

**PNPM Support Facility (PSF)  
Joint Management Committee (JMC) Meeting  
April 10, 2012**

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

**Co-Chair:** Jan Weetjens, Head of the PSF, World Bank

**Participants:** See attachment 1.

**Agenda:**

A. Update to the JMC

- a) PNPM Roadmap
- b) PNPM Pusaka
- c) Governance and Anti-Corruption Initiative
- d) Strategy for Revolving Loan Funds

B. Discussion of New Proposals

- a) 3<sup>rd</sup> installment for PNPM Generasi
- b) 2<sup>nd</sup> installment for PNPM Peduli
- c) Creative Communities 2
- d) Village Learning
- e) Pro-Poor Planning Budgeting and Monitoring
- f) Technical Assistance to KPDT

C. Other Issues

- a) PSF staffing and institutional arrangements
- b) Public Diplomacy for PNPM

D. Conclusions

## **A. Update to the JMC**

### **a) PNPM Roadmap**

*Pak Sujana* informed JMC members that the preliminary draft of the PNPM Roadmap is now ready for review. A series of public/stakeholder consultations is being planned. The *Pokja* expects that all stakeholder inputs will have been incorporated into a final draft by October 2012, for submission to the Vice-President for endorsement.

Key Roadmap principles include: (i) continued focus on poverty alleviation; (ii) inclusive development; (iii) accountability of service delivery; and (iv) continued strengthening of local capacity. The components include: (i) a renewed emphasis on PNPM as an instrument for economic empowerment; (ii) a phased approach to further integrate PNPM programs; and (iii) a focus on building local capacity and a broad social base for PNPM - to ensure the program's long-term sustainability, regardless of political cycles, and its legacy in the form of robust community institutions which can hold local authorities and service providers accountable. The Roadmap will extend beyond 2014, and thus serve as an input for the next administration.

JMC members reiterated that the timely conclusion of the roadmap discussions would provide the Government and the JMC with a key tool to prioritize investments and to identify which, among the many proposals that are put forward for support by various partners, are best suited to help achieving the Government's objectives for Cluster 2. Without a clear roadmap, it would be very difficult to ensure strategic relevance in the Cluster 2 budget allocations, or in the portfolio of projects and analytical work supported by PSF. Development Partners indicated their support for the overall vision articulated by *Pak Sujana*, and requested guidance on how they could best contribute to bring the Roadmap discussions, which have been ongoing for more than two years now, to closure.

Conclusions:

- *Pokja Pengendali* will circulate the draft PNPM Roadmap powerpoint to the JMC members, and confirmed that the best venue to express support and provide further input would be the upcoming stakeholder consultations.

### **b) PNPM Pusaka**

The *Pokja Pengendali* team presented a concept for a pilot project to support community-led heritage conservation and promotion activities under the PNPM umbrella. Such a project would not only develop the social and cultural capital of local communities but also generate livelihoods benefits (e.g., through increasing the revenue of the sale of local handicrafts). The project would be executed by civil society organizations (CSOs) in two phases – a small-scale pilot followed by a roll out.

The JMC welcomed the initial idea, but encouraged the team to take the following feedback into account when developing the proposal: (i) the need to strengthen links with PNPM's livelihoods/poverty agenda; (ii) limiting the burden placed on PNPM, as current processes are already overstretched; (iii) using the PNPM Peduli model for on-granting to CSOs; and (iv) ensuring that the proposal would be tailored so that it can eventually reach national coverage.

## Conclusions:

- The JMC requested that, in line with the standing procedures, a proposal be prepared and submitted for review to the Technical Committee before submission to the JMC for approval. The proposal should clearly articulate how “PNPM Pusaka” would support communities’ livelihoods or create labor days.

### c) Governance and Anti-Corruption Initiative

*Pokja Pengendali* presented briefly the three components of its Governance and Anti-Corruption Initiative: (i) a partnership with KPK for zero tolerance for corruption in PNPM; (ii) mainstreaming of justice; and (iii) complaints handling mechanism. The design of the initiative is still in an early stage, and will be informed by further consultations. No funding is requested from the JMC.

