



Republik Indonesia

# **PNPM SUPPORT FACILITY OPERATIONS MANUAL**



## **F O R E W O R D**

The PNPM Mandiri or “the National Program for Community Empowerment” is a national program for community empowerment aimed at accelerating poverty reduction. The goal of this program is to empower diverse rural and urban communities to be actively participated in development. In this regards, PNPM is trying to nurture the solidarity and cooperation spirit of the community to be self-help.

Given the variety of other sectoral programs, PNPM provides an umbrella framework for all community-driven development programs in Indonesia. By consolidating these programs under a single framework, PNPM will create a unified design for program delivery, avoid overlapping and duplication of programs and activities, better national targeting for the poorest, the direct transfer of funds to villages for better utilization of poverty reduction efforts. To support PNPM and poverty related activities, the government establishes the PNPM Support Facility (PSF). It is recognized that international development cooperation has an important role in supporting Indonesia to meet its goal in reducing poverty. Therefore, through PSF, donors can provide high quality of coordinated technical assistance, planning advice and dialogue, as well as targeted financial assistance to the government in supporting PNPM Mandiri.

This operation manual provides appropriate guidelines for PSF implementation and information for donors who wish to support poverty reduction program in Indonesia.

Looking forward for continued cooperation in combating poverty.

Sincerely,

Chairman of PSF Steering Committee

Dr. Prasetijono Widjojo MJ, MA

# **PNPM SUPPORT FACILITY**

## **OPERATIONS MANUAL**

### **I. Background**

The PNPM Mandiri or “the National Program for Community Empowerment” is a national program for community empowerment aimed at accelerating poverty reduction. The goal of this program is to empower Indonesia’s diverse rural and urban communities to be actively participated in development.

The PNPM Mandiri program consists of PNPM *Inti* (PNPM-Core) and PNPM *Penguatan* (PNPM-Support). The PNPM core consists of 5 major empowerment programs, while the PNPM-support consists of the existing technical ministries program activities that also provide support to the poor areas/communities.

PNPM is trying to nurture the solidarity and corporation spirit in the Indonesian culture, and fully owned and managed by the Government of Indonesia. It is recognized however that international development cooperation has an important and constructive role in supporting Indonesia to meet its goal in reducing poverty. Both bilateral and multilateral assistances supporting poverty reduction are useful in bringing fresh ideas and lessons from international practices.

The PNPM Support Facility (PSF) is a mechanism established by GOI and donors as new modalities and institutional arrangements for providing support to PNPM. Through PSF donors can provide high quality of coordinated technical assistance, planning advice and dialogue, as well as targeted financial assistance to the government in supporting PNPM Mandiri. The PSF needs to be supported to ensure that the integrated PNPM Mandiri will progress smoothly. Through this, donors can identify areas of support and ensure the fiduciary as well as accountability systems for effective support. All PSF policy decisions are in the hand of a Joint Management Committee, which is headed by the representative of the Government of Indonesia and includes, as members, representatives of contributing countries (donors).

## **II. PNPB Support Facility – The PSF**

### **2.1. Objectives and Roles of PSF**

The primary objective of PSF is to enable the Government of Indonesia to provide the most effective leadership and management of the PNPB program. Its objectives are:

- a. To ensure better coordination across the grants that are supporting PNPB Mandiri;
- b. To develop capacities at all levels to plan, manage and improve poverty reduction programs;
- c. To reduce poverty through government and civil society partnerships;
- d. To support high quality monitoring and evaluation.

The expected roles of the PSF are: (i) to support the harmonization process of PNPB Mandiri; (ii) to fill the gap on funding and technical and management capacity; and (iii) to provide cooperation in policy dialogue.

The PSF provides contributions to the GOI as follows:

- a. Global experience and expertise on poverty reduction.
- b. A mechanism to improve the coordination and oversight of poverty reduction programs.
- c. An objective platform to review, share and apply lessons across poverty programs.
- d. A stimulating arena for high quality debate on solutions to poverty programs.
- e. Technical and financial resources for evidence gathering and program development around poverty themes.
- f. Windows for access to a range of donor programs and resources on poverty reduction.

### **2.2. Donors and the PSF Fund**

Donors interested to support PNPB Mandiri through PSF may channel their financial contributions to finance the PSF activities, which are grouped into 4 (four) available windows. The contributions to the PSF will be accounted as a single trust fund, administered by the World Bank (the Bank) and will be kept separate and apart from other funds of the Bank. All contributions and all disbursements will be on a grant basis.

