



2009 PROGRESS REPORT PNPM Support Facility

Technical Secretariat
National Development Planning Agency



Kingdom of the Netherlands



Australian Government
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Foreword

Indonesia has shown solid progress in economic growth and poverty reduction since the Asian Financial Crisis 12 years ago, and sustained resilience and robustness during the recent global economic downturn. Poverty rates have fallen from 17.4 percent of the population in 2004 to 14.1 percent in 2009, while the percentage of Indonesians that live on less than 2 dollars per day has declined from 49.0 percent to 42.6 percent over the same period. A significant contributor to the progress on the poverty front is the Government of Indonesia's (GOI) flagship community-based poverty alleviation program, the National Program for Community Empowerment (PNPM Mandiri). PNPM Mandiri is the GOI's operational umbrella for all poverty programs employing a community empowerment approach. It aims to consolidate the community-based programs of various ministries and institutionalize Indonesia's experience in bottom-up planning and decision-making into a single community-based poverty reduction program.

Established in December 2007, the PNPM Support Facility (PSF) provides a mechanism for the government and the development community to support and facilitate the harmonization and decentralization of the community-based poverty alleviation efforts. The PSF also plays an important role in ensuring the quality and effectiveness of PNPM Mandiri and other poverty reduction programs in Indonesia. As a unified platform for development partners and government to coordinate technical assistance, policy and planning advice, and targeted financial assistance in support of PNPM Mandiri, the PSF is instrumental in sustaining and maximizing the effectiveness of the program, which in 2009 reached nationwide scale-up.

We would like to express our gratitude and appreciation to the Royal Netherlands Embassy, the Danish International Development Agency (DANIDA), the Australian Agency for International Development (AusAID), and the UK Department for International Development (DFID) for their continued support and contributions. We would also like to thank members of the Joint Management Committee for their commitment to the PSF. Our sincere appreciation is also directed to the staff of the PSF for their cooperation.

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Introduction

The PNPM Support Facility (PSF) was established in 2007 to support the management and technical implementation of the Government of Indonesia's (GOI) flagship community-based poverty alleviation program, the National Program for Community Empowerment, or *Program Nasional Pemberdayaan Masyarakat Mandiri* (PNPM Mandiri). PNPM Mandiri is the GOI's operational umbrella for all poverty programs that use a community empowerment approach to ensure the poor benefit from improved socio-economic and governance conditions. Through the PSF, development partners provide high-quality, coordinated technical assistance, policy and planning advice, as well as targeted financial assistance to the GOI to support PNPM Mandiri.

The overarching objective of the PSF is to assist the GOI in providing effective leadership and management of PNPM Mandiri. Its specific objectives are to:

- Ensure better coordination amongst development partners and across grants supporting PNPM Mandiri;
- Develop capacity at all levels to plan, manage, and improve poverty reduction programs;
- Reduce poverty through government and civil society partnerships;
- Support high quality monitoring and evaluation efforts.



The governments of the Netherlands, Denmark, Australia, and the United Kingdom have contributed more than US\$67 million to the Facility. The GOI and the World Bank are also engaged in discussions with other prospective development partners, such as the European Commission and USAID, regarding additional contributions to support PNPM Mandiri.

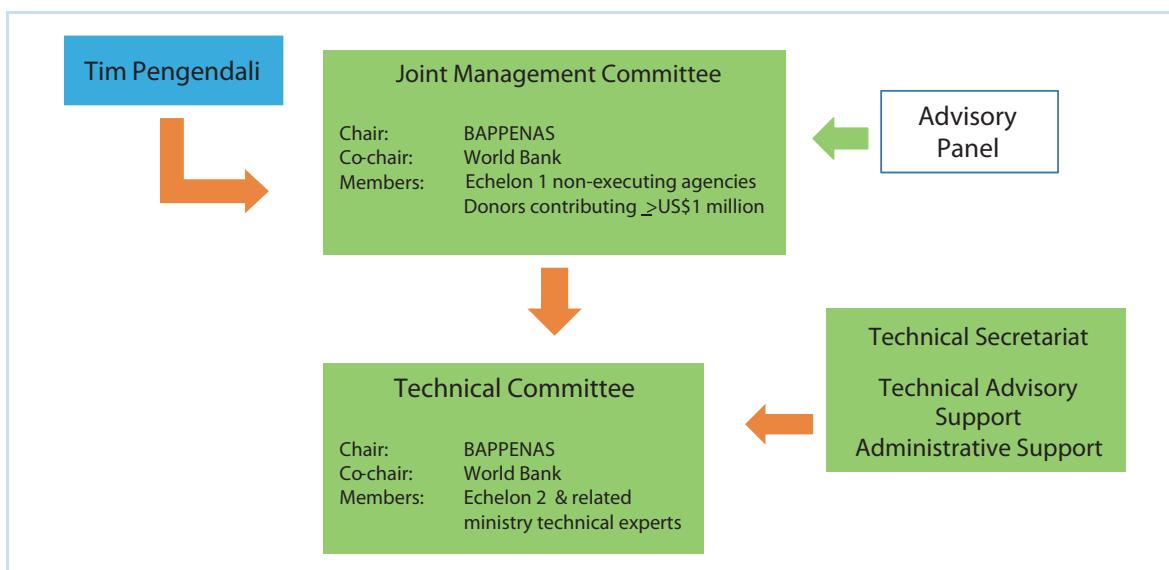




PSF Management

A. Organizational Structure

The PSF consists of three integrated management and technical units, the Joint Management Committee (JMC), the Technical Committee, and the Technical Secretariat. An Advisory Panel that would support the JMC is under review. Policy guidance for the PSF is provided through *Tim Pengendali*, PNPM's national-level oversight body. *Tim Pengendali* is part of the Coordinating Team for Poverty Reduction headed by the Coordinating Ministry for People's Welfare (Menkokesra).



JMC members are representatives of the GOI and countries providing contributions of at least US\$1 million to the PSF Trust Fund. GOI representatives on the JMC come from non-implementing agencies and include the National Development Planning Agency (Bappenas), the Ministry of Finance, and the Coordinating Ministry for People's Welfare. The JMC Chairman is the Deputy for Poverty, Labor and Small & Medium Enterprises, Bappenas. The Co-chair is a representative of the World Bank acting as the administrator of the PSF Trust Fund. As the PSF's steering body, the JMC is responsible for providing overall policy and strategy guidance, promoting harmonization and coordination among all Indonesian poverty-reduction programs, and determining funding allocations for PSF program activities in support of PNPM programs.

The Technical Committee is chaired by the Director of Poverty Reduction, Bappenas, with membership from non-implementing agencies, including Bappenas, the Ministry of Finance, and the Coordinating Ministry for People's Welfare. This unit is responsible for discussing technical issues and preparing related recommendations for JMC's consideration, updating the PSF operations manual, endorsing new PSF grant proposals prior to the JMC's review, and reviewing progress towards achieving the PNPM and PSF Trust Fund's objectives. On an ad-hoc basis and dependent on the specific issues discussed, the Technical Committee may invite relevant specialists from PSF members and the NGO community to join the discussion and provide input to recommendations.

The Technical Secretariat consists of a small number of administrative and technical specialists. The unit supports the JMC and Technical Committee by: organizing and documenting meetings; administering grant agreements and monitoring PSF activities; providing operational and technical support to GOI executing agencies managing PNPM activities; preparing technical reviews; developing and conducting evaluations and analytical work; and preparing progress reports and financial reports for the JMC and Technical Committee.

The JMC is reviewing the structure and composition of the Advisory Panel. Once operational, it is envisaged this unit will be comprised of senior Indonesian experts in the field of poverty reduction and/or community empowerment. The Advisory Panel will convene to help the JMC develop PSF strategies and identify ways to increase the reach and effectiveness of interventions supported by the PSF Trust Fund.



At the time of the drafting of this report, the governance structure for the Government's poverty program was under review, with the creation of a National Team (*Tim Nasional*) to determine strategy and policy for all three clusters of the GOI's poverty reduction program (i.e. Cluster One for all programs focused on households, Cluster Two for programs focused on communities, and Cluster Three for support to small and medium enterprises). The implementation of the new governance structure for the GOI's poverty program will supersede the roles and responsibilities described above.

B. Management Highlights in 2009

In addition to supporting the national scale-up of PNPM Mandiri in 2009, the PSF:

- Carried out intensive supervision, monitoring and evaluations of PNPM and its pilots;
- Agreed to new activities related to (a) revolving funds management/capacity building; (b) the activation of Window 3 of the PSF (on-granting through Civil Society Organizations); and (c) support to an integrated MIS managed by BAPPENAS. (While all the preparatory work happened in 2009, the proposals were formally approved during the JMC meeting of January 15, 2010);
- Made progress on expanding its membership to include the European Commission;
- Recognized the new World Bank social development sector coordinator, who arrived in October 2009, as the head of the PSF Secretariat.