The JMC welcomed the attention to the governance agenda but emphasized the importance of ensuring that it contributes to a synchronization of systems rather than to their proliferation. JMC members raised a concern on the proposed launch of a new SMS number for complaints, which may duplicate existing SMS gateways for PNPM Rural and Urban and create confusion among community members. The JMC members recommended that instead of launching a new SMS gateway *Pokja Pengendali* may consider developing an interface to aggregate data on complaints from existing project complaints handling mechanisms, and thus support high level follow-up.

## Conclusion:

- *Pokja Pengendali* will intensify technical consultations with all relevant stakeholders to flesh out the initial design of its Governance Initiative, and ensure it does not duplicate but rather links with and complements existing governance work.

### d) Strategy for Revolving Loan Funds (RLF)

After clarifying the scope of the RLF capacity-building project, the World Bank/RLF team presented findings from an independent assessment of RLFs operating under PNPM Rural and PNPM Urban (sample of 508 RLFs). Key findings include: (i) RLFs have contributed to financial inclusion of poor households; (ii) but there is a widespread perception among borrowers and community leaders that “loans” from RLFs are effectively “grants” from the government. (iii) There are major governance issues and the management capacity is weak; and (iv) the financial performance of RLFs varies widely, with PNPM Rural RLFs substantially better performing than Urban and Java significantly better performing than West Sumatra and NTT. The assessment concludes that less than half (45%) of Rural RLFs and only 15% of Urban RLFs are potentially sustainable.

Based on these findings, the RLF team proposed some immediate actions, including: (i) issuance of a technical guidance or policy changes in the SOPs/PTOs for the PNPM Rural and Urban projects; (ii) development of user-friendly guidelines and “easy-to-understand” manual for loan classification and loan loss provisioning; (iii) improvements to loan processing efficiency to reduce idle funds; (iv) simplification and streamlining of existing RLF rating tools.

Looking forward, the RLF team proposed a dual strategy and differentiated approach to build the capacity of sustainable and potentially sustainable RLFs (Strategy A) and non-sustainable RLFs (Strategy B), with the following key elements:

- Strategy A: Strengthening the efficiency and sustainability of RLFs that are performing relatively well. Through: (a) Capacity building; (b) clarification of the legal status; (c) improvements to the MIS and to supervision; and (d) establishment of linkages with commercial Banks.

Under this strategy, Block Grant (BLM) funding would continue, but would decrease over time to be replaced with other sources of funding, such as communities' own repayments, or loans from private Banks;

- Strategy B: Restructuring and transformation of existing assets (cash, loans outstanding) into matching grants in support of livelihoods, transfer to open menu for infrastructure, or transformation into conditional cash transfers to households.

Under this strategy, BLM funding could possibly continue, but not as Revolving Fund, but as support/grants to livelihoods for the poor.

*Pokja Pengendali* and Bappenas emphasized the need for an in-depth review of the proposed strategy by relevant stakeholders beyond the JMC to ensure that it links with other Clusters of the Government's Poverty Strategy and is aligned with the PNPM Roadmap.

Development partners recognized the ongoing risks related to the weak governance of the RLFs, and called for immediate mitigating actions. They also felt that more in-depth technical discussions are warranted to ensure that the strategy is aligned with the Government's Roadmap and contributes to a broader agenda to increase social impacts and enhance the poor's livelihoods.

The discussion led to a consensus on the following points.

Conclusions:

- The RLF team will work with PMD and PU, the implementing agencies for PNPM Rural and Urban, to proceed with the proposed immediate actions to strengthen the governance of the RLFs.
- PSF will support Pokja Pengendali and Bappenas to organize a more in-depth discussion of the possible strategies for RLF moving forward.
- The RLF team will move forward with piloting the capacity-building activities as planned, with the understanding that the approach may need to be adjusted, pending on the outcome of the RLF strategy discussions.
- The Government will decide before July on its policy for the disbursement for RLF during the 2012 budget cycle.

