



REPUBLIK INDONESIA
KEMENTERIAN NEGARA PERENCANAAN PEMBANGUNAN NASIONAL/
BADAN PERENCANAAN PEMBANGUNAN NASIONAL

Jakarta, February 2011

No. : 1327/D.III/02/2011

Att : 1 (one) package

To :

[Members of PSF Joint Management Committee (please see the list attached)]

Re : Minutes of PSF Joint Management Committee Meeting

First of all, I would like to thank to all the JMC members for your participation. I really appreciate your valuable inputs and comments in our meeting on February 10, 2011. As agreed, minutes of the meeting will be distributed to all members. Please find attached the minutes of meeting. In the meantime, the revised TOR/Concept Note of new activities proposed to the PSF will be distributed soon for your further comment and final approval.

We thank you for your kind attention.

Sincerely,

Deputy of Bappenas for Poverty, Manpower and SME
as Head of Joint Management Committee of PSF


Ceppie K. Sumadilaga

PNPM Support Facility (PSF) Joint Management Committee (JMC) Meeting

Attachment

List of invitees of PSF's Joint Management Committee Meeting

February 10, 2011

1. Country Director, World Bank Indonesia
2. Deputy of Ministry of Social Welfare for Coordination of Poverty Reduction
3. Directorate General of Treasury, Ministry of Finance
4. Directorate General of Budget, Ministry of Finance
5. Directorate General of Debt Management, Ministry of Finance
6. Deputy of Bappenas for Development Financing
7. Mr. Prasetijono Widjojo, Deputy of Bappenas for Economic Affairs
8. Ms. Endah Murniningtyas, Deputy of Bappenas for Natural Resources and Environment
9. Mr. Jan Weetjens, Head of PSF Secretariat
10. Ms. Vanya Abuthan, Representative of Ausaid for the PSF
11. Mr. Lars Eskild Jensen, Representative of Danida for the PSF
12. Mr. Gerard Howe, Representative of DFID for the PSF
13. Mr. Onno Koopmans, Representative of Netherland Embassy for the PSF
14. Mr. Andreas Roettger, Representative of European Union for the PSF
15. Mr. Michael Nehrbass, USAID.

February 10, 2011

Chairman: Bapak Ceppie K. Sumadilaga, Deputy of Bappenas for Poverty, Manpower and SME

Co-chair: Jan Weetjens, Head PNPM Support Facility

Participants: attachment 1

Agenda:

1. Update on PNPM 2011
2. Update of PSF activities
3. Discussion of new project proposals

I. Update on PNPM 2011

The Chair presented an overview of PNPM, noting the national coverage and budget of over Rp. 13 trillion to the Government of Indonesia's (GoI) five core projects: PNPM Rural, PNPM Urban, PNPM RISE, RIS PNPM & PPIP, and PNPM P2DTK. Highlights of the presentation (attachment 2) and ensuing discussion follow.

- a. Disaster Management Support. Bappenas confirmed that PNPM, through PSF-financed grants, will support disaster management efforts for Merapi and Mentawai areas.
- b. Status of PNPM-Rural III. The World Bank's (WB) project implementation rating for the PNPM-Rural III is (moderately) unsatisfactory. This is due to poor coordination among implementing bodies, lack of clarity of budget sources and allocations, rapid scale-up of the project (from 2008 to 2010, the number of sub-districts increased by 67%), and stretched capacity of the executing agency (led to reduced technical and fiduciary oversight). The co-chair noted positive direction on implementation improvement. Positive progress on agreed action plan between the GoI and WB to solve the root problems of the project's implementation will upgrade implementation rating. This will allow the continuation process of the PNPM-Rural IV loan preparation and additional financing for the PSF-financing Disaster Management Support and Generasi. (see attachment 3, slide 3, for detailed information)
- c. PNPM Road Map. The Chair highlighted three areas that need continued attention: (i) increasing the focus on poor areas while maintaining national coverage; (ii) accelerating program harmonization at community level; and (iii) strengthening program management and oversight systems. Coordinating Ministry for Social Welfare (CMFSW) concurred and noted that it is vigilantly strengthening fiduciary and anticorruption efforts at the grassroots level with plans to implement a fiduciary action plan and train local level attorneys. CMFSW also mentioned the need to strengthen covenants from the central government to local governments. The meeting also noted the importance of local government capacity for the success of PNPM, especially as the President has committed to decentralizing PNPM post 2012. As such, it was strongly encouraged by CMFSW that PSF have a roadmap beyond 2012.

