

The International Fund for Agricultural Development
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REPUBLIC OF INDONESIA
COASTAL COMMUNITY DEVELOPMENT PROJECT
DESIGN COMPLETION REPORT

Main Report

Asia and the Pacific Division
Programme Management Department

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CURRENCY EQUIVALENTS

Currency Unit	=	Indonesian Rupiah (IDR)
US\$ 1.00	=	IDR 9 000
IDR 1	=	US\$ 0.1111
		<i>February 2011</i>

WEIGHTS AND MEASURES

International metric system, unless specifically described in text; except:

1 acre (ac)	=	0.4047 hectares (ha)
1 hectare	=	2.47 acres

FISCAL YEAR

1st January – 31st December

ABBREVIATIONS, ACRONYMS AND GLOSSARY

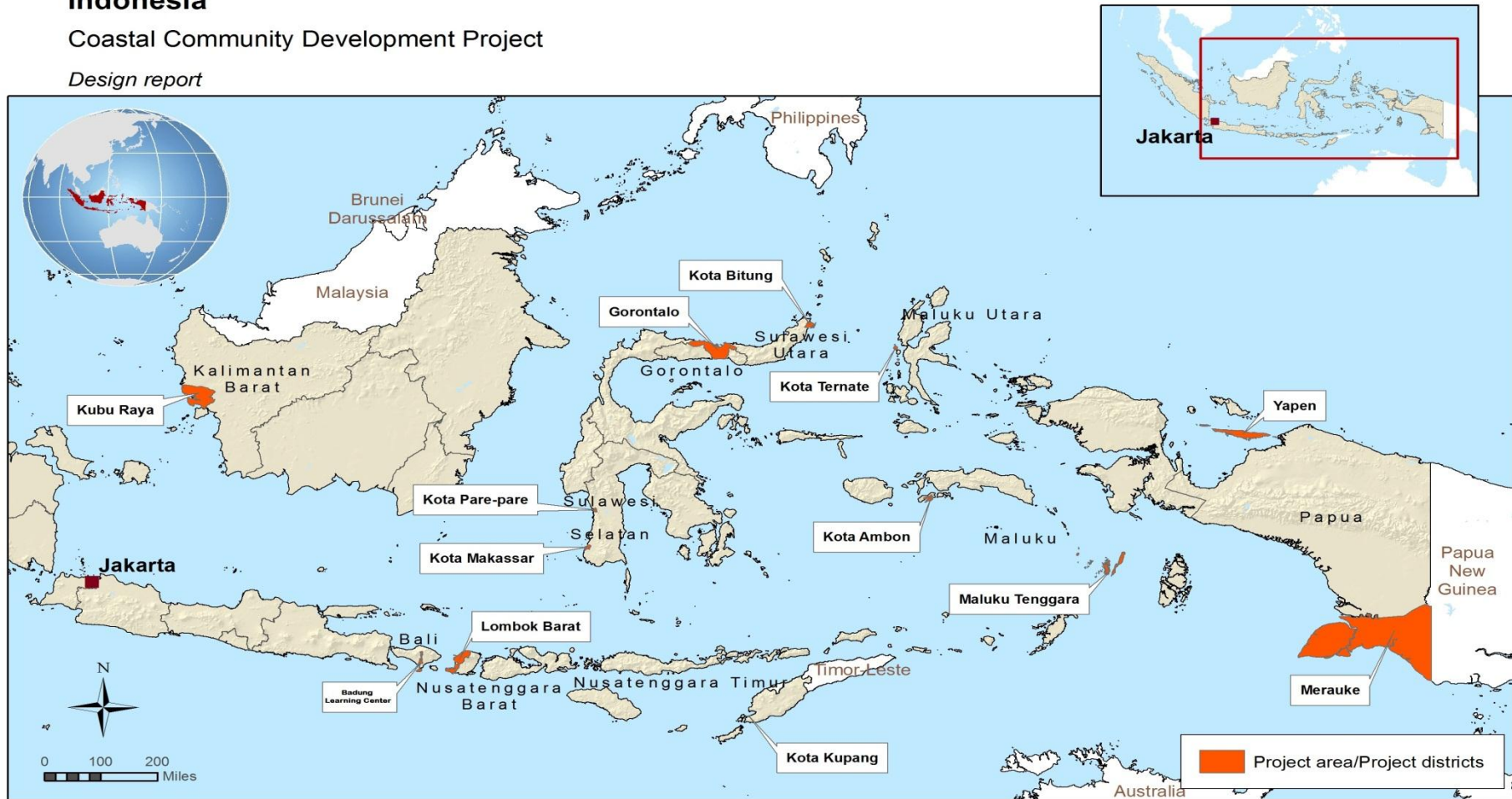
AWPB	Annual Work Programme and Budget
<i>Bupati</i>	Administrative head of a district
CCDP	Coast Community Development project (including small islands)
COREMAP	Coral Reef Rehabilitation and Management project
COSOP	Country Strategic Opportunities Programme
<i>Desa</i>	An administrative village
DG FPPM	Directorate General Fisheries Product Processing and Marketing
DG MCSI	Directorate General Marine, Coasts and Small Islands, MMAF
<i>Dinas</i>	District fisheries agency
DMED	District Market and Enterprise Development (Specialist)
DOB	District Oversight Board
<i>Dusun</i>	A sub-village or hamlet
FAD	Fish aggregating device
HH	household
ICB	International Competitive Bidding
IFAD	International Fund for Agricultural Development
IRR	Internal rate of return
M&E	Monitoring and evaluation
MCRMP	Marine Coastal Resource Management Project
MMAF	Ministry of Marine Affairs and Fisheries
MTGP	Medium Term Development Plan
NCB	National Competitive Bidding
NGO	Non-governmental organization
NSC	National Steering Committee
PEMP	<i>Programme Nasional Pemberdayaan Masyarakat</i>
PIU	Project Implementation Unit
PMO	Project Management Office
PNPM	Community Economic Empowerment Programme
PNPM Madiri KP	Coastal Community Economic Empowerment Programme
<i>Pokmaswas</i>	Community resources monitoring and enforcement group
PRSP	Poverty Reduction Strategy Paper
PY	Project year
RIMS	Results and Impact Management System
VWG	Village CCDP Working Group

Map of the Project Area

Indonesia

Coastal Community Development Project

Design report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

EXECUTIVE SUMMARY

A. Background and rationale

1. The project been developed jointly led by a team from the Ministry of Marine Affairs and Fisheries and responds directly to policy and strategy initiatives of government, reflects its key policy themes – ‘pro-poor, pro-job, pro-growth and pro-sustainability’ – and is in line with IFAD’s policies. The project would involve participation of government, both at national and district levels, in project financing and participation from IFAD that combines an IFAD loan on Ordinary Terms, co-financing from the Spanish Government, and an IFAD grant – together totalling US\$ 32.8 million.

2. There are four reasons why the project was proposed by MMAF and why IFAD should consider financing it: (i) coastal and small island communities are poor and often among the poorest communities in the country; (ii) many communities have demonstrated motivation and commitment to improve their economic position and take responsibility for development initiatives; (iii) there are good economic opportunities, particularly for a range of high value marine products, with strong market potential; and (iv) the project would be fully consistent with and directly support key government policies and priorities. The project would also respond to the pressing need to address issues of resource degradation and climate change and provide government with experience to replicate/scale up project activities.

B. Rural context, geographic area of intervention and target groups

3. The areas of project intervention are all located in eastern Indonesia, consistent with IFAD’s COSOP and strategy to focus on areas which have a high incidence of rural poverty. The project concentrates on a limited number of districts, with diverse marine environments and socio/cultural contexts, containing communities which while poor also have good resource potential and market access.

4. Twelve districts, in nine provinces, have been selected for inclusion in the project based on their ability to successfully participate in project activities, including demonstrated political and financial commitment by the districts, qualifying numbers of poor coastal and small island communities, the potential for increasing incomes from fishing and marine operations, and the scope for scaling up activities in other districts. They have been selected to represent a broad cross-section of districts, which in the future would be able to initiate project interventions. The inclusion of diverse marine environments would allow the project to introduce different processes for resource management, in combination with sustainable economic development of mariculture, fish capture and other marine operations.

5. It is proposed that 15 coastal and small island villages in each district would be selected based on *inter alia*: (i) poverty level, (ii) demonstrated motivation and successful participation in previous programmes, (iii) potential for marine and fisheries production and value addition; and (iv) inclusion of small islands in each location. A total of 180 villages would be involved. It is estimated that of the approximately 660 households within an average project village, approximately 60% would be involved directly or indirectly in project fishing, aquaculture and other marine-based activities. This would give a total of about 70 000 households, or 320 000 people, as the direct target population of the project.

C. Key Project Objectives

6. Four key elements underlie project design and form the basis for the project strategy: (i) community empowerment, (ii) a market-focused approach, (iii) focus on the active poor, and (iv) replication/scaling up.

7. The overall goal for the project is *reduction in poverty and enhanced economic growth in active poor coastal and small island communities*. The project goal would be achieved through *increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities*, which is the development objective.

8. In support of the development objective, the project would have three outcomes, each linked to the project’s investment components: (i) target households implementing profitable marine-based economic activities with no detrimental effect on marine resources; (ii) expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries/marine operations; and (iii) the project is being managed efficiently and transparently for the benefit of the project’s target households and communities.

9. There are four main elements that are central to the project: they represent the core of the project and provide the foundation for project activities and how they are implemented. *Community empowerment*, essentially a demand-driven participatory approach to development, has been and continues to be one of the key strategies that underlies government development programmes. It shapes the way that CCDP would be implemented, provides the main structuring element in the design of the project and is the basis for how project investment activities work and relate to each other. It enhances transparency and accountability in the use of project funds and also dictates how project management functions. While the participatory, demand-driven approach enables communities and households to participate and decide on their priorities, it is the *market focused strategy* and the interventions linked to it that would deliver the returns to the fisher/marine households and enable them to raise their incomes by increasing the sustainable net returns from fish and other marine products. The third element, *focus on poverty and targeting the poor*, is a fundamental government policy and the core mandate of IFAD. The pro-poor focus has been one of the main determining factors in selection of the project communities – all selected project villages have at least 20% of households below the poverty line. Within those communities, the focus is on the active poor – those households that can make effective use of the investments made under the project with the market-based approach – and on inclusion of the poor in project activities. *Replication and scaling-up* project activities and processes is the fourth element. It has influenced the selection of districts, that are located in a range of different marine and social environments, and has resulted in the physical and social diversity and geographical spread of project districts from West Kalimantan to Papua. Adoption of such an approach influences the structure and functioning of project management and imposes costs on project implementation. But, it also enables the dispersed project districts to become regional nuclei testing a range of solutions in diverse, but predominantly poor communities. This would facilitate replication and scaling up in other areas and districts in Indonesia.

D. Components

10. The project comprises three investment components. The first component – Community Empowerment, Development and Resource Management – is the core of the project and provides funding for the key activities that constitute the project. It also represents over two thirds of project investment. All activities in Component 1 are centred on the target communities with project development driven by the participatory process and village determination of priorities for the project's fisheries/marine development and coastal resource management. District-level interventions in support of these village initiatives would be captured in the second component, which aim to strengthen technical, institutional and infrastructure for small-scale fisheries and mariculture and improve access to and the functioning of markets and value chains. The third component focuses on project management and building the capacity required to scale-up project activities.

11. **Component 1 – Community Empowerment, Development and Resource Management** – The component builds on the experience and lessons learned primarily from a number of major government programmes and would adopt a village participatory planning approach focused on marine-based economic development, primarily working through groups and associations within the communities. It would build capacity within the communities to implement project activities, take control of their own development and facilitate access to technical and financial support from both government and the private sector. The component comprises three sub-components, all of which are community based. The outcome from the component would be: target households implementing profitable marine-based economic activities with no detrimental effect on marine resources.

12. **Sub-Component 1.1 – Community Facilitation, Planning and Monitoring.** The sub-component would provide the basis for implementation of all project activities within the community and also establish priorities that would guide the allocation of resources under the second and third sub-components. The expected output is: *marine and fisheries households' development priorities identified, agreed and documented*. The sub-component's investment activities are:

- *Recruitment and training of Community Facilitators*, six per district, and *District Empowerment and Resource Management Consultants* as part of the PIU, 12 in total – one per district
- *Information and awareness campaigns*, to build an understanding of the project
- *Forming, training and capacity building* of Village CCDP Working Groups
- Carrying out *CCDP village inventories* and assessments
- *Participatory community planning and preparation of Village Marine Development Plans*

13. Sub-Component 1.2 – Coastal Resource Assessment, Planning and Co-Management. The sub-component focus is sustainability of project interventions for long term economic health of project communities. Not only would the project facilitate effective co-management arrangements, but critically co-management would influence the selection of project investments in enterprise groups. The expected output is: *community-based marine resource management areas being managed effectively*. The sub-component would involve the following investment activities:

- *Coastal Resource Inventories*
- *Community Awareness Campaigns*
- *Construction/Equipping of Village Information Centres*
- *Establishment, Training and Equipping of Co-Management Groups*
- *Coastal Marine Co-Management Plans*
- *Small-scale investments in support of coastal resource management*
- *District-Level Support for Village Co-Management Operations*

14. Sub-Component 1.3 – Market Focused Village Development. The Sub-Component, which represents the largest project investment, with 39% of base costs, aims to stimulate successful investments in small-scale marine-related activities that respond to specific near-term market demand and raise the profitability and scale of production from sustainably managed marine resources. There would be two outputs: (i) *financially sustainable community enterprises created under the project*, and (ii) *community infrastructure implemented under the project supporting marine-based economic activities in project villages*. The sub-component's investment activities are:

- *Community Enterprise and Infrastructure Fund*, totalling US\$ 10.8 million, for financing: production/marketing enterprise groups, village-based service enterprises, and community-managed small-scale economic infrastructure
- *Savings Group Scheme for Risk Averse Poor Households*
- *Training and Technical Support for Enterprises Groups and Community Infrastructure*

15. **Component 2 – District Support for Marine-Based Economic Development** The aim of this component is to support the project's village-level interventions with complementary investments at the district level. The district investments are needed to address constraints faced by the communities to realising the full benefits from their investments; and to open opportunities for communities to improve the productivity of their fishing and marine activities and capture greater benefits from marketing their products. The component comprises two sub-components, the first focuses on infrastructure, innovation and building institutional capacity; the second on markets and value chains. The outcome of Component 2 is: expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries/marine operations.

16. Sub-Component 2.1 – District-Level Investment and Capacity Building. The sub-component aims to: (i) facilitate investment in district-level marine infrastructure and services, often through public-private partnerships, in support of the small-scale fisheries and mariculture/aquaculture for the target communities; (ii) provide scope for the district fisheries offices to develop and implement new and innovative approaches on a limited/pilot scale; (iii) improve the capacity of the district, civil society and the business community; and (iv) facilitate scaling up of project activities and approaches in other coastal villages in the district and in similar and often adjacent districts. The expected output from the sub-component is: *improved infrastructure and services supporting small scale fishing and marine activities established in the project districts*. Sub-Component investment comprises:

- *District Fund for Supporting Small Scale Fisheries*, with two funding windows: (i) Supporting District Infrastructure for Small-Scale Fisheries, and (ii) Supporting District Innovation for Small-Scale Fisheries
- *District training and institutional capacity building*

17. Sub-Component 2.2 – Market and Value Chain Support. The objective is to create opportunities for enterprise groups and individual households in target villages to profitably invest in production and first-stage marketing of sustainable, high potential marine products linked to market demand. This would be primarily achieved by implementing selected systematic interventions to create mutually profitable win-win opportunities between buyers and producers and remove other critical bottlenecks. The expected output is: *increased participation and earnings by small scale*

fishers and marine producers from prioritized high potential products in each project district. Sub-Component investment comprises:

- *Market Opportunity and Intervention Strategy Identification, Progress Tracking and Capacity Building*
- *Market Linkages, Promotion and Technology Transfer and Cluster Development.*

18. **Component 3. Project Management.** The component provides for implementation for the range of project activities in each district, with national oversight, and lays the foundation for replication and extension of project activities. The expected outputs are: (i) *PMO and 12 PIUs established and operating effectively*, and (ii) *replication and scaling up of the project facilitated*. In investment terms, Component 3 provides for the total cost of managing the project and delivering associated services to the communities.

E. Benefits

19. It is estimated that 70 000 fishing/marine households would benefit from the project, equivalent to about 320 000 people. The FIRR and EIRR are positive – 15.6% and 20.3% respectively.

F. Implementation arrangements

20. The project will be implemented under the Ministry of Marine Affairs and Fisheries, with the districts taking the main Implementation responsibility; however, the villages would assume a major part of the responsibility for managing implementation of their project activities. At the *central level*, MMAF will appoint a team within DGMCSI to staff the PMO which would be responsible for guiding project implementation and providing management support. The PMO would facilitate planning processes, consolidate annual plans and budgets, allocate resources, provide implementation support, monitor results and achievements and coordinate multi-district initiatives.

