

**PSF Joint Management Committee Meeting
PNPM Support Facility, Wednesday, January 15, 2010
09.00 – 12.00 Bappenas, Rm. SG-5
MEETING MINUTES**

Chairman:

Prasetijono Widjojo - Deputy of Bappenas for Poverty, Manpower and SMEs, Head of JMC

Attendees:

Endah Murniningtyas, Vivi Yulaswati, Sidik Permana (Bappenas)
Tor Tobing, Zaki Asfan, Shabhan, Gunawan AS (Ministry of Finance)
Magdalena (Coordinating Ministry for Social Welfare)
Fatimah S Nasution (Steering Committee of PNPM Mandiri)
Scott Guggenheim, Kate Shanahan (AusAID)
Lars Gronvald, Nur Isravivani (EU)
Onno Koopmans (Netherlands Embassy)
Gerard Howe, Lanny Jauhari (DFID)
Jan Weetjens, Threesia Siregar, Jeremy Foster, Christine Panjaitan, Yoko Doi, Ai Ragatz (World Bank)

I. PNPM MANDIRI PROGRAM UPDATES

1. Pak Prasetijono called the meeting to order, provided an overview of the agenda items scheduled for discussion, and proceeded to give an update on the status of the PNPM-Mandiri program as a whole. The information presented is included in the slides attached to these meeting notes, and is summarized as follows:
2. 2014 Economic growth, Unemployment, and Poverty rate targets as presented in the Government of Indonesia's (GOI) National Medium-Term Development Plan (RPJM).
3. Identification of 'Poverty Alleviation' as one of the 11 National Priorities in the RPJM and 3 National Policy Directions directly related to this priority:
 - A. Making growth more pro-poor - Priority 7
 - B. Enhancing the quality of policy and poverty reduction program (affirmative policy) – Priority 4 (discussed in greater detail below)
 - C. Improve the effectiveness of poverty reduction at the local level, especially in the development of disadvantaged, remote, and border areas – Priority 9.

4. Budget allocations for and number of sub-districts covered by PNPM-Mandiri's 5 Core Programs: PNPM-Rural, PNPM-Urban, PNPM Rural Infrastructure, PNPM-RISE, and SPADA. Information was provided for 2009 actual funding/coverage and planned funding/coverage for 2010.
5. Sustainability Challenges faced by PNPM-Mandiri (discussed in greater detail below)
6. A report on funding committed and received to date (as of 12/31/09) from the four donors currently contributing to the PSF Trust Fund – The Netherlands, AusAID, DANIDA, UK-DFID.

Regarding this slide, Onno (The Netherlands) reminded all attendees that the level of funds received to date (vis a vis their agreed-upon commitments) should be interpreted in part as a reflection of the varying fiscal cycles under which the four donors operate and are permitted to allocated funds. It was stressed that concerted efforts need to be made on behalf of the World Bank –as Trust Fund administrator – to ensure that funds received from the donors are on-granted and replenished in an equitable manner.

7. A report was provided on the approved funding levels and actual funding to date (as of 12/31/09) for PNPM's Support and Pilot Programs.

II. PNPM MANDIRI EFFECTIVENESS/SUSTAINABILITY DISCUSSION AND STRATEGY DEVELOPMENT PLANS

8. Following Pak Prasertijono's update on the PNPM-Mandiri program as a whole, a discussion was held regarding what steps need to be taken to: a) Enhance the effectiveness of PNPM-Mandiri, and b) ensure that necessary measures are in place to support the sustainability of PNPM-Mandiri.
9. One of the 3 Policy Directions presented in the RPJMN 2010-2014 to address the national priority of 'Poverty Alleviation' is: "Enhancing the quality of policy and poverty reduction programs (affirmative policy). One of the specific foci of this direction is to enhance the effectiveness of PNPM-Mandiri. In order to do so, the JMC must identify plans for:
 - A. Improving the quality of PNPM-Mandiri implementation (management, MIS, facilitators, community institution, governance, etc.)
 - B. Improve management, planning, and monitoring capacity at the local level (village and sub-district)
 - C. Integration of PNPM-Mandiri other programs (including mainstreaming the participatory planning into the Musrenbang process) at the local level.
 - D. Focusing interventions and increasing effectiveness at the poorest sub-districts.