C. Fiduciary Systems Support

The ability to transfer resources directly to communities across the country in a direct and transparent fashion is one of the main strengths of PNPM Mandiri. Over the years fiduciary systems were developed that install downward and upward accountability for the use of resources, giving beneficiaries a voice by allowing them to easily file complaints in cases of suspected corruption and fraud, providing decision makers with data about the number and status of corruption and fraud cases, and ensuring that issues identified through supervision, audits or complaint-handling mechanisms are diligently addressed.

These systems seem to be robust and well tested. However, the very success of the program creates a risk of complacency at a time when strains were placed on the system when it was scaled up to nationwide coverage. Under the leadership of *Tim Pengendali*, managerial attention will focus on the system as a whole, and on the areas that pose the greatest fiduciary risks. Moving forward, a number of specific steps are being taken to address these risks.

- *Communication:* The Government's zero-level tolerance for corruption and fraud in the PNPM program will be communicated to various stakeholders and the public through a number of high-profile missions that focus on the fiduciary aspects of the program, as well as through the publication of fraud and corruption cases in the press and on the PNPM's website.

- *Systems:* The various systems to support the fiduciary aspects of the program will be further strengthened. This includes: the development of reliable, timely, and consolidated reporting on the status of fraud and corruption cases; the improvement of the Complaints Handling Mechanism; and the clarification and formal adoption of criteria for triggering the escalation of corruption and fraud cases as well as regulations that determine the consequences of not adequately addressing cases.
- *Capacity:* Additional specialized staff are being committed to areas where fiduciary systems are insufficiently robust. In addition, the District-level Inspector/Auditor Office (Bawasda) will be tasked with the systematic auditing of PNPM funds in partnership with the National Auditor, BPKP, so that at least 20 percent of sub-districts (*kecamatan*) will be included in the annual audits.
- *Monitoring:* *Tim Pengendali* is conducting a semi-annual review of the status and resolution of fraud cases. The data and results of these reviews will be communicated to the JMC members.



Progress in 2009

The focus in 2009 was the continued expansion and consolidation of PNPM Mandiri, and the integration of programs to coordinate support to development initiatives. The GOI took a number of steps towards strengthening its short- and long-term poverty reduction efforts and ensuring that all levels of government are active, informed participants in PNPM Mandiri.

A. Medium-Term Development Plan (2010–2014)

The GOI's 2010-2014 National Medium-Term Development Plan (RPJMN) outlines its key policy directions. The government recognizes the critical role PNPM Mandiri must play if it is to meet its goal to reduce the poverty rate from its current level of 14.1 percent to between 8 percent and 10 percent by 2014. Therefore, it has committed to increase the PNPM Mandiri budget from Rp10.3 trillion in 2009 to Rp12.1 trillion in 2010, and provide the community block grants (BLM) of Rp3 billion per sub-district for a minimum of 30 percent of the poorest sub-districts in PNPM Mandiri. PNPM Mandiri's participatory approach to development is particularly valued, especially as the nationwide expansion in 2009 is expected to increase community involvement in the development process at the village and sub-



district levels and augment the quality of the planning processes at the district and provincial levels, utilizing priorities identified through bottom-up planning.

B. PNPM Mandiri Congress

The 2nd PNPM Mandiri was Congress held on August 14, 2009, in Jakarta. The Congress was attended by approximately 170 participants from all provinces in Indonesia, representatives from ASEAN countries, Japan, China and South Korea. Attendees included national and local parliament members, national and local government officials, civil society organizations (CSOs), academia, community leaders, development partners, and representatives of the private sector.

The main objectives of the Congress were to:

- Showcase the achievements of PNPM's community-based poverty reduction programs;
- Share experience and knowledge among the local governments and identify policy and operational challenges;
- Identify obstacles and challenges to designing and implementing poverty reduction interventions;
- Strengthen cooperation and partnership among stakeholders; and
- Derive lessons learned and feedback to improve the planning and implementation of poverty reduction programs.

The conference's theme, "Showcase of Community Empowerment Achievements", reflected its aim to update attendees about the progress of PNPM and its collaboration with local government, Corporate Social Responsibility (CSR) groups, and others. In addition to presentations and group discussions detailing best practices in community empowerment (which included speakers from Indonesia, Thailand and Philippines) and CSR, an exhibit highlighted the results of community empowerment programs from across Indonesia. Local stakeholders were recognized for their achievements.

At the conclusion of the conference the following observations were made:

- The needs of local governments and communities and their role in responding to crisis situations should be taken into account;
- Different levels of government need to cooperate on knowledge management, lessons learned, and market development;
- Planning and control systems should encourage greater community empowerment;
- Creating ownership of program systems and results as well as improving community access to economic, political, and social resources improve the effectiveness of community-based poverty reduction programs;
- The roles of local stakeholders in community-based poverty reduction programs are multi-faceted;
- The ASEAN Secretariat should establish a special sector for community empowerment issues to augment the efforts of member states.



C. Provincial Workshops

A *Tim Pengendali* workshop in Surabaya, December 6-9, 2009, was the first of seven regional meetings planned to familiarize provincial and district officials with the new regulation from the Ministry of Finance (PMK No. 168/2009) that provides the legal basis for local governments to provide share-funding of community block grants called *Dana Daerah Urusan Bersama* (DDUB). The regulation is expected to increase local government and parliamentary support for the program, including financial contributions from local government budgets (APBD).

The support of local decision-makers is key to the success of PNPM. Roughly 500 officials from 33 provinces will be attending the workshops to learn the formula and criteria for determining block grant allocations from APBD and the requirements for reporting and monitoring.

The remaining six events will be held in Jakarta, Medan, Pekanbaru, Bandung, Denpasar and Makassar through 2010.

D. Progress against the Roadmap

The GOI's roadmap indicates it plans to continue PNPM in two phases until at least 2015. Phase one, completed in 2009, saw PNPM scaled-up to full national coverage, reaching each of Indonesia's 79,000 villages/urban wards in 6,314 sub-districts (Table 1).

Beginning in 2010, phase two will see PNPM becoming more sustainable by shifting responsibility for financing to local governments and encouraging greater participation by sectoral agencies. Over time, other community-driven development (CDD) poverty reduction initiatives will be folded into PNPM to streamline and coordinate community-level programming, making it more responsive to the needs of beneficiaries.

Progress has been made on a number of key roadmap issues, including:

- Carrying out pilots to clarify how to link PNPM Mandiri's participatory planning and development efforts to district programming and budgeting procedures, specifically the annual development planning process (*musrenbang*);
- Improving village governance and the roles and responsibilities of local institutions, in particular through the increased involvement of elected village councils (BPDs);
- Increasing block grant funding for PNPM Mandiri community investments (either through routine annual inter-governmental transfers or through a special program) and providing more resources for poor, remote sub-districts;
- Strengthening the national management of PNPM Mandiri through a new Presidential Decree, PerPres 15/2010, and implementing regulations under the existing Presidential Decree 13/2009. This Decree established *Tim Pengendali* as PNPM Mandiri's national-level oversight body.

On March 19, 2010, a workshop with the various GOI and donor partners of the PNPM program was organized in Bogor to clarify which aspects of the roadmap should receive priority attention moving forward. Four areas of focus were identified as priorities.



- Identifying the comparative strengths of various stakeholders at the local level (villages, local government authorities, sector service providers, CSOs, (deconcentrated) central government agencies, etc.) and the clarification of the processes, incentives, roles, and responsibilities to make the planning, budget allocation, and service delivery at the District level more pro-poor. This work will build on the lessons from a number of ongoing pilots in this area including: (a) Pro-poor Planning, Budgeting and Monitoring (P3BM), which is executed by Bappenas; (b) *Program Pengembangan Sistem Pembangunan Partisipatif* (P2SPP), which is executed by the Directorate General of Village and Community Empowerment (PMD) of MoHA; (c) Urban Community Learning Groups (KBP) which is executed by the Directorate General for Housing and Settlement (Ministry of Public Works) of MPW through PNPM-Urban; (d) ACCESS, which is an AusAid-funded project implemented in the eastern part of Indonesia; and (e) the Local Governance Support Program (LGSP), a USAID funded project to promote participatory, effective and accountable governance.
- Clarifying the roles, responsibilities, and interactions between communities and sector-specific service delivery agencies. This includes examining what the comparative strength in various sectors of communities and service agencies, and articulating how these various actors can complement each other to increase efficiency and effectiveness of services.
- Clarifying the dimensions of poverty in urban areas and identifying the most appropriate interventions to impact. Particular attention will go to clarifying the comparative advantage of community-driven approaches for poverty alleviation in urban areas.
- Clarifying the duration and size of block grants in less poor areas. This includes examining how the block grants can be used to maximize their impact on poverty impact and avoid elite capture.