## **II. Discussion of New Proposals**

- a) 3<sup>rd</sup> installment for PNPM Generasi

The JMC approved a proposal for a 3<sup>rd</sup> installment in the amount of US\$ 35 million to expand Generasi coverage from 290 to 440 kecamatan by 2013. This 3<sup>rd</sup> installment brings the total allocation for the Government-executed Generasi fund to US\$ 73.3 million. PMD's priority for 2012 is to consolidate and strengthen management systems. The majority of the US\$35 million (approximately US\$30 million) will thus be executed in 2013. The design emphasizes nutritional education activities.

b) 2<sup>nd</sup> installment for PNPM Peduli

The JMC approved - in principle - a proposal for a 2<sup>nd</sup> installment in the amount of US\$ 5.5 million to cover the top up of the Phase 1 Pilot Implementation and the preparation for Phase 2. These additional funds will be allocated to: (i) consolidate program support structures (e.g. MIS); extend Executing Organizations grants by 6 months and the Technical Support Group's contract by a year; (ii) cover preparations costs for Phase 2.

While the JMC agreed on the immediate use of additional funds to ensure continuity in the various contracts, the start of Peduli Phase II and disbursement of associated funds will be contingent on a review of the results of the evaluation of Phase 1 by the JMC. The JMC would like the evaluation to include an analysis of the cost-effectiveness of Peduli – including the ratio of overhead costs (spent on PSF, TSG, EOs) versus funding going to support beneficiaries for their activities including livelihoods, and front line CSOs.

The JMC also requested that a window for Persons with Disabilities be included in Peduli. The Task Team will prepare a revised design and submit it for virtual clearance.

c) Creative Communities 2

The JMC approved a proposal for a US\$ 880, 000, 12 month, CSO implemented Project to support the design, preparation and pilot activities for a 3-year Creative Communities II program. Activities include: (i) the review of existing community-based cultural initiatives; (ii) Project design and development of implementation and evaluations plans; (iii) the conduct of a baseline study; (iv) pilot activities; and (v) training of 40 master trainers. The CSO implementing agency will be selected competitively. [An additional and indicative amount was also included for a Heritage/Pusaka component. As mentioned above, it was agreed the concept for a PNPM Pusaka will be further developed and reviewed by the technical committee before submission to the JMC.]

d) Village Learning

PSF staff presented a proposal for a US\$1.7 million, 24 month project – to be implemented by DG for community and village empowerment (MoHA) and the World Bank – to prepare Village Leadership for further decentralization. The Project focuses on the design of training materials for village institution and training of 500 master trainers.

The JMC requested a more formal review of this proposal by the technical committee before submission for JMC approval, with the following substantive recommendations: (i) to clarify the linkages with activities proposed under the Pro-Poor Planning, Budgeting and Monitoring Project; and (ii) clarify the strategy to train facilitators, nationwide.

e) Pro-Poor Planning Budgeting and Monitoring (P3BM)

The JMC approved a proposal for a US\$ 1.66 million, 24 month project to be implemented by a firm to support the institutionalization and scale-up of P3BM activities piloted in 2011. The main objective of the proposal is to ensure that Local Government's budget allocations become more pro-poor, and take community priorities into account. Activities include: (i) training of at least 280 provincial trainers; (ii) establishment of 15 provincial clinics; and (iii) support for a national Project Management Unit at Bappenas.

f) Technical Assistance to KPDT

The JMC approved a proposal for US\$ 414,000, 24 month World Bank-contracted TA to KPDT in 4 areas: (i) Policy Analysis; (ii) Strategic planning; (iii) Institutional development; and (iv) M&E.

The start date of the Project was adjusted to April 2012. Reports and relevant documents from this project should be properly shared with the JMC. The activities should focus on synchronizing with existing systems, rather than duplicating them or developing new ones.

