of the Facility will be contained in operations manuals to be finalised by the Government, United Nations and World Bank.

Steering Committee and Fund Governance

5. The Facility will have one Government-led governance structure and technical review process. The Facility's Steering Committee functions as the highest level decision-making, policy dialogue and coordination entity with streamlined membership and procedures for timely decision-making on urgent needs.

6. The Steering Committee shall be chaired by the Deputy Minister of Regional Affairs, BAPPENAS, jointly co-chaired by the Deputy Minister for Development Funding Affairs, BAPPENAS and the Deputy for Rehabilitation and Reconstruction, BNPB with membership comprising echelon-I officials from the Ministry of Finance and key line ministries. The UN Resident Coordinator shall represent the United Nations as a whole and the Country Director of the World Bank in Indonesia shall represent the World Bank as members of Steering Committee. Donor membership shall be determined by the Government, in consultation with prospective donors and taking into account level of donation. Local Government officials and other stakeholders from disaster hit areas shall participate in Steering Committee meetings as observers as appropriate.

7. The Technical Committee led by the Government, with flexible design to incorporate inputs from appropriate stakeholders shall support the Facility to ensure projects are aligned with RENAKSI or Government Action Plans, including Government Regulation No. 2/2006 and related aid management policies and regulations. The Technical Committee shall ensure the technical quality of projects and compliance with established criteria.

8. Annex 1: Multi Donor Financing Scheme Structure gives an overview of composition of the governance structure and the flow of funds.

The Two Windows Modality

9. The Facility will have two separate and clearly defined funding windows: one supported by the United Nations (with UNDP as Administrative Agent) and one with the World Bank as trustee.

10. The two windows modality for the Facility will take advantage of the comparative strengths, implementation modalities and mandates of the United Nations and the World Bank to ensure maximum benefit for the GOI and a high level of coordination and synergy between the two organizations.

11. The World Bank will focus its support by way of implementation of projects by line ministries through the GOI system. The UN will focus its support by way of implementation of projects by GOI agencies, UN systems and civil society.

