

APPENDIX VII Minutes of JCC Meetings

VII.1 Minutes of the First Joint Coordinating Committee Meeting (15 October 2014)

**MINUTES
OF
1st JOINT COORDINATING COMMITTEE MEETING
FOR
PLANNING AND BUDGETING REFORM
FOR THE PERFORMANCE-BASED BUDGETING (PBB) SYSTEM
IMPLEMENTATION PHASE TWO
IN
THE REPUBLIC OF INDONESIA**

AGREED UPON AMONG

**BADAN PERENCANNAN PEMBANGUNAN NASIONAL
(BAPPENAS),**

JAPAN INTERNATIONAL COOPERATION AGENCY,

AND

JICA EXPERT TEAM

Bappenas Conference Room, Jakarta
15 October 2014



Mr. Erwin Dimas, Director for Allocation of
Development Funding, BAPPENAS, Chairperson
of JCC



Mr. Hisaaki Mitsui
Leader
JICA Expert Team



Mr. Mikiya Saito
Senior Representative, Indonesia Office
JICA

The First Joint Coordination Committee (JCC) meeting was held at the BAPPENAS conference room, Jakarta on 15 October 2014, with the following agenda:

1. Opening remarks
2. Presentation by the JCC chairperson
3. Presentation by the Team Leader
4. Discussion based on the presentation
5. Closing remarks

1. Opening remarks

Mr. Erwin, the director of DFA BAPPENAS, welcomed all participants and expressed his appreciation to the partnership between the government of Indonesia and Japan International Cooperation Agency (JICA). Regarding the scope of the new project, he emphasized the importance of improving key performance indicators (KPI) in the planning document. He proposed the project team to look into KPIs of the planning documents of the selected sectors, such as agriculture, infrastructure and health. He also expected that the project team should present recommendation on the way to improve the KPIs and the planning documents.

Mr. Agung, the director of DG Budget MOF, also expressed his expectation to the project team. He hoped that the project team should help line ministries formulate good performance indicators. He informed that a workshop for line ministries would be held to discuss the architecture of performance indicators in November or December this year.

Mr. Arif Harvanto, the director of Evaluation BAPPENAS, mentioned that the logical framework in the guideline was not very effective. He mentioned that it should be needed to hold a seminar or workshop for line ministries so that they could formulate better KPIs.

Mr. Mikiya Saito, the senior representative of the JICA Indonesia office, explained the JICA's sustained support to the planning and budgeting reform of the country, and wished that the second phase of the project should contribute to accelerating the reform.

2. Presentation by the JCC chairperson

Mr. Erwin explained the background as well as the expected output of the project using the slides titled "BAPPENAS – JICA PHASE II". He pointed out the following points as the next agenda of the planning and budgeting reform of the country.

- Quality of Medium Term Expenditure Framework (MTEF) and Performance Based Budgeting (PBB)
- Transmitting the reform to the regional level.
- Enhancing capacity to implement
 - Capacity building program
 - Providing the handbook/guidelines and other materials

3. Presentation by the team leader

Following the presentation of the chairperson, Mr. Mitsui, the project team leader, explained the outline of the second phase with the slides titled "Planning and Budgeting Reform for the Performance-Based Budgeting System Implementation Phase Two". He also introduced the team members and their respective role in the project. The baseline of the MTEF-PBB implementation was presented as well.

4. Discussion based on the presentation

Mr. Erwin suggested that the project team should better focus 9 priorities presented by the new president in identifying the programs or sectors for the KPI analysis.

Mr. Candra, Deputy Director of DFA, BAPPENAS, mentioned that he often found many indicators for one activity in the planning documents of the line ministries. He promised that he would provide these planning documents for the examination by the project team.

Mr. Dono, Deputy Director of DFA, BAPPENAS, expressed his concern about the time constraints for the project team to work on the elaboration of the next mid-term plan. He suggested the team to consider the feasible way contributing to this in the limited period. He also pointed out that the performance indicators of the each level were very different, so a framework should be needed to improve the indicators.

Mr. Mitsui mentioned that it should be necessary for the project to have good communication with other projects which were working on MTEF and PBB related issues, the AIPEG project in particular. He requested BAPPENAS to arrange a meeting with the AIPEG team.

Mr. Erwin pointed out the importance of follow-up supports to the provincial offices which received technical support in the first phase, East Java province in particular. He requested the project team to consider the possibility of providing the follow-up supports.

5. Conclusion

The members of the JCC agreed that the planning and budgeting reform of the country should be of primary importance and expected that the second phase of the JICA project should contribute to this reform. Besides, it was required to enhance close cooperation among the stakeholders so that the project could effectively make achievement.

6. Follow-ups

Based on the discussion at this meeting, the following activities were expected to be implemented.

- 1) The project team should ask BAPPENAS to coordinate the meeting with the AIPEG team.
- 2) BAPPENAS DFA should provide the project team with the current planning documents of several line ministries so that the team could start examining their performance indicators.
- 3) The project team should discuss the structure of performance indicators with the officers of BAPPENAS DFA and the Directorate of Evaluation as well as those of DG Budget, MOF.

7. Closing remarks

Mr. Erwin expressed his appreciation to the partnership between the government of Indonesia and JICA, and wished the success of the phase two of the project.

ANNEX LIST OF ATTENDANTS

No	Name	Title
1	Mr. Erwin Dimas	Director for Allocation of Development Funding, BAPPENAS
2	Mr. Agung Widiadi	Director of Budgeting System, Directorate General of Budgeting, MOF
3	Mr. Arif Haryana	Director for System and Reporting of Development Performance Evaluation, BAPPENAS
4	Mr. Sumariyandono	Deputy Director for Analysis and Budget Formulation
5	Mr. Eka Chandra Buana	Deputy Director for Allocation of Development Funding for Central Government
6	Mr. Firmansyah	Deputy Director for Allocation of Development Funding for Local Government
7	Mrs. Ellyna Chairani	Deputy Director for Consolidation of System and Reporting of Development Performance Evaluation
8	Mr. Aprindra W	Project Manager of Secretariat of Strategic Coordination of Planning and Budgeting Reform
9	Mr. Fikri Muslim	Expert - Secretariat of Strategic Coordination of Planning & Budgeting Reform
10	Mr. Iwan Nursyiwan	Expert - Secretariat of Strategic Coordination of Planning & Budgeting Reform
11	Ms. Agatha Agni K	Expert - Secretariat of Strategic Coordination of Planning & Budgeting Reform
12	Mr. Mikiya Saito	Senior Representative, JICA Indonesia Office
13	Ms. S.D.K. Rubiyati	Program Officer, JICA Indonesia Office
14	Mr. Hisaaki Mitsui	Leader, JICA Expert Team
15	Mr. Shuhei Oguchi	Member, JICA Expert team
16	Ms. Yukie Mori	Member, JICA Expert team
17	Mr. Peter Fane	Member, JICA Expert team
18	Mr. Irianto	Local consultant, JICA Expert Team
19	Ms. Triana Ariyanti	Secretary, JICA Expert Team

VII.2 Minutes of the Second Joint Coordinating Committee Meeting (4 March 2015)

**MINUTES
OF
The SECOND JOINT COORDINATING COMMITTEE MEETING

FOR
PLANNING AND BUDGETING REFORM
FOR THE PERFORMANCE-BASED BUDGETING (PBB) SYSTEM
IMPLEMENTATION PHASE TWO
IN
THE REPUBLIC OF INDONESIA**

AGREED UPON AMONG

**BADAN PERENCANAAN PEMBANGUNAN NASIONAL
(BAPPENAS),**

JAPAN INTERNATIONAL COOPERATION AGENCY,

AND

JICA EXPERT TEAM

BAPPENAS Conference Room, Jakarta
4 March 2015



Mr. Erwin Dimas
Director for Allocation of Development Funding
BAPPENAS
Chairperson of JCC



Mr. Hisaaki Mitsui
Leader
JICA Expert Team



Mr. Mikiya Saito
Senior Representative, Indonesia Office
JICA

The Second Joint Coordination Committee (JCC) meeting was held at the BAPPENAS conference room, Jakarta on 4 March 2015, with the following agenda:

1. Presentation by the Team Leader
2. Discussion based on the presentation
3. Conclusion

1. Presentation by the team leader

Mr. Hisaaki Mitsui, the expert team leader, described the progress of the project and its work plan with respect to each of the five outputs. He also presented a proposal of Third Country Training to New Zealand and asked the participants to examine the program.

During the presentation Mr. Erwin Dimas, the director for Allocation of Development Funding (DFA), BAPPENAS, asked when the new guidelines for the preparation of new initiative proposals (Output 2) should be ready for discussion. Mr. Mitsui replied that the draft guideline was almost completed, and agreed that the expert team would present the draft to BAPPENAS DFA in the following week.

2. Discussion based on the presentation

Mr. Erwin asked the team leader to give some points of the presentation to his attention. Mr. Mitsui responded that the management of database of performance information in particular should require an attention among the JCC members. The team leader requested Mr. Peter Fane to explain the necessity to improve the database management referring to the Concept Paper, which was distributed to the participants as 'Attachment 1'.

Mr. Fane mentioned that PBB should heavily depend on the statistics of output and outcome indicators. He also stated that the database could function as library for analyst who would like to gain information or retrieve data from the system. He emphasized the necessity to create coding structure of database system as well.

Following the statement by the expert team, Mr. Erwin suggested that the team should examine RPJM and Renja of selected ministries and demonstrate how the database should be constructed. He also mentioned the possibility of managing database for analyzing new initiative proposals. Furthermore, he asked the team to provide examples of data management with regard to the issues of national priorities, such as food sovereignty.

Mr. Chandra mentioned that he would arrange for the expert team to review the DFA's databases (RPJMN, Renja), so that the team could develop the examples of how to supplement the existing database structure. Mr. Chandra will try to coordinate with M&E staff in order to strengthen database structure in planning and M&E.

Mr. Indra Wisaksono from the Directorate of Development Performance Evaluation System & Reporting, BAPPENAS pointed out the difficulty to identify outputs for administrative ministries such as the Ministry of Justice. He stated that ministries tend to focus on their outputs in the area of service delivery, but do not necessarily consider their functions as regulator or facilitator. In such cases, he mentioned that the number of documents produced was often used as an output statement.



Mr. Mitsui replied that the PBB guidelines of the project accommodated examples of not only technical ministries, such as the Ministry of Public Works, but also of coordinating and administrative ministries such as MOF and BPK. He expected that the guidelines in the document should be applicable to many types of ministries.

Mr. Saito, the senior representative of the JICA Jakarta Office, asked when the pilot line ministries of the project would be identified. Mr. Mitsui mentioned that the expert team was supposed to select so-called 'Big Spenders' as the targets of consulting support, such as the Ministry of Public Works, the Ministry of Transport, the Ministry of Health, etc.

Regarding the PBB guidelines presented to the JCC members, Mr. Erwin asked whether comments from DFA/BAPPENAS and DG Budget/MOF had been reflected. Mr. Mitsui replied that the initial comments given from the two directorates were already accommodated in the second version. Following his reply, Mr. Erwin requested the team to describe how these comments were reflected in the document, and proposed that DG Budget, DFA and the team members should have another meeting to discuss the document. Mr. Fane mentioned that the document was not quite ready for the next version to be discussed as there were some "holes" still to be filled.

3. Conclusion

Mr. Erwin concluded that the project has been implemented in line with the original scope and expected that the project should make further progress to achieve the objective.

4. Follow-ups

Based on the discussion at this meeting, the following activities were expected to be implemented.

