

**PNPM Support Facility (PSF)
Joint Management Committee Meeting (JMC)
November 6, 2013**

Chairman: Dr. Ir. Sujana Royat, DEA., Deputy to the Minister for Poverty Alleviation and Community Empowerment, Coordinating Ministry of People's Welfare (Menko Kesra)

Participants: Attachment

The objective of the meeting was to further discuss the recently approved PSF strategy and agree on a plan to implement the strategy.

Pak Sujana opened the meeting welcoming the JMC members, including the new World Bank Country Director for Indonesia, Pak Rodrigo Chaves, to the meeting. He stated that the PSF overall has shown strong performance and has provided good support to the Government of Indonesia (Gol), and that the Government would like to see it move to the next level and toward even greater Gol ownership. He then invited Pak Rudy Prawiradinata, Director for Poverty Reduction at Bappenas, to make a presentation on behalf of the Gol.

Presentation by Gol on the PSF Moving Towards a National Trustee

Pak Rudy recapped key agreements related to the PSF's mandate and strategy, highlighting the important role PSF plays in improving the effectiveness and accountability in PNPM and emphasizing that a key principle of the PSF strategy is to support Gol in building the capacity of its national institutions. He highlighted the progress and work that still needs to be done in order to continue transforming the PSF into a Government-led development platform. The progress included Bappenas becoming the sole Chair of the JMC. The ongoing and remaining work to be done that requires PSF support includes further distinguishing between World Bank (Bank) lending and the support that the PSF provides to PNPM stakeholders; covering the entire PNPM portfolio regardless of its source of funding, and supporting PNPM integration. The presentation concluded with a list of milestones agreed at the 2013 January and July JMC meetings, which would facilitate a transition to full Gol ownership of the PSF by 2018, highlighting the recruitment of a Managing Contractor by the Bank. This milestone was to be completed by December 2013. [The presentation is available on the PSF website: <http://pnpm-support.org/meeting>]

Discussion

- Pak Rodrigo thanked the JMC for extending their warm welcome to him and confirmed that the Bank remains fully committed to PNPM, noting that it is one of the largest poverty reduction programs in the world. He emphasized the enormous value the Bank places on its partnership with JMC members and the Bank's intention to continue supporting PNPM through the PSF without interruption.
- Both Pak Sujana and Pak Rudy asked the Bank for an explanation on why the hiring the Managing Contractor, which the JMC had agreed to at its last meeting in July, had not progressed.
- Regarding the hiring of a Managing Contractor by the Bank, Pak Rodrigo informed the JMC that after completing its due diligence, the Bank cannot hire such a firm because of the contingent liabilities this entails, particularly if the Bank were to co-manage its staff. He explained that the Bank has explored other viable options that would allow the PSF to achieve the same goals, including building the capacity of national institutions to assume PSF functions.

Presentation by the World Bank on Alternative Options to the Managing Contractor

Pak Jan Weetjens, World Bank Indonesia Sector Manager for Social Development, presented two options to the JMC: Option 1 Financial Intermediary Fund (FIF) and Option 2 Enhanced Status Quo. [The presentation is available on the PSF website: <http://pnpm-support.org/meeting>]

Option 1: FIF. A FIF is a vehicle that supports multi stakeholder partnerships by involving multiple implementing support agencies (ISAs). A FIF, for which the Bank would maintain a Trustee role, would therefore allow other national (Gol and NGOs) or international partners to be ISAs; whereas under the current PSF set-up only the Bank/PSF is an ISA. Under such a scenario the JMC would remain the governance body determining strategy and resource allocation; and ISAs would be accredited using JMC criteria for supporting the preparation and implementation of projects.

Implications of a FIF on the Bank's role would include: (a) the handing over of projects to other ISAs based on comparative advantage; (b) providing on-demand reimbursable advisory services for which the costs would be offset by a reduction in the current trust fund resources allocated for Bank executed activities; and (c) shifting of fiduciary accountability to ISAs managed funds (the Bank would only be accountable for the funds under its care as Trustee or as an ISA). The model would also allow for, but not necessitate, Gol to create a "PNPM Agency" or to designate an existing institution for facilitating the eventual hand-over of the Trustee, Secretariat, and ISA functions that are still held by the Bank during transition.