12. The scope of each window is as follows:

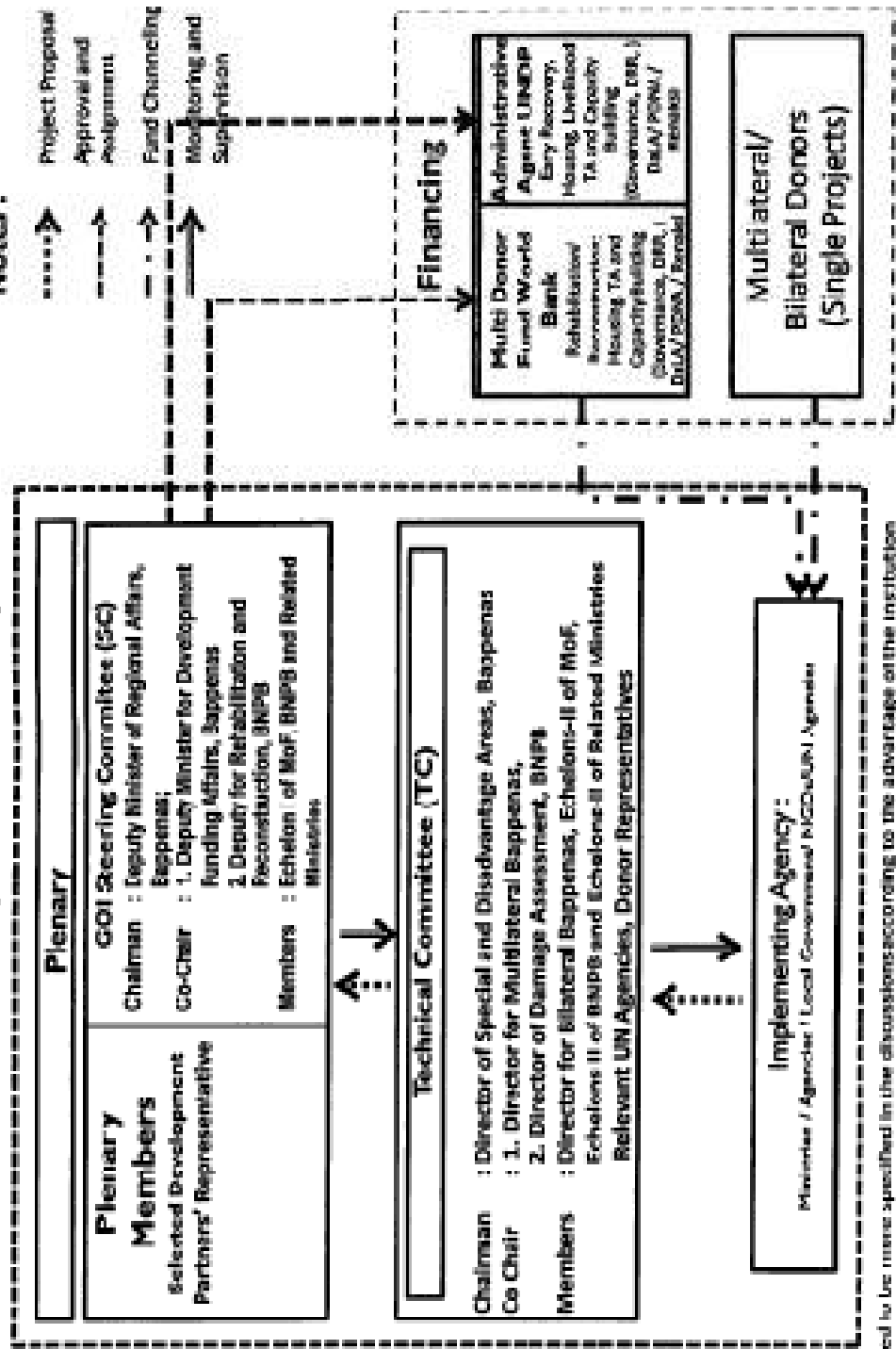
Components	UN	WB
Early Recovery : Public/Social Infrastructures (Roads, Bridges, Irrigation, Ports, Urban Infrastructure, School, hospital, etc)	X	X
Rehab Recon : Public/ Social Infrastructure (Roads, Bridges, Irrigation, Ports, Urban Infrastructure, School, hospital, etc)	X	X
Housing	X	X
Livelihood (productive/ economic sector)	X	X
TA and Capacity Building (Governance, DRR, etc)	X	X
DaLA/ PDNA / Renaksi	X	X

Allocation of funds between two windows

13. The allocation of funds from donors may be earmarked or unearmarked as follows:

- a. Donors may prefer to allocate their funding contributions between the two windows in line with the Donor's priorities, endorsed by the Steering Committee. Donors may also allocate and earmark their contributions for specific activities.
- b. Un-earmarked pledges of contributions from Donors shall be allocated into the two windows by the Steering Committee based on the results of the Post-Disaster Needs Assessment (including the Damage and Loss Assessment) and the priorities set out in the Government post-disaster action plans (RENAKSI). Donor contribution will be made into each window only after such allocations has been decided.

ANNEX 1 : MULTI DONOR FINANCING FACILITY STRUCTURE (TWO WINDOWS)



* Need to be more specified in the discussions according to the advantage of the institution

Project Selection Criteria and approval

14. The Facility will help fund projects/programs and related activities in support of the Government's RENAKSI. Proposals should meet the following criteria:

- a. Proposals should be consistent with the Government's Rehabilitation and Reconstruction Strategy in response to the needs of the citizens of the disaster affected area
- b. Proposals should enable the efficient, speedy and sustainable recovery and be completed within the life of the trust fund/ administrative agent.
- c. Proposals must comply with the administrative agent's or trustee's policies and procedures, including those for emergency operations.

15. In allocating funds within each window, a two-stage process would be adopted. First, proposals of projects and/or programmatic allocation of funds for use in relation to specific categories of activities would have to be endorsed by the Steering Committee. Second, after the proposed projects or programmatic allocation is endorsed, the United Nations or the World Bank will prepare simplified project reviews in compliance with its policies and guidelines for projects, including emergency operations.

Agreed and confirmed on 30 December 2009

United Nations	Government of Indonesia	The World Bank
 Imron Farooque Resident Coordinator a.i.	 Lukita Dinarsyah Tuwo Deputy Minister for Development Funding Affairs, BAPPENAS	 William E. Wallace Acting Country Director, Indonesia