10. In discussing these issues regarding PNPM-Mandiri's effectiveness, five broad challenges were identified:
 - A. Management of Information Systems (MIS) – particularly improvement of data management and measuring of performance indicators at central and local offices.
 - B. Limited capacity of facilitators as well as heads of villages and sub-districts to integrate community plans with government planning process.
 - C. Limited capacity of local technical offices (Dinas) to ensure that the results of community priority setting exercises influence the planning of service delivery at the district level
 - D. BKM and UPK (community self-help organization) existence and further improvement.
 - E. Many poor people – residing in both poor and non-poor parts of the country – are not being sufficiently assisted by PNPM-Mandiri.
11. A general consensus was reached by all JMC members that a more detailed strategy needs to be developed to address these challenges – specifically indicating how PNPM-Mandiri is reaching the 10-15% of Indonesia's population currently living below the poverty level. In order to design this strategy, thorough analytical work needs to be conducted related to the social and managerial issues related to these challenges.
12. The discussion further elaborated on the need for interventions and the PNPM-Mandiri strategy to:
 - A. Address capacity issues and inter-linkages between community beneficiaries, local government institutions, and facilitators;
 - B. Build on the existing work of Bappenas' "Pro-Poor Planning, Budgeting & Monitoring (P3BM) program;
 - C. Link PNPM-Mandiri activities with other sectoral programs, especially to link between PNPM Mandiri as cluster 2 of poverty reduction programs to those in cluster 3;
 - D. Explore the extended role of the PSF in supporting Clusters 1 and 3 as well as Cluster 2;
 - E. Identify, at the macro-level, what sort of administrative changes need to be recommended to support PNPM facilitators and initiatives, and ensure their capacity to bring community needs are acknowledged by the various government sectors (channeling).
 - F. Proposed policy framework recommendations which will lead to a supportive authorizing environment for PNPM.
 - G. Capacity implications on the PSF Technical Secretariat and additional staffing needs should the PSF's role be expanded to support larger poverty reduction initiatives.
 - H. It needs to soon develop phasing-out strategy of PNPM Mandiri as the local government will play bigger role in the future in poverty reduction programs.

13. **Action:** It was determined that the PSF Secretariat would form a small Working Group to develop a document outlining all the issues which need to be incorporated in a comprehensive strategy for PNPM-Mandiri. Subsequently, a workshop will be held with JMC members and leading experts on the development of a strategy document for PNPM-Mandiri. The PSF Secretariat will develop the TOR for this workshop.

III. SUPPORT TO INDONESIA'S POVERTY PROGRAM

14. In light of the decision to place the overall coordination of Indonesia's Poverty Program in the Office of the Vice President, pak Pras submitted the question to the JMC whether it should expand its mandate to include also Clusters 1 (support to households) and 3 (support to micro, small and medium enterprises). All participants agreed this would foster consistency, synergy, and complementary between the efforts in various clusters. Nevertheless, some concern was expressed regarding the capacity of the current Technical Secretariat to support decision making for all three clusters.

IV. PSF STAFFING

15. Jan provided an update to the JMC on the status of filling vacant positions within the PSF.
 - A. **Senior Social Development Specialist** (Susan Wong's former position). Recruitment began in the July-August 2009 but no suitable candidates were identified – it has been difficult to find people with strong skills in both analytic work and operations. The TOR has been subsequently revised and re-advertised, and several viable candidates have expressed interest. Realistically, it is not expected that this position will be filled on a full-time basis within the next 5 months. In the mean time, a World Bank staff member will join the PSF to provide the necessary assistance.
 - B. **PSF Window 3 Manager.** The PSF has identified potential candidates for this STC position for phase 1 of this Project. (TOR attached to and approved with the PSF Window 3 Proposal). Interviews for this position will occur between February 9 - 13.
 - C. **Generasi Operations Officer.** The PSF has identified potential candidates for this position. Interviews for this position will occur between January 25 – February 5.
 - D. **SPADA Operations Officer.** The PSF is currently developing the TOR for this position, and anticipates holding interviews during the first half of February.