E. Advancing the PNPM Gender Agenda

The nature of PNPM Mandiri makes it an important instrument to actively remove some of the barriers to gender equality and, in doing so, improve the effectiveness of poverty reduction. The importance of PNPM lies in its potential to:

- **Respond to women's practical needs** by funding, for example, water supply, health and education facilities, which help to remove practical barriers of time and capacity that constrain women's involvement in development.
- **Increase the potential for women's economic activity** by investing in local infrastructure, such as roads and bridges, which help to remove some of the obstacles to women's access to markets and resources, and by supporting microfinance activities that help women engage in income-generating activities and expand their businesses.
- **Ensure women are active participants in planning and decision-making** by emphasizing broad-based participation, which helps to break down some of the barriers to women's participation in local planning and decision-making, ensuring that their voice is heard and that decisions are more responsive to women's concerns.

In addition to promoting an enabling environment for women through the five core PNPM Mandiri programs (see below), the PSF supports gender initiatives through its program activities and pilot projects. The Female Heads-of-Household Empowerment Program or PEKKA (*Program Pemberdayaan Perempuan*



Kepala Keluarga), funded by the Japan Social Development Fund, focuses on leadership, education and justice for women. Projects supported through PEKKA include:

- Widows and Poverty in Indonesia project to support economic and social rehabilitation of widows.
- Education for Very Poor Children aimed at improving primary and junior secondary school enrolment and performance in very poor communities.
- Support for Female-Headed Households in Conflict Areas II to reverse the downward poverty spiral that affects female-headed households in conflict areas.
- Support for Female-Headed Household during Aceh Reconstruction.
- Poverty Reduction and Women's Leadership: The "PRIME" Project to develop a mechanism to promote sustainable grassroots capacity development for vulnerable women in poor villages.

In 2010, the PSF will finalize studies on facilitation and inclusiveness as well as the involvement of marginalized and vulnerable villagers. Both point to the central role of women and possibilities for increasing women's participation, in particular in leadership and decision-making roles.

The World Bank and the GOI will carry out a special supervision mission to consider ways to enhance the impact of PNPM on women's empowerment. The findings from the above mentioned studies and the supervision mission will be used to review progress and draft a strategy to improve the mainstreaming of gender issues in village planning and development. The PSF is planning to host a workshop in the first half of 2010 to discuss the findings and reach consensus on a plan to move the gender agenda forward, including drafting a new PNPM Gender Strategy for consideration. The strategy is expected to lead to a concept note for submission to the PSF Joint Management Committee requesting funding.



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KEPUSTAKAAN PEMERINTAH DAERAH SUMATERA BARAT



Progress of Core PNPM Mandiri Programs

PNPM Mandiri consists of five core programs:

- PNPM-Rural (formerly the Kecamatan Development Program – KDP)
- PNPM-Urban (formerly the Urban Poverty Project – UPP)
- Support for Poor and Disadvantaged Areas (SPADA)
- Rural Infrastructure Support to PNPM Mandiri (RIS-PNPM)
- Regional Infrastructure for Social and Economic Development Project (RISE)

As illustrated in Table 1, these programs together ensure national coverage of the program.



Table 1: PNPM Mandiri Core Programs for 2010

Name of Project	Number of Sub-districts Covered	Percentage
1. PNPM Rural Executing Agency: Ministry of Home Affairs	4,791	76
2. PNPM Urban Executing Agency: Ministry of Public Works	885	14
3. Regional Infrastructure for Social and Economic Development Project (RISE) Executing Agency: Ministry of Public Works	215	3
4. Rural Infrastructure Support to PNPM Mandiri (RIS-PNPM) Executing Agency: Ministry of Public works	237	4
5. Support for Poor and Disadvantaged Areas (SPADA) Executing Agency: Ministry of Less Developed Areas	186	3
Total Sub-districts in Indonesia	6,314	100

A. PNPM-Rural

Scope:

National

2008: 2,449 sub-districts

2009: 4,371 sub-districts

2010: 4,791 sub-districts

Summary:

Like its predecessor the Kecamatan Development Program, which began in 1998, PNPM Rural's overall objective is to reduce poverty and improve local-level governance in Indonesia.

PNPM Rural's project development objective is for villagers in these rural locations to benefit from improved socio-economic and local governance conditions through the provision of investment resources to support productive proposals developed by communities using a participatory planning process. The project helps efficiently fill Indonesia's large tertiary infrastructure gap: PNPM projects cost 30-56 percent less than those executed by contractors and 94 percent of PNPM projects are still fully functional after four years.

PNPM Rural achieves these development objectives through: 1) the provision of block grants directly and transparently to communities to finance an open menu of poverty alleviation activities identified through a gender-inclusive community participatory planning process; and 2) enhancing the capacity of GOI and local governments to partner with community organizations in service provision. The annually disbursed



sub-district block grants range in size from Rp900 million to Rp3 billion (approximately US\$90,000 to US\$300,000) per sub-district, depending on its remoteness, population, and indicative level of poverty.

PNPM-Rural and its additional financing were approved in 2008 and 2009 respectively. The total project for these two years is worth an estimated US\$1.86 billion, including a US\$531 million loan from the World Bank, US\$1.17 billion provided by the GOI, and an estimated US\$160 million from community contributions.

2009 Progress:

In 2009, PNPM-Rural achieved full national coverage, covering 68 percent or 4,371 sub-districts comprising approximately 59,200 villages. Block grant funds totaled approximately US\$740 million, of which 90 percent was disbursed by December. Roughly US\$126 million of these block grant funds were contributed by District governments. The remaining undisbursed FY 2009 funds were automatically carried over, allowing them to be disbursed and utilized up to 30 April 2010.¹

Final data on the number and type of subprojects funded in 2009 and under construction are not yet available, but indications are that patterns set in previous years continue. The 2008 data, which recently became available, indicate that 67 percent of community block grants were spent on rural infrastructure including:

- 12,900 km of roads,
- 2,277 bridges,
- 2,296 irrigation systems,
- 1,674 clean water systems, and
- 20,669 public toilets and washing facilities.

In addition, 3,157 schools, 1,421 health clinics and 21,206 grant proposals for women's microcredit groups were also funded from block grant funds during 2008. PNPM Rural's employment creation objectives continued to be supported by the thousands of physical works programs undertaken by each participating village. These projects provided a total of 1,605,394 villagers with approximately 9 and a half paid working days each. It is important to note that 73 percent of those who worked on these projects were classified as being very poor by their own communities. Participation of women at all levels also continued to remain high, both in terms of attendance at village and inter-village meetings (49 percent), and also in terms of paid labor on village projects. Successful proposals that were initiated by women totaled 30,614 or 68 percent of all proposals funded.

The distribution patterns of community block grants closely followed those of previous years, with approximately 70 percent of investment funds being used for basic village infrastructure; 15 percent for women's saving and loans revolving funds; and about 15 percent for social investments in education and health.

Within PNPM Rural, there are two regional adaptations: RESPEK in Papua and West Papua and the Fund for Village Welfare Assistance (BKPG) in Aceh. Both of these regional versions of PNPM Rural use Provincial and District Government funds for block grants to villages. Since 2007, the two Papua

¹ The carry-over of funds is an exception granted by the Ministry of Finance to allow full implementation of community priority projects.



provinces have provided village block grants from funds received under the Papua Special Autonomy legislation. In Aceh, the Provincial Government is using its Special Autonomy funds to provide Rp100 million (US\$10,800) to each village. District governments are contributing additional funds, averaging Rp50 million (US\$5,400) in block grants to villages. PNPM-Rural facilitated the BKPG planning and implementation process. Though implementation in Papua is somewhat slow, in part due to the very difficult conditions, in Aceh US\$ 48.7 million disbursed in 2009 and activities are under implementation. The remaining US\$ 48.7 million will disburse in early 2010 and sub-projects completed. Both provinces also received Kecamatan-level block grant funds from PNPM from the national budget.