- 1) DFA shall provide the expert team with RPJM and Renja of selected line ministries, so that the team can demonstrate how the database should be managed. The expert team shall show the samples of database management with regards to the national priorities such as food sovereignty.
- 2) The expert team will submit the first draft of new initiative guidelines by Monday. The team and DFA shall have a meeting to discuss the document in the following week.
- 3) The expert team shall describe how the comments from DFA and DG Budget were reflected in the second version of the PBB guidelines. Then, DFA, DG Budget and the team have the joint meeting to discuss the document.



ANNEX LIST OF ATTENDANTS

No	Name	Title
1	Mr. Erwin Dimas	Director for Allocation of Development Funding, BAPPENAS
2	Mr. Eka Chandra Buana	Deputy Director for Allocation of Development Funding for Central Government, BAPPENAS
3	Mr. Indra Wisaksono	Junior Planner for Development Performance Evaluation System & Reporting, BAPPENAS
4	Mr. Aprindra Wardhana	Project Manager of Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
5	Ms. Agatha Agni K	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
6	Mr. Adabi Sholik	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
7	Mr. Mikiya Saito	Senior Representative, JICA Indonesia Office
8	Mr. Masaaki Yaguchi	Representative, JICA Indonesia Office
9	Ms. S.D.K. Rubiyati	Program Officer, JICA Indonesia Office
10	Mr. Hisaaki Mitsui	Leader, JICA Expert Team
11	Mr. Shuhei Oguchi	Member, JICA Expert team
12	Mr. Peter Fane	Member, JICA Expert team
13	Mr. Irianto	Local Consultant, JICA Expert Team
14	Ms. Triana Ariyanti	Secretary, JICA Expert Team




VII.3 Minutes of the Third Joint Coordinating Committee Meeting (25 November 2015)

**MINUTES
OF
The THIRD JOINT COORDINATING COMMITTEE MEETING
FOR
PLANNING AND BUDGETING REFORM
FOR THE PERFORMANCE-BASED BUDGETING (PBB) SYSTEM
IMPLEMENTATION PHASE TWO
IN
THE REPUBLIC OF INDONESIA**

AGREED UPON AMONG

**BADAN PERENCANAAN PEMBANGUNAN NASIONAL
(BAPPENAS),**

JAPAN INTERNATIONAL COOPERATION AGENCY,

AND

JICA EXPERT TEAM

BAPPENAS Conference Room, Jakarta
25 November 2015



Mr. Erwin Dimas
Director for Allocation of Development Funding
BAPPENAS
Chairperson of JCC



Mr. Hisaaki Mitsui
Team Leader
JICA Expert Team



Mr. Mikiya Saito
Senior Representative, JICA Indonesia Office

The Third Joint Coordination Committee (JCC) meeting was held at the BAPPENAS conference room, Jakarta on 25 November 2015, with the following agenda:

1. Presentation by the Team Leader
2. Discussion based on the presentation
3. Conclusion

1. Presentation by the team leader

Mr. Hisaaki Mitsui, the expert team leader, described the progress of the project and its work plan of the second year with respect to each of the five outputs. His presentation covered the following six agendas.

- 1) Overall progress
- 2) Issues and their solutions
- 3) Level of achievement in project purpose
- 4) Recommendations to achieve overall goals
- 5) Update "explanatory note"
- 6) Ways ahead (Year 2 plan)

2. Discussion based on the presentation

Mr. Erwin, the Directorate for Development Funding Allocation (DFA) BAPPENAS opened the meeting with appreciation and conveyed a message from Mr. Wismana, Deputy for Development Funding. Regarding Output 1, Mr. Erwin said that in the next two weeks BAPPENAS would discuss Cabinet KPIs, so he expected that the JICA expert team should focus on these KPIs. He asked Mr. Chandra, Deputy Director for Allocation of Development Funding for Central Government, to provide the JICA team with further information about the KPIs and related activities. He requested that JICA expert team should assist pilot line ministries to prepare Renja 2017.

Moreover, Mr. Erwin mentioned that BAPPEDA of North Sumatra was very enthusiastic to receive the synchronization program. He told that the head of BAPPEDA proposed to hold a workshop at Medan inviting officers of all related provinces. Mr. Erwin requested the JICA expert team to analyze the budgeting system of provinces.

Concerning overseas visit programs, Mr. Erwin mentioned that it is important to follow-up the programs so that lessons learned could be effectively utilized in the Indonesian context. Prior to the next training in Japan or to the third country visit, he requested that the JICA expert team should examine the sequence of the visit programs. The lessons of the previous programs should be carefully examined, and reflected in designing the program of the next visit.

Regarding the next training in Japan, moreover, Mr. Erwin expected that the officers of the pilot provinces should participate to the program. He considered it important that the provincial officers become aware of the planning practices in the Japanese government.

Mrs. Ellyna, Deputy Director for Consolidation of System and Reporting of Development Performance Evaluation, said the role of her directorate was recently enlarged. The directorate is expected to control the development process in addition to monitor and evaluate the performance. She also pointed out the difficulty in aligning terminology or nomenclature between the central and local governments. She suggested that the terminology or nomenclature should be standardized to avoid confusion among stakeholders.

Mr. Sumariyandono, Deputy Director for Analysis and Budget Formulation, requested the JICA expert team to provide more assistance in preparing New Initiatives (NI) proposals. The JICA expert team is expected to coordinate with AIPEG in formulating the NI submission framework. He also showed a concern that the findings of the third country visit was not fully utilized. He mentioned that the participants

should discuss the way to utilize what they have learned in the country, and present suggestions and recommendations.

Mr. Erwin told that Mr. Wismana was going to chair a joint meeting among stakeholders, including AIPEG, JICA and World Bank at the end of January 2016.

Mr. Chandra expressed a concern that BAPPENAS would start preparing RKP in January 2016, but the JICA expert team could be absent in this period. Mr. Erwin replied that there should be still enough time for BAPPENAS because the trilateral meeting would be held from April 2016.

Ms. Rina, Staff of Allocation of Development Funding, gave a suggestion about the overseas visit program. She hoped that the participants would be able to look at actual planning and budget documents and learn how to produce it. Besides, she also suggested it better to select a country that had some similarity to Indonesia. She considered New Zealand as too advanced and less complicated than Indonesia.

Mr. Hisaaki, the expert team leader, explained that the team planned to organize two visit programs to the third country, and one visit program to Japan in the rest of the project period. Following this statement, Mr. Erwin mentioned again that it is important to examine the results of previous visit programs before designing the following visit programs.

Mr. Yudi, the staff of Directorate of Regional Development of MOHA, said that he would report this meeting to their Director. He also confirmed that MOHA would continue to support this program.

Mr. Erwin advised JICA expert team to communicate with Mr. Chandra during the break and to follow the restructuring process of BAPPENAS. He said that Deputy of Development Funding Affairs would have a new directorate called 'Directorate of System and Procedure for Development Funding' in January 2016. He said that the JICA expert team would work with both DFA and this new directorate.

Mr. Saito, the Senior Representative of JICA Indonesia Office, said that JICA expert team should develop detailed plan of operation for the year 2016 and 2017. He mentioned that the year 2016 should be a very important year for this project as the project would work on all steps of planning and budgeting process throughout the year.

3. Conclusion

Mr. Erwin mentioned that the next six month should be a critical time for Bappenas, and requested the JICA expert team to work extensively during this period in particular. He said that the President of RI wanted to empower Bappenas and that the Vice President would prepare a new regulation. The planning system would be changed accordingly, and the JICA experts were required to work in line with this change.

4. Follow-ups

Based on the discussion at this meeting, the following activities were expected to be implemented.

- 1) JICA expert team shall follow up the development of Cabinet KPIs, and start supporting line ministries to prepare their Renja 2017.
- 2) Overseas training programs shall be examined to see the linkage with prior programs.
- 3) JICA expert team shall work closely with AIPEG in formulating the NI submission framework.

ANNEX LIST OF ATTENDANTS

No	Name	Title
1	Mr. Erwin Dimas	Director for Allocation of Development Funding, BAPPENAS
2	Mr. Sumariyandono	Deputy Director for Analysis and Budget Formulation, DFA, BAPPENAS
3	Mr. Eka Chandra Buana	Deputy Director for Allocation of Development Funding for Central Government, DFA, BAPPENAS
4	Mr. Firmansyah	Deputy Director for Allocation of Development Funding for Local Government, DFA, BAPPENAS
5	Mrs. Ellyna Chairani	Deputy Director for Consolidation of System and Reporting of Development Performance Evaluation, BAPPENAS
6	Mr. Angga Ekanata	Staff, Allocation of Development Funding, BAPPENAS
7	Ms. Rina Asriyani	Staff, Allocation of Development Funding, BAPPENAS
8	Ms. Murni Rahayu	Staff, Allocation of Development Funding, BAPPENAS
9	Mr. Adabi S	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
10	Mr. M. Yudi Ranyadi Medeong	Staff, Directorate of Regional Development, Ministry of Home Affairs
11	Ms. Dwi Mei	Staff, Directorate of Regional Development, Ministry of Home Affairs
12	Mr. Mikiya Saito	Senior Representative, JICA Indonesia Office
13	Mr. Yohei Igarashi	Representative, JICA Indonesia Office
14	Mr. Hisaaki Mitsui	Leader, JICA Expert Team
15	Mr. Taichi Sakano	Member, JICA Expert team
16	Mr. Shuhei Oguchi	Member, JICA Expert team
17	Ms. Triana Ariyanti	Secretary, JICA Expert Team

VII.4 Minutes of the JICA Project Advisory Mission (26 February 2016)

**MINUTES OF MEETINGS
BETWEEN
JICA PROJECT ADVISORY MISSION
AND
THE REPRESENTATIVES CONCERNED OF
GOVERNMENT OF THE REPUBLIC OF INDONESIA
ON
JAPANESE TECHNICAL COOPERATION PROJECT FOR
PLANNING AND BUDGETING REFORM FOR THE
PERFORMANCE-BASED BUDGETING (PBB) SYSTEM IMPLEMENTATION
PHASE 2 IN INDONESIA**

The Project Advisory Mission team (hereinafter referred to as “the Mission”) organized by the Japan International Cooperation Agency (hereinafter referred to as “JICA”), headed by Mr. Ryuichi Tomizawa visited the Republic of Indonesia (hereinafter referred to as “Indonesia”) from 23rd to 26th February 2016 for the purpose of monitoring on the project entitled “Project for Planning and Budgeting Reform for the Performance-Based Budgeting (PBB) System Implementation Phase 2” (hereinafter referred to as “the Project”). During their stay in Indonesia, the Team had a series of discussions with the relevant authorities concerned of Government of Indonesia (GOI).

As a result of the discussions, both sides agreed to the matters referred to in the document attached hereto.

Jakarta, 26th February, 2016



Mr. Ryuichi Tomizawa
Leader
Advisory Mission Team
Japan International Cooperation Agency



Mr. Erwin Dimas
Director for Allocation of Development
Funding
National Development Planning Agency
The Republic of Indonesia

ATTACHED DOCUMENTS

1. Observation

(1) Importance of PBB for realizing new government's policy

From the medium-term perspective, the basic framework of Mid-Term Expenditure Framework (MTEF)/PBB has been developed with related laws, guidelines and some manuals under the planning and budgeting reform in Indonesia.

Mr. Joko Widodo, President of Indonesia introduced a new budget allocation model and announced "money follows program era" recently. It means that the PBB approach should increase the importance of the role in Planning and Budgeting reform in Indonesia.

The Project will focus on strengthening the capacity of operationalizing MTEF/PBB at related government organization to refine the system and practical work, taking the coordination and harmonization into account.