Contributions to the PSF will be received in cash. Donors will commit to the principles of Aid Effectiveness as articulated in the Paris Declaration. The

participation of the donors will be specified in the Administration Agreement between respective donors and the Bank.

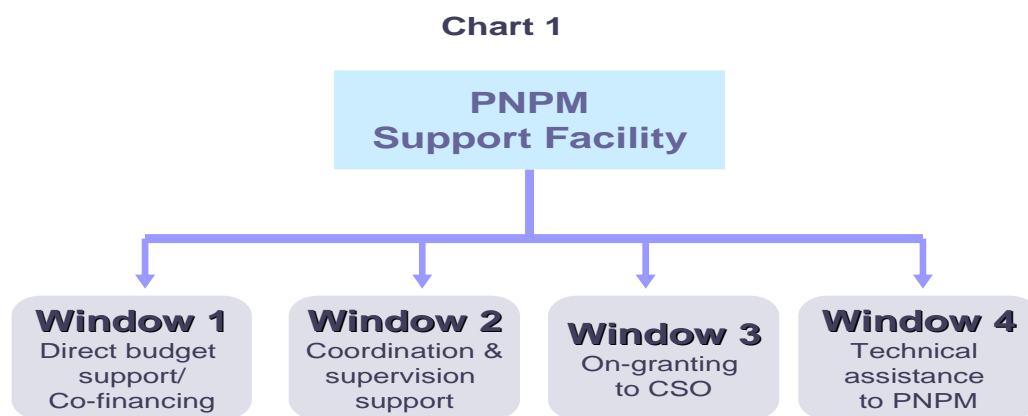
The PSF will be administered by the World Bank under the guidance of the Joint Management Committee. It is expected that when PNPM is fully mainstreamed and the PNPM guidelines and procedures apply, the PSF will be closed and GOI will fully manage donor trust funds.

Funds from donors contributing to PSF are pooled into the PSF Trust Fund, which will be registered in the GOI's budget in the Ministry of Finance.

Funds which will be executed by government agencies should follow the GOI's procedure on grant disbursement. Otherwise, grant disbursement should follow the World Bank's procedure.

PSF Funds are utilized through four "windows" (Chart 1), which are:

- a. Through APBN/APBD co-financing channels as direct support to the PNPM block grant programs.
- b. Through APBN to support national coordination and supervision.
- c. On-granting to intermediary NGOs and philanthropies that then on-grant to grassroots organizations working on poverty.
- d. Technical assistance to PNPM, which consists of special reviews, advice and programs commissioned by the Steering Committee and administered by the PSF.



### **2.3. Structure of the PSF Management**

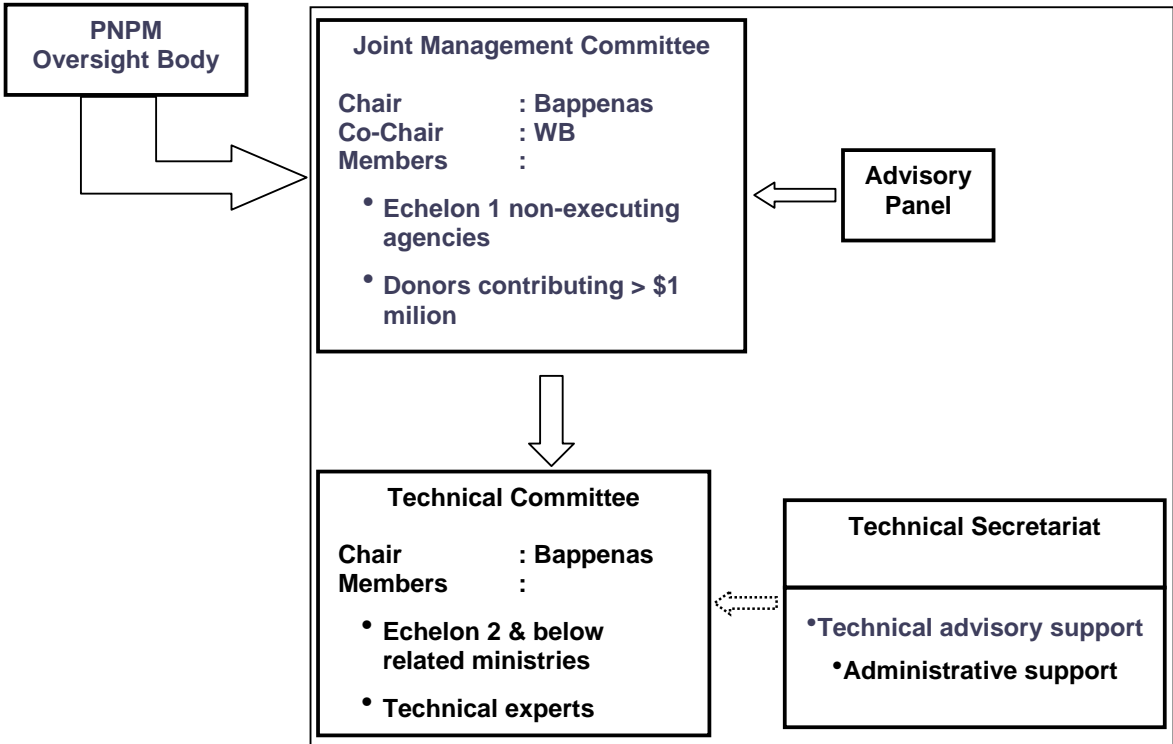
The PSF will operate in accordance with the fundamental principles of good governance set forth as full transparency and openness in the PSF processes; the