Effective use of block grant funds in PNPM-Rural depends in part on intensive facilitation, technical support, and supervision. In 2009, technical assistance was overseen by a team of 60 specialists in the National Management Consultant team in Jakarta and 310 provincial specialists in the 32 provinces participating in the program (all provinces except the capital city, Jakarta). The front line of this hands-on support are the district and sub-district facilitators, who are now managed by the Provincial Government. In 2009, there were 1,111 District facilitators. At the District level, the team of facilitators is composed of a community organizer, a senior engineer and a financial management advisor. These district level facilitators, on behalf of the project and the District Coordination Teams, supervised about 10,200 sub-district facilitators (and in Aceh local assistant facilitators as well). In each sub-district there is one social facilitator and one or more civil engineers as well as a sub-district financial management unit.

PNPM Rural provides significant, though still insufficient, amounts of training. Almost US\$12 million was provided in grant form to all sub-districts to subsidize community training. Village facilitators, village implementation teams, UPK (sub-district financial management unit) staff, Operation and Maintenance teams and various other village actors and teams are trained yearly. Though more training is needed for facilitators, in 2009 4,316 sub-district and 598 district facilitators received some training.

2010 Plans and Activities: In 2010, PNPM-Rural will continue covering approximately 4,791 sub-districts. The program will continue to focus on poverty reduction and expanding access to services and basic rural infrastructure to the poor and women in project villages. On March 30, 2010, the World Bank approved a US\$785 million loan to co-finance PNPM-Rural. Key performance indicators are: improved household expenditure rates and access to economic and social services; economic internal rate of returns greater than 30 percent for rural infrastructure works in PNPM sub-districts; improved health indicators; and greater than 80 percent beneficiary satisfaction levels regarding improved services and local governance. The results of a large and comprehensive impact evaluation for KDP/PNPM will be available in October 2010. The evaluation includes information on household welfare, poverty, access to services, employment, social capital and governance and is expected to form the cornerstone of information on project impact.



B. PNPM-Urban

Scope:

National

2008: 8,813 Urban Wards in 245 Cities/Districts

2009: 11,014 Urban Wards in 267 Cities/Districts

2010: 10,948 Urban Wards in 268 Cities/Districts

Summary:

PNPM-Urban works to ensure that the urban poor benefit from improved socio-economic and local governance conditions. This is achieved through:

- Forming and institutionalizing elected representative organizations that are accountable to communities;
- Providing grants to communities directly and transparently to finance poverty alleviation activities, especially infrastructure services;
- Enhancing the ability of central- and local governments to partner with community organizations in the provision of services;
- Increasing awareness of disaster risk mitigation and mainstreaming of measures for resilience and recovery.

PNPM Urban is designed to promote the development of community organizations (*Badan Keswadayaan Masyarakat* or BKM) at the urban ward (*kelurahan*) level. The BKMs are eligible for up to three block grants ranging from US\$15,000 to US\$45,000 per to help meet the goals of the community development plan.

PNPM-Urban builds primarily upon the successful experience with the World Bank-funded Urban Poverty Program (UPP1, UPP2/Additional Financing, and UPP3) that began in 1999. In 2008, the World Bank approved the first PNPM-Urban project and subsequent additional financing in 2009. The program has reached almost 11,000 wards and 20.5 million beneficiaries.

2009 Progress:

Beginning in 2009, financing for PNPM Urban is shared between the World Bank (approximately 6,000 urban wards in 19 provinces) and the Islamic Development Bank, which finances the remaining locations. By end of 2009, PNPM Urban covered 11,010 wards in 267 cities/districts in 33 provinces. In 2009, US\$130 million in Kelurahan Grants had been disbursed to wards, mostly for infrastructure (68 percent). The remainder of the grants went toward economic activities (17 percent)² and social activities (15 percent).

As of November 2009, the program financed construction of over 22,000 km of small roads, 6,500 km of drainage, the rehabilitation of 85,000 houses of the poor, 157,500 units of solid waste and sanitation

² This includes all RLF under UPP2 and UPP3 since in 2006. In FY 2009 only 3.4 percent spent for RLF and rest was spent for infrastructure and social activities.



facilities, and 12,900 community health facilities. It also financed 143,000 economic activities through revolving funds.

Roughly 7,500 facilitators and coordinators are in place and more than 11,000 Board of Trustees had been formed. The key project performance indicators have generally been met, including those for women's participation. More than 35 percent of the facilitators are women, and more than 30 percent of the adult population in the urban wards participated in the election of the Board of Trustees, of which about 45 percent were women.

PNPM Urban also has initiated several pilot programs including the Poverty Alleviation Partnership Grant (PAPG) and the Neighborhood Development Program to enhance the effectiveness of the program. Both of these two new initiatives focus on strengthening local government's role in PNPM.

2010 Plans and Activities:

The financing of PNPM Urban between the World Bank and IDB will continue. In 2010, approximately 10,000 existing wards will receive supplemental block grants. In addition to core PNPM Urban activities, the program will continue with its pilot activities. It is expected 200 wards will be in the Neighborhood Development Program pilot. A comprehensive evaluation for PNPM Urban is planned for 2010.

Both quantitative and qualitative evaluations of the program will be done drawing on the rich monitoring data that exists. The planned evaluation will examine: how the community drive development approach has evolved and how it is addressing the needs of the urban poor; the PNPM Urban Program in the context of other urban poverty programs in Indonesia; institutional issues; implementation issues; the role of local government; approaches to capacity building; and other relevant issues that will inform future project design. The study will identify strengths and weaknesses of the PNPM Urban program, document good practice, and distil lessons learned. This evaluation will be carried out within a relatively short time period, approximately one year, to ensure that results can be incorporated into future project design and implementation.

C. PNPM Support for Poor and Disadvantaged Areas (SPADA)

Scope: SPADA National:

186 sub-districts in 32 districts in eight provinces

Scope: SPADA Aceh-Nias:

19 tsunami-, earthquake- and conflict-affected districts in Aceh and North Sumatra provinces

Summary:

Anchored in the PNPM-Rural participatory planning process, SPADA brings the mechanism up to the district level to help build the capacity of local governments to deliver basic services to poor and remote communities. Capacity is built through the provision of technical assistance to the local government to improve local planning processes, specifically to increase accountability, transparency, and community participation. Communities decide which local development needs will be met through SPADA block grants funded from the district level and, for SPADA National, the sub-district level. SPADA operates with an "open menu," with the caveat that at least 30 percent of district block grants must fund health



and education sub-projects, and at least five percent of sub-district grants for SPADA National fund sub-projects targeted to youth.

The US\$185.6 million SPADA program is funded as follows:

- SPADA National (US\$134 million): 78 percent World Bank loan and credit & 22 percent national- and local government resources and community contributions.
- SPADA Aceh-Nias (US\$51.6): 72 percent trust funds & 28 percent government resources.

2009 Progress:

The two Support for Poor and Disadvantaged Areas Projects (SPADA, or as they are known now—PNPM DTK) cover ten provinces and 51 Districts. SPADA National, the project operating outside Aceh and the island of Nias, also works in 187 sub-districts and the approximately 2,500 villages. The project provides technical assistance, training, and block grant funds for local planning and investments, with sub-projects determined through participatory planning processes.

In 2007 and 2008, SPADA National disbursed block grants for investments in the amount of about US\$42.68 million, while SPADA Aceh and Nias disbursed approximately US\$6.88 million. For technical assistance in the same two years, SPADA National disbursed about US\$10.81 million and SPADA Aceh and Nias US\$373,000. (SPADA National has financed much of the TA in Aceh and Nias.) This was nearly 100 percent of the amount allocated in the GOI's budgets.

In 2009, implementation rates increased; SPADA National disbursed US\$8.06 million in block grant funds, about 92 percent of the amount allocated, and US\$2.49 million for TA (100 percent). For SPADA Aceh and Nias in 2009 US\$9.92 million of block grant funds at the district level disbursed, and US\$220,000 for TA, representing 95 percent of the amount allocated. Remaining funds for investments are allocated in the 2010 budget.

To date, 3,722 small sub-district projects have been or are being completed and 1,671 projects funded by district level block grant funds. Of these about 46 percent to 47 percent are infrastructure projects, including more than 1,300 bridges, roads, and other infrastructure investments to improve the productivity of farmers and entrepreneurs; 24 percent to 28 percent are education projects; and 25 percent to 26 percent are health projects. About 4 percent of the sub-district projects involved or are targeted at youth.

Local government, health, and education departments are reporting that SPADA's provision of nutritional supplements, the rehabilitation of more than 400 health clinics and schools, access roads and footpaths, and the training of nearly 20,000 teachers and principals has lead to reductions in child and maternal mortality rates, increased nutrition of young children, and increased access to education.