(2) Situation of implementation actors in MTEF/PBB

PBB in Indonesia is currently intended to improve the quality of allocation and expenditure of budget. Both National Development Planning Agency (BAPPENAS) and Ministry of Finance (MOF) are responsible for the planning and budgeting process at the central and local governments. The coordination between them seems to have room for improvement.

2. Main points discussed

(1) New Initiative Regulations

JICA Project Team submitted the draft of New Initiative guidelines to BAPPENAS in March 2015, however the progress toward finalizing it has not been completed until now. The Mission discussed with BAPPENAS and confirmed the following steps to be taken before finalizing the draft.

- 1) Review the current regulations
BAPPENAS invites major stakeholders such as pilot sector ministries and etc. for reviewing the current New Initiative regulations.
- 2) BAPPENAS revises the New Initiative regulations in cooperation with the Project based on the comments and the draft new initiative guidelines submitted by the Project
- 3) After finalizing the revision of the New Initiative regulations, the Project team provide dissemination seminar to some sector ministries.

- 4) The Project team support to hold workshops and seminars for 1).

Regarding the coordination of New Initiative regulations between BAPPENAS and MOF, the Mission found that the related regulations are currently being deliberated and that MOF could not participate in discussion on New Initiative issues with BAPPENAS until the coordination process would be settled. On the basis of the current situation the Mission will recommend as below 3.

(2) Additional activities of capacity development for MOF

The Mission and the Project team has discussed with Directorate General of Budget (DGB) of MOF and confirmed that MOF is ready to receive practical supports from the Project team, such as review and consultation of ADIK, to construct better framework of PBB in Indonesia. Furthermore, after the official request from MOF, BAPPENAS will consider the possibility to conduct these additional activities.

(3) Reviewing budget proposal

Mr. Wismana, Deputy Minister of Development Funding Affairs, BAPPENAS, requested the Project to help BAPPENAS review budget proposal of existing program as well as New Initiative proposal. The Mission and the Project team recognized that the request could be responded through the introduction of the good practices in Japan and other countries and preparation of recommendation paper to improve reviewing process of RENJA-K/L and budget proposal. The Project will socialize the experiences of reviewing the program and proposal of pilot ministries to local governments.

(4) Internal organizational change in DFA and division of duties for project implementation

The counterpart directorate of the project, Directorate of Development Funding Allocation (DFA), will be divided into two directorates: DFA and Directorate of Development Funding System and Procedure. The latter directorate will be in charge of deciding indicators including KPI and result-chain related Output 1 of this Project. New DFA's mandate will focus on budget allocation issues which related with Output 2 and 3. Therefore the Project will work with both of directorates.



3. Recommendation

(1) Considering the revision of PDM

MTEF/PBB under planning and budgeting reform involves all directorates for planning and budgeting in the different level of the government in Indonesia. For steady operationalizing the process, the solid and clear implementation structure based on the responsibilities, authority, and command of each stakeholder in GOI is required.

Though MTEF and PBB should be implemented in an integrated manner ideally, the coordination between BAPPENAS and MOF in budget allocation is currently a sensitive issue and it is difficult to predict when this situation could be solved.

The Mission shall recommend that the Project activities should be considered on the basis of the above-mentioned situation and reviewed flexibly for ensuring feasibility to achieve the Project purpose. Thus, the Mission recommends that a sentence “BAPPENAS and MOF agreed on the guiding framework for improving the quality of budget scrutiny” should be included in important assumptions for achieving the Project purpose in PDM.

LIST OF ANNEXES

ANNEX 1	Project Monitoring Sheet (with PDM and PO)
ANNEX 2	Self-Diagnostic Tools of Implementation Status of PBB



TO: CR of JICA Indonesia Office

PROJECT MONITORING SHEET

Project Title: Planning and Budgeting Reform for the Performance-Based Budgeting (PBB) System Implementation Phase Two**Version of the Sheet: Ver. 1 (Term: September 2014 – December 2015)****Name: Hisaaki Mitsui****Title: Team Leader/PFM****Submission Date: 22 February, 2016****I. Summary****1 Progress****1-1 Progress of Inputs**

All of the five foreign experts joined the project team as scheduled. In addition, two Indonesian consultants and one secretary joined the team. One Indonesian consultant, a former director of DG Budget/MOF, however, left the team as he passed away during the first stage.

The training programs of counterpart personnel in the third country (New Zealand) and in Japan were conducted in July and October 2015, respectively. The officers from BAPPENAS, MOF, MENPAN and MOHA participated the programs.

DFA of BAPPENAS offered an office in the vicinity of its head office. This office was previously used as the project office during the first phase. Furniture and some equipment used by the first phase team were available, but some were newly purchased.

1-2 Progress of Activities

Joint working group was established among DFA and sector directorates of BAPPENAS in February 2015, which was called 'Taskforce Team'. The taskforce team members actively participated in the series of seminars and workshops as well as the overseas training programs. A new joint working group consisting of BAPPENAS directorates and selected line ministries was established in November 2015 after the six pilot ministries were selected. Results chain and KPIs of the selected ministries were revised during the first stage based on the guidelines prepared by the project. The revised description shall be presented to the pilot ministries at the beginning of the second stage for the discussion.

The current practices as well as the rules and regulations of budget preparation and scrutiny were examined by the expert team and discussed with the taskforce team members. Based on this examination and the discussion, the expert team prepared a recommendation paper to revise the guidelines for the new initiatives and presented this to DFA in March 2015. DFA reviewed this paper, and has been preparing a new regulation on the New Initiative Proposal Submission.

The expert team prepared a proposal to BAPPENAS and MOF to review information technology implications of PBB/MTEF. The proposals was not agreed to by MOF.

A series of seminars were held at Jakarta as well as at the selected provincial cities to share the experience of PBB related practices. Following the suggestion from DFA, the synchronization of the development policies between the national and the sub-national governments was identified as the issue for the dialogue, in addition to the examination of PBB related practices.

The training programs in the third country (New Zealand) and in Japan were successfully implemented, and the PBB related lessons in the two countries were clearly presented the participants. The structure of the upcoming training programs should be carefully designed,

so that the participants could make more tangible contribution to achieve the project purpose.

1-3 Achievement of Output

Output 1: After a series of extensive discussions among the taskforce members, a new guideline was developed for the PBB implementation. While preparing this guideline, the project team conducted seminars and workshops at BAPPENAS and at the Directorate of Budget of MOF so that their officers could elaborate their views on the PBB practices. Moreover, in October 2015, six line ministries were selected as 'pilots', and the project organized seminars for them to disseminate the guideline. The RENJA (annual plans) of these ministries were provided to the expert team by the DFA for the examination.

Output 2: The expert team helped DFA prepare the new regulation on the New Initiative Proposal Submission during the first stage. This document, however, has not yet been finalized and approved by BAPPENAS, so the expert team was not able to provide seminars or consultation to the line ministries on this regulation.

Output 3: Due to the delay of the approval of the new regulation on the New Initiative Proposal Submission, the expert team has not provided consultation to the BAPPENAS sector directorates and to the directorate of budget of MOF. Furthermore, until the existing output and outcome structures are rationalized and made consistent between the planning documents and the budget documents, budget scrutiny will be problematic. The expert team has developed guidelines to improve output and outcome descriptions and their associated indicators, and has worked closely with the AIPEG team to formulate strategies that will help to increase the alignment of budget and planning documents. This is a work-in-progress.

Output 4: The experiences of allocation and operational efficiency were discussed at a series of experience sharing seminars conducted at Jakarta and the two provincial cities. With these seminars, it is assumed that lessons of allocation and operational efficiency were shared by the participants. The two overseas training programs also helped them learn how to analyze efficiency.

Output 5: Following the request from DFA, a seminar to discuss the Activity Based Costing (ABB) practice was organized in February 2015. DFA has been examining the applicability of this practice in the government.

1-4 Achievement of the Project Purpose

The framework of planning and budgeting reform has been gradually developed at BAPPENAS and MOF. The framework, however, has not yet effectively disseminated to line ministries and to the provincial governments. The practical consultation to the pilot ministries by the project team at the second stage could make this framework work meaningfully in the government.

1-5 Changes of Risks and Actions for Mitigation

The President is faced with high expectations from the public to deliver improved economic circumstances for the population. This may cause public servants to move quickly, but there is a risk they will move quickly in a way that will impeded the introduction of quality reform initiatives. While there is an opportunity for rapid implementation of reform, it is important that the reform is planned in a sensible manner. To mitigate against this will require a significant degree of liaison by the PBB2 expert team with all the key stakeholders at a relatively senior level. There needs to be rapid acceptance of the causes for the current ineffectiveness of results based budgeting and an understanding of how the project's proposed initiatives can address these problems. There may need to be a significant amount of time spent by the Team Leader in liaison with high-level staff of MOF, BAPPENAS, the President's Office and other donors to garner support for proposals to reform the existing framework.



1-6 Progress of Actions undertaken by JICA

1-7 Progress of Actions undertaken by Gov. of Indonesia

1-8 Progress of Environmental and Social Considerations (if applicable)

1-9 Progress of Considerations on Gender/Peace Building/Poverty Reduction (if applicable)

1-10 Other remarkable/considerable issues related/affect to the project (such as other JICA's projects, activities of counterparts, other donors, private sectors, NGOs etc.)

The SDGs secretariat has been recently established at BAPPENAS. It becomes much needed to establish a clear linkage between the SDGs and the outcomes of each line ministries and to construct appropriate indicators to measure the achievement. The expert team considers the possibility how it can get involved in the SDGs related exercises in BAPPENAS as well as in pilot ministries.

The directorate of budget of MOF introduced a new performance information structure called 'ADIK' in 2015, and this directorate has been working on disseminating this structure. This framework, however, has not been developed with sufficient consultation with DFA of BAPPENAS. Therefore, there is some confusion among the line ministries in defining their output, outcome and related indicators in the planning and the budgeting documents. It is needed that both directorates should extensively discuss the framework to avoid confusion among the line ministries.

In order to keep the sustainability of the project activities, it is suggested to seriously consider the following measures before the project closes. First, the guidelines drafted by the PBB2 expert team should be used as one of the inputs to revise the related BAPPENAS regulations. The expert team is required to make the guidelines as useful as possible, and BAPPENAS is expected to examine of the documents in details so that they could be utilized in the regulations.

Second, the series of learning materials produced by the team should be uploaded on the web, which is linked to the BAPPENAS's web site. The expert team should carefully design the materials to be uploaded. Then, BAPPENAS should examine the materials and select the appropriate set of materials for the dissemination to the public on the web site.

Third, the training institutions of the government could be involved to the project activities so that their facilities could effectively be utilized as an instrument to disseminate the PBB related skills and knowledge. The trainers of these institutions are expected to be participate to the training programs of the project so that they could become more familiar with the PBB related topics. BAPPENAS's Pusbindiklatren is one of the appropriate training institutions for this dissemination.

2 Delay of Work Schedule and/or Problems (if any)

2-1 Detail

Activities to achieve Output 2 and 3 have not been effectively implemented during the first stage of the project period, such as the training programs and practical consultations to line ministries as well as to BAPPENAS and MOF.

2-2 Cause

Delay of approving the BAPPENAS's regulation related to the New Initiative Proposal Submission Guidelines.

Delay in approving the PBB Guidelines which assist in output and outcome descriptions and their associated PI.



A lack of coordination and synchronization between the planning documents and the budgeting documents and a reluctance on the part of some key decision makers in MOF to cooperate with BAPPENAS.