separation of responsibilities for allocation, fiduciary and administrative functions of PSF; and close partnership among key agencies.

Each Grant shall be approved and administered in accordance with the GOI procedures and the World Bank guidelines for trust fund management.

The PSF management is under the coordination of the Tim Pengendali PNPM (PNPM Oversight Body). The PNPM Oversight Body is part of the Coordinating Team for Poverty Reduction (TKPK), which is headed by the Coordinating Minister for Social Welfare (Menko Kesra).

Based on these principles, the PSF management structure is as shown in Chart 2 below:



**Chart 2. PSF Management Structure**

The PSF management structure consists of:

**A. Steering Committee (Joint Management Committee)**

The Steering Committee, as stipulated in the PSF Cooperation Agreement, consists of Echelon 1 of non-implementing agencies and representative of donors contributing US\$ 1.0 million or more. Hereinafter, the Steering Committee will be

referred as the Joint Management Committee. The Joint Management Committee will be chaired by Bappenas, and co-chair by the World Bank as Trust Fund administrator.

The Joint Management Committee of PNPM will: (i) provide overall policy guidance and review; (ii) promotes harmonization across all poverty programs; and (iii) decide funding allocation.

The Joint Management Committee will meet once in every six months or as often as necessary. The Technical Committee prepares the agenda for the meetings and the relevant documentations. At the beginning of each meeting, the Joint Management Committee will adopt the agenda for the meeting. Any item that was included in the agenda, but consideration for which was not completed at that meeting, will be included automatically in the provisional agenda for the next meeting unless otherwise decided upon by the Joint Management Committee.

Decision will be made based on the assessment of the proposed alternative solution or decision prepared by the Technical Committee and consensus agreement among the Joint Management Committee members.

In the case a formal meeting cannot be held, virtual reviews by any rapid means of communication will be applied to endorse the decision on a no objection basis. All of the Joint Management Committee's meeting will be recorded by the Technical Committee. The PSF Joint Management Committee will report regularly on the progress of PSF activities to the PNPM Oversight Body.

## **B. Technical Committee**

The Technical Committee consists of Echelon 2 and 3 from the respective government institutions as reflected in the Joint Management Committee. The Technical Committee will be chaired by Bappenas.

The Technical Committee monitors the PSF activities, discusses the technical issues and prepares alternative solutions for the Joint Management Committee decision making. The Technical Committee will meet monthly or more as necessary. The Technical Secretariat will prepare the agenda for the meetings and relevant documentation. A summary of the main discussions and conclusions of the meeting will be put in a record.

## **C. Advisory Panel**

The Joint Management Committee may also be supported by an Indonesian advisory panel. The advisory panel consists of experts in poverty reduction and/or community empowerment issues. They will be selected by the Joint Management Committee.

## **D. Technical Secretariat**

The Joint Management Committee and the Technical Committee are supported by the Technical Secretariat (hereinafter referred to as “Secretariat”). The chair of the Secretariat is appointed by the Joint Management Committee. The secretariat consists of a small number of administrative and technical specialists working under TOR reviewed by Technical Committee and decided by the Joint Management Committee. The Secretariat administers fund received from donors in accordance to the GOI procedures and WB Guidelines for trust fund management.