Eleven districts adopted one or more regulations for improvements in health services, education services, transparency, planning, public service management, the technical review of community proposals and one-stop business licensing. In addition, assessments of local business climates in 47 districts are helping government and businesses prioritize and advocate for the changes needed to improve local economic growth. In Aceh, this resulted in the strengthening of one-stop business licensing centers in five districts.



Both SPADA National and SPADA Aceh-Nias provide significant amounts of TA to improve pro-poor participatory planning, especially at the district level, and the implementation of locally funded development projects. The projects have a team of 19 specialists in Jakarta, 38 in the 10 provinces, and almost 300 in the participating districts. Each participating sub-district also has a resident, full-time, university educated facilitator. In 2009, US\$1 million has been spent on training; over 12,000 staff (over a third women) have been trained. These staff come from Health and Education Committees or are local actors, such as village facilitators. Training was conducted on procurement and technical project review methods and project design and budgeting as well as on financial management.

In addition to the two projects, there are 11 trust funds with a total budget of US\$31.7 million attached to SPADA/PNPM-DTK. These trust funds help with monitoring and evaluation, conflict resolution training, private sector development, and women's economic empowerment.

2010 Plans and Activities:

SPADA will continue to provide technical assistance, finish implementation of sub-projects under the last round of block grant funds, conduct studies and impact evaluations.

D. Rural Infrastructure Support to PNPM Mandiri (RIS-PNPM)

Scope:

1,724 villages in Jambi, Lampung, Riau, and South Sumatra provinces

Summary: RIS-PNPM builds on the existing PNPM Mandiri platform and the Rural Infrastructure Support Project program that ended in 2008. Its goal is to reduce poverty and improve local governance in rural communities by improving access to services for the poor, near poor, and women.

RIS-PNPM was approved in 2008 and has a total budget of US\$62.5 million, including a US\$50 million loan from the Asian Development Bank, US\$6.7 million by the GOI, and an estimated US\$5.8 million from community contributions. RIS-PNPM II was approved in November 2009 and has a total project cost of US\$113.5 million, including a US\$84.2 million loan from the ADB, US\$21.8 million from government counterparts and US\$7.5 million in community contributions.

2009 Progress:

RIS-PNPM has made good progress since starting in February 2009. Roughly 1,170 community facilitators have been engaged through the provincial offices to empower communities and strengthen their capacity to identify their priorities, prepare village development plans, and implement civil works. On average, a team of five community facilitators assists a cluster of about seven villages. Community Implementation Organizations are established in all 1,724 project villages. Supported by consultant teams and facilitators, civil works - upgrading village roads and pathways, small bridges and culverts, drainage and irrigation systems and improving water supply and sanitation facilities - have started in 1,496 villages. In general, community participation in planning and decision-making processes is very encouraging; civil works are largely undertaken by community members, assisted by skilled labor where needed.



2010 Plans and Activities:

The implementation of RIS-PNPM II in the same provinces and districts as RIS-PNPM I will begin in 2010, providing the second and third cycles of community facilitation and block grants for participating sub-districts. Lessons learned from implementation of RIS-PNPM I are reflected in RIS-PNPM II: the project has improved its provisions for poverty targeting, community facilitation, local government capacity building, and the promotion of gender equity.

RIS-PNPM I is finalizing construction of civil works, and RIS-PNPM II is recruiting consulting services. The second cycle of RIS-PNPM is expected to start in June 2010.

E. Regional Infrastructure for Social and Economic Development (RISE)

Scope:

237 sub-districts in nine provinces: North Sumatra, Jambi, Bengkulu, Bangka Belitung, Nusa Tenggara Barat, West Kalimantan, South Kalimantan, South Sulawesi, and West Sulawesi

Summary:

Building on the existing PNPM-Rural platform, the program aims to accelerate social and economic infrastructure development through improved access of the poor to the following: transportation facilities, water supply and sanitation facilities, irrigation facilities, market facilities, health facilities, education facilities, and by introducing micro-credit services on a pilot basis. In this way, the project will contribute to alleviating rural poverty, developing regional economies, increasing capacity of local communities, and strengthening the administrative capacity of local governments.

Japan and the GOI signed the program loan agreement in March 2007 with a total loan amount of JPY23.5 billion or US\$252.2 million. The program is expected to run through June 2011.

2009 Progress:

Building on analytical work and socialization activities completed in 2008, the program began providing community grants, disbursing approximately US\$42 million.

2010 Plans and Activities:

The program will continue to implement community grants.





Progress on PSF Program Activities

The PSF's support to the GOI has four windows of activities:

- Window 1: *Direct budget support and co-financing* channels development partner funds to support PNPM with, for example, community block grants and the provision of facilitators.
- Window 2: *Coordination and supervisory support* helps PSF management and the PNPM oversight body to increase their capacity for the long-term management of the PNPM.
- Window 3: *On-granting to Indonesian civil society* focuses on grassroots poverty reduction.
- Window 4: *Technical assistance* consists primarily of specialized expertise related to monitoring and evaluation, special studies, technical assistance, workshops and comparative study tours to relevant programs.



A. Window One

At this point, two major programs are active under this window: Green PNPM, which fosters environmentally sustainable development at the community level, and PNPM Generasi, which uses the PNPM Rural mechanism to target three health and education Millennium Development Goals.

A.1 Green PNPM



Scope:

78 sub-districts and 27 districts in eight provinces in Sulawesi and Sumatra: North Sulawesi, West Sulawesi, South Sulawesi, Southeast Sulawesi, North Sumatra, West Sumatra, Aceh and Bengkulu.

Implementation in Sulawesi began in 2008 and implementation in Sumatran provinces will begin in 2010. In 2009, the GOI determined that it was impractical initially to implement Green PNPM in Papua as originally planned; instead, additional locations throughout Sulawesi and Sumatra were selected as target locations.

Summary:

Operationally, Green PNPM follows the same mechanism as the national PNPM-Rural program, except that block grants are disbursed at the sub-district level as well as the district level, and funding is specifically earmarked for natural resource management (NRM), renewable energy (RE) and other types of environmentally supportive ‘green’ projects. Green PNPM places particular emphasis on the funding and implementation of micro-hydro power (MHP) schemes that are in high demand and tied directly to sustainable NRM conservation and protection practices in adjoining catchment areas. Separate block grants specifically earmarked for MHP schemes are disbursed at the district level. Communities anywhere in the eight provinces are eligible to submit proposals for MHP schemes financed through this funding source.

To provide the necessary technical assistance to the communities, Green PNPM finances GOI-contracted ‘green’ consultants and community facilitators, and provides grants to CSOs who advise communities about the types of environmental projects that will produce the greatest benefits in each area. Those communities opting to invest in MHP schemes receive supplemental technical assistance from a MHP Technical Support Unit managed by the German Agency for Technical Cooperation (GTZ). Although it provides integral technical assistance to participating communities, GTZ’s activities are funded outside of Green PNPM’s budget and are financed directly entirely by the Government of the Netherlands.

2009 Progress:

Participating communities in Sulawesi identified more than 650 ‘green’ projects in which to invest Green PNPM block grant funds. Roughly half of these projects have begun, including renewable energy schemes, erosion control, land/forest rehabilitation, wildlife conservation, natural resource spatial planning/

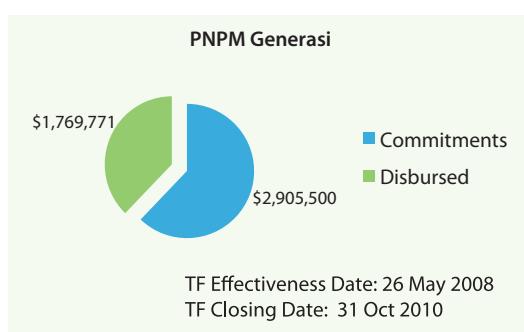


management, and environmental service-based income generating activities such as eco-tourism, and the marketing of Non-Timber Forest Products. Among the projects are 28 MHPs generating approximately 375 kW of electricity. To date, all of the Green PNPM activities conducted in Sulawesi have been financed through CIDA's Trust Fund.

2010 Plans and Activities:

Green PNPM will scale-up, expanding its implementation in four provinces in Sumatra. The GOI will train and mobilize 45 'green' community facilitators and consultants and the World Bank will issue- a grant to a CSO in Sumatra to deliver the requisite environmental awareness raising and training activities. It is expected that 2010's Green PNPM block grants will fund over 700 additional projects including 30 new MHP schemes. Additionally, a range of evaluations and studies will be conducted to analyze the impact of Green PNPM's interventions and identify means to further integrate environmental and renewable energy issues into PNPM-Rural's community planning process.