21. At *district level*, a team of dedicated staff within each District Marine Affairs and Fisheries Agency would form the PIU and be assigned the responsibility for project management and implementation. The district project team would be supported by two full time contracted experts – the District Technical Expert and District Market and Enterprise Development Specialist – who would support a team of community facilitators, one based in each village.

22. In the *communities*, the project set-up would involve the establishment of a project working group that would be selected from among the fishing/marine based households. Each village project working group would constitute five persons, each of who would be elected by the participating village households, with at least two of the group being women. Consistent with the arrangements under PNPM, the working group would be legalized by the Village Head and registered with the *Kecamatan*.

23. The *province* (Provincial Marine Affairs and Fisheries Agencies) and *Regional Technical Centres/Support Office* of DGMCSI (*BPSPL/BKKPN*) would play a limited but important role in the project. As well as fulfilling its regular monitoring, evaluation and technical support roles, they would help ensure that the project is consistent with sector plans and policies, provide technical support, fulfil a knowledge management function and help to facilitate linkages with complementary programmes.

24. For the purposes of project oversight and guidance, a National Steering Committee (NSC) would be established at central level to ensure project oversight and overall coordination. In each district, a District Reference Group, with representatives from the existing technical working groups, would be established comprising District Marine Affairs and Fisheries Agencies, the other relevant *Dinas*, *Bappedas*, village's heads and other partner organizations including representatives from local universities, NGOs and private sector players would be established.

G. Links with other initiatives

25. The strongest linkage would be with similar on-going government programmes, such as PNPM, which are likely to facilitate replication and scaling up of project interventions.

H. Costs and financing

26. Project cost, over five years, is US\$ 43.2 million with IFAD's contributing being US\$ 26.2 million in loan and grant. The Spanish Food Security Cofinancing Facility Trust Fund will contribute USD 7.8 million.

I. Risks

27. Three risks are cited, but mitigating actions would minimize the risks: geographical spread and project phasing, pressure on marine resources, and commitment to scaling up.

J. Environment

28. The project is classified under Environmental Category 'B'. No formal Environmental Impact Assessment would be done at the inception of the project.

K. Knowledge management, innovation and scaling up

29. Knowledge management forms an important and integrated part of project implementation and is built into project management processes at each level. The project is innovative in its approach and institutional arrangements and provides a number of mechanisms to promote innovation for the development of coastal communities and small-scale fisheries. The project has an explicit focus on scaling up and contains a number of mechanisms to assist government in replicating the project approach based on effective knowledge management.

LOGICAL FRAMEWORK

Results Hierarchy	Indicators	Means for Verification	Risks (R) & Assumptions (A)
Goal. Reduction in poverty and enhanced, economic growth among the active poor in coastal and small island communities	1. 9 900 additional HHs with improvement in HH assets ownership index 2. 40% reduction in the prevalence of child malnutrition	Quantitative baseline, mid-term review, project completion survey. Health statistics. Studies to complement indicator based data	
Development Objective. Increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities	1. The value of marine and fisheries products sold by participating households has increased by an average of 30%, compared with the pre-project level of sales. 2. 13 200 additional households for which food security have improved.	Baseline, mid-term, completion surveys Financial records of project enterprise groups Qualitative studies to complement indicators	(A) Cross section of active poor in marine and fisher households able to participate in project activities. (A) Group based collective economic activity is appropriate to social and market conditions within a large majority of project villages
Component 1. Community Empowerment, Development and Resource Management			
Outcome 1. Project communities implementing profitable and sustainable marine-based economic activities with no detrimental effect on marine resources	1. 60% of the project-funded enterprise groups are assessed to be still operating profitably by the end of the project 2. Health of marine resources maintained or improved in 80% of areas managed by project and adjacent villages	Independent assessment of enterprise performance Enterprise bank records Community perception-based resource inventory and assessment	(A) Access by project HHs to fishing grounds and aquaculture sites effectively controlled / managed (R) Fishing by commercial vessels limits catches by project fishers
Output 1.1 Marine and fisheries households' development priorities identified agreed and documented	1. 70% of fisheries/marine HHs state village plans represent their priorities (disaggregated by poverty status) 2. 50% of women state village plans represent their priorities	District project quarterly reports Village impact assessments Project M&E records Sample surveys	(R) Risk of elite capture of the planning/prioritisation process (A) Non-fisher/marine HHs in project villages do not have a disruptive influence on the planning processes
Output 1.2 Community-based marine resource management areas being managed effectively	1. 40 community-based marine resource management areas demarcated, declared and ratified (through <i>Perdes</i>) and community register of resource users established and maintained 2. Fish landing statistics from vessels based in project and adjacent villages show no decline in levels of catches	District project quarterly reports Project M&E records Reports of co-management committees in project villages Community register of resource users	(R) Management regimes will vary significantly between villages. (R) Adjacent villages refuse to participate in the projects' marine resource management activities,
Output 1.3 Financially sustainable community enterprises created under the project	1. At least 66% of supported enterprise groups and village-based service enterprises show cumulative growth of their balance sheets (i.e. net group assets) of at least 10% above the value of initial project-supported investment (including beneficiary contribution) three years after the group receives the initial project grant disaggregated by poverty ranking of member households	District project quarterly reports Project M&E records Financial records of project-supported enterprise groups (balance sheet and profit & loss statements)	(R) Limited HH assets and slow build-up of savings, limits participation of in enterprise groups A) Ratio between prices of input factors and fish remains favourable (A) Sufficient viable economic opportunities to attract interest in developing enterprise groups.
Output 1.4 Community infrastructure implemented under the project supporting marine-based economic activities in project villages	1. Two thirds of project financed community infrastructure operating and being used by fisher/marine HHs, assessed 1 and 3 years after establishment	Project M&E records Project impact assessments Survey of enterprise groups to determine effectiveness of the infrastructure	(A) Infrastructure linked to improving/ supporting marine based economic activities given priority in CCDP development plans (R) Government priorities override community agreed decisions on the project infrastructure

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Results Hierarchy	Indicators	Means for Verification	Risks (R) & Assumptions (A)
Component 2. District Support for Marine-Based Economic Development			
Outcome 2. Expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries and marine operations	1. 5% increase in net returns by mid-term review and 10% by end of project from small-scale fisheries/marine based activities in terms of fish/marine products sold by project districts on local, national and export markets (volumes marketed/prices received)	Impact survey of small-scale fishing landings and net returns Financial records from larger fishing vessels Project M&E records	(A) Economic opportunities and investments appropriate and accessible by project HHs. (R) Larger scale fishing operations influence investments decisions
Output 2.1 Improved infrastructure and services supporting small scale fishing and marine activities established in the project districts	1. 70% of facilities, services and infrastructure financed by the project operating/available and used by small-scale fishers/marine operators in support of fishing production and marketing. 2. 20 projects financed by District Fund for Supporting Small Scale Fisheries driving new business models and benefiting target villages	Survey of fishing/marine HHs in project villages Project M&E records Audits of project enterprises and infrastructure	(A) District staff are motivated and actively commit their time to implementation of the project
Output 2.2 Increased participation and earnings by small scale fishers and marine producers from prioritized high potential products in each project district	1. An average of 300 additional households in each project district actively participating in the prioritized high potential product value chains two years after initial involvement and are continuing to do so 2. At least 4 buyers actively buying products in each district within at least two thirds of the prioritized value chains	Surveys of sales by village fishers/marine operators Market surveys Project M&E records	(A) Small-scale fishers and marine producers are able to compete at a national level in terms of quality and price
Component 3. Project Management			
Outcome 3. Project is managed efficiently and transparently for the benefit of the project's target HHs and communities	1. 80% of project funds are disbursed in a timely manner in line with targets set in AWPBs and to the satisfaction of project marine/fishers HHs.	Participatory village evaluation of project performance Reports from district stakeholder forums on project management Project financial records	(A) Political and management commitment to the development and reduction in poverty in project communities through a market based approach
Output 3.1 PMO and 12 PIUs established and operating effectively	1. Performance of 75% of key project staff (including PMO and PUI Project Directors, PMO and PIU Executive Secretaries, District Consultants and Village Facilitators) judged satisfactory at mid-term review	District project quarterly reports Project M&E records Staff performance evaluation and incentive payments records	(A) Sufficient numbers of motivated staff work with the PIUs and are changed when necessary (A) District leaders fully understand the project and are committed to its goals and facilitating its activities
Output 3.2 Replication and scaling up of the project facilitated	1. At least 24 additional districts have commenced implementation of CCDP approach and activities by the end of the project. 2. The Project has been extended to at least 60 additional villages in the 12 project districts.	Project M&E, audit and supervision records	(A) Government and districts in the participating provinces motivated to extend and take up project approach and activities. (A) Funding is available from GOI for scaling up activities

* Indicators, where relevant, will be disaggregated by gender.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and rural development and poverty context

1. Indonesia is the largest economy in south-east Asia and has progressed rapidly over the past decade to become a dynamic, highly competitive and decentralized electoral democracy with a rapidly growing middle class. It weathered the financial crisis of 2008 well and it has had among the best performing economies in the region over the past few years. It has also made important strides in reducing poverty and promoting equality while enacting policies that create employment opportunities and upgrade skills, improve public services and infrastructure, and start to address a legacy of poor governance. In spite of the substantial and often impressive progress that has been made, there still remain substantial challenges, particularly regarding poverty reduction, with poverty still prevalent in many areas, particularly in the eastern parts of the country. Implementing poverty reduction programmes is not a small undertaking with a country with the scale and bread of Indonesia, spread over 5 000 km from west to east and comprising some 17 000 islands.

2. Indonesia is in fact the world's largest archipelago with at least 2.6 million hectares of coral reefs and other marine ecosystems. Indonesia has 95,181km of coastline and total ocean coverage of 5.8 million sq. km – treble the size of Indonesia's land area of 1.9 million sq. km. The Indonesian coastal and marine sector, and in particular small-scale fisheries, supported by marine and coral reef ecosystems, is a significant productive asset for the country on which millions of poor fishers depend. Between 2000 and 2008 Indonesia's fisheries production rose at a compound annual growth rate of 7% making Indonesia the world's second largest fisheries producer. In 2011 Indonesia produced 12.2 million tons of fish, up from 10.8 million tons in 2010, for which smallscale fishermen accounted for 92% of production. Healthy marine ecosystems can annually produce fisheries products worth about US\$15 000 per square kilometre. They are an important source of food for Indonesia's 237 million people and essential to livelihoods in about 10 000 coastal villages across the country in 357 coastal districts¹. However, it is recognized that this vast resource has to be carefully managed with some areas heavily exploited and other areas sometimes more remote with relatively low levels of exploitation. Indonesia has eleven fisheries management areas, seven of which cover waters in eastern Indonesia, the project's primary target area. About sixty-five percent of the Indonesian population lives in coastal areas or on small islands.

3. While the marine resources constitute a vast renewable natural capital and source of economic growth, effective management presents a substantial challenge. In the past, marine management was directed primarily from the centre, but in recognition of constraints imposed by the huge distances and physical, cultural and administrative complexities, the government in 2001 introduced a decentralization policy that transferred much of the responsibility to the districts. While decentralisation is still 'work in progress', with weaknesses still apparent in many district institutions, it has allowed strategies to be tailored to the specific needs of coastal communities and facilitated more timely and participatory decision making with regard to local resource management and provision of services. In alignment with the government's pro-poor approaches, the decentralisation policy has been accompanied by a series of government programmes that focus on community empowerment and reflect an increasing emphasis on co-management and traditional approaches to local resource management.

4. The Ministry of Marine Affairs and Fisheries (MMAF), which is responsible for the fisheries sector, has a mandate to manage and conserve coastal areas and promote the sustainable use of fish and marine resources for economic growth in coastal and small island communities. In 2010, a comprehensive fisheries strategy was produced² that provides guidance for project initiatives. The strategy is articulated through four policy themes: 'pro-poor, pro-job, pro-growth and pro-sustainability'. The policy is to be implemented through a series of strategies, the most important of which are: 'Minapolitan', Entrepreneurship, Networking, Technology and Innovation, Empowering, and Institutional Strengthening of Community Groups. The strong commitment to the community and to poverty reduction and the need to address them through market focused initiatives and enterprise development, with an emphasis on community groups, provides important orientation for the current project. Resource conservation and measures to combat effects to climate change and climatic events, such as the recent tsunamis, have been given an important emphasis in government strategies and a number of major programmes such as COREMAP deal directly with the subject.

¹ There are 497 districts in total.

² 'Strategic Plan, Ministry of Marine Affairs and Fisheries, 2010-2014'

5. About 7.9 million Indonesian fishermen are considered poor, constituting 25.1% of the total number of Indonesians living in poverty. There is an enormous diversity among the fishing communities in Indonesia, as expected with such a range of physical and cultural environments. While many coastal and fishing communities have a thriving marine economy, others face an increasing struggle to make a good return from their fishing, due to difficulty in accessing markets and in some areas due to declining catch levels. In some communities, destructive fishing and sometimes overfishing are having negative effects on the resources. This is a problem that the government is well aware of and is addressing through a number of programmes. The coastal and marine sector, and more specifically, small-scale fisheries sub-sector, represents the nexus between poverty and increasingly fragile environment. Members of fishing communities are often poor, highly dependent on small-scale inshore fishing for their livelihood, and in some places the income from fishing can be insufficient to meet basic subsistence needs. It is common for fishing communities to be among the poorer communities in a district, especially those farther from the main markets. Many of these communities are in the front line of climate change with increasingly erratic weather patterns, coastal erosion, and the progressive loss of coral reefs from ocean acidification. Limited access to boats and fishing gear, current practices of destructive and illegal fishing methods and poor management by aquaculture operators means that there is considerable scope for positive, well managed interventions in the sector. In particular, there is large potential for improving and expanding aquaculture (freshwater, brackish water and marine culture), seaweed culture, as well as sustainably increasing the return from inshore fisheries.

B. Rationale

6. There are four main reasons why the project was proposed by MMAF and why IFAD should consider financing it: (i) coastal and small island communities³ are poor constituting over a quarter of the total poor in Indonesia and are often among the poorest communities in the districts; they are frequently bypassed by mainstream economic development initiatives, which often focus primarily on communities accessible by the main road network; (ii) many coastal communities have demonstrated motivation and commitment to improve their economic position and take responsibility for development initiatives as demonstrated in a series of recent programmes; (iii) there are good economic opportunities, particularly for a range of high value marine products capable of being produced by aquaculture/mariculture operations for which there is strong market potential; and (iv) the project would be fully consistent with and directly support government policies and priorities as laid out in the Poverty Reduction Strategy Paper and the National Fisheries Strategic Plan for 2010-2014 and Indonesia's recent announcements regarding the development of its "blue economy". In particular, the project would respond to the need to promote poverty reduction and improvements in small-scale fisheries and marine production through community empowerment, group strengthening and market-linked enterprise development. Furthermore, the project would respond to the pressing need to address the issues of resource degradation and the impact of climate change by the restoring marine ecosystems, maintaining ecosystem services, and building the awareness and capacity of coastal communities. Finally, the project would provide government with the experience, development models and lessons learned to replicate project activities in other coastal communities within the selected districts and to scale up in districts with similar resource and social/cultural profiles.⁴ Government funding allocations at district, provincial and national levels are already planned for this replication and scaling up.

II. PROJECT DESCRIPTION

A. Project area and target group

7. The areas of project intervention are all located in Eastern Indonesia, consistent with IFAD's strategy to focus on areas which have a high incidence of rural poverty. Within Eastern Indonesia, the project concentrates on a limited number of districts, with diverse marine environments and socio/cultural contexts, containing communities which while poor also have good resource potential and market access – the two critical factors in a project that aims to increase incomes through improved returns from fishing and marine activities. Twelve districts have been selected for inclusion in the project based on their ability to successfully participate in project activities, including a

³ The communities covered by the project include both those along the coasts of the selected districts and on what are referred to as small islands within the districts – in the report, when the project communities are referred to only as 'coastal' – they generally refer to both coastal and small island.