The Secretariat will support the Joint Management Committee and the Technical Committee to: a) organize and minute meetings; b) administer grant agreement and to monitor and report on PSF activities; c) prepare technical reviews; d) develop monitoring and evaluation work; e) prepare quarterly progress report and monthly financial report for the Technical Committee; and f) provide semi annual narrative and financial reports to the Joint Management Committee.

### **2.4. The PSF Program and Activities**

The PSF consists of four windows for activities as follows:

**Window 1: Direct budget support/co-financing** – This window channel funds from donor to support PNPM co-financing such as community block grant and facilitators provision. Significant portion of resources will be utilized to finance this window. Government agencies as well as contributors may submit a concept note or proposal for financing under the PSF. This will be executed through a grant agreement with the Ministry of Finance, which then transfers the money through the regular GOI financing (DIPA) process.

**Window 2: Coordination and Supervision support** – This window would be granted to support the PSF management and the PNPM Oversight Body, and to increase their capacities for long-term management of the PNPM. Typical activities funded through this window might include specialized training, consultants to support community facilitators, PNPM dissemination and campaign, workshops, information management programs, evaluations, and institutional strengthening.

**Window 3: On-granting to Indonesian Civil Society** – The purpose of this window is to support Indonesian philanthropies and civil society groups that work on poverty reduction at the grass roots level. The window has two type of grants. One grant type develops the capacity of the intermediary NGOs and philanthropies to appraise and monitor grantees. The second type of grant is given to intermediary for on-granting to the groups that provide special services to poor communities and marginalized groups, who are not reached by existing instrument and activities.



**Window 4: Technical Assistance to PNPM** – These are programs where donor can provide activities in relate to specialized expertise. They will consist primarily of monitoring and evaluation, special studies, technical assistance, workshops, and facilitated comparative study tours to well-defined, relevant programs. This window can also provide technical assistance to national and local government poverty reduction programs. A built-in function of this window is to develop the capacities of Indonesian organizations such as universities and think tanks to provide specialized services for PNPM and poverty reduction.

## **2.5. Working Mechanism**

**Initial Work Plan Strategies.** The Joint Management Committee will first set out its strategic agenda for the types of assistance it wishes to see funded by the PSF. The Joint Management Committee will outline the key elements of an overall multi-year work plan as well as annual work plan in line with the principles outlined in this manual. Once the Joint Management Committee has articulated its overall strategy and annual work plan, the Technical Committee will work out how to implement that strategy and what services are needed to realize that strategy. The Technical Committee will work out the specific modalities for reaching the annual work plan emphases and targets. The Technical Committee will also decide upon the approximate budget allocations consistent with the Joint Management Committee’s approved work plan.

The Technical Committee will decide upon appropriate implementing agencies or channels in order to carry out the work plan. However, this shall not violate the principles and internationally recognized practices of procurement. When necessary, services will be tendered out competitively. Any Fiscal Agreements, grants or contracts shall be prepared by the Secretariat.

Should worthy proposals or activities be proposed during the year, those activities should be consistent with the overall annual work plan goals and can be considered by the Joint Management Committee.

Decisions will generally be taken on the basis of consensus. However, Government endorsement and approval will be a pre-condition for any proposal to go forward. The World Bank, as Administrator for the PSF, retains veto power over proposals that contradict fiduciary and technical requirements, in consultation with the government.

The government will annually review the World Bank’s performance in managing the PSF. Any dispute arising out of the interpretation and implementation of this agreement shall be settled amicably by consultation or negotiation between the parties.

### **III. Operational Management**

#### **3.1. Eligibility**

Funds made out of the PSF resources will be used to finance up to one hundred percent (100%) of the cost of works, goods and services, including studies, training and incremental recurrent expenditures, directly related with PNPM activities supported by the grant. PNPM Oversight Body and the Joint Management Committee may authorize funds to assist program preparation or pilot activities, in order to facilitate future or on-going programs and projects that are part of the poverty reduction efforts.