A.2 PNPM Generasi



Scope:

Five provinces: East Nusa Tenggara, West Java, East Java, North Sulawesi, Gorontalo

Summary:

PNPM Generasi is an incentivized block grant program targeting three Millennium Development Goals lagging in Indonesia: achievement of universal basic education, reduction in child mortality, and improvement in maternal health. PNPM-Generasi uses community

planning and block grants to reach twelve health and education indicators. Communities work with facilitators, and health and education service providers to identify locally appropriate solutions to increase access to and use of health and education services. Block grants can be used to address either supply or demand constraints, depending on where the need is the greatest.

PNPM Generasi presently reaches 2,144 villages in 164 poor sub-districts across 5 provinces. In 2010, the program will expand into a new province, West Nusa Tenggara, with adding 48 new sub-districts. The current beneficiary total is 2.5 million.

Common health activities in PNPM Generasi locations include: improving access to and equipment for health facilities; intensive feeding for malnourished children; transportation costs for midwives and mothers; seed funds for group savings for deliveries and related complications; and subsidizing fees for delivery. Common education activities include transportation costs, uniforms, and school supplies for poor students.

PNPM Generasi has a 3-wave impact evaluation. A baseline survey was undertaken in 2007, and the mid-term impact evaluation was fielded in 2008. The final impact evaluation will be completed later in 2010.



2009 Progress:

In 2009, results for PNPM Generasi's mid-term evaluation became available. This evaluation showed dramatic gains against health indicators in the first 15-18 months of the program. The strongest improvements were in the frequency of weight checks for young children and use of iron tablets by pregnant women. The program also appears to have improved the frequency of deliveries by trained midwives. These improvements were supported by dramatic increases in coverage of all types of maternal and child health services through village health post (*posyandu*) activities. The program made significant contributions to reducing infant mortality and appears to have reduced malnutrition in both NTT and Sulawesi. Notable health impacts found in the mid-term evaluation include:

- 32 percent increase in children receiving supplementary feeding
- 59 percent increase in children receiving intensive supplementary feeding
- 27 percent increase in immunization rates
- 42 percent increase in the number of pregnant mothers receiving antenatal care
- 48 percent increase in pregnant mothers receiving iron pills

In contrast to health indicators, the first 15–18 months of Generasi has led to no improvement in the achievement of the education indicators targeted. Preliminary results from the final impact evaluation do show improvements to education indicators. Nevertheless, PNPM Generasi is re-examining its education indicators for the future.

During 2009, sub-districts participating in PNPM Generasi received an average block grant totaling Rp1.9 billion (US\$204,000). Block grant funds for 2009 totaled Rp321 billion (US\$34million) and 100 percent of these funds have been dispersed.

The new Management Information System was launched in January 2009. The system collects data on funding, participation, activities and scoring. The database has been updated to reflect the 12-month monitoring cycle.

The SMS Gateway became operational in January 2009. It is now being expanded and adapted to create an integrated complaints handling mechanism for PNPM Rural and PNPM Generasi.

2010 Plans and Activities:

In 2010, PNPM Generasi will be implemented on top of PNPM Rural in all existing Generasi locations. Sub-districts will receive PNPM Rural block grants and an additional block grant for PNPM Generasi totaling 60 percent (on Java) and 65 percent (off Java) of their PNPM Rural grant. During 2009, extensive preparation was undertaken to synchronize the two programs' planning, implementation, and reporting systems. Supervision and technical assistance on integration of the two programs will continue in 2010.

In addition, PNPM Generasi will scale-up to 48 new sub-districts into a sixth province, West Nusa Tenggara. A PSF grant to the GOI for US\$10.2 million funded by AusAid will fund block grants, training and capacity building, as well as technical assistance.

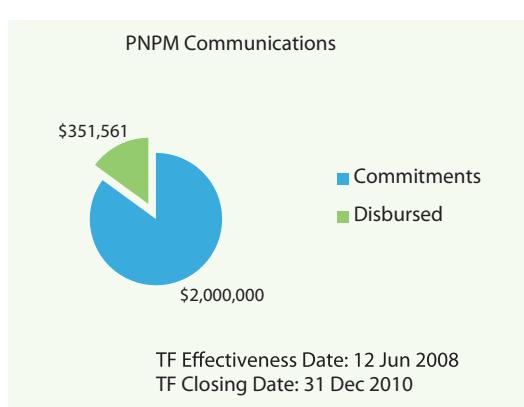
Presentation of the final quantitative impact evaluation will be presented June 21, 2010. In addition, a qualitative evaluation of PNPM Generasi will be undertaken by SMERU, an Indonesia independent institution for research and public policy studies. Their report is expected in early 2011.



B. Window Two

The coordination and supervisory support that falls under Window 2 includes work related to PNPM Communications, PNPM Operations Support, Community Facilitator Development, and strengthening quality of service delivery and financial management at the District level.

B.1 PNPM Communications



Scope:

National

Summary:

The Communications Team continues to work with the Ministry of Communications and Information (*Menkominfo*) and a communications consultant based within *Menkokesra* to further develop and implement a comprehensive communications strategy that showcases best practices and lessons learned. In addition, the Communications Team emphasizes the development of two-way communication whereby mass media can be used by communities and beneficiaries to provide inputs

to the program, and voice their complaints. In addition, special attention goes to the strengthening of capacity of local journalists to play an active role as watchdogs for good governance and transparency.

Activities include providing technical assistance, producing and disseminating communications materials, facilitating collaboration with the media to publicize program implementation results, and collaborations with CSOs and academics to support PNPM Mandiri socialization and communication activities.

2009 Progress:

The 2009 accomplishments of the communications team included the following:

- Community-based Monitoring: 119 community radios in six provinces received training, coaching and operational costs. As a result, local radio programs became a media for community members to provide their inputs and complaints regarding program implementation.
- Women in eight provinces were trained to document the process and results of the program through photos. A compilation of these documentaries has been compiled in a book titled “From Behind the Lens” (published in May, 2010).
- Monthly media monitoring followed all articles related to the PNPM program. Any stories about negative aspects of the program or complaints were passed on to the Complaint Handling Unit.
- Monthly radio talk shows were conducted to present best practices and lesson learned of program implementation. Speakers included beneficiaries, policy makers (parliamentarians, national and local government officials), CSOs, facilitators and others.
- The team produced a series of printed materials including program reports, regular newsletters, fact sheets, etc. In addition, the PNPM website is regularly updated.



- A video profile of PNPM and best practices of PNPM Mandiri were produced. Video documentation of activities related to PNPM was routinely posted in YouTube.
- Training of local journalists on how to support transparency, good governance, and community empowerment. Two trainings were done for Papuan journalists and local journalists in eastern-Indonesia, in collaboration with a national CSO.
- Media visits to PNPM sites to increase awareness of the program, and to raise awareness among journalists with regard to their role in the area of good governance, transparency, and the fight against corruption.

2010 Plans and Activities:

Each of the activities listed above will continue in 2010. Special attention will continue to go to collaboration and capacity building of CSOs and local media. In addition, special emphasis will go to strengthening the role and capacity of Menkominfo to lead the PNPM Mandiri communication strategy.

B.2 PNPM Operations Support



Scope:
National

Summary:

This activity provides operational and administrative services to the PSF to sustain an effective framework to implement PNPM Mandiri. In addition to sustaining the PSF and coordinating the JMC, the activity provides the fiduciary oversight and reporting for all PSF programs and supports the Technical Secretariat.

2009 Progress:

Accomplishments in 2009 included:

- Carrying out all the functions related to the Technical Secretariat, including the support to the preparation of project proposals, preparation of Technical Committee and JMC meetings;
- The preparation of (amendments to) administrative and grant agreements as required;
- The financial management of the PSF Multi Donor Trust Fund, and the quarterly reporting on the financial status of the Trust Fund;
- The coordination and management of the PSF.

2010 Plans and Activities:

In addition to sustaining the PSF, emphasis will be placed on strengthening fiduciary systems and reporting.



B.3 PNPM Community Facilitator Development System



Scope:

National

Summary:

The Community Facilitator Development System seeks to improve the quality of community facilitation in PNPM. It is training 660 PNPM master trainers, experienced management consultants or district facilitators so that they can train more effectively sub-district facilitators (FK). These facilitators ensure community beneficiaries understand the mechanisms

through which PNPM operates, assist the identification of development priorities, and create viable project proposals for block grant funding. The program will also create a database of experienced, trained community facilitators and continue work on a standardized, nationally recognized FK certification process.