⁴ Potential districts for replication/scaling-up are found in Annex II, Appendix 1.

demonstrated political and financial commitment by the districts, qualifying numbers of poor coastal and small island communities, the potential for increasing incomes from fishing and marine operations, and the scope for scaling up activities in other districts. The twelve districts, located in nine provinces, cover a wide range of resource and socio/cultural features: Merauke and Yapen, *Papua*; Maluku Tenggara and Kota Ambon, *Maluku*; Kota Ternate, *North Maluku*; Kota Bitung, *North Sulawesi*; North Gorontalo, *Gorontalo*; Kota Parepare and Kota Makassar, *South Sulawesi*; Lombok Barat, *West Nusa Tenggara*; Kota Kupang, *East Nusa Tenggara*; Kubu Raya, *West Kalimantan*⁵. They have been selected to represent a broader cross-section of districts, many of which in the future would take up project interventions. Inclusion of diverse marine environments – reefs, mangroves, estuaries – would allow the project to introduce different processes for resource management and adaptation to climate change, in combination with sustainable economic development of mariculture, fish capture and other marine operations. An additional location has been included, Badung in Bali Province, which would function as a learning centre capitalizing on its success in developing markets and market approaches for the small-scale fisheries.

8. In each district, it is proposed that 15 coastal and small island villages⁶, each comprising a number of fishing communities, would be selected based on: (i) poverty level (percent of households below the poverty line – at least 20%), (ii) demonstrated motivation to participate in the project and successful participation in previous community development programmes (particularly PNPM-Mandiri KP and MCRMP), (iii) potential for marine and fisheries production and value addition; (iv) necessity to include small islands in each location; (v) classification of the village as ‘rural’⁷; and (vi) consistency with MMAF’s strategic framework. The precise number of villages to be supported by the project in each district would depend on the performance of the district in carrying out project activities. Nine of the 15 villages have already been pre-selected⁸ with the project being launched in these villages over the first two years, prior to mid-term review. The additional villages to be funded in each district would range from none up to 12, with the average being six. The total number of villages in a given district would depend on how successfully the districts carry out project activities in the first nine villages. The performance of the district in implementing the project in the first nine villages would be a key determinant in deciding how many additional villages a district would receive funding for. Thus, 180 administrative villages would be included in the project. Based on the 2010 census data, an administrative village, or *desa*, has a population on average in the project districts of 2 769, or 606 households. Within a village, which is the lowest administrative unit, particularly the larger villages, there are a number of smaller communities, or *dusun*, sometimes referred to as hamlets or sub-villages, which number on average from three to five.

9. However, it is only the fishing and marine-based households within the selected communities that are the target of the project. It is difficult to establish precisely the proportion of the households in a given village that are involved full time and part time in fishing, mariculture and other marine-based activities, but it is estimated that of the approximately 660 households within the average project village, approximately 60% of the population would be involved directly or indirectly in fishing, aquaculture/mariculture and other marine-based activities. This would give a total of about 70 000 households, or 320 000 people, who would be the direct target population of the project. The major part of these households are poor, however among them are poorer more risk averse households, a segment of the community that the project would specifically target to facilitate their inclusion in the project and in particular their involvement group enterprises through a managed savings and capital accumulation scheme.

10. Based on a series of visits to project villages during the design process, analysis involving sessions with government extension officers, local NGOs and district resource persons, supported by national statistics, the target group for the project has been classified in the following sub-groups to enable the design team, and subsequently those responsible for project implementation, to ensure that project activities are attuned to the possibilities and constraints of each sub-group within the fisher/marine households in project villages. The groups are classified broadly by income but taking

⁵ Six of the districts are classified as being in city administrative areas, but all of them include large rural areas with substantial numbers of poor coastal and small island communities.

⁶ The median and average sizes of the selected villages are 1,314 persons and 2,769 persons respectively. The ‘village’ is the lowest administrative unit in the Indonesian government system.

⁷ A village is classified either urban or rural by BPS, based on a composite indicator that combines: population density, percentage of agricultural households, and access to public facilities.

⁸ For the list of selected villages and village data, see the Project Life File.

into account the different fishing/marine operations that the households are involved in⁹; however the diversity of conditions that exist in the wide range of villages found in the 12 districts means that the classification must be quite approximate.

- *Households with assets to access medium-high value marketable marine resources* – for capture fisheries, this category includes the households that own medium-scale fishing assets and for aquaculture operators, it includes households with production assets that require a relatively high level of capital and maintenance budget.
- *Households which provide labour in regular arrangements to the households belonging to the above category* (both capture fishery and aquaculture)
- *Households with assets that allow limited access to resources* – for capture fisheries, this group includes owners of small boats with small low HP motors (about 5-15 HP), small crews (2-3) and limited gear and range and for aquaculture operators, it includes households with limited production assets that constrain their investments and operations
- *Households with very basic productive assets; the resources available to them allow only limited opportunities to raise their incomes* – typified by fishers with non-motorized vessels such as outriggers, dugouts or canoes, all of which have to some degree a limited range, capacity and speed, which restricts their access in terms of the gear used, storage capacity, and distance from landing sites to the fishing grounds; few of these households are involved in aquaculture except as labourers.
- *households with no marine access-enabling assets and limited/unskilled labour* – includes those households without assets who provide unskilled labour, such as young fishermen working for relatives and small-scale often part time female fish traders, part-time collectors of crabs and other species.

A. Development objective and impact indicators

11. The development objective is: *increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities*. The impact indicators linked to the development objective are: (i) the value of marine and fisheries products sold by participating households has increased by an average of 30%, compared with the pre-project level of sales; and (ii) 13 200 additional households for which food security has improved. The RIMS indicators linked to the project goal – *reduction in poverty and enhanced economic growth in active poor coastal and small island communities* – are: 9 900 additional households with improvement in household assets ownership index; and 40% reduction in the prevalence of child malnutrition.

B. Components/outcomes

12. The project comprises three investment components. The first component – Community Empowerment, Development and Resource Management – is the core of the project and provides funding for the key activities that constitute the project. It also represents over two thirds of project investment and is the most demanding for project management to implement. All activities in Component 1 are centred on the target communities with project development driven by the participatory process and village determination of priorities for the project's fisheries/marine development and coastal resource management. District-level interventions, which support these village initiatives, are captured in the second component that aims to strengthen technical, institutional and infrastructure for small-scale fisheries and aquaculture and improve access to and the functioning of markets and value chains. The third component focuses on the institutions that would manage the project and building the capacity required to replicate and scale-up project activities. The component/sub-component structure of project investments is the following:

- Component 1 – Community Empowerment, Development and Resource Management
 - Community Facilitation, Planning and Monitoring
 - Coastal Resource Assessment, Planning and Co-Management
 - Market Focused Village Development

⁹ Annex II, Poverty, Targeting and Gender provides an in-depth analysis.

- Component 2 – District Support for Marine-Based Economic Development
 - District Investment District-Level Investment and Capacity Building
 - Market and Value Chain Support
- Component 3 – Project Management

13. **Component 1 – Community Empowerment, Development and Resource Management.**

The component builds on the experience and lessons learned from PEMP, PNPM-Mandiri KP, MCRMP and COREMAP and would adopt a village participatory planning approach focused on marine-based economic development, primarily working through groups and associations within the communities. It would build capacity within the communities to implement project activities, take control of their own development and facilitate access to technical and financial support from both government and the private sector. The component comprises three sub-components, all of which are community based. The investment activities associated with each sub-component are described below. The outcome from the component would be: *project communities implementing profitable and sustainable marine-based economic activities with no detrimental effect on marine resources.*

14. **Sub-Component 1.1 – Community Facilitation, Planning and Monitoring.** The sub-component would provide the basis for implementation of all project activities within the community and also establishes priorities that would guide the allocation of resources under the second and third sub-components. It would be focused on that part of the population in each selected village that is involved in fishing and marine-based activities – on average close to two thirds of the population in project villages – and as an output would produce a village marine development plan to guide the allocation of project resources and implementation of project activities. Central to the sub-component is a project-facilitated, and community-led, process that combines in a sequential manner: establishment of a village level informal structure for project coordination and management; holistic assessment of fisheries/marine-based development potentials ('village inventories'); identification of priority activities for project support ('Village Fisheries and Marine Plan'); and formation and in some circumstances strengthening of groups to take the primary responsibility for implementation of the project activities to be implemented under Sub-Components 1.2 and 1.3. The process would be structured to ensure the active involvement of all key segments of the target group, with special provisions to include both women, poorer more risk averse households, and indigenous people when they make up part of the village population. The sub-component would facilitate their participation in decision making and tailor project activities to respond to their needs and priorities. The implementation of the project in the 15 villages to be included in each district would be phased with the three most dynamic and successful commencing activities in the first year. As a pre-condition for their selection, these initial three villages would have already worked successfully in the national PEMP/PNPM programmes which are based on community empowerment and participation as a basis for community investment. A second set of six villages would commence in the second year, and the final set of six commencing in the third year. The first nine villages have been pre-selected, based on the criteria noted in the section Project Area and Target Group. The exact number of additional villages in each districts (an average of six per district); to be included in the final set of villages would be decided at mid-term review. The performance of the district in implementing the project in the first nine villages would be a key determinant in deciding how many additional villages a district would receive funding for. The expected output from the sub-component is: *marine and fisheries households' development priorities identified, agreed and documented.*

15. The sub-component comprises a number of investment activities, each detailed in the project cost tables; each activity is summarized below and presented in more detail in Annex IV, Section 1.1.

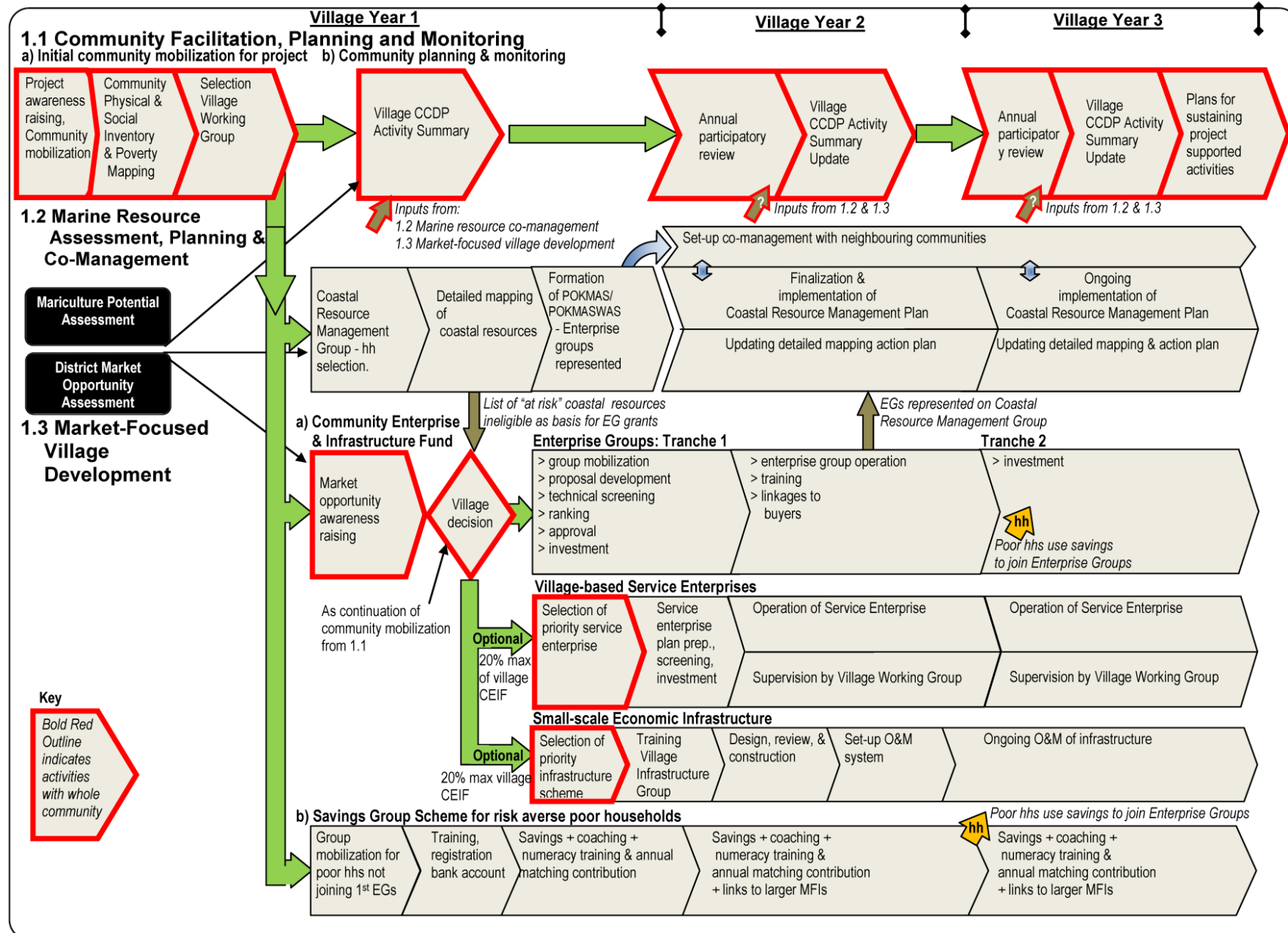
- **Recruitment and training of Community Facilitators.** The Community Facilitators, one per village, would be the key interface between the project and the communities. They would: guide the process of participatory analysis and planning of fisheries and marine-based activities; assist project groups' activity planning and implementation; strengthen their organizational capacity; and support the groups' efforts to interact with external actors. They would be experienced in working with community participatory processes and be contracted, generally from the NGO sector. Each district would have six community facilitators¹⁰. They

¹⁰ All six Community Facilitators (CFs) would be recruited in PY1; thus there would two CFs for each village for the first set of three villages; in PY2, the six would switch to the next set of six villages; and in PY3, they would switch once more to the final set of six villages. They would continue to backstop development in the first nine villages.

would be based in the villages or the sub-district centre and would be responsible for the planning processes, assisting in forming and guiding the village CCDP working groups, assist enterprise and infrastructure groups in preparing project proposals, and subsequently in supporting the village in implementing and monitoring the implementation of project activities. Project funding provides for salaries and operational expenses of 72 community facilitators, plus their pre-service and refresher training.

- *Recruitment of full-time District Empowerment and Resource Management Consultants in each project district.* One full-time consultant would be hired in each district. The consultant would assume responsibility for the community mobilization/planning process and overseeing the implementation of project activities, with the prime focus on community facilitation (Sub-Component 1.1) and resource management (Sub-Component 1.2). They would be responsible for the community facilitators' performance and be a key member of the Project Implementation Unit (PIU). In addition to providing support for the implementation of other project activities, they would: coordinate with the PIU to process the technical clearance and approval of the village proposals; arrange for project group access to technical services and information in response to their identified needs; and facilitate intra-village marine co-management with non-target villages in relation to Sub-Component 1.2. The project would finance salaries, operational expenses and travel of these 12 district consultants.
- *Forming, training and capacity building of Village CCDP Working Groups (VWGs).* A VWG would be created in each project target village as the village's project coordinating body. Members would be popularly elected and carry out, on a voluntary-basis, those functions related to coordination and administration of the project activities. There would be no formal function-based division of labour with each of the members assume responsibility for part of the community development process. Members would be elected with at least two of the five members being a woman. Costs involve training and provision of minor equipment, communication and stationery.
- *Carrying out of CCDP village inventories and assessment.* These inventories, which would be part of the first phase of participatory planning, together with district market assessments, would provide the basis for assessing community priorities and for selection of activities and investments to be made by the project in the village. They would involve a series of village-level meetings, supported by the community facilitators and district consultants and backed by information and perceptions of trends in fish catches, state of the marine habitat (coral reefs/mangroves), experience with and potential for aquaculture and other marine operations, and the possibilities for sustainable development under the project.
- *Participatory community planning and preparation of three-year Village CCDP Development Plans.* The VWG would take the lead in preparing a three-year plan, supported by the Community Facilitator, the District Empowerment and Resource Management Consultant and the District Marketing and Value Chain Consultant (see below), which would establish and document priority actions of the community for marine-based economic development. Costing includes stationery, document production and visits to/interaction with other villages and stakeholders outside the village.