2-3 Action to be taken

The project team keeps supporting DFA finalize the regulation by providing practical consultation until it is approved. The project team liaises closely with AIPEG, which is supporting MOF, to develop strategies that will result in the harmonization of planning and budgeting documents.

2-4 Roles of Responsible Persons/Organization (JICA, Gov. of Indonesia, etc.)

3 Modification of the Project Implementation Plan

3-1 PO

3-2 Other modifications on detailed implementation plan

(Remarks: The amendment of R/D and PDM (title of the project, duration, project site(s), target group(s), implementation structure, overall goal, project purpose, outputs, activities, and input) should be authorized by JICA HDQs. If the project team deems it necessary to modify any part of R/D and PDM, the team may propose the draft.)

4 Preparation of Gov. of Indonesia toward after completion of the Project

II. Project Monitoring Sheet I & II as Attached

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Project Monitoring Sheet I (Revision of Project Design Matrix)

Version: 1
Dated: February 9, 2016

Project Title: Planning and Budgeting Reform for the Performance-Based Budgeting (PBB) System Implementation Phase Two
 Implementing Agency: BAPPENAS
 Target Group: Directorate of Development Funding Allocation, BAPPENAS etc.
 Period of Project: September 2014–August 2017

Project Site: Whole country		Model Site: Nona			
Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Overall Goal Performance-based budgeting (PBB) is further operationalized in Indonesia.	MTEF-PBB linkage is enhanced more (i.e. continued progress of creating fiscal space, use of PBB for budget allocation).	Diagnostic assessment based on the matrix, Interviews	Continued motivation for further accelerating PFM reform at various levels in Indonesian Government.		
Project Purpose Framework of planning and budgeting reform is further enhanced.	1. PBB framework (e.g. operational result-chain and KPIs) is understood and applied in BAPPENAS sector directorates and the selected line ministries. 2. More operational result-chain and KPIs are developed by the selected line ministries. 3. Guiding framework of budget preparation documents and budget scrutiny are enhanced. 4. [Reference] The quality of budget proposal is improved in the selected line ministries in PBB context. • The new initiatives are justified properly (e.g. how to justify the necessity of the new initiatives in the relevant result-chains, how to use KPIs to justify the necessity, what the expected achievements by the new initiatives are, what the expected activities to achieve those goals are, etc.) • The quality of costing is improved (e.g. the cost standard designated by MOF is used properly. The quantity for input is set more appropriately, etc.) • Cost benefit analysis is conducted properly when necessary. 5. [Reference] The quality of budget preparation documentation submitted (i) from the selected line ministries to BAPPENAS, and (ii) from BAPPENAS to MOF are improved. 6. Coordination efforts are made continuously.	1. Diagnostic assessment based on the matrix and Interviews 2. Ditto 3. Ditto 4. Ditto 5. Ditto 6. Ditto	•MTEF is operationalized more substantially. •Budget classification is properly applied in PBB context. •Public Expenditure Review (PER) are conducted in a strategic and systematic manner under the established framework. •Performance management and performance culture is improved •Internal and external audit are improved.	The framework of planning and budgeting reform has been gradually developed at BAPPENAS and MOF. The framework, however, has not yet effectively disseminated to line ministries and to the provincial governments.	The practical consultation to the pilot ministries by the project team at the second stage could make this framework work meaningfully in the government.
Output 1: The quality of result-chain and KPIs is improved in the selected line ministries.	1-1. Understanding on the MTEF-PBB framework and its practices is improved in the selected line ministries. 1-2. [Reference] The quality of result-chain is improved in the selected line ministries. 1-3. [Reference] The quality of the KPIs is improved in the result-chains of indicator 1-2. in the selected line ministries.	1-1. Diagnostic assessment based on the matrix, interview 1-2. Ditto 1-3. Ditto		A new guideline was developed for the PBB implementation. Six line ministries were selected as 'pilots'.	
Output 2: Guiding framework for improving the quality of budget preparation documentation is enhanced.	2-1. The guidelines on new initiatives are revised. 2-2. Budget preparation process is standardized in the selected line ministries in accordance with the relevant rules and regulations. 2-3. Budget preparation format is standardized in the selected line ministries in accordance with the relevant rules and regulations. 2-4. Type of information and description in the documents is standardized in the selected line ministries in accordance with the relevant rules and regulations.	2-1. Guidelines, project report 2-2. Diagnostic assessment based on the matrix, interview 2-3. Ditto 2-4. Ditto		The project team helped DFA prepare the new regulation on the New Initiative Proposal Submission, which has not yet finalized.	
Output 3: Guiding framework for improving the quality of budget scrutiny is enhanced at BAPPENAS and MOF.	3-1. Budget scrutiny process is standardized in BAPPENAS in accordance with the relevant rules and regulations. 3-2. Guidelines of checkpoints of budget scrutiny for BAPPENAS officers (sector directorates and the Directorate of Development Funding Allocation) are developed. 3-3. The developed checkpoints of budget scrutiny are used by BAPPENAS (sector directorates and Development Funding Allocation).	3-1. Description of budget scrutiny process, project report 3-2. Guidelines, project report, 3-3. Guidelines, project report		The project team helped DFA prepare the new regulation on the New Initiative Proposal Submission, which has not yet finalized.	
Output 4: The experiences and lessons learnt for improvement of allocation and operational efficiency are shared by stakeholders.	4-1. Opportunities for sharing experiences and lessons learnt are continuously arranged in the areas of allocation and operational efficiency. 4-2. Topics are covered in 4-1 opportunities properly (e.g. means for ensuring aggregate fiscal discipline, allocation efficiency, and operational efficiency).	4-1 Reports on seminars and workshops 4-2 Ditto	4 & 5. Importance of introducing PBB in the PFM is understood by wider audiences and opinion leaders, e.g. media, lawmakers, general public, etc.	The experiences of were discussed at seminars conducted at various levels.	
Output 5: A framework development for further elaborating PBB implementation system is facilitated.	Advisory services are provided by the Project. More specifically, solutions of critical topics for further elaborating PBB implementation system are explored; (i) various options are explored; (ii) pros and cons of each option are examined; (iii) implication of options on aggregate fiscal discipline, allocation efficiency and operational efficiency are examined respectively, etc. List of prospective topics is as follows: (1) How to set the ceiling in a more persuasive manner, (2) Cost approach (e.g. full cost approach), (3) Availability of performance assessment results in a timely manner, (4) Use of internal and external audits etc., and (5) Social accountability etc.	Project activity reports		A seminar to discuss the Activity Based Costing (ABB) practice was organized in February 2015. DFA has been examining the applicability of this practice in the government.	

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Activities	Inputs		Important Assumption
	The Japanese Side	Indonesian Side	
<p>1-1. To set up joint working group(s) (*) in the selected line ministries and prepare the work plan</p> <p>1-2. To conduct seminar(s) on the MTEF-PBB framework and practices and provide practical consultation opportunities to the selected line ministries</p> <p>1-3. To develop/refine result-chain and KPIs in accordance with the relevant guidelines and manuals.</p> <p>(*) Working group(s) consists of representatives from (i) Directorate of Development Funding Allocation, (ii) the relevant sector directorates, and (iii) selected line ministries.</p>	<p>1. Experts</p> <p>(1) Long-term and/or short-term experts from Japan and/or third countries</p> <p>2. Trainings of counterpart personnel in Japan and/or third countries</p> <p>3. Provision of machinery and equipment</p> <p>(1) Machinery and Equipment (if necessary)</p> <p>(2) Other equipment used by the experts</p> <p>4. Local expenses for the project activities</p> <p>5. Others as necessary</p>	<p>1. Personnel</p> <p>(1) Project Director</p> <p>(2) Project Manager</p> <p>(3) Counterpart personnel</p> <p>2. Provision of the project offices and facilities in BAPPENAS DFA necessary for the project implementation</p> <p>3. Administrative and operational expenses (e.g. electricity, water, communication, financial incentives for the Indonesian side official, etc.)</p> <p>4. Others as necessary</p>	<p>Precondition</p> <p>The following issues on the fiscal planning and allocation in Indonesia shall be explained clearly:</p> <p>(1) Annual procedures, schedule of the budget cycle.</p> <p>(2) Demarcation of the roles and responsibilities of provincial fiscal allocation.</p> <p>(3) Process of determining budget ceiling.</p> <p>(4) Criteria for accepting new initiatives.</p> <p>(5) Process of scrutinizing budget proposals</p>
<p>2-1. To set up joint working group(s) in the selected line ministries and prepare the work plan</p> <p>2-2. To discuss various practices of budget preparation documentation to meet the PBB requirements e.g. the practices of other countries</p> <p>2-3. To discuss the current relevant rules and regulations in Indonesia on the MTEF-PBB</p> <p>2-4. To review the current practices in the selected ministries</p> <p>2-5. To prepare recommendation papers to revise the guidelines for the new initiatives</p> <p>2-6. For BAPPENAS to revise the guidelines for the new initiatives</p> <p>2-7. To deliver training programs and provide practical consultation opportunities to the selected line ministries</p> <p>2-8. To produce review reports on quality of budget preparation documentations in the selected line ministries</p>			<p>Pre-Conditions</p>
<p>3-1. To set up joint working group (s) in the selected BAPPENAS sector directorates and DFA</p> <p>3-2. To discuss various practices of budget scrutiny to meet the PBB requirements e.g. the practices of other countries</p> <p>3-3. To discuss the current relevant rules and regulations in Indonesia MTEF-PBB</p> <p>3-4. To review the current practices in the selected BAPPENAS sector directorates and DFA</p> <p>3-5. To prepare recommendation papers to improve budget scrutiny</p> <p>3-6. To deliver training programs and provide practical consultation opportunities to the selected BAPPENAS sector directorates and DFA</p> <p>3-7. To produce review reports on the quality of budget scrutiny in the selected BAPPENAS sector directorates and DFA</p> <p>(*) Main beneficiaries of these activities will be both BAPPENAS and MOF (DG of Budget)</p>			<p>Issues and countermeasures</p>
<p>4-1. To identify the issues to be shared among BAPPENAS, MOF and MOHA (e.g. means for ensuring aggregate fiscal discipline, resource efficiency, operational efficiency)</p> <p>4-2. To hold dialogues (*) continuously on selected topics for sharing framework, experiences, and lessons learnt among BAPPENAS, MOF, MOHA and selected provincial governments</p> <p>4-3. To prepare reports on the results of those dialogues.</p> <p>(*) Dialogues will be organized in Jakarta and provinces.</p>			
<p>5-1. To explore and list various options on selected topics from the experiences of Japan and other countries through in-country and outside country activities</p> <p>5-2. To examine (i) pros and cons of the options listed and (ii) implications on aggregate fiscal discipline, allocation efficiency and operational efficiency in the Indonesian context</p> <p>5-3. To discuss the possibility of applying those options to Indonesia</p> <p>5-4. To produce reports on those topics</p> <p>5-5. To assess the status of the practices on the topics in each BAPPENAS sector directorate line ministry and produce status report</p>			

Note: DFA=Directorate of Development Funding Allocation, BAPPENAS DG of Budget, MOF=Ministry of Finance, MOHA=Ministry of Home Affairs, RPJMN=Rencana Pembangunan Jangka Menengah Nasional (National Medium Term Development Plan)

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Project Monitoring Sheet II (Revision of Plan of Operation)

Version 2
Dated: February XX, 2016

Project Title: Planning and Budgeting Reform for the Performance-Based Budgeting (PBB) System Implementation Phase Two

Monitoring table with columns for Inputs, IFY (2014-2017), Remarks, Issue, and Solution. Rows include Expert (Team Leader/PPM, Performance-Based Budgeting 1 & 2, Performance Evaluation, Budget Preparation/Scrutiny), Equipment (Office equipment), Training in Japan (Japan), and In-country/Third country Training (NDAUS/France).