**E. Other Issues**

a) PSF long term sustainability and staffing

PSF presented a concept to prepare the long term sustainability of PSF and to ensure that gradually key functions can be transferred to a national institution. As a first step, PSF suggests to procure a firm to provide efficient and timely staffing to support the GOI with Cluster 2. The firm would be tasked with the HR management and eventually office accommodation and office services for selected numbers of these staff.

The JMC welcomed this initiative. Bappenas reminded the meeting of the regulations number 10/2010 and presidential decree number 80/2011 that promotes national management of trust funds.

Participants discussed a number of options to ensure the long-term sustainability of PSF services. One option would be to progressively integrate PSF functions within Government agencies, either through the establishment of a new structure or expanding the mandate of an existing unit. Participants recognized, however, the burden this may place on government and inherent challenges with setting-up or reinforcing new management structures. Another option discussed was the creation or strengthening of a non-government organization, which may provide more flexibility in execution and allow bringing civil society on board.

The discussion led to a consensus on the following points:

Conclusions:

- The JMC asks the World Bank to proceed with the procurement of an HR firm.
- The JMC asks PSF to prepare a more in-depth discussion of the benefits and risks associated with various institutional options to ensure the long-term sustainability of PSF.

b) Public Diplomacy for PNPM

PSF presented a concept to further promote PNPM through more systematic outreach to key actors in society and opinion leaders, beyond the circles that are already familiar and supportive of the program. This network of “Friends of PNPM” would be instrumental to engage society and increase the public’s awareness and support for the program. This initiative can be implemented within the existing budget envelopes. The JMC was receptive to the outreach approach and the concept will be further developed and discussed by the technical committee before submission to the JMC.

**F. Conclusions**

- There was a proposal for the JMC to meet every two months to enable more in-depth discussion of strategic issues. This proposal will be discussed further and tabled for JMC consideration.
- The JMC reaffirmed that all proposals should be formally approved by the technical committee before being submitted to JMC approval.
- The JMC asked PSF to prepare a presentation on its strategy and work program for Papua. An in depth discussion on strategic orientations for the PSF portfolio in Papua will be included in the agenda for the next JMC meeting.

**Attachment 1: Participants**

<b>No</b>	<b>Name</b>	<b>Organization</b>
1	Scott E. Guggenheim	AUSAID
2	Petrarca Karetji	AUSAID
3	Vanya Abuthan	AUSAID
4	Onno Koopmans	NETHERLANDS EMBASSY
5	Erik Habers	European Commission
6	Nur Isravivani	European Commission
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8	Jacky Hendrawan	USAID
9	Dr. Ir. Ceppie Kurniadi Sumadilaga, M.A	National Development Planning Agency (Bappenas)
10	Dewo Broto Joko P	National Development Planning Agency (Bappenas)
11	Eric Watimena	World Bank
12	Kiyotaka Tanaka	World Bank
13	Muhammad Aswary Pulungan	World Bank
14	P. S. Srinivas	World Bank
15	Dini Djalal	World Bank
16	C. Clarita Kusharto	World Bank
17	Fajar Pane	World Bank
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19	Jan Weetjens	PSF
20	Kevin Tomlinson	PSF
21	Natasha Hayward	PSF
22	Susanne Holste	PSF
23	Sonja Edith Litz	PSF
24	Robert Wrobel	PSF
25	Sentot Surya Satria	PSF
26	Hans Antlov	PSF

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27	Renaud Rodier	PSF
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29	Sidik Permana AM	PSF Sekretariat - Bappenas
30	Dr. Ir. Sujana Royat, DEA	Kesra
31	Ratiman	Kesra
32	Hadi Santoso	Kesra
33	Umi Hani	Ministry of Finance
34	Meidi Hari Purwono	Ministry of Finance
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36	Abdul Rahman Axubi	NSP - Afghanistan