Figure 1: Component 1 - Main activities and processes focused on community participation and empowerment



16. **Sub-Component 1.2 – Coastal Resource Assessment, Planning and Co-Management.**

The sub-component represents an essential element for the sustainability of project interventions and for the long term economic health of project communities. Marine resources in many of the project's coastal communities are currently under threat, in some cases possibly already overfished, or are likely to encounter increasing pressure on fish stocks and other marine resources. Consequently, a robust process to actively manage coastal resources adjacent to project villages forms an integral part of the project. Not only would the project facilitate effective co-management arrangements, but critically co-management would also influence the selection of project investments in enterprise groups. For example, proposed investments in a village would need to demonstrate that their activities would not impact negatively on the marine resources. Accordingly, the project aims to: (i) develop a common understanding of the fishery and marine resources and their supporting coastal ecosystems; (ii) make an assessment of the constraints and issues within the key fisheries; and (iii) build community capability for managing the fishery resource. To achieve these objectives, the sub-component would develop co-management arrangements to facilitate the management of marine resources adjacent to project villages. This would involve the formation, training and functioning of groups with the project villages and in those adjacent villages that share a common marine area – such as an embayment or other adjacent ecosystem that demands coordinated management. The expected output from the sub-component is: *community-based marine resource management areas being managed effectively.*

17. The sub-component involves the following investment activities (Annex IV, Section 1.2 provides details):

- **Coastal Resource Inventories.** They would be based on community participation in identifying and mapping the habitats, natural resources, production assets, settlements, resource users and institutional actors, and in turn identifying the potential Coastal Marine Resource Co-Management Area boundaries necessary to sustain ecosystem services to local communities.
- **Community Awareness Campaigns.** These campaigns would develop a clear understanding and appreciation among households of the importance of active resource management to sustaining the livelihoods in their coastal communities and maintain their marine capital. They would also emphasize the linkage between resource management and project investments proposed to the project by village enterprise groups – only those that demonstrate that there would be no negative impact on marine resources would be funded.
- **Construction/Equipping of Village Information Centres.** The construction and equipping of simple village information centres¹¹ would form an integral part of CCDP implementation and public awareness in the villages. Some 180 centres – one centre per project village – would be constructed and equipped. The information centres would provide an important vehicle for transparency, acting as a 'public notice board', for information on group formation and responsibilities, co-management responsibilities, election results, project expenditures, maps, weather warnings, safety as sea notices, village ordinances and other relevant material.
- **Establishment, Training and Equipping of Co-Management Groups.** With the involvement of adjacent villages in contiguous resource management areas, co-management groups would be formed, trained and equipped with the relevant planning, communication and demarcation equipment to enable them to prepare and disseminate material to community members, carry out surveillance activities and report regularly to district authorities. In addition to their work on coastal resource management, they would also be charged with coordinating action on climate change and preparing the community for adverse climatic events, for some communities particularly important due to their exposure to increasingly erratic weather patterns, coastal erosion, and the loss of coral reefs from ocean acidification.
- **Coastal Marine Co-Management Plans.** The sub-component would finance the preparation of detailed Coastal Marine Co-Management Plans. Where required by the coastline, or sharing of marine resources and fishing grounds, adjacent villages would participate in preparation of an integrated plan. Investments would include: survey and demarcation of coastal marine

¹¹ The information centres would be simple structures, about 10 m², made by the villages from local materials with a small enclosed area office and surrounding exterior meeting area, supplied with basic materials and equipment; centre fund raising and income generating activities (such as kiosks) would be encouraged to help cover the operating costs of the centres.

resource management areas, implementation of village ordinances to support the plan, and development of a framework to deal with gender issues and conflict resolution.

- *Small-scale investments in support of coastal resource management.* Investments would include: buoys, signboards and other material for demarcation; outboard motor boats for patrolling; equipment for communication, coordination with law enforcement, and public awareness campaigns.
- *District-Level Support Activities for Village Co-Management Operations.* The activities include: design of and training for coastal resource monitoring system; district support for coastal resource co-management; short-term district-level resource management consultant; and workshops for capacity building for district staff on monitoring the state of the fisheries.

18. **Sub-Component 1.3 – Market Focused Village Development.** This sub-component, which represents the largest project investment (39% of base costs), involves the establishment of a fund that would enable project villages to invest in: (i) enterprise development based on sustainable fisheries and marine production, comprising enterprise groups and community enterprise service groups; and (ii) community economic infrastructure. In addition, the sub-component would provide support for savings groups for poor, risk averse households and training and technical support. As stated in the Logframe, there would be two outputs from the sub-component: (i) *financially sustainable community enterprises created under the project*, and (ii) *community infrastructure implemented under the project supporting marine-based economic activities in project villages*. To achieve these outputs, the project would stimulate successful investments in small-scale marine-related activities that respond to specific near-term market demand and raise the profitability and scale of production from sustainably managed marine resources, complemented by capacity building of the enterprise groups in support of their business activities and investment in enabling small scale economic infrastructure and key service enterprises. To ensure the inclusiveness of the approach, the sub-component would also support accelerated savings and capital accumulation by risk averse poor households to enable them to participate in the supported enterprise groups later in the project. The key to the success of the sub-component is the establishment of strong viable and dynamic groups, that on one side would successfully undertake new marine/fisheries based enterprises, and on the other, would oversee and subsequently operate and maintain the selected community infrastructure financed under the sub-component in the village. To increase the likelihood of success and promote sustainability, investments in enterprise groups would be complemented by investments to strengthen market linkages into high potential export and national markets (Sub-component 2.2) and sustainable resource management systems (Sub-component 1.2).

19. A number of principles underlie the design and implementation of the sub-component: (i) identifying and fostering the comparative advantage of each community in terms of resources, experience, market potential and capacity; (ii) adopting a group-based approach to enterprise development to facilitate participation of a major portion of the fishing/marine households, including poorer households in the community; and (iii) investing in economic infrastructure that would facilitate the development of the improvements in fisheries/marine production and marketing.

20. The success of the sub-component would be measured against the following targets: (i) co-financed investments by around 1 800 enterprises across 180 villages, including both production/marketing enterprise groups and service enterprises; (ii) a total of some 19 800 households as direct beneficiaries from the supported enterprises and savings groups, discounting for overlap, comprising: around 14 400 households within enterprise groups only (mixed poor and non-poor); 3 600 households from savings groups that subsequently establish enterprise groups or participate in such groups¹² (poor households only); and around 1 800 households within only savings groups (poor households only¹³); (iii) one infrastructure scheme per village with 70% of community infrastructure operating and being used by fisher/marine households by the end of the project and 60% of fisher/marine households stating that the infrastructure is contributing positively to returns from their economic activities.

21. The key investments under the sub-component are the following (Annex IV, Section 1.3 provides details):

¹² This assumes that at least 66% of the approximately 5 400 poor households who participate in savings groups go on to successfully participate in ongoing profitable project-supported enterprise groups by the project end.

¹³ Households participating in savings groups that do not establish/participate in enterprise groups.

- *Community Enterprise and Infrastructure Fund.* Total value of the fund would be US\$ 10.8 million (base costs), including beneficiary contributions (20%). This is equivalent to an average of about US\$ 60 000 per village. The actual amount allocated to a village would be linked to the number of fishing/marine households in the village, with larger villages receiving proportionately more than smaller ones. The main characteristics of the Fund are: (i) three types of eligible investments: enterprise groups, village-based service enterprises, and small scale economic infrastructure; (ii) demand-driven, with flexibility given to each village to decide on the relative allocation of the funds between the three types of investment, but within percentage limits; and (iii) disbursed in two tranches, in village year 1 and 3 respectively, to create a performance incentive for the release of the second tranche. The processes, selection criteria and implementation arrangements for the Fund are presented in detail in Annex IV, Section 1.3.
- Two types of enterprise groups would be financed, each involving a 20% beneficiary contribution: (i) Production/Marketing Enterprise Groups – principally engaged in joint production, capture, processing and/or marketing of fish or other marine products, with investments focused primarily on: seaweed and other mariculture production, fish cage culture, fish aggregating devices (FADs), and small boats, motors and improved gear; the average investment would be US\$ 5 000 per group with on average 10 people per group; and (ii) Village-Based Service Enterprises – to be engaged in the provision of critical productive inputs and services to fishing/marine households and small enterprises within the village such as cold rooms or small fuel access points with an average investment of US\$ 4 000 per enterprise.
- Fund investment in marine-focused community-managed small-scale economic infrastructure, which would be located within the community and be managed by the community as a community asset; it would support improved, more productive fisheries/aquaculture activities and income generation. Out of the total resources available to a village, the investment in infrastructure would represent only 20% of total Fund investment in a community¹⁴. The types of investment envisaged are: jetties, small scale tracks/roads and clean water/sanitation schemes. In most cases, only one scheme would be constructed per village; however, in the larger villages with a number of sub-villages, more than one scheme would be permitted. Community contribution would be a minimum of 20% of total cost, in-line with PNPM norms.
- *Savings Group Scheme for Risk Averse Poor Households.* This initiative, totalling US\$ 540 000, is aimed at poorer, risk averse families that are either not able or reluctant to join the initial set of enterprise groups to be financed by the project. It aims to help such individuals to work together as a group to develop capital to participate in the next round of enterprise group projects. The project would match, on a 50:50 basis, the savings generated by the group members to enable them to build up equity to take part in the enterprise group investment programme. It assumes an average of around 40 poor households per village, each saving an average of US\$ 25 per year for three years and receiving one-to-one matching savings contributions from the project. In a typical village, the households may be organised into two savings groups with around 20 members each.
- *Training and Technical Support for Enterprises Groups and Community Infrastructure.* The activity would involve four main types of training: (i) *Market awareness visits for villagers prior to Enterprise Group formation* intended to raise target households awareness of practical and profitable market and production opportunities that are relevant to their local conditions before they form self-selected enterprise groups; (ii) *Business training and coaching* for enterprise groups delivered by the full-time District Market and Enterprise Development (DMED) Specialist attached to the PIU in each of the 12 districts¹⁵; (iii) *Technical Support and Training* to enterprise groups and community infrastructure groups, delivered by staff from buyers/processors and contracted short term technical trainers; and (iv) *Community training on saving and credit management and financial numeracy* including training of all members of savings groups and enterprise groups, to be complemented by support to help link the groups to mainstream MFIs and banks to increase access to finance and facilitate group sustainability.

¹⁴ Major investments in infrastructure have already been made in a large portion of villages under PNPM, the national programme focused primarily on infrastructure investment in rural including coastal areas.

¹⁵ Costed as the remuneration and expenses for the DMEDSs.

22. **Component 2. District Support for Marine-Based Economic Development.** The aim of this component is to support the project's village-level interventions with complementary investments at the district level. The district investments are needed to remove constraints faced by the communities to realising the full benefits from their investments and to open opportunities for communities to improve the productivity of their fishing and marine activities and capture greater benefits from marketing their products. The component comprises two sub-components, the first focuses on infrastructure, innovation and building institutional capacity; the second on markets and value chains. The outcome of Component 2 is: *expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries and marine operations.*

23. **Sub-Component 2.1 – District-Level Investment and Capacity Building.** The aim of the sub-component is to enhance the physical and institutional capacity of the district to sustainably increase household incomes in less advantaged coastal and small island communities. For many of the target communities, they not only sell their production in other parts of the district, but source boat-building materials, fuel, ice, and other factors of production outside of the target villages elsewhere in the district. The sub-component investments would link the village-level activities to the broader, district-level marine economy and underpin the framework required to scale up pro-poor sustainable marine livelihoods throughout the district and in other districts that have similar physical, resource and social environments. The investments would be informed by and respond to: the demand from the target villages as expressed through the planning and prioritization process in each village, needs assessments for critical infrastructure and services at district level for improvement in small-scale fisheries/marine infrastructure and operations, and opportunities identified for replicating and scaling up project activities. Consistent with district plans and policies, the project would encourage and assist responsible investors both from within and from outside the district to invest in sustainable production from which the target communities are able to derive an equitable share of benefits.

24. The sub-component strategy would be to: (i) facilitate investment in *district-level basic infrastructure and services*, often through public-private partnerships, in support of the small-scale fisheries, mariculture/aquaculture and the marine economy for the target communities; (ii) provide the scope and opportunity for the district fisheries offices to develop and implement *new and innovative approaches* and initiatives on a limited/pilot scale for the project's target households and communities; (iii) improve the *capacity of the district*, including civil society and the business community and the efficiency of critical supporting district services; and (iv) facilitate scaling up of project activities and approaches in other coastal villages in the district and in similar and often adjacent districts. The expected output from the sub-component is: *improved infrastructure and services supporting small scale fishing and marine activities established in the project districts.*

25. The investment activities in response to the above strategy would involve the financing of two interventions (Annex IV, Section 2.1 provides details):

- **District Fund for Supporting Small Scale Fisheries.** This fund would be managed by the District's PIU/Dinas, with oversight, advice and guidance from the Project Management Office (PMO). It would comprise two distinct but complementary funding windows, the first aimed at improving district level infrastructure for small scale fisheries and the second to facilitate innovative approaches to small scale fisheries that would be of particular benefit to the project villages, both types of support would have to demonstrate their complementarity to the other interventions supported by the project.
- **Supporting district infrastructure for small-scale fisheries.** The financing available under this activity would respond to the demand for marine and related infrastructure which exceeds the scope of the village funds provided under Component 1. The investments, which would prioritise infrastructure critical to the economic success of the project villages, and more generally to small-scale fisheries within the district, would come under three broad categories: (i) critical infrastructure beyond the financial capacity of the village infrastructure projects; (ii) infrastructure serving a group of villages; and (iii) more centralized district infrastructure serving the district's small-scale fisheries. Typically, the district infrastructure would include but not be limited to: fuel depots, ice plants, marine supply shops, improved access to fish landing sites for small vessels, and construction of critical motorcycle access tracks, small bridges and jetties enabling target communities to better market products and access services.
- **Supporting district innovation for small-scale fisheries.** The second window would support two categories of projects: innovative demand-driven projects responding to

the specific needs of the district; and thematic projects which would be common to all districts, but where the district would specify the precise scope and processes. In the first category, the support would typically be applied to innovations to: develop business models; remove critical constraints to sustainable fisheries and aquaculture businesses; build collaboration mechanisms along value chains; and foster awareness of fisheries and sustainable use of marine resources through media or linked to social events. Under the second category, districts would be expected to: integrate small scale fisheries into the district plans and Minapolitan initiatives¹⁶; or to build on and adapt Minapolitan initiatives for the project communities in the district; track the economic performance of key district fisheries upon which the small-scale fisheries depend; and support the formation of civil society groups (including women's groups); and facilitate scaling up of project activities.

- *District training and institutional capacity building.* This third activity would focus on developing the district-level human and institutional capacity to serve the targeted coastal communities. It would comprise two interventions: (i) Knowledge Management and Technical Training – which aims to build the technical capacity of the district to execute the core project activities and adapt the generic activities funded by the project to the specificities of the district. It would include: specific technical training for project staff; district level workshops to develop a shared understanding of the challenges facing the target communities; exchange visits to other villages, or to projects with a record of success in use of technologies and institutional innovations; assessment, documentation and dissemination of best practices; and specialized training on district-level fisheries management; and (ii) Support from Regional Technical Centres – at Makassar, Sorong, Kupang and Pontianak – aimed at assembling best practices from their regions, preparing materials to describe success stories and travel to the target districts to disseminate these messages to project staff and village audiences.

26. **Sub-Component 2.2 – Market and Value Chain Support.** The objective of the sub-component is to create opportunities for enterprise groups and individual households in target villages to profitably invest in production and first stage marketing of sustainable, high potential marine products linked to identified market demand. This would be primarily achieved by implementing selected systematic interventions to create mutually profitable win-win opportunities between buyers and producers and remove other critical bottlenecks, building on experience elsewhere in the country. By identifying a small number of sustainable, high potential product value chains in each district of relevance to the target villages and then implementing a flexible but systematic intervention strategy, the sub-component would provide enterprise groups with more enabling market conditions and practical opportunities to profitably link to high potential markets and buyers for products in which they have a comparative advantage. The main elements and steps inherent in implementing the sub-component involve: (i) identifying an initial list of up to five promising potential product value chains in each district¹⁷; (ii) selecting and validating up to three high potential product value chains per district; (iii) developing targeted but detailed intervention strategies for each of the prioritized high potential product value chains; (iv) implementing the intervention strategies; (v) establishing a simple results monitoring framework for each intervention strategy; and (vi) creating a learning centre in Badung, Bali to share experiences and knowledge. The expected output from the sub-component is: *increased participation and earnings by small scale fishers and marine producers from prioritized high potential products in each project district.*

27. The investment activities fall within two interventions that are linked to high potential product value chain development – (i) Market Opportunity and Intervention Strategy Identification, Progress Tracking and Capacity Building; and (ii) Market Linkages, Promotion and Technology Transfer, and Cluster Development.

- *Market Opportunity and Intervention Strategy Identification, Progress Tracking and Capacity Building.* Initial value chain selection and design of intervention strategies and action plans would be carried out during PY1 in each district and then reviewed and revised annually. This activity comprises: (i) Market Opportunity Validation and Intervention Strategy Design – first with district market opportunity assessments involving one study per district to identify those

¹⁶ Minapolitan is a nation-wide government programme to promote and pilot new initiatives in the fisheries sector, managed by MMAF.

¹⁷ Promising marine and fisheries products and associated value chains are described in Annex IV, Detailed Project Description, Section 2.2, and financial models for the most promising ones presented in Annex X Economic and Financial Analysis.

current and emerging products with good near-term markets opportunities and comparative advantages for small scale producers and fishers in the target district and project villages; and then market opportunity and intervention strategy validation workshops and meetings with interested potential buyers and producers/producer groups; (ii) Industry Tracking and Joint Action Planning – including: semi-annual market and value chain briefing preparation and dissemination; annual value chain tracking surveys for each prioritized district value chain; and annual value chain stakeholder workshops jointly with buyers and producers; and (iii) Specialist Training – training for staff of PIU, PMO and DMED specialist in DCED standard, use of result chains and pro-poor market development approaches; and training of trainers and refresher training for technical staff from *Dinas*.