Activities table with columns for Sub-Activities, Plan (2014-2017), Responsible Organization, Achievements, and Issue & Commitments. Rows include Output 0 (Capacity assessment), Output 1 (Quality of result-chain and KPIs), Output 2 (Guiding framework for budget preparation), and Output 3 (Guiding framework for budget scrutiny).

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Self-diagnostic tools of Implementation status of PBB (1/3)

(NOTE) It is not necessary to put "shade" in the part where BAPPENAS does not assume to introduce and implement in the context of Indonesian PBB.
 (NOTE) Color of yellow means "baseline" in the project start, and green ones means latest status" in the review.

Type of capacity	PBB (outcome levels)											
	motivation of introducing PBB	PBB framework	Documentation & presentation			Linkage of other tools		performance management	Internal audit		External audit	
			performance assessment framework	annual budgeting process	external accountability	MTEF	operational efficiency		Type of audit	Follow-up	Type of audit	Follow-up
Level 4	Background and motivation of introducing PBB is clear.	Basic framework of PBB exist, and it is operational. It is shared in the relevant government organization widely.	Performance results are analyzed. The analysis are reported produced and it provides useful information for practicing PBB.	Performance information are used in the budgeting process as expected initially.	Way of holding accountability on performance information are developed. It is practiced.	PBB is linked with MTEF.	PBB is linked with measures relating to operational efficiency.	Performance management is delegated to the program manager level in the rules & regulations. Financial and non-financial incentives measures also exist. But those are functioning.	Performance audit is implemented.	Audit results are discussed in the audit committee. Follow-up actions are taken.	Performance audit is implemented.	Audit results are discussed in the audit committee. Follow-up actions are taken.
Level 3	Background and motivation of introducing PBB is clear. It is shared in the relevant government organization to some extent.	Basic framework of PBB exist, and it is operational to some extent. There is some limitation in sharing it among the relevant government organization limitedly.	Performance results are analyzed. Report are produced. The result-chain are developed, and KPIs (including its grading) are standardized to some extent. Hence, performance information are operational to some extent. Additional work to standardize the quality necessary.	Performance information are used in the budgeting process as almost expected initially. But it shall be utilized in a standardized manner.	Way of holding accountability on performance information are developed. It is practiced to some extent.	Framework of MTEF & PBB exist. It is functioning but is limited to budget and government organizations.	Framework of PBB & operational efficiency linkage exist. It is functioning but is limited to budget and government organizations.	Performance management is delegated to the program manager level in the rules & regulations. Financial and non-financial incentives measures also exist. Those are functioning to some extent.	Performance audit is implemented to limited extent.	Audit results are discussed in the audit committee. Follow-up actions are taken. But need to standardize the level of actions and quality across the relevant government organizations.	Performance audit is implemented in some extent.	Audit results are discussed in the audit committee. Follow-up actions are taken. But need to standardize the level of actions and quality across the relevant government organizations.
Level 2	Background and motivation of introducing PBB is clear. But the extent of sharing among the relevant government organizations is limited.	Basic framework of PBB exist. It is still non operational. But efforts for operationalizing it are now underway.	Performance results are analyzed. Report are produced. The result-chain developed needs more refinement. KPIs (including its grading) are not standardized. Hence, there is a difficulty in use the performance information.	Performance information are used in the budgeting process to some extent. They are sometimes attached to the budget proposal in some cases.	Way of holding accountability on performance information are developed. But its effective use is limited in some extent.	Framework of MTEF & PBB linkage exist. Efforts of implementing its framework are observed.	Framework of PBB & operational efficiency linkage exist. Efforts of implementing its framework are observed.	Performance management is delegated to the program manager level in the rules & regulations. Financial and non-financial incentives measures also exist. But those are not functioning, or functioning in the limited cases.	Framework of performance audit exists. But it is not yet practiced, or practiced in the limited cases.	Audit results are discussed in the audit committee. Follow-up actions are taken but the levels of the actions are limited.	Framework of performance audit exists. But it is not yet practiced, or practiced in the limited cases.	Audit results are discussed in the audit committee. Follow-up actions are taken. But those levels are limited.
Level 1	Background and motivation of introducing PBB is vague. Thus there is a difficulty in communicating the relevant government organizations to understand the significance of PBB	Basic framework of PBB exist. But it is far from operational.	Performance results are neither always analyzed nor used. No reports are produced.	Performance information are used effectively in budgeting process. Not even attached to the budget proposal. Or those are used but in a different manner expected initially.	Way of holding accountability on performance information are still vague.	The linkage of MTEF and PBB is very weak.	The linkage of PBB and measures relating to operational efficiency is weak.	Performance management is centralized, not delegated to the program manager level. No financial and non-financial incentives measures exist.	Not yet reach the level of performance audit.	Audit results are not discussed sufficiently in the audit committee. No follow-up actions are observed.	Not yet reach the level of performance audit.	Audit results are not discussed sufficiently in the audit committee. No follow-up actions are observed.

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VII.5 Minutes of the Fourth Joint Coordinating Committee Meeting (11 March 2016)

**MINUTES
OF
The FOURTH JOINT COORDINATING COMMITTEE MEETING
FOR
PLANNING AND BUDGETING REFORM
FOR THE PERFORMANCE-BASED BUDGETING (PBB) SYSTEM
IMPLEMENTATION PHASE TWO
IN
THE REPUBLIC OF INDONESIA**

**AGREED UPON AMONG
BADAN PERENCANAAN PEMBANGUNAN NASIONAL
(BAPPENAS),
JAPAN INTERNATIONAL COOPERATION AGENCY,
AND
JICA EXPERT TEAM**

BAPPENAS Conference Room, Jakarta
11 March 2016



Mr. Erwin Dimas
Director for Allocation of Development Funding
BAPPENAS
Chairperson of JCC



Mr. Hisaaki Mitsui
Team Leader
JICA Expert Team



Mr. Mikiya Saito
Senior Representative, JICA Indonesia Office

The Fourth Joint Coordination Committee (JCC) meeting was held at the BAPPENAS conference room, Jakarta on 11 March 2016, with the following agenda:

1. Presentation by the Team Leader
2. Discussion based on the presentation
3. Conclusion

1. Presentation by the team leader

Mr. Hisaaki Mitsui, the expert team leader, described the progress of the project. His presentation covered the following points.

- 1) Overall progress
- 2) Issues and their solutions
- 3) Revision on PDM

2. Discussion based on the presentation

Mr. Sumariyandono, Deputy Director for Analysis and Budget Formulation (DFA) BAPPENAS opened the meeting with appreciation and apologized that Mr. Erwin Dimas, Director of DFA and Mr. Arif Haryana, Director of Evaluation System and Reporting of Developing Performance were unable to attend the meeting due to other functions.

Mr. Prakosa Graha, a staff of Pak Arif explained their plan to invite a Japanese keynote speaker for Evaluation Summit, of which details are still under discussion. According to him, it was first scheduled in September/October but it could be held earlier, around May. He promised to provide TOR as soon as the Directorate prepares it..

Mr. Chandra, Deputy Director for Allocation of Development Funding for Central Government requested information about Output 4. He was, in particular, concerned if one or two participants from local governments are invited to Knowledge Co-Creation (KCC) program in Japan. The expert team confirmed the idea.

Regarding Output 4, Mr. Sumariyandono requested that this year the team focuses on how to prepare good proposals. Information in the central government such as trilateral meeting and budget scrutiny are shared with provincial governments.

Mr. Firmansyah, Deputy Director for Allocation of Development Funding for Local Government, mentioned that oftentimes, local parliament influences on the usage of Special Allocation Funds (DAK). Hence, he suggested adding aspects of the role of parliament. Mr. Hisaaki, the team leader, acknowledged the point because it was raised on the previous KCC in Japan. At the moment, it is not clear whether Japanese prefecture governments can invite parliament members. Mr. Hisaaki confirmed to try to include this issue on the upcoming KCC program in Japan.

The participants of the meeting discussed the sentence to be put in "Important Assumption" of Output 3, which was proposed in the Minutes of Meeting between BAPPENAS and JICA advisory team in February 26. Mr. Hisaaki Mitsui pointed out that it would be necessary to put such a sentence in the PDM, in order to clarify the responsibility of the project when the Output 3 could not be achieved due to the institutional conditions in the government. Mr. Saito, the Senior Representative of JICA Indonesia Office, supported Mr. Mitsui's statement on this issue. The participants confirmed and agreed to the sentence as Annex 2: revised Project Design Matrix (PDM).

Mr. Sumariyandono questioned what MOF requested to this project.



Mr. Hisaaki replied that the team and MOF had discussed several issues including review of several line ministries' ADIK and recommendations to improve overall framework. Mr. Firman added that the reason why BAPPENAS and MOF require careful coordination is because there is no harmonized regulation between BAPPENAS and MOF on budget scrutiny.

Regarding SDGs, Mr. Saito conveyed that JICA would like to incorporate the issue to this project because SDGs will become one of the important issues in the planning and budgeting process in Indonesia from 2016 onward.

Mr. Sumariyandono mentioned that with limited number of team members, the expert team may not be able to cover the new topic. The participants concluded that SDGs could be incorporated into the project if it will not affect the original project activities. Mr. Sumariyandono suggested JICA to consider additional inputs for the purpose if necessary.

The team planned to organize two visit programs to the third country, and one visit program to Japan in the remaining period of the project. The Third country visit will be conducted on 17 to 24 July 2016 (tentative schedule) in Western Australia, and Japan Training will be 27 September to 08 October 2016. The program of the 2nd Third Country visit shall be proposed later. Mr. Sumariyandono requested the expert team to present several alternatives of the Third Country visit programs in addition to that in Western Australia.

Mr. Sumariyandono agreed to prepare letters to two Ministries, namely the Ministry of Environment and Forestry and the Ministry of Marine and Fisheries, which requests them to be pilot ministries of the project.

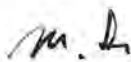
3. Conclusion

The participants agreed to revise PDM by inserting "Central agencies (BAPPENAS and MOF) acknowledge the guiding framework for improving the quality of budget scrutiny" as "Important Assumptions" for Output 3.

4. Follow-ups

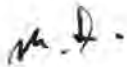
Based on the discussion at this meeting, the following activities were expected to be implemented.

- 1) DFA will prepare draft letters of appointment to be pilot ministries to the Ministry of Forestry and Environment and the Ministry of Marine and Fisheries.