- d. PNPM and Poverty Reduction. The Chair noted PNPM's positive impact on consumption, transition out of poverty, access to health and education, and employment, but also highlighted areas where impact has been less robust, including female headed households with no education and less poor sub-districts. While recognizing that PNPM's popularity as the Gol's flagship poverty program, he noted the importance of ensuring appropriate linkage of supporting activities to the main PNPM.

Other key point from the discussion:

- e. CMFSW reminded the meeting that the PSF was created in December 2007 to consolidate development partner assistance to support PNPM and to reduce overlap and increase reach. The PSF was also established to fill the gap in which the regular program of PNPM still can not reach e.g. marginalized groups etc. CMFSW also considers Window 3 "PNPM Peduli", which will reach marginalized groups not benefitted by the core PNPM projects, as a vital part of the PSF moving forward.
- f. CMFSW recognized the need for greater clarity of the roles of the institutions involved in PNPM Mandiri, including differentiation between those responsible for policy making and implementation.

II. Update of PSF activities

The co-chair updated the participants on (a) PNPM-Rural III implementation; (b) PNPM strategic directions; (c) PSF disbursements; and (d) PSF staffing.

- a. PNPM-Rural III implementation. As mentioned above, the co-chair noted positive indications that progress being made on an agreed upon action plan between the Gol and WB to address the root causes of the project's implementation issues will lead to an upgrading of the implementation rating allowing for preparation of PNPM-Rural IV as well as processing of the additional financing for the PSF-financing Disaster Management Support and Generasi. (see attachment 3, slide 3, for detailed information)
- b. PNPM Strategic Directions. The co-chair reminded the JMC that a Strategic Directions Discussion Note was circulated to the committee on January 16, 2011 and invited meeting participants send comments. The note proposes five areas of focus: (i) integration of various CDD programs within "Cluster 2"; (ii) adjustment of the core PNPM model to different kinds of poverty across Indonesia's diverse regions; (iii) continued efficiency gains; (iv) bringing the social capital created through PNPM to bear to strengthen the downward accountability of local government; and (v) strengthening the "handshake" between PNPM and sector service delivery. A workshop to discuss the Strategic Directions note is tentatively planned for March 9.
- c. PSF Disbursements. Cumulative disbursements from the US\$90 million approved and allocated total about US\$36 million. The co-chair explained the that slow disbursements during the first two years of the PSF's operations, which totaled about US\$6.9 million, were largely related to a combination of factors, including long approval processes and incorporation of some of the project funding into the DIPAs. The significant uptick in disbursements in 2010, which were just over \$29 million, is partly a reflection of the Secretariat learning to more effectively navigate the approval process, the implementation stages of the ongoing projects, and the strengthening of staff. The Secretariat

expects a continued robust disbursement scenario. Based on the JMC's approval of the PNPM Generasi 2nd installment and the Global Financial Crisis Supplement to PNPM-Rural III project proposals and the approved Disaster Management Support fund, the Secretariat anticipates additional disbursements of about US\$90 million by June 30, 2011.

- d. PSF Staffing. The co-chair announced that two senior World Bank officials will join the PSF Secretariat: Mrs. Susan Holste, who is currently helping the Government of Afghanistan manage its national community driven development program; and Mrs. Natasha Hayward, a Senior Social Development Specialist, who recently joined the PSF team and will lead the preparation of PNPM-Rural IV. The Secretariat is also recruiting for key positions to support financial management, local government, PNPM Peduli, and Green PNPM.

The co-chair, along with staff from the PSF and Bappenas, also gave an update on the following PSF activities: PNPM Generasi; Green PNPM; PNPM Mandiri Revolving Loan Fund (RLF) Capacity-Building and Sustainability Project; Local Government Capacity Development; PNPM Peduli; Monitoring and Evaluation; PNPM-Rural Impact Evaluation: Key Findings; Study on Urban Poverty and Process Evaluation of the Urban Program; Training of Inspektorat Kota/Kabupaten in PNPM Mandiri Perkotaan FY 2010-2011; Integrated Management Information System (MIS) for PNPM Mandiri –SIMPADU (Phase 2); and the 2010 Annual Report. The updates are included in attachment 3.