- *Market Linkages, Promotion and Technology Transfer and Cluster Development.* Based on the value chain strategies, a coordinated set of interventions would be implemented directly for each priority value chain. The full set of value chain intervention activities would be determined on an annual basis as the intervention strategies are developed and adapted to changing markets and business opportunities. Three types of interventions would be supported: (i) Market Opportunity Promotion for Prioritized Value Chains – which would involve: market opportunity study tours for small scale producers and representatives of enterprise groups; and market opportunity promotion campaigns in villages with potential across the district and within project target villages; (ii) Market-Oriented Technology Transfer – which would involve: small-scale commercial/group-based demonstrations of production and post-harvest technologies linked to specific buyer demand and agreements, and market-oriented “field school” type training on production and post-harvest technologies for producer groups and individuals wanting to begin production; (iii) Market Linkage Development between Producers, Buyers and Suppliers – involving: mobilization of interested producer groups in non-project villages, district market linkage events, facilitating negotiation and implementation of trading relationships and agreements, co-financing initial investments by producer groups outside project villages, facilitating linkages with suppliers of critical inputs, and expanding/upgrading critical input supply networks; (iv) Cluster Development – supported in areas where there are below the minimum required to be commercially attractive for buyers to establish regular buying relationships but where there is demonstrated potential to design and implement a proactive campaign to promote increased production by small scale producers in an identified potential production cluster both within project and non-project villages which have potential and where such production could be reasonably expected to raise household incomes or reduce income volatility and risks; (v) Badung Learning Centre – the Centre would act as a “virtual” centre of successful experience in market linkage development for small scale producers and producer groups. It would facilitate access to a range of practical expertise including: successful producer cooperatives, leading buyers and business and industry associations with a deep understanding of the market. The Learning Centre would play a supporting role by enabling successful enterprise groups and other interested participants in the project districts to visit marketing groups, cooperatives, and national and export buyers based there.

28. **Component 3. Project Management.** The component not only provides for the implementation for the full range of project activities in each of the districts with oversight at national level, but lays the institutional foundation for replication and extension of the project activities. Its primary function is to provide services to the two components that interface with the target communities, both directly at village level and indirectly at the district level. The component also has a higher level objective as it would lay the foundation for an effective MMAF unit dedicated to implementing pro-poor, community empowerment and market driven marine development. This is closely linked to the goal of developing cost effective solutions which can be replicated and scaled up in new districts. The component outcome is: *the project is being managed efficiently and transparently for the benefit of the project's target households and communities.* The expected outputs are: (i) *PMO and 12 PIUs established and operating effectively,* and (ii) *replication and scaling up of the project facilitated.*

29. The key principles that underlie project management are:

- Selection and *management of most activities by communities* themselves
- *Decentralized management* of a centrally-funded project with the districts carrying the main management responsibilities

- *MMAF responsibility* for policy guidance, unified planning and monitoring, financial and technical oversight and support, coordination, facilitation of replication and scaling up
- Creation of an *institutional model* that allows project approaches, management arrangements and implementation processes to be continued in the participating districts and replicated elsewhere
- Building the *political commitment* to empowerment of the target communities and addressing the challenges posed by small-scale fisheries
- *Creating the policy base* and fostering dedicated human resources to institutionalize and expand the empowerment process at the national level
- Developing cost effective solutions which can be *replicated and scaled up* in additional districts.

30. In investment terms, Component 3 provides for the total cost of managing the project and delivering associated services to the communities. The two main levels of management responsibility would be: the centre, with a Project Management Office (PMO) embedded within the Directorate General Marine, Coasts and Small Islands, MMAF (DGMCSI), with the participation of the Directorate General Fisheries Product Processing and Marketing (DG FPPM); and the districts, with 12 Project Implementation Units (PIUs) working within the each district's government structure. Financing for the PMO and PIUs includes: staff salaries, honoraria/incentive payments, operating costs, vehicles/boats and equipment. Financing is also included for technical support and backstopping by the provincial *Dinas* offices. The component also includes funding for the monitoring and evaluation of project activities, which would inform the knowledge management operations, funded under Component 2.1 and facilitates replication and scaling-up. In addition, component investment provides for: training for project management staff, workshops and meetings, production of project manuals, an improved baseline and final impact studies, a gender strategy and provincial support for technical backstopping and expert advice.

31. Linkages among components/sub-components. There is considerable complementarity among the project components. They form a coherent and mutually supporting framework focused on community-driven marine economic growth, either directly through interventions funded under Component 1, or indirectly through support provided within the district under Component 2 that facilitates development of infrastructure, production and marketing facilities for fish/marine products produced by the communities. The matrix below indicates the linkages among the components.

Component 1: Community Empowerment, Development and Resource Management	Component 1 is the heart of the project. Components 2 and 3 determine its success. Sub-Component 1.1 establishes the community priorities that underpin the plans for the community investments provided for in Sub-Components 1.2 and 1.3. The selection of the enterprise investments under the third sub-component, the Market Focused Village Development, would be linked to the coastal resource management plan developed under the second sub-component to ensure that the group enterprise activities have no negative impact on the marine resources and environment.
Component 2: District Support For Marine-Based Economic Development	Component 2 provides three types of support, all of which are aimed at making the activities financed in the first component more effective and improving the net returns from small-scale fisheries in the district. The sub-components include: (i) investments in larger infrastructure that serve several of the project's coastal communities and facilitate improved marketing of products from those communities; (ii) innovative initiatives by the <i>Dinas</i> to complement project market/enterprise interventions focused on project communities; (iii) human and institutional capacity building to promote exchange of ideas and knowledge management, and to develop lessons learned from different project interventions; and (iii) market/business support, to help ensure that the market and value chain initiatives developed by the enterprise groups financed under Sub-Component 1.3 would be successful by facilitating linkages with regional and national buyers and improving access to markets for products from project communities.
Component 3: Project Management	The creation of management capacity at national and district levels would facilitate Components 1 and 2 to be implemented, monitored and scaled up.

C. Lessons learned and adherence to IFAD policies

32. There have been a number of lessons that have emerged from past donor-supported programmes and projects and from experience implementing similar interventions in Indonesia and the region. Some of the most pertinent are:

- Considerable experience in IFAD's Indonesia projects with community empowerment confirm that empowering the poor should not be seen as an end in itself but rather a means to facilitate other activities that can bring concrete economic returns and increase household incomes
- It is important to place the community at the centre of development initiatives, to enable the communities to drive the development process, and ensure that development is within the capacity and social/cultural context of each community, capitalizing on traditional knowledge and taking account of customary rights
- When using group structures and local institutions as the focus for project implementation in community empowerment projects, it is necessary to build the capacity of these institutions to help ensure sustainability of project interventions
- Mainstreaming gender is an important part of development projects in Indonesia that requires special attention and effective mechanisms for success
- Income generating activities, particularly production-related initiatives, need to be aligned with market demand and value chains to have a reasonable chance of success and sustainability
- In marine resource management projects, successful resource management/co-management requires: full community participation and ownership; development of an agreed set of rules and norms for access and resource use; recognition of the rights of coastal communities over their resources and corresponding awareness of their stewardship responsibilities by the communities; and a balanced incentive structure to ensure cooperation of all partners
- For livelihood development, particularly within a resource management context, the private sector can play an important role in the development process and in giving coastal communities better access to markets for their products
- Savings mobilisation is an important stepping-stone to enable groups (and individuals) to access credit from the formal banking sector; it can also facilitate group investment and be a first step on a pathway out of poverty
- Government and NGOs/service providers can work together successfully, but it requires adjustment on both sides plus regular and intensive training of personnel.

33. A number of IFAD policies apply to the project. Project design responds to and is fully consistent with the following policies:

- *Targeting Policy: Reaching the Rural Poor* – the target group for the project fits within IFAD's classification of the rural poor: poor located in coastal and small island communities with the potential to take advantage of improved access to assets and opportunities for increased production and rural income generating activities.
- *Rural Enterprise Policy* – the project would use value chain analysis as one of the foundations for its investment strategies and would interact with the private sector in developing its investment strategies and to help identify the business opportunities for village enterprises that are to be supported under the project. It would also include three strategies that are highlighted in the IFAD policy paper: facilitating access to financial services, including savings generation; provision of enterprise training; and facilitating knowledge and access to markets. Furthermore, the use of matching grants, which is a cornerstone of government policy for allocating resources to rural areas, is also in line with the Rural Enterprise Policy of promoting small businesses in rural areas by mitigating existing constraints that prevent poor households from investing in small businesses as a way of diversifying and increasing their incomes (Annex XII contains a note on the use of grants in the project)
- *Climate Change Strategy* – coastal and small island communities are in the front line of climate change. Project initiatives in each community would include resource management initiatives, including mangrove rehabilitation, conservation coral reefs both of which contribute to coastal protection and be screened to ensure compatibility with and/or mitigation measures against climate change.

- *Rural Finance Policy* – the focus of the limited financial services intervention on the poorest households in the target communities would be consistent with IFAD policy and best practice, and through the development of savings groups provides an entry point to other financial services.
- *Policy on Ethnic Minorities: Engagement with Indigenous Peoples* – while this policy would only be applicable to a limited number of project communities, processes have been incorporated into the community planning and decision making to ensure participation of indigenous people and inclusion in project activities.

III. PROJECT IMPLEMENTATION

A. Approach

34. There are four main elements that are central to the project. They represent the core of the project and provide the foundation for project activities and how they are implemented: (i) community empowerment, (ii) a market-focused strategy, (iii) focus poverty and on the active poor, and (iv) replication/scaling up. Each of these has been essential in guiding project design.

35. *Community empowerment*, essentially a demand-driven participatory approach to development, has been and continues to be one of the key strategies that underlies government development programmes, from PNPM Mandiri KP to COREMAP. Community empowerment is also seen by IFAD as the most effective means to enable poor households to directly benefit from development in their communities. It shapes the way that CCDP would be implemented, provides the main structuring element in the design of the project and is the basis for how project investment activities work and relate to each other. It enhances transparency and accountability in the use of project funds and also dictates how project management functions. But, community empowerment also imposes substantial responsibilities and challenges to deliver successful outcomes. It is critical to successful implementation of the project, from the formation of enterprise groups to the establishment and operation of the project's community infrastructure, and from marine coastal resource management through to promotion of group savings for the risk averse. A key dimension of the project's empowerment process is to respond to demands for economic opportunities based on markets for marine products and services.

36. While the participatory demand driven approach enables communities and households to participate and decide on their priorities, it is the *market focused strategy* and the interventions linked to it that would deliver the returns to the fisher/marine households and enable them to raise their incomes by increasing the sustainable net returns from fish and other marine products. The community's creation of enterprise groups is the key intervention to enable the poor households to open the economic opportunities. The enterprise groups would be the engine in the high potential value chains supported by the project. But, the design and implementation of two other project activities are also directly influenced by the market. These are: the investments in both community infrastructure and district level infrastructure, each of which is geared to help remove constraints in the functioning of value chains and thereby facilitate the handling and marketing of fish and marine products from project communities. However, while most project activities focus on the market and adhere to market forces, Sub-component 1.2 for coastal resource management has as one of its key goals to ensure that the project's market-based activities do not negatively impact on the marine environment and fish stocks.

37. The *focus on poverty and targeting the poor* is a fundamental government goal and a core IFAD mandate. The pro-poor focus has been one of the main determining factors in selection of the project communities – all selected project villages have at least 20% of households below the poverty line. Within those communities, the focus is on the active poor – those households that can make effective use of the investments made under the project with the market-based approach – and on inclusion of the poor in project activities.

38. *Replication and scaling-up* project activities and processes is the fourth element that underlies project design and one that determines how it would be implemented. It has influenced the selection of districts, that are located in a range of different marine and social environments, and has resulted in the physical and social diversity and geographical spread of project districts from West Kalimantan to Papua. Adoption of such an approach influences the structure and functioning of project management and imposes costs on project implementation. But, it also enables the dispersed project districts to become regional nuclei for testing a range of solutions in diverse and predominantly poor communities. The design would facilitate replication and scaling up in other areas and districts in

Indonesia by exposing contiguous districts to the project after mid-term review and enabling them to understand processes and capture lessons learned to facilitate implementation in their own districts.

39. Implementation would be spread over five years and would commence in each of the districts at the same time. Decentralized management and decision making, and considerable experience with community driven development, would enable all districts to commence project activities in the first year. However, within each district, implementation would be phased, with only three villages selected to commence project activities in the first year, a further six villages in the second year, and an additional six in the third year. Within each of the selected communities, there would be a phased implementation process with the communities gaining experience from the implementation of the initial set of activities. Implementation of both the Community Enterprise and Infrastructure Fund and the District Innovation and Support Fund would be phased with funds disbursed in two tranches, with the second linked to the success and performance during the first tranche.

B. Implementation of Project Components and Sub-Components

40. The approach to implementing each of the components/sub-components is described below.

41. Sub-Component 1.1 – Community Facilitation, Planning and Monitoring. The key to implementation of the sub-component is the *community facilitation/empowerment process*. The stages involved are the following:

- *awareness creation and dissemination of information* on the project carried out by the project's Community Facilitators in close collaboration with the formal village leadership and other traditional community leaders, involving the whole village
- *initiation of the planning process* that would focus exclusively on the fisher/marine households within the village – the project's target population – with a particular focus to ensure inclusion of poorer fisher/marine households, women and in certain village where relevant indigenous people, with the aim of having these groups actively participate in the planning and decision making process.
- *organizing and carrying out the village inventory and poverty mapping*, which is essentially self-assessment by the community of their resources and the social framework, would: characterise the marine resources and related community assets (natural capital, productive capital – such as fishing vessels, and other economic and financial assets); summarize key social information on village institutions and poverty; and assess constraints and opportunities for each. The inventories would be informed by the results of two district-level studies: the District Mariculture Potential Assessment and District Market Opportunities Studies, which would be undertaken prior to the village inventory exercise.
- *Selection of CCDP Village Working Group (VWG) members* by all project households (fisher/marine households) by secret ballot. VWGs are to be responsible for coordinating and monitoring all project-related activities at the village level and to act as 'motivators' and encourage the community to take up opportunities provided by the project.
- *Preparation of CCDP Activity Summary*, the final stage of the planning process, which would incorporate investment proposals from the community for its infrastructure project and from enterprise groups and service enterprises. It would also record decisions and proposed activities relating to coastal resource management, and the allocation of financing from the Community Enterprise and Infrastructure Fund and saving groups schemes. In addition, it would present how the poor, women and indigenous people would participate in and benefit from these actions and include the project's village gender and poverty strategy. The consolidation and documentation would be undertaken by the VWG members and representatives from all CCDP groups in the village with support from the Community Facilitator and inputs from the District Empowerment and Enterprise Development Advisor. The CCDP Activity Summary would serve as the basis for developing the Village Marine Development Plan, for allocating project resources and for monitoring project implementation progress and assess performance.
- *Annual participatory implementation review*, which would be done jointly by the PIU and the community, to assess the performance over the past year, bringing out lessons learned and actions to improve performance in the coming year. The review to be carried out at the end of the second year would also be the basis for determining the funding provided for the second tranche of funding for enterprise groups from the Community Enterprise and Infrastructure

Fund. Community Facilitators in charge of other villages in the same district would be invited to participate for the purpose of cross learning and experience sharing.

42. Sub-Component 1.2 – Coastal Resource Assessment, Planning and Co-Management. The implementation of the sub-component involves a number of steps – presented in detail in Annex IV, Section 1.2: (i) as part of the community planning process, under 1.1 above, a *village coastal marine resource co-management group would be formed* to assume prime responsibility for planning and subsequently managing the agreed coastal resource plan for the village and in some locations adjacent villages; to be done in consultation with the VWG and through the vote of the village's (and in some cases adjacent villages.) fisher/marine households; (ii) *definition of co-management areas* under the project, including whether Coastal Co-Management Areas would be established in a particular location, whether adjacent villages would be included, dependent on the particular bio-physical characteristics of the coastal zone where the project village is located and the local marine resource potential; (iii) *planning and implementation process*, which includes: identification of resources, production assets, resource users and institutional actors, and the risks to these resources, potential for improvement of coastal marine production including aquaculture, development of a common future vision of the fisheries development, assessment of feasibility/purpose of co-management and available human and financial resources, consideration of different gender roles and involvement of different segments of the community, and assessment of need for village ordinances to regulate co-management, ensure enforcement of management decisions, and provide legal support for the plan; (iv) *monitoring and assessment*, with the collection of ecosystem health information and fisheries/marine data to develop a continuous resource assessment capability supported by data collection by the District Fisheries Service on the fishing activities in the area. The core of the sub-component would be the coastal resource management plan which would typically include the following provisions: designation of the immediate marine space as an area of preferential access for the village fishers; rules for extraction and use of the marine resources, including prohibitions or limits on destructive practices; protection of critical areas or assets; establishment of village registries of aquaculture sites and fishing vessels, as a means of recording the use rights of the village; and procedures for enforcement and conflict resolution, both for the village and intra-village incidents. The plan would include the establishment of a monitoring and enforcement group (*pokmaswas*) and a programme to build awareness on sustainable resource use.