#### **3.2. Terms and Conditions**

The following will apply to all PSF Grants:

- a. All PSF Grants must indicate that the resources have been provided from the PSF.
- b. Procurement of goods, works and services financed under the Grants will adhere to the principles of economy, efficiency, and transparency in the implementation of the approved activity while giving a fair and equal opportunity for bidders without restriction for the supply of such goods, works, and services based on nationality or country of origin;
- c. The design and implementation of activities financed by the Grants will ensure that appropriate governance, environmental, and social safeguards arrangements are established and carried out in accordance with principles that build ownership, prevent and mitigate undue harm to people and their environment in the poverty reduction process, through the participation of recipients and other stakeholders;
- d. The grant executing agencies will be required to: (i) maintain an appropriate and adequate financial management system, including records and accounts, and prepare financial statements adequate to reflect the operations, resources and expenditures related to the activity financed under the Grant; and (ii) have the above-mentioned records, accounts and financial statements audited, in accordance with auditing standards acceptable to the GOI and the World Bank policies and procedures.

#### **3.3. Approval Process, Implementation and Budget Procedures**

Allocations for projects and programs can be fully executed by a Government agency (national, provincial or local) or its designated implementing agency such as an NGO, or where requested by GOI, or other agencies decided by the Technical Committee.

Upon effectiveness of the Grant Agreement, the Grant Executing Agency may begin implementation and request for initial disbursements from the World Bank as trust fund administrator. Implementation of the Grant will comply with the GOI and the World Bank policies and procedures as well as the terms and conditions governing PSF grants.

The Grant Executing Agency for each project will hold meetings open to the general public, for:

- a. Project concepts dissemination to explain objectives, detail scope and obtain direct feedback prior to implementation;
- b. Progress report during the implementation;
- c. Accountability procedure at the end of implementation.

During project implementation, the Grant Executing Agency will produce regular semi-annual progress reports and submit these to the Secretariat. In cases of unsatisfactory progress, the Secretariat through Technical Committee may propose the suspension or cancellation of the grant. Suspension or cancellation will be treated case by case.

### **3.4. Appraisal**

Should the Technical Committee decide that special appraisals of activities are needed before funding decisions, members of the Technical Committee or Secretariat may undertake special missions. In addition to ensuring compliance with the GOI and the World Bank policies and procedures, the appraisal should also confirm compliance of the proposed activities with respect to procurement, financial management, social, and environmental safeguards. Appraisal will include assessment of institutional arrangements, technical quality and economic viability with specific attention given to governance and anti-corruption measures.

### **3.5. Procurement**

Procurement will mainly consist of hiring firms, consultants, and NGOs. Any procurement will be done in accordance to the GOI regulations and the World Bank guidelines for trust fund management.

## **IV. Reporting and Supervision**

### **4.1. Reporting, Monitoring and Evaluation**

A framework of reporting and supervision is established for the PSF to ensure Grant Executing Agencies, Partner Agencies, and the Joint Management Committee to

monitor aid flows, project activities and achievement of funded activities and enable funding or activities using PSF formats to be determined later.

The PSF Secretariat will arrange appropriate proceedings of all meetings and operational processes and will prepare a financial summary report every three months comparing actual performance with defined standards where appropriate. The report will be regularly forwarded to the Joint Management Committee.

For financial report, the Secretariat will prepare record monthly or more as requested by the Technical Committee.

Activities should have adequately defined arrangements for monitoring and evaluation before approval. These will include:

- a. Indicators of progress reflect elements that make a critical difference to the project/activities objectives.
- b. Indicators and targets should be clearly defined and measured to avoid disputes about whether or not a program is on track.
- c. Expected results or targets should be achievable within the time frame indicated.

The monitoring framework must be consistent with the GOI's procedure for monitoring the poverty reduction program. It may represent a selection of elements from a more comprehensive monitoring framework within a sector. Indicators should also in line with the PNPM Monitoring & Evaluation framework.

The Technical Committee and Secretariat will supervise PSF activities. Members of the Joint Management Committee, or their representatives, may join the supervision.

#### **4.2. Completion**

Grant Executing Agencies will submit a completion memorandum report on the activities financed under the Grant within six months after the closing date of the Grant.

#### **4.3. Complaints Handling and Resolution**

Complaints system for activities funded by the PSF that allegations of corruption, fraud or misuse of poverty reduction funds will be part of the Complaint Handling Management of PNPM Mandiri. Where complaints relate specifically to the PSF-financed activities, they may be submitted directly to the Secretariat of the PSF.

## **V. Concluding Remarks**

Further necessary procedures will be determined later by the Technical Committee.  
This PSF operation manual can be revised as necessary.