2009 Progress:

The training of approximately 600 facilitators as master trainers began in late 2009. By mid-March 2010, all 660 individuals completed the training of trainers. Feedback thus far has been encouraging. Training evaluation forms from events in Makassar and Salatiga indicate that FKs improved their knowledge and skill sets on how to better support villagers, structure facilitation activities, and train their colleagues in facilitation techniques. The FK database is operational and being updated with information about all the facilitators. The program made significant progress in creating a formal certification process for FK competencies and will continue, though certification itself will not be a reality until late 2010 or early 2011.

2010 Plans and Activities:

All master trainers will have been trained before the program's anticipated completion date in the second quarter of 2010. The certification process will continue to be worked on so that the roughly 12,000 community facilitators employed by the PNPM-Rural project and those employed by the other core programs can be certified.



B.4 Delivering Services to Poor Communities



Scope:

National

Summary:

The program is designed to improve the quality of public service delivery and financial management at the local government level by piloting a performance-based incentive system to improve their ability to deliver poverty services, and operationalize their monitoring and evaluation systems. The program also supports the preparation of the Delivery Improvement and Local Governance (DIALOG) Trust Fund. The findings from these activities will be applicable to every project that manages grants to local governments.

2009 Progress:

- Draft project appraisal document for DIALOG prepared with support from AusAid.
- DIALOG is working with the six local governments to develop their medium-term strategies.
- Hired district facilitators to enable discussions with local stakeholders and collect data on services delivery issues/problems.
- Prepared draft strategies to be discussed and agreed upon with local governments.
- Began analysis of two broad areas: 1) the impact of inter-government transfers, such as the GOI's Specific Allocation Fund/DAK and Hibah (grants) and 2) on the ability of local governments in the delivery of services; and the role of community participation in local government planning, budgeting, and investment decisions.

2010 Plans and Activities:

The program will continue to assist local governments to develop medium-term strategies and action plans to improve service delivery, particularly on health and education, including the following activities:

- Workshop with the six participating districts/local governments to develop priority strategies.
- Prepare action plan to implement the strategies.
- Discuss the integration of the strategies into the district planning process.
- Conduct studies to review the budgeting and allocation process in districts and cities. The studies are expected to be implemented starting April/May 2010 until the end of 2010.
- Convene workshops with district and national governments to disseminate the results of the studies.



C. Window Three

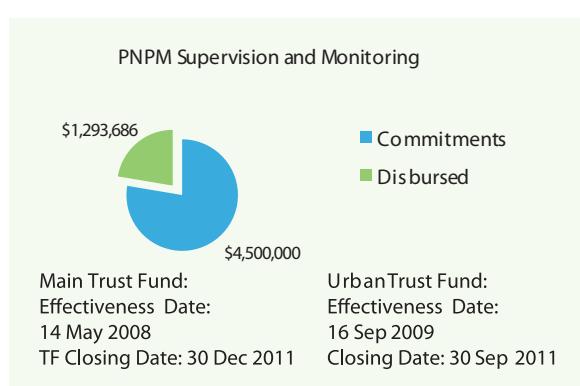
Recognizing that broad-based efforts to reduce poverty require multi-stakeholder support beyond national and local government institutions, PNPM Mandiri is promoting greater Civil Society Organizations (CSOs) involvement in its implementation. CSOs offer a comparative advantage in the provision of specialized technical support (women's issues/gender equality, environmental protection, access to justice etc.), and (local) targeting of more vulnerable or marginalized groups. They are also well suited to engage with local government institutions to increase awareness of poverty reduction issues in specific geographic areas. To build on the strengths of CSOs, the PSF has established a specific funding window.

No funding has been channelled from the PSF Trust Fund through Window 3 to date. However, in 2009, significant progress was made in designing a project to establish the operational structure for Window 3 and outline the most effective and, from a fiduciary perspective, sound way to disburse funds to local CSOs. The World Bank has hired a consultant to serve as a Window 3 anchor to work closely with Bappenas and an Indonesian philanthropic organization to determine how CSO-executed activities can best support the overarching strategy of PNPM Mandiri. This collaborative effort will result in the development of operational guidelines for Window 3 that will include procedures for soliciting, evaluating, and selecting potential intermediary organizations as grant recipients who in turn award sub-grants to local CSOs and monitor their activities. Once an operational manual for Window 3 has been endorsed by the JMC, the PSF will proceed with on-granting funds to select intermediary organizations in 2010 on a pilot basis.

D. Window Four

Activities under this Window include support to the supervision of the program, Monitoring and Evaluation, and analytical work.

D.1 Supervision and Monitoring



Scope:

National

Summary:

Monitoring and supervision funds from the PSF trust fund provide incremental supervision and oversight for PNPM Mandiri, its many pilots, local government CDD programs directly or indirectly linked to PNPM (Papua RESPEK, Aceh BKPG), and for special studies. Given its nationwide coverage and the scope of support from development partners and national and local government, the

incremental supervision funds are crucial to mitigating risks and maintaining quality and efficiency. In particular, increased supervision supports fiduciary controls and mitigates against the misuse of funds and the resolution of cases when they do occur.



2009 Progress:

In 2009, the PSF continued with its hands-on approach to supervision and monitoring. On an ongoing basis, missions were fielded to review various aspects of the program, and to provide technical assistance. In 2009, specific attention went to (a) harmonizing the processes at the community level of the various programs under the PNPM Mandiri umbrella; (b) addressing issues that resulted in major delays in the implementation of the program in disadvantaged areas, in particular in Papua and Aceh/Nias; (c) providing technical assistance and support to socialization activities organized by various departments; (d) increasing the focus on the fiduciary aspects of the program.

A particularly interesting feature of this activity is the knowledge sharing with authorities and senior staff working on similar programs in other countries. In 2009, PSF supported visits from delegations from a number of countries including the Philippines, Cambodia, Mongolia, and Vietnam. Support was also provided for special studies and publications, for the management of the PSF itself, and the oversight of its processes and projects.

2010 Plans and Activities:

The program will intensify emphasis on fiduciary controls and oversight and technical reviews, including engineering, education and health, ex-post community procurement reviews.

D.2 Monitoring and Evaluations



Scope:

National

Summary:

Monitoring and evaluation (M&E) activities provide stakeholders with empirical data regarding the results and impact of PNPM Mandiri, research in greater depth regarding topics of concern to PNPM, and enhance the ability of Indonesian social science research organizations to conduct M&E and special studies.

2009 Progress:

In 2009, the Monitoring and Evaluation team:

- Delivered technical assistance to Bappenas in developing an evaluation strategy for the five core programs of PNPM-Mandiri.
- Developed research design for additional studies planned late 2009/early 2010.
- Provided technical assistance to Bappenas in formulating Block Grant amounts for PNPM 2010.

2010 Plans and Activities:

Activities planned for 2010 include the following:

- Complete the follow-up survey on baseline data for the PNPM-Rural project's impact evaluation.

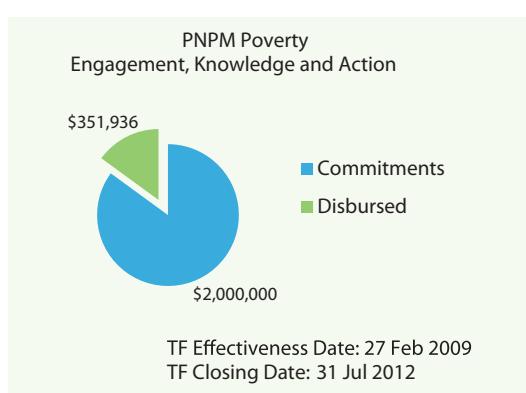


- Continue, as part of the SPADA project's impact evaluation, developing research designs for each program component. A baseline survey based on these designs will be implemented 2010, which will allow PNPM Mandiri to continue evaluation work in 2011-2012 via follow-up surveys.
- Deliver the Facilitation Study, which evaluates the importance and added value of utilizing facilitators in CDD programs. The study will assess their influence on communities' capacity to manage their development needs and identify sustainable technical assistance/facilitation strategies.
- Deliver the Marginalized Groups study, which examines barriers to participation for marginalized and vulnerable groups and assess how PNPM can increase participation of these populations.
- Complete the PNPM Governance Study, which documents the perspectives of national- and sub-national leaders involved in the implementation of PNPM, and the challenges and opportunities for local governance.
- Prepare a study using ethnographic qualitative research methods to examine inclusion/exclusion issues in PNPM-Rural.
- Conduct evaluations for PNPM RESPEK which is a special PNPM-Rural program for Papua and West Papua where community block grants are provided by provincial governments. A series of evaluations will be conducted, including: rural infrastructure built under RESPEK to determine its quality and cost effectiveness and community capacity building. A study of vulnerable groups (with national PNPM-Rural) is also planned.
- Evaluate, under Green PNPM pilot, the Knowledge, Attitudes and Practices (KAP) of participating communities towards natural resource use and conservation needs, the socio-economic impact of community investments in micro-hydro power, and the level of women's involvement in community-level environmental planning.
- Prepare and deliver reviews of PNPM Mandiri's economic internal rates of returns, cost effectiveness, and the economic multiplier effects on employment and poverty.