43. Sub-Component 1.3 – Market Focused Village Development. The District Market Opportunity Assessment and the Mariculture Potential Assessment would provide the community participatory planning process with a realistic business basis for implementation of the income generating activities. The project's income generating interventions would be implemented through the Community Enterprise and Infrastructure Fund and the Savings Group Scheme for Risk Averse Poor Households.

44. The allocation of funds for the *Community Enterprise and Infrastructure Fund* would be proportional to the population of fishing/marine households in each project village. As a first step, the community would decide on the distribution of the village allocation between village infrastructure, village service enterprises and production enterprises, consistent with the project guidelines. The maximum amount of the Fund that could be used for service enterprises or for infrastructure would be not more than 20% in each case. The Village CCDP Working Group would act as the investment owner on behalf of the village and be responsible for: construction of the infrastructure, ensuring that the community contribution meets or exceeds minimum percentage contribution to the total investment, and certifying that the work has been completed according to the plans. The planning and engineering design for the infrastructure work would be made in Year 1 of village project activities with implementation to start in Year 2. As regards service enterprise development, which may be closely linked to community infrastructure development, the community would decide which, if any, service enterprises would be proposed. The service enterprises would typically be operated on a for-profit basis by a local entrepreneur or registered enterprise group on a lease arrangement, designed to ensure the maintenance and long-term sustainability of the enterprise and prevent unfair business practices stemming from any monopoly created. The business and financial plan for each service enterprise would be jointly developed by the intended operator(s) of the enterprise and the Village CCDP Working Group with support from the Community Facilitator and District Market and Enterprise Development Specialist. The third and most important part of the financing available under the Fund is for production enterprise group development. Each village would have two windows for such development: the first window would provide a tranche of financing available in the Year 1 which would be aimed at the more dynamic/active enterprise groups; the second window, to be available in Year 3, would be aimed at more risk averse households, or late adopters, who would start an

enterprise only once they have seen the success of the initial group enterprises. This lag would also allow these households to accumulate additional capital through the savings scheme and learn from the experience of the first batch of enterprise group projects.

45. The *Savings Group Scheme for Risk Averse Poor Households* would be specifically aimed to promote the inclusion of fisheries/marine households that are reluctant to join the initial enterprise groups. Participation in the Scheme would be based on households' own interest and the incentives created through group effort. The savings groups would be mobilized and provided with specialist training on setting-up and managing the savings groups. Training would be provided on the dynamics of savings generation and how this would facilitate future involvement in and access to the grant funds for a group enterprise. General financial literacy would also be provided. The one-to-one matching savings contributions would be based on verifiable accumulated savings at the end of the local off-season for capture fisheries. The matching contribution scheme would be operated for three years in each village, starting from the time of the first savings group formation. Members of savings groups would be able to apply for additional support through the main enterprise group process either as an entire savings group, by forming new enterprise groups of poor households, or by joining with other households in existing enterprise groups, with the expectation that their accumulated savings and matching contributions could be used to provide a large part of their share of the required 20% contribution.

46. Sub-Component 2.1 – District-Level Investment and Capacity Building. Implementation would draw on the skills and comparative advantages of the public and private sector in the district. The district *Dinas* would take the lead but the involvement of the private sector and civil society would be critical to the success and sustainability of the implementation of the sub-component. Implementation of the sub-component reflects its two interventions: District Fund for Supporting Small Scale Fisheries, with infrastructure and innovation windows, and Training and Capacity Building.

47. *District Fund for Supporting Small Scale Fisheries.* The Fund would complement village and district level investments. The PIUs would have responsibility for management the Fund. The processes in determining the Fund's allocation of resources under the two windows are detailed in Annex IV, Section 2.1 and summarized below. The Fund would allow the PIU, working together with the target communities and in consultation with the PMO, to: (i) develop infrastructure investments which have demonstrable impact on the marine economy of the target villages, and (ii) undertake innovative environmental, social and economic 'projects' to advance the purposes of the CCDP. Funding would be made available in two tranches: an initial tranche at project start-up and a second performance-related tranche after the mid-term review.

48. Window for financing district infrastructure – the use of the window would be based on the demand of the target communities, including both project villages and the larger community of district small-scale fishers and other stakeholders in the value chain. Infrastructure facilities would generally be located on public land and would remain a public asset and could be managed by a public entity, a stakeholder organization, a cooperative or by private operators under commercial terms and conditions which would constrain monopoly pricing. The selection criteria to be applied would require that the proposed infrastructure would: improve the effectiveness of fishing and marine production and marketing in the target communities; be technically sound, including arrangements for managing and maintaining infrastructure; and reflect the views of the target communities.

49. Window to promote innovation – the selection criteria for projects to be financed from the innovation window would be based on: (i) sound business model or business case with clear objectives and delivery logic; (ii) realistic costing and timescale; (iii) technical competence or business acumen of the proponents; (iv) geographical synergies and human scope; (v) level of support from the target communities; (vi) ability of the proposed project to increase incomes or welfare in target communities; (vi) leveraging of other funding or resources; and (viii) potential for replication.

50. *District Training and Institutional Capacity Building.* The PMO would guide and coordinate the training and capacity building activities of the district PIUs, the Regional Technical Centres and the Bandung Learning Centre through preparation of a consolidated training plan.

51. Sub-Component 2.2 – Market and Value Chain Support. The responsibilities for implementation of the sub-component would be the following: implementation would be led at the district level by the District Market and Enterprise Development Specialist, supported by other PIU and *Dinas* staff, with technical backstopping by experts mobilised through the Regional Technical Centres, the PMO and the business community. The market and value chain activities of the PMO would be supported by close links with the DG FMMP and its directorates through the allocation of a

senior DG FMMP officer to the PMO. This District Market and Enterprise Development Specialist, supported by the PMO-based market/value chain specialist and short term market experts would form a market/value chain team to facilitate project implementation.

52. The market-led approach would require the active consultation and participation of private sector buyers and traders in the high potential product value chains and the regular review and updating of intervention strategies and action plans. The District Market and Enterprise Development Specialist would hold primary responsibility for building successful relationships with and between interested potential buyers and partner businesses in the prioritized value chains and ensuring their active participation in the planning and review of interventions strategies and action plans.

53. The project activities of the Badung Learning Centre would be coordinated by the *Dinas* in Badung which would establish a network of local resource persons including fishers, fisher cooperatives, enterprise groups, and businessmen and women involved in the fish trade and processing industries. A programme of study tours would be organized each year through a dialogue which would be established between the PIUs and Badung. The participating districts would decide with those responsible in Badung regarding the timing and content for each visit.

54. Component 3. Project Management. The project would be implemented in a decentralized manner consistent with the national policy on decentralization and with key project decisions made at community level in line with the government emphasis on community empowerment. The PMO and PIU would act essentially as efficient delivery vehicles for the project inputs and within the parameters of the project would respond and adapt to community driven demands.

55. *Management at the Central Level* (PMO). The PMO would have overall operational responsibility for the project and be responsible for management and supervision of all project activities and for accounting, reporting, monitoring and evaluation, and building the human resource and institutional capacity of the project partners to replicate project achievements at the national level. It would be led by a director-level Project Director, supported by a full-time Executive Secretary and administrative and technical staff. It would be tasked to: implement and ensure that the approved project activities meet the agreed targets; take overall financial responsibility for the project; ensure timely reporting, monitoring and evaluation; build the human resource and institutional capacity of the project partners to sustain and replicate project achievements at the national level; and act as a secretariat for the National Steering Committee (NSC). The PMO staff would be public servants drawn largely from the existing staff of the DG MCSI. The Project Director would report to and be responsible to the Director General of the MCSI directorate. The *National Steering Committee* (NSC) would be responsible for approving policies, plans, budgets and operating procedures and be consulted on appointment of key personnel. Specifically, the NSC would exert oversight and endorse the annual work programme and budget and quarterly progress reports. It would be chaired by a representative of Bappenas (Deputy Bappenas Bid. SDA LH) and co-chaired by the Director General of the MCSI directorate.

56. *Management at the District Level* (PIU). While the regent (or *Bupati*) has overall titular responsibility for the project at district level, the head of the district fisheries administration (*Kepala Dinas Perikanan*), who is responsible to the *Bupati*, would have the overall financial responsibility for project funds at the district level. A full-time project Executive Secretary, appointed as a Deputy Director of the *Dinas* and responsible to the *Kepala Dinas*, would have full operational responsibility for project activities and would be the *de facto* project manager at the district level as set out in the following organigramme. The PIU would be embedded in and staffed by technical and administrative officers from the *Dinas*, supplemented by both long and short-term consultant staff. To assure the institutional foundation of the project at district level, the *Bupati* would issue a district ministerial decision letter, or *Surat Keputusan* (SK), consistent with the national SK, which sets out: (i) the initial implementation modalities; (ii) the allocation of district human and other resources under the control of the district; (iii) modalities for collaboration with other entities such those responsible for legal issues (such as *perdas*), enforcement, social affairs, marine transport, poverty reduction or economic development (PNPM); and (iv) modalities for the District Oversight Board (DOB) below. Each district would create a DOB to provide oversight, social accountability and advice for the target communities; they would play a key role in ensuring good governance and transparency in project management and decision making. It would review and comment upon the project progress reports prepared by the PIU but would not have a formal decision-making role. In the interests of transparency and disclosure, meetings would normally be open to the public.

57. *Relationship between the district and provincial fisheries authorities.* While the Province would have no direct role in project implementation, it would have an important coordinating role and the responsibility to facilitate scaling up to similar districts in the province. Also, it would mediate in disputes over fishing rights where small scale fishers operate in the same waters as larger fishing operators; the legal competence of the district extends only to fishing activities in inshore waters by vessels under 10 GT. Furthermore, where the project operates in more than one district in a province, the Provincial *Dinas* has a clear coordinating role. Furthermore, the provincial centres (e.g. Makassar) are important fish trading and logistic hubs and in many cases the fish exporters that form a key part of the product value chain come under the purview of the Provincial *Dinas*.

A. Planning, M&E, learning and knowledge management

58. The basis for project *planning* is the participatory processes carried out in each of the selected villages. The village planning, which is described above under Sub-Component 1.1, is well understood by government and MAFF and the demands of the process accommodated in the project design. The key to its success would be an effective management of the processes by the project's Community Facilitators complemented by contribution from specialized NGOs and private sector partners. These would be particularly pertinent in bringing experience and skills in handling value chain/marketing and in coastal resource management. The output of the planning would be village-level three-year marine-based development plans, which would incorporate strategies for management of designated Coastal Resource Management Areas. The village marine-based development plans would be translated into investment activities financed under Sub-Components 1.2 and 1.3, which would be the basis for compiling the annual work programmes and budgets (AWPBs). The AWPBs, together with the quantified results-based indicators (Logframe) would be the primary basis for monitoring the project. The baseline survey to be completed early in the first year would provide the foundation for subsequent evaluations and for the Mid-Term Review and Project Completion Review.

59. The PMO would establish a *Monitoring and Evaluation (M&E) system*, satisfactory to IFAD, prior to the project implementation. The M&E system would be connected and inter-linked at all levels and would consider the effects/impacts of project investments on all project beneficiaries and key stakeholders. The M&E system would include financial and physical reporting, the government's reporting requirements, and IFAD's reporting requirements, including the Results, Impact and Monitoring System (RIMS) data. It would also include progress and impact/outcome monitoring.

60. AWPB-based *progress monitoring* would be used as a starting point to monitor progress at activity level. Each implementing agency would have an overview of their specific planned activities in the AWPB and make quarterly submissions. Linked to the progress monitoring is the *delivery of outputs*. While project implementation would be geared towards delivering outputs, the extent to which outputs are delivered would be closely monitored; this would involve setting annual targets, quantitative assessment using indicators, and qualitative analysis. The CCDP intervention logic includes eight project outputs and the logical framework contains a restricted number of quantitative indicators (13), with targets, for these outputs. The indicators are defined in such a way that the data can be collected easily and does not require separate activities or special effort¹⁸.

61. In terms of *impact/outcome monitoring*, the project team would assess the extent to which project outcomes and impact have been achieved using both quantitative and qualitative methods. The quantitative indicators are specified in the Logframe, including selected RIMS indicators. The outcome indicators are to be assessed against the three project outcomes, with the impact indicators linked to the project development objective and goal. In the first year of the project, quantitative data would be collected during a baseline survey, which would be linked to the community planning process. Households to be used for qualitative analysis would be selected at random and often involve small, *ad hoc*, sample surveys. They are intended to complement the quantitative indicator-based data, would be demand driven, employing when possible case studies and other techniques aimed at capturing the impact on households and in particular on the poor, on women and, in the village where applicable, on indigenous people. They would also aim at investigating aspects that require clarification. Limited qualitative analysis (thematic studies, case studies) would be carried out from the second year onwards, with more extensive qualitative analysis made during the third year.

62. *Knowledge management* would play an important role in the project, giving effect to the piloting, replication and scaling up nature of the design. Knowledge management would serve as a

¹⁸ Sometimes referred to as SMART indicators: Specific, Measurable, Achievable, Realistic and Time-limited.

foundation for replication of project successes; provide the analytical abilities to resolve challenges to the project, and helping adapt project activities to changing environmental, social and economic circumstances in the project areas. The inclusion of support for the four regional technical centres would focus particularly on knowledge management, both in support for the project's knowledge management activities and in developing a capacity for broader knowledge management in these four institutions. This will be a critical input into the scaling up of the project.

B. Financial management, procurement and governance

63. The project's financial management arrangements would essentially follow the government system but with consideration of IFAD rules and regulations in relation with disbursement documentation, procurement and audit. Due to limited experience in implementing internationally funded projects, particularly at the district level, particular attention has been paid to capacity building/training in finance and procurement. The central PMO and the district PIUs would be responsible for handling financial management duties and the general governance of CCDP. Administrative staff located within the district PIUs would assume day-to-day responsibility for implementation of project activities and be accountable for the performance of the project. District PIUs, as well as the central PMO, would be responsible for executing a proportion of project procurement, under provincial-level guidance and monitoring. Consistent with recent government initiatives, measures to ensure good governance and transparency have been explicitly built into the system of implementation procedures, checks and balances.

64. *Budgeting.* The project budgeting procedures follow the government budgeting system with the project budget forming part of the MMAF budget and included in the government budget document (*DIPA*). The budget for the provincial level would be included in the central budget (*DIPA Pusat*), while the budget for district level would be included in the *DIPA Daerah*. The participating districts have a commitment to provide parallel financing for their respective activities under the project (APBD district budgets) – mainly linked to staff salaries and operating costs.

65. *Flow of Funds Procedures.* The PMO would be responsible for the project financially and would manage project funds. As shown in the flow of funds charts in Appendix D, funds would flow from the national level to the District Treasuries which in turn would make them available to: the PIU, vendors and community groups in project villages. With over a quarter of project funding going to community groups, the flow of funds arrangements for these groups have been carefully developed to ensure effective, transparent and accountable channelling of the funds. The procedures are detailed in Annex VII, Financial Management and Disbursement Arrangements.

66. *Accounting and Reporting.* All financial transactions would be recorded in the government accounting system and included in government accountability reports. The PMO and PIU staffing would include financial officers who would be trained to manage the accounting requirements of the project. The PMO would prepare separate project financial reports suitable for project monitoring purposes and aggregate financial reports, and submit them to IFAD on a six monthly basis using an agreed format. In the first year of project implementation, a project management consultant would assist the PMO with financial management tasks, such as preparing consolidated financial reports and financial control.

67. *Audit Arrangements.* The financial statements would be audited on an annual basis by the national auditing body (BPKP) and in accordance with agreed terms of reference. The audit would review withdrawals from the Special Account at various levels, and provide an opinion on whether such expenditures fully comply with expenditures eligible for IFAD disbursements.