Key points that ensued the discussion:

- e. There is a financing gap of approximately US\$3.5 million between the current amount of available PSF funding and the new proposals (inclusive of the Disaster Management Support Fund approved by the JMC in December 2010). Presuming all the proposals are approved by the JMC, AusAID announced it would cover the financing gap.
- f. Regarding the 2010 Annual Report, the Secretariat was asked to: ensure results focus and include a more detailed breakdown of the recipient executed activities, which distinguish who the executing agencies for the respective projects are.
- g. Regarding Green PNPM, CMFSW asked if there are any available studies of the project available. They also commented that the project should be linked to Gol ministries and suggested the project should be graduated from its pilot phase.
- h. Regarding PNPM Generasi, CMFSW noted that some of the funds were still in the UPKs while at the same time new fund coming. This needs intensified supervision of the project.
- i. Regarding the RLF, the project team sought JMC input about expanding the geographical reach of the project by adding two off-Java provinces and commencing the project implementation for PNPM Mandiri Urban RLFs. The JMC approved pending a report of progress to date on phase 1 of the project.
- j. The participants appreciated that update on recent and planned evaluations. Danida noted the importance of operations and maintenance of the infrastructure works and suggested the possibility

of evaluating structures built under PNPM and its predecessors the Kecamatan Development Program (KDP) and Urban Poverty Program (UPP).

- k. Regarding the PNPM-Rural and PNPM-Urban loans, the participants were appreciative of the collective efforts being made to strengthen fiduciary systems and advancements on addressing fraud and corruption (e.g. and mentioned above, CMFSW's progress at the grassroots level and MoHA's progress on an agreed action plan).
- l. There was consensus on the need to the strengthen MIS and facilitators both through the project loans and the PSF.
- m. As touched upon in the first session, the participants emphasized the linkages between local government and sector issues, and expressed interest in further analysis on the linkages.
- n. Regarding the role of the PSF:
 - i. It was reiterated that the role of the PSF is to support the Gol's community empowerment strategy, which addresses poverty at the community level and of which PNPM Mandiri is the Gol's main instrument.
 - ii. There was consensus among development partners that they do not want to be involved in the day-to-day activities of the Secretariat. There was also agreement that the Secretariat has in place processes to manage the day-to-day activities, and is supported by an Operations Manual that was agreed to by the JMC. The processes include the thorough review by technical committee (whose members are non-executing agency of government ministries and the World Bank led by Bappenas), of project proposals before submission to the JMC.
 - iii. On reporting, there was consensus on the importance of ensuring that all partners feel sufficiently informed. The co-chair noted that the Secretariat will continue to strengthen personal contacts with JMC members and move towards more informative quarterly reviews, which currently are financial. The co-chair noted to improve the PSF's website as one of the media to share the information to the JMC members.
- o. Regarding the new project proposals, many of them are the new ones. While it is understandable, the AusAID ask the Secretariat to give explanation how is the status of proposals that already approved before but not executed yet i.e. facilitator training. This should be taken into consideration in terms of management capacity which already shows very slow disbursement.

III. Discussion of new project proposals

As the first two discussions had lasted longer than anticipated and there was no time remaining for a discussion of the proposals, it was agreed that the proposals would be re-circulated and JMC members would provide comments and that the proposals would be adjusted accordingly before final circulation for JMC members vote. The Netherlands representative noted that the Operations Manual referenced that project proposals should include results indicators. As such, the Secretariat will work with the

Technical Committee of the JMC to include appropriate indicators before re-circulating for JMC members to comment.

Attachment 1. List of Participants

1	Ceppie K. Sumadilaga	Bappenas
2	Jan Weetjens	PSF
3	Lars Eskild Jensen	DANIDA
4	Gerard Howe	DFID
5	Onno Koopmans	Netherland
6	Petrarca Karetji	AusAID
7	Michael Nehrbass	USAID
8	Erik Habers	EU
9	Nur Isravivani	EU
10	Vanya Abuthan	AusAID
11	Sujana Royat	Kemenkokesra
12	Rudy S. Prawiradinata	Bappenas
13	Vivi Yulaswati	Bappenas
14	Partono	DJPU
15	Mahmud Ashari	DJPU
16	Sidik Permana	Bappenas
17	Prasetijono Widjojo	Bappenas
18	Fatimah Sari Nasution	Kemenkokesra
19	Hadi Santoso	Kemenkokesra
20	Jeremy Foster	PSF
21	Natasha Hayward	PSF
22	Kevin Tomlinson	PSF
23	John Voss	PSF
24	Yoko Doi	World Bank
25	Jeremy B Foster	PSF

26	Dewayani Diah Savitri	PSF
27	Fajar Pane	PSF
28	Ronald Kim	PSF
29	Desy Mutialim	PSF
30	George Soraya	PSF
31	Hans Antlov	PSF
32	Annika Sila Leander	PSF
33	Evi Hermirasari	PSF
34	Gerda Gulo	PSF