16. Scott (AusAID) requested that the PSF Technical Secretariat provide for the JMC's review a PSF Staffing Plan, indicated all those positions the PSF Trust Fund will be supporting for calendar year 2010. Pak Pras indicated that it would also be helpful in developing the strategy for PNPM-Mandiri if the PSF Technical Secretariat could indicate what additional staff would be needed for 2011 onwards should the role of PSF be expanded.
17. **Action.** The Technical Secretariat is currently developing a comprehensive staffing plan. This will be submitted in February/March for discussion with JMC members.

V. PSF PROJECT PROPOSALS

18. Prior to the JMC meeting, three Project Proposals were circulated to the JMC members for review and comment. These proposals were reviewed in line with the guidance provided by the JMC during its October 15, 2009 meeting. **A consensus was reached that the following 3 Project Proposals were approved by the JMC, pending the following revisions:**

A. PSF Window 3 – PNPM and Civil Society.

- i. Proposal should indicate that once the Window 3 Grant Selection and Operational Procedures are finalized (Phase 1 deliverables of the project) they are subject to JMC review *not* just PSF Technical Committee Review.
- ii. Some indication should be given regarding the proposed funding for Phase 2 of the Project *not* just the estimated funding for Phase 1. It was agreed that \$3 to 4 million would be an appropriate amount to test the mechanisms developed during Phase 1.

B. PNPM Revolving Fund Capacity Building and Sustainability Project

- i. Objective(s) should clearly relate the proposed activities to supporting poverty alleviation in Indonesia.
- ii. The Project's 'long-term strategy' activity should clearly indicate RF's role in supporting poverty alleviation.
- iii. Some explanation should be provided regarding the size of the initial operating costs during the first year.
- iv. Some explanation should be given (or revision should be made) regarding the need for so many international consultants/staff to support the Project, rather than local consultants/staff.

C. **PNPM MIS Phase 2**

- i. More clear indication should be given regarding what activities have already been achieved through Phase 1 of this Project, compared to what will be achieved through Phase 2.
- ii. The section titled “PSF JMC Approval Sought” on the title page should be revised to accurately state that this Project Proposal is seeking approval for both Component 1 and Component 2 activities of Phase 2 of this Project.

19. **Action:** The PSF Technical Secretariat will make the revisions indicated above to the Project Proposals. The Project Proposals will then be circulated as ‘final’ to the JMC members, and the World Bank will proceed with allocating necessary funds from the PSF Trust Fund to finance these activities.

20. Although not discussed in detail, there are two other Project Proposals which are currently being developed at PSF Technical Committee Level and are not yet ready for JMC review:

- A. **Local Government Capacity Building**
- B. **PNPM Community Facilitator Training**

Action: Around the end February, the PSF Technical Committee will call two separate meetings to discuss these proposals.

VI. CLARIFYING PSF MANAGEMENT STRUCTURE, DEFINITIONS, AND PROJECT PROPOSAL PROCEDURES

21. Prior to the JMC meeting, members reviewed a draft document outlining the members/chairs roles and responsibilities of the various PSF Groups; Definitions used in the PSF Operations Manual and Donor/World Bank Administration Agreements; and procedures to be followed for developing a new Project Proposal to be reviewed by the JMC. The purpose of the document was to ensure that:

- A. All JMC members were clear and agreed on the operational procedures/practices of the JMC.
- B. Procedural language was aligned between the PSF Operations Manual and the Donor/World Bank PSF Trust Fund Administration Agreements

22. In general, JMC members found the document to be useful and proceeding in the right direction to outline PSF structure and procedures. It was determined that the document, once finalized, could serve as framework for updating the PSF Operations Manual – which has sections that could benefit from more clear elaboration. The JMC members indicated that along with outlining the Project Proposal development procedures, an updated Operations Manual (OM) should also address the following:

- A. Transparency and disclosure -- Who owns PSF documents, and what are the disclosure requirements? OM should include a clause that says that any document produced using PSF funds must be available to PSF donors.
 - B. Membership – Clarify the procedures that should be followed for new members/donors joining the JMC.
 - C. Funding transfers -- Language in the current draft document only specifies either GOI or WB-executed activities. However, OM should indicate procedures followed for UN and other multilateral (through FAAs) and also bilateral agency execution where they have a recognized comparative advantage.
 - D. Proposal generation -- The current language does not specify any link between PNPM strategy and funding proposals. But this link is fundamental. The PSF should not open the door to unsolicited proposals -- the basic idea is that most proposals should be commissioned following PSF discussion of the strategy.
 - E. Reporting– A section should be added addressing the reporting requirements of various interlocutors.
 - F. Due diligence – A section should be added what would be the recourse in case various interlocutors fall short of their commitments (e.g. inefficiencies in Technical Secretariat, delays in reporting by executing agencies, etc.)
 - G. Decision making --As the membership of the JMC expands, there is more scope for honest disagreement about issues. To avoid gridlock, a proposal should be made to allow decision making in the absence of consensus (e.g. 2/3 majority).
 - H. JMC’s Role in Monitoring Program Activities. Indication should be made that the JMC plays a role in monitoring PSF activities.
 - I. Virtual Review/Decision Making. Further explanation should be provided regarding procedures for virtual reviews of Project Proposals and decisions making (via e-mail).
 - J. JMC Role in World Bank’s selection of CSOs as grant-recipients. Further discussion needs to be provided regarding whether or not a JMC member can veto the World Bank’s decision regarding the selection of a CSO grant recipient.
23. **Action:** The PSF Secretariat will incorporate the comments received from the JMC into a draft update for the PSF Operations Manual. Once a draft document

is produced and disseminated, a Working Group meeting will be called for representatives of all JMC members to discuss any outstanding issues and to finalize the document. Once an updated PSF Operations Manual is approved by the JMC, the World Bank and donors will proceed with making any necessary amendments to the Trust Fund Administration Agreements.

VII. PNPM-MANDIRI PROGRAM PERFORMANCE REVIEWS

24. A number of evaluations have either been finalized, or are currently being completed. These include among others the baseline of the PNPM Rural Program, the impact evaluation of the PNPM Urban Program, and the first impact evaluation of the Generasi pilot. While it was possible to find measurable impact in poor kecamatans and health (Generasi), such impact was not demonstrated in less poor kecamatans, in urban areas, or education (Generasi). A workshop will be organized in February to review these documents and their findings and to discuss what can be learned from these evaluations with regard to (a) the design features of the PNPM programs to maximize their impact; and (b) the design of the impact evaluations.

VIII. PSF ANNUAL REPORT

25. JMC members emphasize the importance of timely reporting on the program implementation status to ensure full transparency and adequate oversight. It was agreed that the Technical Secretariat would produce the relevant data and information in a single report. This would allow JMC members to obtain the necessary information to report in turn to their respective authorizing environments.
26. **Action:** The PSF Technical Secretariat will circulate virtually outline of the PSF Annual Report to seek inputs to determine what type and level of detail is necessary to include in the Report.

IX. AusAID's PLANNED ENGAGEMENT WITH PNPM-MANDIRI

27. AusAID briefly discussed their plans for supporting PNPM-Mandiri through 2014. The agency's "Program Summary and Implementation Document" (attached) describes AusAID's proposed budget (A\$215 million) for supporting PNPM-Mandiri over the next five years. The document outlines the rationale behind their participation, and five general areas they will focus with their support:
 - A. Strengthening Apex Management
 - B. Monitoring and Evaluation
 - C. District Capacity Development
 - D. Community MDG Performance
 - E. Access to Finance

X. UPDATE ON FRAUD CASES IN PNPM-RURAL AND MITIGATION SYSTEMS.

28. Although not discussed in detail, Jan indicated that the Technical Secretariat was preparing a short note providing an update on recent fraud cases within PNPM-Rural and mitigating measures to address them. The PSF Secretariat will circulate the note to all JMC members and organize a discussion around it.