Pak Jan explained that Gol would benefit from a FIF in the following ways: (a) national agencies can be empowered to become ISAs; (b) there is a wider scope for scaling up the program and for engaging in new areas because (i) more ISAs can be enlisted; and (ii) the Bank can hand over mature programs to other ISAs while focusing on frontier issues where it has a comparative advantage; (c) this allows Gol to continue receiving Bank advice and global knowledge through reimbursable advisory services; and (d) the Bank would provide fiduciary oversight over programs with highest risks.

Pak Jan noted that benefits for the donor partners would be: (a) a more credible "exit strategy" and path to national ownership; (b) an opportunity to support Gol on new, frontier issues; and (c) like for Gol, the continuous provision by the Bank of fiduciary oversight over programs with highest risks. He also mentioned that having the FIF operational could take up to 18 months, possibly longer given the electoral cycle, and that Government executed operations under the FIF would need to go through the DIPA process.

Discussion of Option 1: FIF

- Bappenas and Menko Kesra stated that they were not interested in the PSF adopting the FIF model, since Gol is responsible for managing the national budget and prefers a strong fiduciary agent (i.e. PSF) to ensure good governance for its grant financing. Bappenas further clarified that it was not interested in becoming an ISA under the FIF.
- Pak Jean-Bernard Carrasco, Minister Counsellor (Development Cooperation) for Department of Foreign Affairs and Trade (DFAT), confirmed Australia was not interested in participating or financing a FIF in replacement of the PSF. DFAT emphasized that they like the PSF being a one-stop shop for both fiduciary and technical/quality assurance from the Bank.
- The Bank acknowledged that costs and fees associated with Option 1 still need to be worked out.

Option 2: Enhanced Status Quo. This option would maintain the existing structure but could include the following enhancements: (a) the Bank contracts firms to deliver specialized functions while

accountability to the JMC remains with the Bank. Current PSF staff, however, cannot be hired by any Bank contracted firm; (b) DFAT hires a Managing Contractor to support the implementation of the PSF portfolio; and (c) the Bank hands over specific functions to the Gol as soon as possible, for example, the TA to Bappenas, Menko Kesra, and KPDT. Option 2, which is consistent with the PSF strategy, would also support quality enhancements, including an improved Bank quality review processes before presentation of proposals to the JMC.

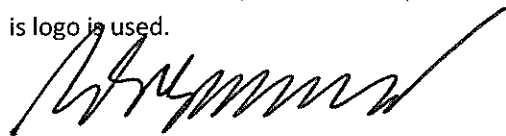
Pak Jan noted that under this option the Gol would benefit from the continuity of Bank services and that donor partners would be assured of the continued Bank fiduciary oversight of the PSF portfolio. However, this option provides no clear path for handing over PNPM support services to Gol and no opportunity for national agencies to take on ISA responsibilities. Furthermore, staff and consultants, including those providing technical assistance to Bappenas and Sekretariat Pokja Pengendali, would continue to be hired by the Bank, in accordance with its HR policies and procedures.

Discussion of Option 2: Enhanced Status Quo

- Gol (including a written statement from PMD read by Pak Sujana, <http://pnpm-support.org/meeting>) and the majority of the donor partners expressed their interest in the reliable fiduciary and quality control mechanisms that the Bank has provided and would continue to provide and reiterated that they were not interested in the FIF model.
- Pak Jean-Bernard informed the JMC that the hiring of a Managing Contractor by DFAT is not a preferred course of action, but since the Bank is unable to do this, they are willing to explore this option, in the interest of maintaining the PSF. He explained that the procurement of such a Managing Contractor will take a minimum of nine months. The Bank also informed the JMC that its procurement of any specialized firm would take about nine months.
- Pak Scott Guggenheim, Sr. Advisor for DFAT, recommended that the Bank should not hire multiple firms on small contracts but rather should minimize the number and bundle the services.
- Pak Jan noted that any potential DFAT hired Managing Contractor would have a direct contractual and funding relationship with DFAT and would not be part of the PSF multi-donor trust fund. He recommended that the services rendered should fall under the JMC's umbrella oversight.
- The Bank highlighted that the PSF trust fund, which comprises the multi-donor trust fund and single donor trust fund, is administered by the World Bank with Bank employed staff to support Gol in the scaling up and mainstreaming of PNPM, and that while the PSF will continue to support the capacity development of Indonesian institutions (e.g., Indonesian government for policy, and Indonesian think tanks and universities for analysis), there is no plan by the World Bank of turning the PSF trust fund into a free-standing Indonesian institution.
- Pak Sujana noted that a new PSF logo had been approved and emphasized that this logo should be used on all PSF correspondence.