ANNEX 1: LIST OF ATTENDANTS

No	Name	Title
1	Mr. Sumariyandono	Deputy Director for Analysis and Budget Formulation, DFA, BAPPENAS
2	Mr. Eka Chandra Buana	Deputy Director for Allocation of Development Funding for Central Government, DFA, BAPPENAS
3	Mr. Firmansyah	Deputy Director for Allocation of Development Funding for Local Government, DFA, BAPPENAS
4	Mr. Prakosa Graha	Staff, Development Performance Evaluation, BAPPENAS
5	Mr. Fikri Muslim	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
6	Mr. Moh. Nuriman	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
7	Ms. Luthfina	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
8	Mr. Raditya	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
9	Mr. Mikiya Saito	Senior Representative, JICA Indonesia Office
10	Mr. Yohei Igarashi	Representative, JICA Indonesia Office
11	Mr. Hisaaki Mitsui	Leader, JICA Expert Team
12	Mr. Shuhei Oguchi	Member, JICA Expert team
13	Mr. Irianto	Member, JICA Expert team
14	Ms. Triana Ariyanti	Secretary, JICA Expert Team



Project Design Matrix1

Project Title: Planning and Budgeting Reform for the Performance-Based Budgeting (PBB) System Implementation Phase Two
Implementing Agency: BAPPENAS
Target Group: Directorate of Development Funding Allocation, BAPPENAS, etc.
Period of Project: September 2014–August 2017
Project Site: Whole country
Model Site: None

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption
Overall Goal Performance-based budgeting (PBB) is further operationalized in Indonesia.	MTEF-PBB linkage is enhanced more (i.e. continued progress of creating fiscal space; use of PBB for budget allocation).	Diagnostic assessment based on the matrix, interviews	Continued motivation for further accelerating PFM reform at various levels in Indonesian Government.
Project Purpose Framework of planning and budgeting reform is further enhanced.	1. PBB framework (e.g. operational result-chain and KPIs) is understood and applied in BAPPENAS sector directorates and the selected line ministries. 2. More operational result-chain and KPIs are developed by the selected line ministries. 3. Guiding framework of budget preparation documents and budget scrutiny are enhanced. 4. [Reference] The quality of budget proposal is improved in the selected line ministries in PBB context. • The new initiatives are justified properly (e.g. how to justify the necessity of the new initiatives in the relevant result-chains, how to use KPIs to justify the necessity, what the expected achievements by the new initiatives are, what the expected activities to achieve those goals are, etc.) • The quality of costing is improved (e.g. the cost standard designated by MOF is used properly, The quantity for input is set more appropriately, etc.) • Cost benefit analysis is conducted properly when necessary. 5. [Reference] The quality of budget preparation documentation submitted (I) from the selected line ministries to BAPPENAS, and (II) from BAPPENAS to MOF are improved. 6. Coordination efforts are made continuously.	1. Diagnostic assessment based on the matrix and interviews 2. Ditto 3. Ditto 4. Ditto 5. Ditto 6. Ditto	-MTEF is operationalized more substantially. -Budget classification is properly applied in PBB context. -Public Expenditure Review (PER) are conducted in a strategic and systematic manner under the established framework. -Performance management and performance culture is improved. -Internal and external audit are improved.
Output 1: The quality of result-chain and KPIs is improved in the selected line ministries.	1-1. Understanding on the MTEF-PBB framework and its practices is improved in the selected line ministries. 1-2. [Reference] The quality of result-chain is improved in the selected line ministries. 1-3. [Reference] The quality of the KPIs is improved in the result-chains of indicator 1-2, in the selected line ministries.	1-1. Diagnostic assessment based on the matrix, interview 1-2. Ditto 1-3. Ditto	
Output 2: Guiding framework for improving the quality of budget preparation documentation is enhanced.	2-1. The guidelines on new initiatives are revised. 2-2. Budget preparation process is standardized in the selected line ministries in accordance with the relevant rules and regulations. 2-3. Budget preparation format is standardized in the selected line ministries in accordance with the relevant rules and regulations. 2-4. Type of information and description in the documents is standardized in the selected line ministries in accordance with the relevant rules and regulations.	2-1. Guidelines, project report 2-2. Diagnostic assessment based on the matrix, interview 2-3. Ditto 2-4. Ditto	
Output 3: Guiding framework for improving the quality of budget scrutiny is enhanced at BAPPENAS and MOF.	3-1. Budget scrutiny process is standardized in BAPPENAS in accordance with the relevant rules and regulations. 3-2. Guidelines of checkpoints of budget scrutiny for BAPPENAS officers (sector directorates and the Directorate of Development Funding Allocation) are developed. 3-3. The developed checkpoints of budget scrutiny are used by BAPPENAS (sector directorates and Development Funding Allocation).	3-1. Description of budget scrutiny process, project report 3-2. Guidelines, project report, 3-3. Guidelines, project report	3. The central agencies (BAPPENAS and MOF) acknowledge the guiding framework for improving the quality of budget scrutiny.
Output 4: The experiences and lessons learnt for improvement of allocation and operational efficiency are shared by stakeholders.	4-1. Opportunities for sharing experiences and lessons learnt are continuously arranged in the areas of allocation and operational efficiency. 4-2. Topics are covered in 4-1 opportunities properly (e.g. means for ensuring aggregate fiscal discipline, allocation efficiency, and operational efficiency).	4-1 Reports on seminars and workshops 4-2 Ditto	4 & 5. Importance of introducing PBB in the PFM is understood by wider audiences and opinion leaders, e.g. media, lawmakers, general public, etc.
Output 5: A framework development for further elaborating PBB implementation system is facilitated.	Advisory services are provided by the Project. More specifically, solutions of critical topics for further elaborating PBB implementation system are explored: (I) various options are explored; (II) pros and cons of each option are examined; (III) implication of options on aggregate fiscal discipline, allocation efficiency and operational efficiency are examined respectively, etc. List of prospective topics is as follows: (1) How to set the ceiling in a more persuasive manner, (2) Cost approach (e.g. full cost approach), (3) Availability of performance assessment results in a timely manner, (4) Use of internal and external audits etc., and (5) Social accountability etc.	Project activity reports	

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Activities	Inputs		Important Assumption
	The Japanese Side	Indonesian Side	
<p>1-1. To set up joint working group(s) (*) in the selected line ministries and prepare the work plan</p> <p>1-2. To conduct seminar(s) on the MTEF-PBB framework and practices and provide practical consultation opportunities to the selected line ministries</p> <p>1-3. To develop/refine result-chain and KPIs in accordance with the relevant guidelines and manuals. (* Working group(s) consists of representatives from (i) Directorate of Development Funding Allocation, (ii) the relevant sector directorates, and (iii) selected line ministries.</p>	<p>1. Experts (1) Long-term and/or short-term experts from Japan and/or third countries 2. Trainings of counterpart personnel in Japan and/or third countries 3. Provision of machinery and equipment (1) Machinery and Equipment (if necessary) (2) Other equipment used by the experts 4. Local expenses for the project activities 5. Others as necessary</p>	<p>1. Personnel (1) Project Director (2) Project Manager (3) Counterpart personnel 2. Provision of the project offices and facilities in BAPPENAS DFA necessary for the project implementation 3. Administrative and operational expenses (e.g. electricity, water, communication, financial incentives for the Indonesian side official, etc.) 4. Others as necessary</p>	<p>Precondition The following issues on the fiscal planning and allocation in Indonesia shall be explained clearly: (1) Annual procedures, schedule of the budget cycle, (2) Demarcation of the roles and responsibilities of provincial fiscal allocation, (3) Process of determining budget ceiling, (4) Criteria for accepting new initiatives, (5) Process of scrutinizing budget proposals</p>
<p>2-1. To set up joint working group(s) in the selected line ministries and prepare the work plan</p> <p>2-2. To discuss various practices of budget preparation documentation to meet the PBB requirements e.g. the practices of other countries</p> <p>2-3. To discuss the current relevant rules and regulations in Indonesia on the MTEF-PBB</p> <p>2-4. To review the current practices in the selected ministries</p> <p>2-5. To prepare recommendation papers to revise the guidelines for the new initiatives</p> <p>2-6. For BAPPENAS to revise the guidelines for the new initiatives</p> <p>2-7. To deliver training programs and provide practical consultation opportunities to the selected line ministries</p> <p>2-8. To produce review reports on quality of budget preparation documentations in the selected line ministries</p>			<p>Pre-Conditions</p>
<p>3-1. To set up joint working group (s) in the selected BAPPENAS sector directorates and DFA</p> <p>3-2. To discuss various practices of budget scrutiny to meet the PBB requirements e.g. the practices of other countries</p> <p>3-3. To discuss the current relevant rules and regulations in Indonesia MTEF-PBB</p> <p>3-4. To review the current practices in the selected BAPPENAS sector directorates and DFA</p> <p>3-5. To prepare recommendation papers to improve budget scrutiny</p> <p>3-6. To deliver training programs and provide practical consultation opportunities to the selected BAPPENAS sector directorates and DFA</p> <p>3-7. To produce review reports on the quality of budget scrutiny in the selected BAPPENAS sector directorates and DFA. (* Main beneficiaries of these activities will be both BAPPENAS and MOF (DG of Budget)</p>			<p>Issues and countermeasures</p>
<p>4-1. To identify the issues to be shared among BAPPENAS, MOF and MOHA (e.g. means for ensuring aggregate fiscal discipline, resource efficiency, operational efficiency)</p> <p>4-2. To hold dialogues (*) continuously on selected topics for sharing framework, experiences, and lessons learnt among BAPPENAS, MOF, MOHA and selected provincial governments</p> <p>4-3. To prepare reports on the results of those dialogues. (* Dialogues will be organized in Jakarta and provinces.</p>			
<p>5-1. To explore and list various options on selected topics from the experiences of Japan and other countries through in-country and outside country activities.</p> <p>5-2. To examine (i) pros and cons of the options listed and (ii) implications on aggregate fiscal discipline, allocation efficiency and operational efficiency in the Indonesian context</p> <p>5-3. To discuss the possibility of applying those options to Indonesia</p> <p>5-4. To produce reports on those topics</p> <p>5-5. To assess the status of the practices on the topics in each BAPPENAS sector directorate line ministry and produce status report</p>			

Note: DFA=Directorate of Development Funding Allocation; BAPPENAS
DG of Budget Directorate General of Budget
RPJMN= Rencana Pembangunan Jangka Menengah Nasional (National Medium Term Development Plan)

VII.6 Minutes of the Fifth Joint Coordinating Committee Meeting (26 May 2017)

**MINUTES
OF
The FIFTH JOINT COORDINATING COMMITTEE MEETING
FOR
PLANNING AND BUDGETING REFORM
FOR THE PERFORMANCE-BASED BUDGETING (PBB) SYSTEM
IMPLEMENTATION PHASE TWO
IN
THE REPUBLIC OF INDONESIA
AGREED UPON AMONG
BADAN PERENCANAAN PEMBANGUNAN NASIONAL
(BAPPENAS),
JAPAN INTERNATIONAL COOPERATION AGENCY,
AND
JICA EXPERT TEAM**

BAPPENAS Conference Room, Jakarta
26 May 2017



Mr. Erwin Dimas
Director for Allocation of Development Funding
BAPPENAS
Chairperson of JCC

u.



Mr. Hisaaki Mitsui
Team Leader
JICA Expert Team



Mr. Shunsuke Takato
Senior Representative, JICA Indonesia Office

The Fifth Joint Coordination Committee (JCC) meeting was held at the BAPPENAS, Jakarta on 26 May 2017, with the following agenda:

1. Opening
2. Presentation by the Team Leader
3. Discussion based on the presentation
4. Conclusion

1. Opening

Mr. Erwin Dimas, Director of Allocation for Development Funding, BAPPENAS opened the meeting with appreciation. Mr. Shunsuke Takatoï, a newly assigned Senior Representative of JICA Indonesia Office who has been responsible for the project, introduced himself to the other participants.

2. Presentation by the team leader

Mr. Mitsui, the team leader of the project, presented the topics of the JCC meeting. After describing the current focus of planning and budgeting reform in the country, he reported the progress of the project and presented the work plan during the remaining period. He also asked the participants to discuss the possibility to extend the project.

3. Discussion based on the presentation

Mr. Erwin Dimas informed that the Government Regulation PP No. 17/2017 concerning synchronization of Planning and Budgeting was signed by the President of the Republic of Indonesia. According to the director, this new regulation should give BAPPENAS a clear authority to assess project proposals for financing. He said that the assessment of the project proposals should become a critical task for BAPPENAS, and explained that this was a reason why he requested JICA to extend the project to support this task.