68. *Project Disbursement.* Disbursement methods used in CCDP would include reimbursement, direct payment and replenishment of the Special Account. Conditions to be met prior to disbursement include the following: (i) creation of the PMO and PIUs and nomination of key staff at the satisfaction of IFAD; (ii) preparation of the AWPB for the first year of project implementation and the 18-month procurement implementation plan; (iii) preparation of the project implementation manual; and (iv) opening of the Designated Account (Special Account) and designation of persons authorized to sign withdrawal applications. IFAD would provide an Authorized Allocation of US\$ 2.7 million and Euro 500,000 for the Spanish Trust Fund into the Special Account to be opened in the Bank of Indonesia under the name of CCDP.

69. *Documentation supporting withdrawal applications.* Disbursements for large scale goods and services such as vehicles, equipment and materials, technical assistance, studies and surveys, and consultancy services costing more than US\$ 30 000 per contract would be fully documented as per

documentation required in IFAD Disbursement Handbook. Disbursements for expenditures equal to or less than US\$ 30 000 per contract under these categories of expenditures and all disbursement for training, workshops, local salaries and allowances, and other operating expenses as well as expenditures under the project's community development and district funds would be made against certified Statements of Expenditure.

70. *Project Start-up Expenditure.* Normally no disbursements from the IFAD Loan Account would be made until conditions for disbursement are met; however, it has been agreed that the following start-up expenditures would be permitted to facilitate the start-up of project activities in the first year: (i) office equipment and furniture, (ii) national launching of CCDP, (iii) training for project management, (iv) initial village planning process, (v) payment for salaries for district consultants and Community Facilitators, and (vi) production of the project implementation manual in Bahasa and its translation into English. These eligible start-up project expenditures are estimated to amount to US\$ 344 000. The Borrower is entitled to incur these IFAD loan financed expenditures upon entry into force of the project/Loan as part of start-up activities and to claim the payment directly from IFAD on an advance basis or to obtain a refund from the Loan Account in case of pre-financing.

71. *Procurement.* Application of National Procurement Law (*Perpres* 54/2010) would be used as far as it is consistent with IFAD Procurement Guidelines. IFAD would work with its development partners and government to arrive at a common system of procurement formats and procedures applicable to Indonesia context. IFAD-financed procurement for CCDP would be executed both by the central PMO and district PIU offices, as well as by the communities through participating enterprise and infrastructure groups. Annex VIII provides details on the project procurement arrangements and also includes an assessment of the government's National System for Public Procurement and the new procurement regulation (*Perpres* No. 54/2010), which replaces the previous one – *Keppres* No. 80/2003.

72. The likely procurement methods and thresholds that would be used for the project are as follows:

- *Procurement of Goods.* Goods to be procured under the project include office equipment and furniture, vehicles, motorcycles, etc. No International Competitive Bidding (ICB) contracts for goods are foreseen based on the computed project costs. Methods for procurement of goods/works would be:
 - National Competitive Bidding (NCB), for contract values greater than US\$ 25 000 and less US\$ 100 000
 - local shopping, for contracts less than US\$ 25 000
 - force account, for government owned goods which may be utilised for project implementation
 - community participation, for goods owned or obtained by beneficiaries contributed in kind for project activities.
- *Selection of Consultants.* Consulting service would include project management technical assistance, implementation support for different components, conducting studies, mobilisation/establishment of community groups, technical training and strengthening of community groups, and monitoring and evaluation. For the selection of consultant/NGO services and studies, the selection methods would be:
 - Quality and Cost Based Selection (QCBS), for contracts over US\$ 25 000.
 - Consultants' Qualification Selection (CQS), for contracts less than US\$ 25 000.

C. Supervision

73. The CCDP will be directly supervised by IFAD on a bi-annual basis. One full supervision and one implementation support mission would take place each year coinciding with preparation of the AWPBs. The supervision/review missions would focus on: (i) development impact based on progress against agreed indicators, joint identification of problems and solutions with recipients and implementers, and agreement on actions to achieve the project's objectives; and (ii) ensuring compliance with loan covenants, procurement, disbursement and the end-use of funds.

74. The wide dispersion of project districts across eastern Indonesia necessitates that the joint IFAD-led supervision process be tailored accordingly. With 12 districts across 9 different provinces, it is expected that 6 districts will be visited by an IFAD supervision mission each year on a sample

basis. For efficiency and cross-learning, there is also an opportunity to combine supervision missions with other on-going IFAD projects in the same provinces (Papua, Sulawesi, Maluku).

75. IFAD is currently in final discussions with the Government of Indonesia for establishing an office in Jakarta in mid-2012. This office will be staffed by an out-post Country Programme Manager, a Regional Financial Management Officer, and a Country Programme Officer. With strengthened in-country support IFAD expects to be able to strengthen its support for CCDP and provide more efficient and response supervision and implementation support.

D. Risk identification and mitigation

76. A number of risks have come up during the project design process, most of which have already been addressed. There are nevertheless three key risks that important for the implementation of the project:

- Geographical spread and project phasing. The wide dispersion of project districts across eastern Indonesia would make the project challenging to implement and manage with the start-up of project operations in all 12 districts in PY1 compounding these problems. *Response: the geographical distribution of districts is a reflection of the pilot nature of the project and the need to represent a range of different marine resource, economic and social conditions to facilitate replication and scaling up. While this has implications for the management of the project and for management costs, it has been found that these constraints are manageable. Management costs are relatively high at 16% of total project costs, but are within accepted limits for a pilot project of this nature. In terms of project execution, the government's decentralization of management responsibility to the districts has now devolved most management and even budget responsibility to that level. Therefore each district has a high degree of autonomy; however, they are still building up their institutional capacity, which the project will help facilitate both through training and capacity building and through strong technical and management support from the PMO. While it would have been advantageous to start project implementation in a limited number of districts (say 2-3) in the first year, the government's strict requirement to adhere to a five-year project implementation period¹⁹ makes it impossible to extend the project period, for example to six years. However, this risk will be mitigated by: (i) commencing some of the important start-up activities six months prior to the project coming into force by utilizing government resources already budgeted for the project in 2012; and (ii) carrying out activities on a limited scale in PY1 by implementing the project in only three out of 15 villages per district, those that are most dynamic and have already successfully implemented similar community facilitation based projects and can be used as a learning ground for the villages, the social mobilizers and project management.*
- Pressure on marine resources. The increased effort in capture fisheries promoted by the project will increase the pressure on marine resources that are reportedly in many areas already overfished. *Response: First, while there is strong evidence of overfishing in many areas, it does not apply to all types of fisheries. As the national statistics confirm, while there is over fishing of demersals and large pelagics, there is still consider scope for small pelagics, which are particularly important for small-scale fishers with current exploitation in most project areas at a moderate level. Furthermore, the project strategy and investment by enterprise groups will be focused primarily on aquaculture, mariculture and seaweed culture rather than capture fisheries. In those areas where capture fisheries is the only viable option, often due to the nature of the coastline and adjacent waters, the project would manage the additional fishing effort so as to avoid negative impact on fish stocks. In support of this, the project has a major intervention in marine resource management (Sub-Component 1.2) with co-management arrangements being established in all project villages.*
- Scaling up. Other villages and other districts will not take up project activities thus negating an important justification for the project. *Response: There is always a risk that other villages and districts will not understand or appreciate the benefits of project activities and not be motivated to take them up or that they would be limited by availability of finance. However, the design incorporates a number of measures that mitigate against this risk: (i) the design incorporates the involvement of other villages and fisheries agency officers in the implementation of CCDP through exposure visits, participation in different phases of project implementation,*

¹⁹ The length of the project has to be no greater than the length of the grace period of the IFAD loan – see discussion under the section on Financial Management.

dissemination of success stories and experience with project implementation and inter-village exchanges; (ii) government has confirmed that it intends to use the experience in CCDP to extend its programme of block grants for activities being implemented under the project, most likely through an extension of the PNPM-Fisheries Programme, and has the budget to do so; in fact, a number of provinces have already made commitments to finance extensions of programme activities to adjacent districts; and (iii) the group enterprises to be used in the project would not need matching grant financing to be replicated as it has been demonstrated that these enterprises would be viable with loan financing.

IV. PROJECT COSTS, FINANCING, BENEFITS AND SUSTAINABILITY

A. Project Costs

77. The total costs are estimated at US\$ 43.2 million with a base cost of US\$ 40.2 million. Physical and price contingencies are 3% and 5% of the base costs respectively. Foreign exchange content is 14%. The estimated level of duties and taxes included in project costs is less than 7%. The portion that Consultancy Services represents of total project costs²⁰ is 10%. A summary of the project costs by component and expenditure category are presented in the tables below.

Table 1. Project Cost Summary by Component

	Rupiah Million	US\$ '000	% For. Exch.	% Total Base Costs
Total	Total			
A. Community Empowerment, Development and Natural Resource Management				
1. Community Facilitation, Planning and Monitoring	48,768	5,418.7	-	13
2. Coastal Resource Assessment, Planning, and Co-Management	44,674	4,963.8	28	12
3. Market Focused Village Investment	140,241	15,582.4	13	38
Subtotal Community Empowerment, Development and Natural Resource Management	233,683	25,964.8	13	65
B. District Support for Marine Based Economic Development				
1. District Level Investment and Capacity Building	23,271	2,585.6	13	6
2. Market and Value Chain Support	41,974	4,663.8	21	12
Subtotal District Support for Marine Based Economic Development	65,245	7,249.4	18	18
C. Project Management	62,791	6,976.7	15	17
Total BASELINE COSTS	361,719	40,191.0	14	100
Physical Contingencies	9,864	1,096.0	16	3
Price Contingencies	50,049	1,954.9	14	5
Total PROJECT COSTS	421,631	43,241.9	14	108

Table 2. Project Cost Summary by Expenditure Category

	Rupiah Million	US\$ '000	% For. Exch.	% Total Base Costs
Total	Total			
I. Investment Costs				
A. Vehicles, Equipment & Materials				
1. Vehicles	12,475	1,386.1	29	3
2. Equipment, and materials	31,997	3,555.2	30	9
Subtotal Vehicles, Equipment & Materials	44,472	4,941.4	30	12
B. Training and Workshops	39,478	4,386.5	20	11
C. Community Facilitation	45,432	5,048.0	5	13
D. Studies and Surveys	22,016	2,446.2	18	6
E. Technical Assistance	18,954	2,106.0	20	5
F. Consultancy Services	37,184	4,131.6	15	10
G. Community Development Funds				

²⁰ An important factor in project design for Bappenas.

	1. Community Enterprise and Infrastructure Fund	102,060	11,340.0	10	28
	2. District Fund for Supporting Small Scale Fisheries	16,956	1,884.0	10	5
	Subtotal Community Development Funds	119,016	13,224.0	10	33
	Total Investment Costs	326,553	36,283.7	15	90
	II. Recurrent Costs				
	A. Salaries and Allowances	22,028	2,447.5	-	6
	B. Operation and Maintenance	13,138	1,459.8	20	4
	Total Recurrent Costs	35,166	3,907.3	7	10
	Total BASELINE COSTS	375,947	40,191.0	14	100
	Physical Contingencies	9,864	1,096.0	16	3
	Price Contingencies	50,049	1,954.9	14	5
	Total PROJECT COSTS	421,631	43,241.9	14	108

A. Project financing

78. The total project costs amounting to the equivalent of US\$ 43.2 million would be financed by an IFAD loan, IFAD grant, and Spanish Trust Fund Financing equivalent to US\$ 34.0 million; a Government contribution of about US\$ 7.1 million including US\$ 2.8 million of taxes and duties; and beneficiaries' contribution of US\$ 2.2 million equivalent.

79. The US\$ 34.0 of *IFAD financing* consists of:

- IFAD Loan in SDR equivalent of USD 24.2 million
- IFAD Grant in SDR equivalent to USD 2.0 million
- Spanish Trust Fund Loan in Euro equivalent to USD 7.8 million.

80. The IFAD Loan and the Spanish Trust Fund Facility are subject to Ordinary Terms in line with IFAD's Lending Terms and Conditions. The grace period provided under Ordinary Terms is three years; however, the Government of Indonesia has requested an extension of the grace period under the Loan from three to five years – consistent with the length of the project implementation period.

81. The *counterpart funds* are estimated at about USD 7.1 million equivalent, including taxes and duties of US\$ 2.8 million and a contribution of USD 4 million that covers salaries, allowances and recurrent costs. Provisions have been made in the government budget for 2012 for the counterpart funds required for the start-up of project expenditures financed from government contribution to the project. In addition to the government contribution, the beneficiaries' will make a contribution of US\$ 2.2 million.

Table 1: Project Financing

(US\$ '000)												
	Government		IFAD Loan		IFAD Grant		Spanish Trust Fund		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Community Empowerment, Development and Natural Resource												
1. Community Facilitation, Planning and Monitoring	104.5	1.8	1,337.9	22.7	-	-	4,458.6	75.6	-	-	5,901.1	13.6
2. Coastal Resource Assessment, Planning, and Co- Management	511.6	9.5	4,253.7	79.1	-	-	614.0	11.4	-	-	5,379.2	12.4
3. Market Focused Village Investment	1,037.9	6.4	11,104.4	68.2	2,000.2	12.3	-	-	2,131.2	13.1	16,273.7	37.6
Subtotal Community Empowerment, Development and Natural Resource	1,654.0	6.0	16,696.0	60.6	2,000.2	7.3	5,072.6	18.4	2,131.2	7.7	27,554.0	63.7
B. District Support for Marine Based Economic Development												
1. District Level Investment and Capacity Building	176.4	6.4	2,409.1	87.5	-	-	166.4	6.0	-	-	2,751.8	6.4
2. Market and Value Chain Support	519.0	10.0	2,827.3	54.5	-	-	1,823.0	35.1	20.7	0.4	5,190.1	12.0
Subtotal District Support for Marine Based Economic Development	695.4	8.8	5,236.4	65.9	-	-	1,989.4	25.0	20.7	0.3	7,941.9	18.4
C. Project Management	4,740.4	61.2	2,267.6	29.3	-	-	738.0	9.5	-	-	7,746.0	17.9
Total PROJECT COSTS	7,089.8	16.4	24,200.0	56.0	2,000.2	4.6	7,800.0	18.0	2,151.9	5.0	43,241.9	100.0

B. Summary benefits and economic analysis

82. The main *project benefits* would go to participating communities: the community empowerment initiatives that would build capacity, self-reliance and develop their ability to interact effectively with the market, and from investments in income generating sub-projects and from

infrastructure aimed at improving their economic and market potential. Within the project's 180 target villages, it is estimated that some 70 000 fishing/marine households would benefit from the project, equivalent to about 320 000 people.

83. The main quantifiable project benefits would accrue to the community through the community infrastructure projects and to the enterprise, service enterprise and savings groups, of which the enterprise groups that would number approximately 1 800, averaging ten households per group, would be the most important. These 1 800 enterprise groups would be direct beneficiaries of the Community Enterprise and Infrastructure Fund and its associated technical, management and marketing training. The enterprises started up by these groups would benefit not only the members but also other households in the project villages through involvement in the associated value chains and through spinoff effects. In many respects the enterprise groups are the main driving force economically in the project.

84. The *financial and economic analysis* of the project is based on the benefits expected to be generated by the enterprise groups. Since investment choices would be made by the enterprise groups themselves in different resource and market contexts, a wide range of enterprise activities are likely to be undertaken in the different districts. To provide an indicative analysis, six representative activities have been selected on which to base both the financial and economic assessment of the project: (i) cage production of grouper species, (ii) seaweed farming, (iii) the purchase of larger boats by groups to enable fishing further out to sea, (iv) boats and gear for catching blue swimming crab, (v) initial, village level processing of blue swimming crab, and (vi) construction of fish aggregation devices (FADs) to improve the catch of skipjack. The enterprise models are based on an assessment of average production conditions for these activities in Indonesia, supported by data collected by the mission from a selection of project districts and villages as well as by published studies and data. Prices for all equipment, other inputs and outputs are 2011 prices, although some prices are necessarily averages across regions or across types and qualities of outputs.

85. Table 3, below, summarizes the results of the analysis made. All these activities would have significant positive impacts on households involved, in terms of increased incomes. Increases in returns to labour, per day worked, are estimated to vary from 270% for FAD groups to 730% for cage grouper production groups. These rates only apply to days worked and even in the cases where production continues throughout the year, they would provide only partial employment to members. The impact on overall household income would therefore be less than suggested by these numbers.