Decisions

- The JMC endorsed in principle the hiring of a firm or firms by the Bank and DFAT, as appropriate. A working group will be formed under the co-leadership of Bappenas and Sekretariat Pokja Pengendali to map out functions that should: (a) stay within the PSF, (b) move to Bank hired firm or firms if needed, or (c) move to a DFAT hired Managing Contractor. The group would define the broad services of the firms as well as outlining the process to be followed. In the working group, the GOI will be represented by: Dr. Ir. Pamuji Lestari (Assistant Deputy for Community Empowerment Affairs, Menko Kesra), Pak Katiman (Head of Division for Policy Mainstreaming, Menko Kesra), Pak Taufik Rinaldi (Good Governance and Anti-Corruption Specialist, Secretariat of Pokja Pengendali PNPM), Ibu Woro Srihastuti Sulistyaningrum (Head of Sub-Directorate for Community Empowerment, Bappenas), Pak Benni Irawan (Head of Sub-Directorate for Participatory Development, PMD), Pak Bobby Ali Azhari (Head of Section for Region II A, Directorate Building and Environment Management, MPW). Ibu Susanne Holste (Acting Manager PSF) and Pak Sentot Surya Satria (PNPM Rural Task Team Leader), will represent the PSF. Other partners were asked to send their nominees ASAP to the PSF Secretariat (Pak Kevin, ktomlinson@worldbank.org). The working group was asked to send a draft document with planned services to the Technical Committee/the respective member institutions of the JMC for a virtual review by the first week of December 2013.
- Australian AID and the Bank are expected to commence their respective procurement processes by the end of 2013 and once the working group has finished its mapping exercise and once term of references are ready.
- Australian AID will explore the possibility of the current qualified PSF staff being hired by the Managing Contractor.
- It was agreed that if specialized functions (mentioned under Option 2: Enhanced Status Quo) were needed, the Bank would try to bundle the functions to be taken on by a firm or small numbers of firms, so that it would not have to hire and manage a large number of comparatively small contracts.
- The Bank will revamp its internal quality control mechanisms to ensure that all proposals submitted for JMC approval and PSF financing (a) are aligned with the strategy and the indicative annual work program adopted by the JMC; and (b) have gone through rigorous internal quality reviews prior to being submitted to the JMC.
- JMC members agreed that the proposals already approved by JMC would be processed for implementation, including the PNPM Justice Services and PNPM Legal Empowerment activities and would go through the appropriate review and activation process like all PSF-financed activities.
- Australian AID agreed that the activities and services provided through a Managing Contractor will be under the oversight of the JMC.
- The JMC agreed that the PSF will use its new logo. The logo will be used on business cards and PSF communications, with the exception of certain fiduciary correspondence, for which the Bank is logo is used.



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Deputy to the Minister for Poverty Alleviation
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Coordinating Ministry of People's Welfare



Susanne Holste
Acting Manager PSF
(PNPM Support Facility)

Attendance List
JMC Meeting

November 6, 2013 (14.00 – 16.30)
Pokja Pengendali Office, Grand Kebon Sirih, Jakarta

No	Name	Institution
1	Dr. Ir. Sujana Royat, DEA	Kesra
2	Ir. Rudy Soeprihadi Prawiradinata MCRP, Ph.D	Bappenas
3	Dr Ir Pamuji Lestari Msc	Kesra
4	Agung Wijaya	MOHA
5	Katiman	Kesra
6	Jacynthe Rivard	Canadian Embassy
7	Jean-Bernard Carrasco	DFAT - Australia
8	Michael Bergmann	DFAT - Australia
9	Scott E. Guggenheim	DFAT - Australia
10	Arief Sugito	DFAT - Australia
11	Iwan Sriwidiyanto	DFAT - Australia
12	Vanya Abuthan	DFAT - Australia
13	Clemency Oliphant	DFAT - Australia
14	Nur Isravivani	EU
15	J. W. Saputro	MCA Indonesia
16	Minarto	MCA Indonesia
17	Donald Tambunan	USAID
18	Rodrigo A Chaves	WB
19	Rocio Castro	WB
20	George Soraya	WB
21	Safriza Sofyan	WB
22	Kevin A. Tomlinson	WB
23	Jan Weetjens	WB
24	Natasha Hayward	WB
25	Hans Antlov	WB
26	Susanne Holste	WB
27	Chatarina A Widiarti	WB
28	Taufik Rinaldi	Set. Pokja Kesra