Mr. Takatoï asked the scope of the extended work of the project. He confirmed the output of the project during the extended period should be the draft guideline of National Priority projects. He inquired whether BAPPENAS would be responsible for finalizing and disseminating the draft document. Mr. Erwin Dimas responded that DFA BAPPENAS should take this responsibility to follow-up the work of the expert team.

Mr. Yudhie Hatmadji Sudjarwo, a staff of Directorate of Monitoring, Evaluating and Controlling Regional Development, explained that his superior, Mr. Yudo, who has a tentative assignment for redesigning/re-packaging the National Priority projects, as well as the way to assess the proposals submitted by line ministries. Mr. Mitsui requested that this directorate should provide the expert team with the information about the work by Mr. Yudo.

4. Conclusion

Mr. Erwin Dimas acknowledged the achievement of the project for each output, and stated that project should be extended to implement the unfinished activity, which is the preparation of draft guidelines of National Priority projects.

Mr. Takatoï confirmed that JICA approved the extension of the project, and would follow up the expected steps.



5. Follow-ups

Based on the discussion at this meeting, the following activities were expected to be implemented.

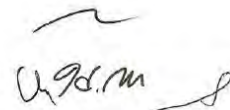
- 1) The expert team shall clarify the scope of work during the extended period.
- 2) JICA and BAPPENAS shall prepare the new official documents for the project extension.



A handwritten signature in black ink, appearing to be 'A. Ram' or similar, located in the bottom right corner of the page.

ANNEX LIST OF ATTENDANTS

No	Name	Title
1	Mr. Erwin Dimas	Director of Allocation for Development Funding, BAPPENAS
2	Mr. Eka Chandra Buana	Deputy Director, DFA, BAPPENAS
3	Mr. Tri Wibowo	Staff, DFA, BAPPENAS
4	Mr. Yudhie Hatmadji Sudjarwo	Staff, Directorate of Monitoring, Evaluating and Controlling Regional Development, BAPPENAS
5	Mr. Paulus Asi Christian	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
6	Mr. Aprinda Wardhana	Project Manager, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
7	Mr. Shunsuke Takato	Senior Representative, JICA Indonesia Office
8	Mr. Yohei Igarashi	Project Formulation Advisor, JICA Indonesia Office
9	Mr. Hiroaki Kambe	Representative, JICA Indonesia Office
10	Mr. Hisaaki Mitsui	Leader, JICA Expert Team
11	Mr. Irianto	Member, JICA Expert team
12	Ms. Triana Ariyanti	Secretary, JICA Expert Team



VII.7 Minutes of the JICA Project Advisory Mission (13 July 2017)

**MINUTES OF MEETINGS
BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
NATIONAL DEVELOPMENT PLANNING AGENCY
FOR AMENDMENT OF THE RECORD OF DISCUSSIONS
ON
PROJECT FOR PLANNING AND BUDGETING REFORM FOR THE PERFORMANCE-
BASED BUDGETING (PBB) SYSTEM IMPLEMENTATION PHASE 2
IN THE REPUBLIC OF INDONESIA**

The Japan International Cooperation Agency (hereinafter referred to as “JICA”) and National Development Planning Agency hereby agree that the Record of Discussions on Project for Planning and Budgeting Reform for Performance-Based Budgeting (PBB) System Implementation Phase 2 signed on May 19, 2014 will be amended as follows;

1. Duration of the Project

Original dated on May 19, 2014	Amended Version
<p>Shown in Appendix 1, II. OUTLINE OF THE PROJECT, 3. Duration is stated as folow:</p> <p>The duration of the Project will be 3 years commencing the first dispatch of Japanese expert.</p>	<p>The duration of the Project will be 3 years <u>and 3 months</u> commencing the first dispatch of Japanese expert.</p>
<p>Reason:</p> <p>During the Project, the Government of Indonesia introduced a new planning strategy called National Priorities. BAPPENAS requested to JICA Advisory Mission in March 2017 to make a draft of new initiative guidelines for National Priority Projects as an additional activity of the Project to achieve the Project Purpose “Framework of planning and budgeting reform is further enhanced.” It is estimated to take another 3 months to make a draft of new initiative guidelines for National Priority Projects. Therefore JICA and BAPPENAS agreed on the extension of the duration of the Project.</p>	

2. Project Design Matrix (PDM)

Original dated on May 19, 2014	Amended Version
<p>Shown in Annex 1: Logical Framework, Activity for Output 2</p> <p>2-5. To prepare recommendation papers to revise the guidelines for the new initiatives</p> <p>2-6. For BAPPENAS to revise the guidelines for the new initiatives</p>	<p>2-5. To prepare recommendation papers to revise <u>the new initiative guidelines for National Priority Projects</u></p> <p>2-6. For BAPPENAS to revise <u>the new initiative guidelines for National Priority Projects</u></p>

<p>Objectively Verifiable Indicators (Project Purpose)</p> <p>4. [Reference] The quality of budget proposal is improved in the selected line ministries in PBB context.</p> <ul style="list-style-type: none"> • The new initiatives is justified properly (e.g. how to justify the necessity of the new initiatives in the relevant result-chains, how to use KPIs to justify the necessity, what the expected achievements by the new initiatives are, what the expected activities to achieve those goals are, etc.) <p>Objectively Verifiable Indicators (Output 2)</p> <p>2-1. The guidelines on new initiatives is revised.</p>	<p>4. [Reference] The quality of budget proposal is improved in the selected line ministries in PBB context.</p> <ul style="list-style-type: none"> • <u>The new initiative guidelines for National Priority Projects</u> are justified properly (e.g. how to justify the necessity of the new initiatives for National Priority Projects in the relevant result-chains, how to use KPIs to justify the necessity, what the expected achievements by the new initiatives are, what the expected activities to achieve those goals are, etc.) <p>2-1. <u>The new initiative guidelines for National Priority Projects</u> are revised.</p>
<p>Reason:</p> <p>During the Project, the Government of Indonesia introduced a new planning strategy called National Priorities. BAPPENAS requested to JICA Advisory Mission in March 2017 to make a draft of new initiative guidelines for National Priority Projects as an additional activity of the Project to achieve the Project Purpose “Framework of planning and budgeting reform is further enhanced.”</p>	

3. Plan of Operation (PO)

PO has been revised based on reflection of the necessary activities in the extension period. Amended PO is shown as Annex 2.

This amendment will become effective as of the day of July 13, 2017.

Annex 1 : Record of Discussions (signed on May 19, 2014)

Annex 2 : PDM, PO

Jakarta, July 13, 2017



Mr. Shunsuke Takato
Senior Representative
JICA Indonesia Office



Mr. Erwin Dimas
Director for Allocation of Development Funding
National Development Planning Agency
The Republic of Indonesia

Project Design Matrix

Project Title: Planning and Budgeting Reform for the Performance-Based Budgeting (PBB) System Implementation Phase Two
 Implementing Agency: BAPPENAS
 Target Group: Directorate of Development Funding Allocation, BAPPENAS, etc.
 Period of Project: September 2014–November 2017

Project Site: Whole country	Model Site: None		
Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption
Overall Goal Performance-based budgeting (PBB) is further operationalized in Indonesia.	MTEF-PBB linkage is enhanced more (i.e. continued progress of creating fiscal space; use of PBB for budget allocation).	Diagnostic assessment based on the matrix, interviews	Continued motivation for further accelerating PFM reform at various levels in Indonesian Government.
Project Purpose Framework of planning and budgeting reform is further enhanced.	1. PBB framework (e.g. operational result-chain and KPIs) is understood and applied in BAPPENAS sector directorates and the selected line ministries. 2. More operational result-chain and KPIs are developed by the selected line ministries. 3. Guiding framework of budget preparation documents and budget scrutiny are enhanced. 4. [Reference] The quality of budget proposal is improved in the selected line ministries in PBB context. • The new initiatives guideline for National Priority projects are justified properly (e.g. how to justify the necessity of the new initiatives for National Priority projects in the relevant result-chains, how to use KPIs to justify the necessity, what the expected achievements by the new initiatives are, what the expected activities to achieve those goals are, etc.) • The quality of costing is improved (e.g. the cost standard designated by MOF is used properly. The quantity for input is set more appropriately, etc.) • Cost-benefit analysis is conducted properly when necessary. 5. [Reference] The quality of budget preparation documentation submitted (i) from the selected line ministries to BAPPENAS, and (ii) from BAPPENAS to MOF are improved. 6. Coordination efforts are made continuously.	1. Diagnostic assessment based on the matrix and interviews 2. Ditto 3. Ditto 4. Ditto 5. Ditto 6. Ditto	• MTEF is operationalized more substantially. • Budget classification is properly applied in PBB context. • Public Expenditure Review (PER) are conducted in a strategic and systematic manner under the established framework. • Performance management and performance culture is improved. • Internal and external audit are improved.
Output 1: The quality of result-chain and KPIs is improved in the selected line ministries.	1-1. Understanding on the MTEF-PBB framework and its practices is improved in the selected line ministries. 1-2. [Reference] The quality of result-chain is improved in the selected line ministries. 1-3. [Reference] The quality of the KPIs is improved in the result-chains of indicator 1-2, in the selected line ministries.	1-1. Diagnostic assessment based on the matrix, interview 1-2. Ditto 1-3. Ditto	
Output 2: Guiding framework for improving the quality of budget preparation documentation is enhanced.	2-1. The guidelines on new initiative for National Priority projects are revised. 2-2. Budget preparation process is standardized in the selected line ministries in accordance with the relevant rules and regulations. 2-3. Budget preparation format is standardized in the selected line ministries in accordance with the relevant rules and regulations. 2-4. Type of information and description in the documents is standardized in the selected line ministries in accordance with the relevant rules and regulations.	2-1. Guidelines, project report 2-2. Diagnostic assessment based on the matrix, interview 2-3. Ditto 2-4. Ditto	
Output 3: Guiding framework for improving the quality of budget scrutiny is enhanced at BAPPENAS and MOF.	3-1. Budget scrutiny process is standardized in BAPPENAS in accordance with the relevant rules and regulations. 3-2. Guidelines of checkpoints of budget scrutiny for BAPPENAS officers (sector directorates and the Directorate of Development Funding Allocation) are developed. 3-3. The developed checkpoints of budget scrutiny are used by BAPPENAS (sector directorates and Development Funding Allocation).	3-1. Description of budget scrutiny process, project report 3-2. Guidelines, project report 3-3. Guidelines, project report	3. The central agencies (BAPPENAS and MOF) acknowledge the guiding framework for improving the quality of budget scrutiny.
Output 4: The experiences and lessons learnt for improvement of allocation and operational efficiency are shared by stakeholders.	4-1. Opportunities for sharing experiences and lessons learnt are continuously arranged in the areas of allocation and operational efficiency. 4-2. Topics are covered in 4-1 opportunities properly (e.g. means for ensuring aggregate fiscal discipline, allocation efficiency, and operational efficiency).	4-1 Reports on seminars and workshops 4-2 Ditto	4 & 5. Importance of introducing PBB in the PFM is understood by wider audiences and opinion leaders, e.g. media, lawmakers, general public, etc.
Output 5: A framework development for further elaborating PBB implementation system is facilitated.	Advisory services are provided by the Project. More specifically, solutions of critical topics for further elaborating PBB implementation system are explored: (i) various options are explored, (ii) pros and cons of each option are examined, (iii) implication of options on aggregate fiscal discipline, allocation efficiency and operational efficiency are examined respectively, etc. List of prospective topics is as follows: (1) How to set the ceiling in a more persuasive manner. (2) Cost approach (e.g. full cost approach). (3) Availability of performance assessment results in a timely manner. (4) Use of internal and external audits etc., and (5) Social accountability etc.	Project activity reports	