Note: several of the studies listed above were to be delivered in late 2009, however, due to the extended elections period in Indonesia and the annual fasting month, no field work could begin until late 2009, pushing many completion dates to mid-to-late 2010.



D.3 Poverty Engagement, Knowledge and Action



Scope:

National

Summary:

The program consists of four platforms of activities designed to:

- Strengthen poverty and social protection programs;
- Deepen analysis of poverty and vulnerability;
- Build technical capacity and know-how;
- Stimulate policy dialogue and provide inputs to policymakers.

The program places a strong focus on enhancing the capacity of government agencies and local think tanks—through stand-alone projects and integrated activities—to use poverty analysis to promote equitable growth.

2009 Progress:

- Provided technical assistance to the program steering committee and strengthened institutional accountability mechanisms. This included designing and initiating independent spot checks and training local universities to carry out this activity. Assistance was also provided in analyzing the follow-up program survey and impact evaluation. In addition, the scope of activities expanded to encompass Cluster I programs, interventions for individuals and households. A Social Assistance Public Expenditure Review was initiated to review and assess social assistance spending in Indonesia and assess the performance of major national programs.
- Completed the first program targeting experiment comparing the accuracy of proxy-means testing (PMT), community-based targeting and a hybrid. This will serve as an input for a major report on targeting in Indonesia that is currently underway. Policy notes and action plans about program targeting informed the government's decision to establish a national targeting system, which is included as one of the priority areas for the medium-term development plan.
- Software for automated economic data analysis for use by government agencies and local think tanks was localized to fit the Indonesian context. Indonesian data sets for modules on poverty, social protection, education, health, labor and gender were prepared. Interface and output tables and tutorials were translated into Indonesian, and new output tables were added in response to the demands of policymakers.
- BPS-Statistics Indonesia (Badan Pusat Statistik) is on-track to apply the revised poverty measurement methodology for the 2010 release of poverty statistics with the trust fund's technical assistance. Discussions are also underway on creating a roadmap to improve the SUSENAS survey, with the support of the World Bank and the Australian Bureau of Statistics (ABS).
- A consultation draft report on building a skilled workforce, which includes analyses of labor market segmentation, labor regulations and institutions, was prepared. Findings from the report were shared and discussed with government counterpart agencies and were presented to key stakeholders at the Industrial Relations Forum.



2010 Plans and Activities:

The second year of activities will lead to the completion of key analytical outputs that will inform the government's aims to integrate poverty reduction programs and reach national targets. These include the targeting report, the Indonesia Jobs Report, and the Social Assistance Public Expenditure Review. Additional research projects to inform the future of PNPM will be incorporated. Capacity building activities will focus on training central and local government agencies and think tanks in the use and application of automated tools for data analysis.





Activities for 2010

With the nationwide scale-up of PNPM Mandiri complete, the GOI is focusing on building the capacity of local governments and key implementing actors and systems. The long-term view is that PNPM Mandiri will evolve from being a tool for immediate poverty alleviation to become a platform through which communities and local governments can learn to make effective long-term plans and investments based on these plans to reduce poverty.

During 2010, PSF activities will support the effectiveness of PNPM Mandiri implementation by:

- Fostering the integration of various community-based development programs at the local level to enhance their ability to influence planning, budgeting, and service delivery at the District level;
- Supporting the analytical program that was identified during the March 19 2010, Bogor workshop to help inform decision making regarding the future development and design of the program. This will be complemented with a number of impact evaluations that are scheduled to be available in 2010;
- Strengthening the fiduciary systems of the program, including the strengthening of the reporting mechanisms as well as the follow up to complaints;



- Supporting the implementation of proposals adopted by the JMC, including strengthening of the MIS, and clarification of the sustainability mechanisms for Revolving Funds;
- Improving the PSF reporting, including the production of bi-annual updates on the programs implementation status;
- Finalizing the governance arrangements for the program as part of the GOI's broader governance strategy and fine-tuning of the operating procedures of the PSF to increase its effectiveness;
- Activating Window 3 to ensure the program can tap into the capacity of CSOs to reach the most vulnerable.



Annex 1: Financial Statements

A. Development Partner Contributions as of December 31, 2009

PNPM MANDIRI SUPPORT FACILITY (PSF) Financial Management Report 31 December 2009			
Development Partner	Pledged Contribution ¹⁾	Received Contribution	Balance (USD)
Government of Australia	9,342,560	9,342,560	0
Government of Denmark	15,466,191	6,611,849	8,854,342
Government of the Netherlands	37,300,000	19,174,970	18,125,030
Government of the United Kingdom	5,629,080	5,629,080	0
Total Contributions	67,737,831	40,758,459	26,979,372

Notes:

1) Equivalent USD amount is based on exchange rates at 12/31/2009 (source: World Bank)



B. Financial Statement as of December 31, 2009

PNPM MANDIRI SUPPORT FACILITY Financial Management Report 31 December 2009				
A.	Receipts			USD
	Total Paid in Contributions:			
	Government of Australia			9,342,560
	Government of Denmark			6,611,849
	Government of the Netherlands			19,174,970
	Government of the United Kingdom			5,629,080
	Subtotal			40,758,459
	Investment Income			853,023
	Total Receipts			41,611,482
B.	Disbursements	2009	2008	Subtotal
	Window 1: Direct Budget Support and Co-Financing	2,770,736	599,035	3,369,771
	Green PNPM 1)	1,600,000	0	1,600,000
	PNPM Generasi	1,170,736	599,035	1,769,771
	Window 2: Coordination and Supervisory Support	1,479,797	738,118	2,217,915
	PNPM Communications	190,267	161,294	351,561
	PNPM Operations Support	983,552	576,824	1,560,376
	PNPM Community Facilitator Development System	6,218	0	6,218
	PNPM Delivering Services to Poor Communities	299,760	0	299,760
	Window 3: On-granting to Indonesian Civil Society			
	na			
	Window 4: Technical Assistance to PNPM Mandiri	1,808,685	1,119,573	2,928,258
	PNPM Supervision and Monitoring	792,829	500,857	1,293,686
	PNPM Supervision and Monitoring (Urban)	0	0	0
	PNPM Monitoring and Evaluations	655,254	618,716	1,273,970
	PNPM Poverty Engagement, Knowledge and Action	351,936	0	351,936
	Green PNPM 1)	8,666	0	8,666
	Sub-Total	6,059,217	2,456,727	8,515,944
	Administrative Costs	178,057	229,528	407,585
	Total Disbursed			8,923,529
C.	Available Cash Balance (Total A - Total B)			32,687,953
D.	Commitments	Approved	Allocated	Committed
	Window 1: Direct Budget Support and Co-Financing	18,905,500	11,905,500	916,715
	Green PNPM 1)	16,000,000	9,000,000	
	PNPM Generasi	2,905,500	2,905,500	916,715
	Window 2: Coordination and Supervisory Support	7,888,900	5,788,900	432,857



	PNPM Communications	2,000,000	1,400,000	198,335
	PNPM Operations Support	4,000,000	2,500,000	107,942
	PNPM Community Facilitator Development System	945,000	945,000	0
	PNPM Delivering Services to Poor Communities	943,900	943,900	126,580
	Window 3: On-granting to Indonesian Civil Society			
	na			
	Window 4: Technical Assistance to PNPM Mandiri	13,750,000	7,700,000	1,941,470
	PNPM Supervision and Monitoring	4,000,000	2,000,000	259,230
	PNPM Supervision and Monitoring (Urban)	500,000	500,000	7,027
	PNPM Monitoring and Evaluations	5,000,000	3,500,000	1,390,514
	PNPM Poverty Engagement, Knowledge and Action	2,000,000	1,200,000	284,699
	Green PNPM 1)	2,250,000	500,000	
	Total Commitment	40,544,400	25,394,400	3,291,042
E.	Available Cash Balance after Commitment (Total A - Total B - Total D)			29,396,911

Notes:

1) Individual child trust funds have been approved for Window 1 and Window 4 activities for Green PNPM.

Annex 2: Results Chain

PNPM Support Facility Results Chain