09-A

Activities	Inputs		Important Assumption
	The Japanese Side	Indonesian Side	
<p>1-1. To set up joint working group(s)* in the selected line ministries and prepare the work plan</p> <p>1-2. To conduct seminar(s) on the MTEF-PBB framework and practices and provide practical consultation opportunities to the selected line ministries</p> <p>1-3. To develop/refine result-chain and KPIs in accordance with the relevant guidelines and manuals. (*Working group(s) consists of representatives from (i) Directorate of Development Funding Allocation, (ii) the relevant sector directorates, and (iii) selected line ministries.</p>	<p>1. Experts (1) Long-term and/or short-term experts from Japan and/or third countries 2. Trainings of counterpart personnel in Japan and/or third countries 3. Provision of machinery and equipment (1) Machinery and Equipment (if necessary) (2) Other equipment used by the experts 4. Local expenses for the project activities 5. Others as necessary</p>	<p>1. Personnel (1) Project Director (2) Project Manager (3) Counterpart personnel 2. Provision of the project offices and facilities in BAPPENAS DFA necessary for the project implementation 3. Administrative and operational expenses (e.g. electricity, water, communication, financial incentives for the Indonesian side official, etc.) 4. Others as necessary</p>	<p>Precondition The following issues on the fiscal planning and allocation in Indonesia shall be explained clearly: (1) Annual procedures, schedule of the budget cycle, (2) Demarcation of the roles and responsibilities of provincial fiscal allocation, (3) Process of determining budget ceiling, (4) Criteria for accepting new initiatives, (5) Process of scrutinizing budget proposals</p>
<p>2-1. To set up joint working group(s) in the selected line ministries and prepare the work plan</p> <p>2-2. To discuss various practices of budget preparation documentation to meet the PBB requirements e.g. the practices of other countries</p> <p>2-3. To discuss the current relevant rules and regulations in Indonesia on the MTEF-PBB</p> <p>2-4. To review the current practices in the selected ministries</p> <p>2-5. To prepare recommendation papers to revise the guidelines of the new initiatives for National Priority projects</p> <p>2-6. For BAPPENAS to revise the guidelines of the new initiatives for National Priority projects</p> <p>2-7. To deliver training programs and provide practical consultation opportunities to the selected line ministries</p> <p>2-8. To produce review reports on quality of budget preparation documentations in the selected line ministries</p>			<p>Pre-Conditions</p>
<p>3-1. To set up joint working group (s) in the selected BAPPENAS sector directorates and DFA</p> <p>3-2. To discuss various practices of budget scrutiny to meet the PBB requirements e.g. the practices of other countries</p> <p>3-3. To discuss the current relevant rules and regulations in Indonesia MTEF-PBB</p> <p>3-4. To review the current practices in the selected BAPPENAS sector directorates and DFA</p> <p>3-5. To prepare recommendation papers to improve budget scrutiny</p> <p>3-6. To deliver training programs and provide practical consultation opportunities to the selected BAPPENAS sector directorates and DFA</p> <p>3-7. To produce review reports on the quality of budget scrutiny in the selected BAPPENAS sector directorates and DFA (* Main beneficiaries of these activities will be both BAPPENAS and MOF (DG of Budget)</p>			<p style="text-align: center;">↓</p> <p style="text-align: center;">-<Issues and countermeasures></p>
<p>4-1. To identify the issues to be shared among BAPPENAS, MOF and MOHA (e.g. means for ensuring aggregate fiscal discipline, resource efficiency, operational efficiency)</p> <p>4-2. To hold dialogues (*) continuously on selected topics for changing framework, experiences, and lessons learnt among BAPPENAS, MOF, MOHA and selected provincial governments</p> <p>4-3. To prepare reports on the results of those dialogues. (* Dialogues will be organized in Jakarta and provinces.</p>			
<p>5-1. To explore and list various options on selected topics from the experiences of Japan and other countries through in-country and outside country activities</p> <p>5-2. To examine (i) pros and cons of the options listed and (ii) implications on aggregate fiscal discipline, allocation efficiency and operational efficiency in the Indonesian context</p> <p>5-3. To discuss the possibility of applying those options to Indonesia</p> <p>5-4. To produce reports on those topics</p> <p>5-5. To assess the status of the practices on the topics in each BAPPENAS sector directorate line ministry and produce status report</p>			

Note: DFA=Directorate of Development Funding Allocation BAPPENAS
DG of Budget= Directorat General of Budget
RPJMN= Rencana Pembangunan Jangka Menengah Nasional (National Medium Term Development Plan)

List of activities	Year	2014												2015												2016												2017													
		Month	Actual	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12							
Output 4. The experiences and lessons learnt for improvement of allocation and operational efficiency shared by stakeholders.	Stage		Preparation												Practice												Wrap up																								
4-1. To identify the issues to be shared among BAPPENAS, MOF and MOHA (e.g. means for ensuring aggregate fiscal discipline, resource efficiency, operational efficiency)	Plan																																																		
	Actual																																																		
4-2. To hold dialogues continuously on selected topics for sharing framework, experiences, and lessons learnt among EAPPENAS, MOF, MOHA and selected provincial governments	Plan																																																		
	Actual																																																		
4-3. To prepare reports on the results of those dialogues	Plan																																																		
	Actual																																																		
Output 5. A framework development for further elaborating PBB implementation system is facilitated.	Stage		Preparation												Implementation												Wrap up																								
5-1. to explore and list various options on selected topics from the experiences of Japan and other countries through in-country and outside country activities	Plan																																																		
	Actual																																																		
5-2. to examine (i) pros and cons of the options listed and (ii) implications on aggregate fiscal discipline, allocation efficiency and operational efficiency in the Indonesian context,	Plan																																																		
	Actual																																																		
5-3. to discuss the possibility of applying those options to Indonesia	Plan																																																		
	Actual																																																		
5-4. to produce reports on those topics	Plan																																																		
	Actual																																																		
5-5. to assess the status of the practices on the topics in each BAPPENAS sector directorate, line ministry and produce status report	Plan																																																		
	Actual																																																		
Major events																																																			
Training in Japan (Country focused)	Plan																																																		
	Actual																																																		
Third country training	Plan																																																		
	Actual																																																		
JCC meeting	Plan																																																		
	Actual																																																		


* The Indonesian fiscal year is as same as the calendar year.
 * The timing of JCC meeting and review will be set bearing in mind the Indonesian fiscal year and the budgeting process.
 * K/L: mass type of training for maximum 15 K/L (e.g. organizing seminars/WS), intensive consultation for 2 K/L per year (e.g. setting WGs, consultation) total 6 K/L in the project period.
 * Province: 6 provinces in total in the project period.
 ** PO may be modified depending on the budget situations of both sides.
 *** If the necessity confirmed and budget allowed

Actual Planned

VII.8 Minutes of the Sixth Joint Coordinating Committee Meeting (26 October 2017)

**MINUTES
OF
THE SIXTH JOINT COORDINATING COMMITTEE MEETING
FOR
PLANNING AND BUDGETING REFORM
FOR THE PERFORMANCE-BASED BUDGETING (PBB) SYSTEM
IMPLEMENTATION PHASE TWO
IN
THE REPUBLIC OF INDONESIA
AGREED UPON AMONG
BADAN PERENCANAAN PEMBANGUNAN NASIONAL
(BAPPENAS),
JAPAN INTERNATIONAL COOPERATION AGENCY,
AND
JICA EXPERT TEAM**

BAPPENAS Conference Room, Jakarta
26 October 2017



Mr. Erwin Dimas
Director for Allocation of Development Funding
BAPPENAS
Chairperson of JCC



Mr. Hisaaki Mitsui
Team Leader
JICA Expert Team



Mr. Shunsuke Takato
Senior Representative, JICA Indonesia Office

The Sixth Joint Coordination Committee (JCC) meeting was held at the BAPPENAS, Jakarta on 26 October 2017, with the following agenda:

1. Opening remarks
2. Presentation by the Team Leader
3. Comments by BAPPENAS
4. Closing remarks

1. Opening remarks

Mr. Erwin Dimas, Director of DFA BAPPENAS opened the meeting with overall review on the project implementation. He appreciated JICA's support and the project team's technical assistance for the implementation of Performance-based Budgeting phase 2. The said assistance has improved the quality of Planning and Budgeting in the BAPPENAS.

2. Presentation by the team leader

Mr. Mitsui, the team leader of the project, presented the achievement of the project and follow-up actions to achieve the overall goal.

3. Comments by BAPPENAS

Mr. Erwin Dimas informed that there are changes after the implementation of the Government Regulation PP No. 17/2017 concerning synchronization of Planning and Budgeting. New Initiatives were not emphasized in this PP. Instead, a new concept of National Priority Project was introduced. BAPPENAS is expected to be solely in charge of assessing the National Priority Project proposals. The JICA Project contributed to developing the framework of National Priority Project proposal submission and assessment.

The JICA Project also supported BAPPENAS to coordinate with several BAPPEDA offices as a part of its experience sharing activities. Besides, the third country visits to India and Sri Lanka opened the way to strengthen the cooperation with these countries.

The following two are considered as the follow-up actions of this JICA Projects. First, the integration of the planning and budgeting process should be enhanced at a project level for both central and local governments. Second, the scope of cooperation with other developing countries should be further examined.

Mr. Randy Wrihatnolo, Director of Directorate of System and Reporting of Monitoring, Evaluation and Control of Development, conveyed that his directorate has developed e-monev system 3.0 to connect budget allocation with the needs of beneficiaries. He is planning to combine 3.1 and 4.0 system to reach the regional development and planning to develop Guidelines for e-monev. Currently, BAPPENAS M&E's function only covers monitoring. It does not conduct evaluation. It is needed to propose new components to evaluate the development impact based on data monitoring.

Mr. Yanuar, staff of System and Procedure, conveyed that they are currently working on the integration of KRISNA and LAKIP as well as that of the central and local government's planning process.

4. Closing remarks

Mr. Shunsuke Takato, Senior Representative of JICA Indonesia conveyed appreciation to BAPPENAS and agreed to discuss the scope of the follow-up actions of this project.



ANNEX LIST OF ATTENDANTS

No	Name	Title
1	Mr. Erwin Dimas	Director of DFA, BAPPENAS
2	Mr. Eka Chandra Buana	Deputy Director, DFA, BAPPENAS
3	Mr. Randy R. Wrihatnolo	Director, Directorate of System and Reporting of Monitoring, Evaluation and Control of Development, BAPPENAS
4	Mr. Yanuar Adiantoro	Staff, System and Procedure, BAPPENAS
5	Mr. Paulus Asi Christian	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
6	Ms. Baby Tiara	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
7	Mr. Fikri Muslim	Expert, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
8	Mr. Aprinda Wardhana	Project Manager, Secretariat of Strategic Coordination of Planning & Budgeting Reform, BAPPENAS
9	Mr. Shunsuke Takato	Senior Representative, JICA Indonesia Office
10	Mr. Hiroaki Kambe	Representative, JICA Indonesia Office
11	Mr. Romi	Program Officer, JICA Indonesia Office
12	Mr. Hisaaki Mitsui	Leader, JICA Expert Team
13	Mr. Shuhei Oguchi	Member, JICA Expert team
14	Mr. Tomohide Uchida	Member, JICA Expert team
15	Mr. Mitsuhiro Ishida	Member, JICA Expert team
16	Mr. Ahmad Riyadi	Local Consultant, JICA Expert Team
17	Ms. Triana Ariyanti	Secretary, JICA Expert Team