Table 3. Production Models

	Grouper	Seaweed	Larger boat	BSC boat ¹⁾	BSC processing	FAD
Initial investment ²⁾	30.3	51.4	27.7	42.6	40.0	12.0
Production period	9-10 mths.	40 days	6 days	1 day	1 day	1 day
Season (per year)	12 months	12 months	7 months	7 months	7 months	7 months
Days worked/HH/yr.	50	120	168	168	168	168
Annual production ³⁾	4.0	24.0	14.4	18.9	4.7	10.8
Incr. profit/year ²⁾	55.2	62.9	104.7	100.0	14.3	66.4
RTL ⁴⁾ - without	1.66	1.60	1.66	1.66	1.85	1.66
RTL ⁴⁾ - with project	13.85	7.91	6.11	8.82	8.20	6.54

Notes: 1) BSC = blue swimming crab
2) All amounts in Rp. million
3) Annual production in metric tons, at full development
4) Returns to Labour, US\$/day

86. The project *financial analysis*, which is based on the multiplying up of these six models, results in a financial IRR for the project of 15.6%. Sensitivity analyses (Annex X) indicate that the IRR is robust: down to 10% assuming output prices drop by 20% and to 10.6% if there is a 50% failure rate in enterprise groups instead of the assumed rate of one third. The 15.6% rate of return, and those for the sensitivity analyses, should be compared with the weighted average cost of capital is estimated to be below 5%, given current relatively low interest rates on commercial borrowing and inflation rates in Indonesia which are slightly above 5%.

87. For the *economic analysis* of the project, the prices of domestic resources have been adjusted with a standard conversion factor of 0.9. The economic analysis results in an EIRR for the

project of 20.3%; changes in key variables do not have a major impact on the EIRR. An enterprise failure rate of 58% is required to reduce the EIRR to the assumed opportunity cost of capital.

C. Sustainability

88. The project would work within a market/private sector context and promote enterprise development groups that when successful would sustain activities from their own resources after the project closes. Similarly, the process of community empowerment facilitates improvements in communities, enabling them to pursue development initiatives and thus become more self-sufficient. Furthermore, the project would develop a resource management and co-management framework and measures to create a sustainable resource for the communities that would help ensure reliable returns to fishing and mariculture activities in the future and help adapt to the threats and impacts of climate change.

APPENDICES

- A. Mission Programme and List of Persons Met
- B. Country Portfolio of Loans and Grants (Table)
- C. Project Organisational Structure (Chart)
- D. Flow of Fund Arrangements
- E. Environmental and Social Review Note
- F. Key File
- G. Scaling Up

APPENDIX A

MISSION PROGRAMME AND LIST OF PERSONS MET

DESIGN COMPLETION MISSION PROGRAMME AND LIST OF PERSONS MET

Date/Day	Activities	Remarks
Jan 8/ Sunday	<ul style="list-style-type: none"> Mission assembles in Jakarta – stay at Morrissey Hotel Mission internal meeting at Morrissey 	
Jan 9/ Monday 09.30 – 12.00 12.00 -13.00 13.00 – 15.00 16.00	<ul style="list-style-type: none"> Meet with MMAF to discuss and follow up on Project Design Document/Concept Note/documents and data (working session) Mission schedule and discussion Collect data and required documents Lunch Continue meeting with MMAF Mission internal meeting if needed 	MMAF, Gedung Mina Bahari III, Lt. 1. Baronang Room
Jan 10/ Tuesday 09.30 –11.00 13.30 14.00	<ul style="list-style-type: none"> Meeting with MoF – Director of Loan and Grant (Debt Management) Heading to Bappenas Start-up meeting at Bappenas, chaired by Directorate of Multilateral Funding, and attended by Bappenas Directorate Marine Affairs and Fisheries, MoF, Ministry Of Marine Affairs and Fisheries, Directorate of Coastal Development and Community Empowerment 	
Jan 11/Wednesday 04.00 06.00 – 08.20 10.00 am 12.30 – 14.00 14.00 – 16.00 16.00	<ul style="list-style-type: none"> Heading to airport Mission Head to Pontianak by Garuda Meet with Dinas Kelautan dan Perikanan Province, Dinas KP Kubu Raya, Bappeda Kubu Raya, BPSPL Pontianak, Pengusaha Perikanan Working Group session with all mission member and District officer Lunch Courtesy call with Bupati Back to Hotel Dinner and mission meeting as needed 	

Republic of Indonesia: Coastal Communities Development Project
DESIGN COMPLETION REPORT – APPENDIX A: MISSION PROGRAMME AND LIST OF PERSONS MET

Date/Day	Activities	Remarks
Jan 12/ Thursday 07.30 – 17.00 17.00 19.30	<ul style="list-style-type: none"> Visit Sub District Teluk Pakedai, Village Sungai Nibung, Kuala Karang, Teluk Gelam, interaction and discuss with fisherman/villager, village officer, fisherman extension service Back to Hotel Dinner and Mission meeting as needed 	
Jan 13/ Friday 09.00 – 17.00 09.00 – 11.30 13.30 – 16.00	<ul style="list-style-type: none"> Visit Sub District Batu Ampar, Village Batu Ampar, Nipah Panjang, Padang Tikar 1, interaction and discuss with fisherman/villager, village officer, fisherman extension service Working session with all mission member, District staff and MMAF Follow up meeting with Dinas, institution and others if needed <p>Meeting with MoF Meeting with SOLID and READ</p>	<p>Team member may split</p> <p>Charles Gracia</p>
Jan 14/ Saturday 09.00 – 14.00 14.00 14.30 16.55 – 18.20	<ul style="list-style-type: none"> Continue working session – conclusion on field visit Check out from Hotel Heading to Airport <ul style="list-style-type: none"> Travel Back to Jakarta by Garuda Arrive Jakarta Check in at Morrissey Hotel 	
Jan 15/ Sunday	<ul style="list-style-type: none"> Start report writing and Aide Memoire Draft 	
Jan 16/ Monday 09.00 – 10.30 09.00 – 10.30 09.00 – 10.30 11.00 11.00 13.00	<ul style="list-style-type: none"> LKPP MICRA (microfinance) AMAN (indigenous people) Bappenas - SAPTA Aquaculture, MMAF ADB DG Exports and Processing World Bank 	<p>Charles, at LKPP office – to be confirm Nigel, at Morrissey Mike, at Morrissey</p> <p>Howard Nigel – pls confirm with P.Sapta Charles –to be confirm Nigel – pls confirm with P.Sapta Charles, at WB office (BEJ tower 2)</p>

Republic of Indonesia: Coastal Communities Development Project
DESIGN COMPLETION REPORT – APPENDIX A: MISSION PROGRAMME AND LIST OF PERSONS MET

Date/Day	Activities	Remarks
Jan 17/ Tuesday 09.00 – 17.00	<ul style="list-style-type: none"> Meeting and business enterprise ‘tour’ with MMAF 	Nigel, Kieran – to be confirmed by Pak Sapta
10.00 – 11.00	<ul style="list-style-type: none"> USAID 	Howard – to be confirm
13.30	<ul style="list-style-type: none"> BPKP/BPK (Auditor Agency) 	Charles
Jan 18/ Wednesday 10.00	Mission internal meeting – working session at Morrissey Hotel <ul style="list-style-type: none"> - Aide Memoire - PDR 	
Jan 19/ Thursday 09.30	Pre-wrap up meeting with MMAF, Bappenas – aide memoire at MMAF	
Jan 20/ Friday 14:00	Formal Wrap up meeting with Bappenas, MMAF, MoF at Bappenas Mission member departure	
Jan 21/ Saturday	Mission member departure	

APPENDIX B
COUNTRY PORTFOLIO OF LOANS AND GRANTS

**COUNTRY PORTFOLIO OF LOANS AND GRANTS
(TABLE)**

List of IFAD Loans to Indonesia, 1980 – 2012										
Project Name	Project Type	Total Project Cost US\$ million	IFAD Approved Financing US\$ million*	Cofinancier Amount US\$ million	Counterpart Amount and Beneficiary Contribution US\$ million	Board Approval	Loan Effectiveness	Project Completion Date	Cooperating Institution	Project Status
1. Smallholder Cattle Development Project	LIVST	40	26		14	06 May 80	01 Oct 80	31 Aug 86	World Bank	Closed
2. Sulawesi Paddy Land Development Project	IRRIG	52.8	34		18.8	08 Sep 81	29 Sep 82	30 Jun 90	AsDB	Closed
3. Seventeenth Irrigation (East Java Province) Project	IRRIG	142.6	25	72.6 (WB)	45	31 Mar 82	15 Dec 82	30 Sep 88	World Bank	Closed
4. Second Smallholder Cattle Development Project	LIVST	66.4	12	32 (WB)	22.4	05 Sep 85	15 Apr 86	30 Sep 93	World Bank	Closed
5. Income Generating Project for Marginal Farmers and Landless	CREDI	28.1	14	2 (Netherlands) 1.4 (UNDP)	10.7	03 Dec 87	18 Jun 88	31 Dec 97	UNOPS	Closed
6. East Java Rainfed Agriculture Project	RURAL	35.6	20	2.9 (WFP) 3.5 (Netherlands)	9.2	19 Apr 90	09 Oct 90	31 Dec 98	AsDB	Closed
7. South Sumatera Smallholder Tree Crops Development Project	AGRIC	28.1	19.9		8.1	14 Apr 92	29 Sep 92	15 Mar 99	AsDB	Closed
8. Eastern Islands Smallholder Cashew Development Project	AGRIC	43.2	26	1 (UNDP)	16.2	19 Apr 94	29 Jul 94	30 Jun 02	UNOPS	Closed
9. Eastern Islands Smallholder Farming Systems and Livestock Development Project	LIVST	39.3	18	6.7 (IsDB) 1.4 (New Zealand)	13.2	06 Dec 95	22 Mar 96	31 Mar 03	UNOPS	Closed
10. Income Generating Project for Marginal Farmers and Landless Phase III	CREDI	118.9	24.9	60.5 (AsDB) 8.3 (Dom. fin. Inst.)	25.2	04 Dec 97	09 Jul 98	31 Dec 06	AsDB	Closed
11. Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas	RURAL	27.4	23.5		3.9	04 May 00	31 Jan 01	31 Mar 09	IFAD	Completed
12. East Kalimantan Local Communities Empowerment Programme	RURAL	26.5	20.0		6.5	11 Dec 02			UNOPS	Cancelled
13. Rural Empowerment and Agricultural Development Programme in Central Sulawesi	RURAL	28.3	21.6		6.7	02 Dec 04	18 Nov 08	31 Dec 14	IFAD	Ongoing
14. National Programme for Community Empowerment in Rural Areas Project	RURAL	68.5	68.5	1,620 (WB)	5,667	11 Sep 08	17 Mar 09	31 Mar 16	World Bank	Ongoing
15. Smallholder Livelihood Development Project in Eastern Indonesia	RURAL	65	50.2		14.8	11 May 11	05 Jul 11	31 Jan 19	IFAD	Ongoing
16. Coastal Community Development Project										Under design

IFAD Indonesia On-going Projects as at October 2011

Loan/ Grant Number	Project Name	Implementing Partner	Contact Person
On-going Loan Financed Investment Projects			
Project ID: 1258 Loan: 645	Rural Empowerment and Agricultural Development Programme in Central Sulawesi	Ministry of Agriculture Agency of Agricultural and Extension Human Resource Development (AAEHRD),	Mr. Asep Suryaman Project Manager – National Support Unit Agency of Agricultural and Extension Human Resource Development (AAEHRD), Ministry of Agriculture Address : Kantor Pusat Kementrian Pertanian, Gedung D, 6th Floor Jl. Harsono RM. No. 3, Ragunan-Jakarta 12550, INDONESIA Phone: +6221 780 5037 Email: readprogramme@yahoo.com or rohman.deden@yahoo.com
Project ID: 1341 Loan: 755	National Programme for Community Empowerment in Rural Areas Project	PMD, Ministry of Home Affairs	Mr. Beni Irwan PNPM Project Coordinator Directorate of Village Community Empowerment or Ditjen PMD, Ministry of Home Affairs Address: Jl. Raya Pasar Minggu Km. 19. Jakarta Selatan 12510. Phone: +6221 7942373 ext 222 Fax: +6221 7987739 Mobile : +6281310151559 Email: benni_irwan@yahoo.com or benni.desa@gmail.com Ms. Natasha Hayward - Senior Social Development Specialist The World Bank – PNPM Mandiri Support Facility (PSF) Jl. Diponegoro No. 72, Jakarta, 10310 Ph (62-21) 314-8175, Fax (62-21) 3190-3090 Email: nhayward@worldbank.org

Republic of Indonesia: Coastal Community Development Project
DESIGN COMPLETION REPORT – APPENDIX B: COUNTRY PORTFOLIO OF LOANS AND GRANTS

Loan/ Grant Number	Project Name	Implementing Partner	Contact Person
Project ID 1509 Loan 835	Smallholder Livelihoods Improvement Programme in Eastern Indonesia (SOLID)	Ministry of Agriculture Food Security Agency,	Djadi Purnomo SOLID Project Coordinator Food Security Agency, Ministry of Agriculture Address: Kantor Pusat Kementrian Pertanian, Gedung E, 4th Floor Jl. Harsono RM. No. 3, Ragunan – Jakarta 12550 Phone/Mobile : +62811 987478 Email: djadipurnomo@yahoo.co.id
Project ID 1621	Coastal Communities Development Project ** Under Design**	Ministry of Marine Affairs and Fisheries	Dr Sapta Putra Ginting Deputy Director of Micro Entrepreneurship Ministry of Marine Affairs and Fisheries sapta@cbn.net.id sapta_ginting@yahoo.id
On-going Grants			
821	Pro-Poor Policy Formulation, Dialogue and Implementation at the Country Level	FAO	Mr. Mudbhary Purushottam, Chief Policy Assistance branch, FAO Regional Office for Asia and the Pacific, Maliwan Mansion 39 Phra Atit Rd Bangkok 10200 Thailand Tel. +66 2 697 4236 Fax. +66 2 697 44 45 or 44 09 purushottam.mudbhary@fao.org
875	Programme for Accelerating the Financial Empowerment of Poor Rural Communities in Asia and the Pacific Through Rural Finance Innovations	APRACA	Won-Sik Noh Secretary General Asia-Pacific Rural and Agricultural Credit Association(APRACA) And FinPower Regional Program Manager 39, Maliwan mansion, Phra Atit Road Bangkok 10200, Thailand Tel : (662) 280-0195, 697-4359 Fax : (662) 280-1524 E-mail : noh@apraca.org
1032	World Agroforestry Centre (ICRAF): Programme on Rewards for Use of and Shared Investment in Pro-poor Environmental Services (RUPES II)	ICRAF (RUPES)	Beria Leimona, Environmental Economist: iberia@cgiar.org ICRAF SEA Regional Office, Jl. CIFOR Situ Gede Sindang Barang, Bogor 16680, PO Box 161 Bogor 16001 Indonesia Tel. +62 251 86 25 415/7 Fax. +62 251 86 25 416

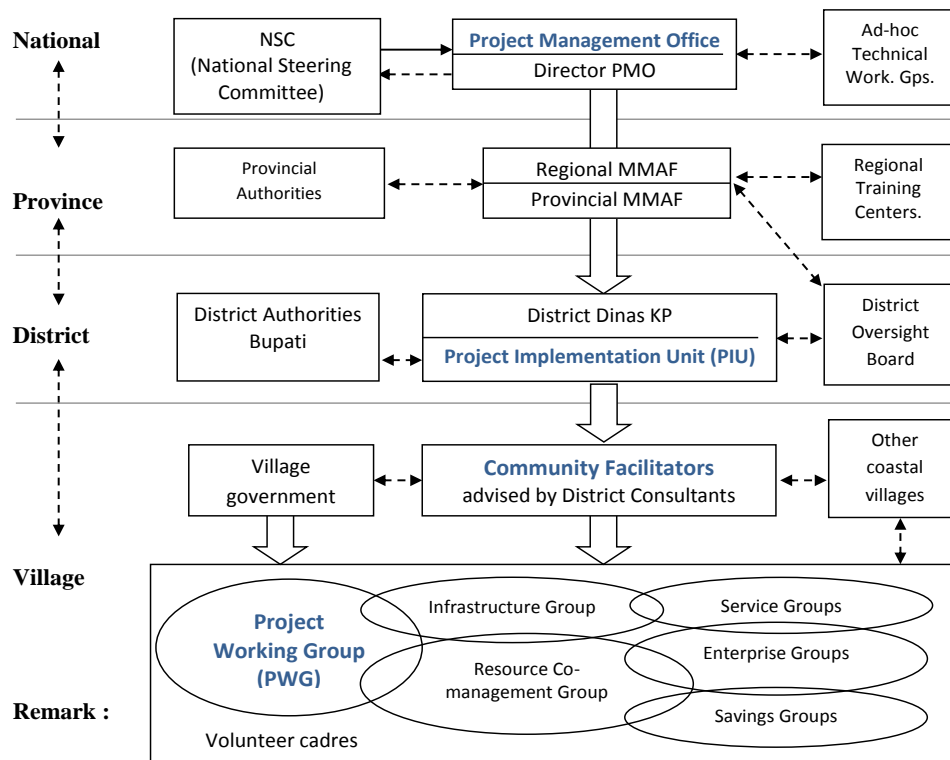
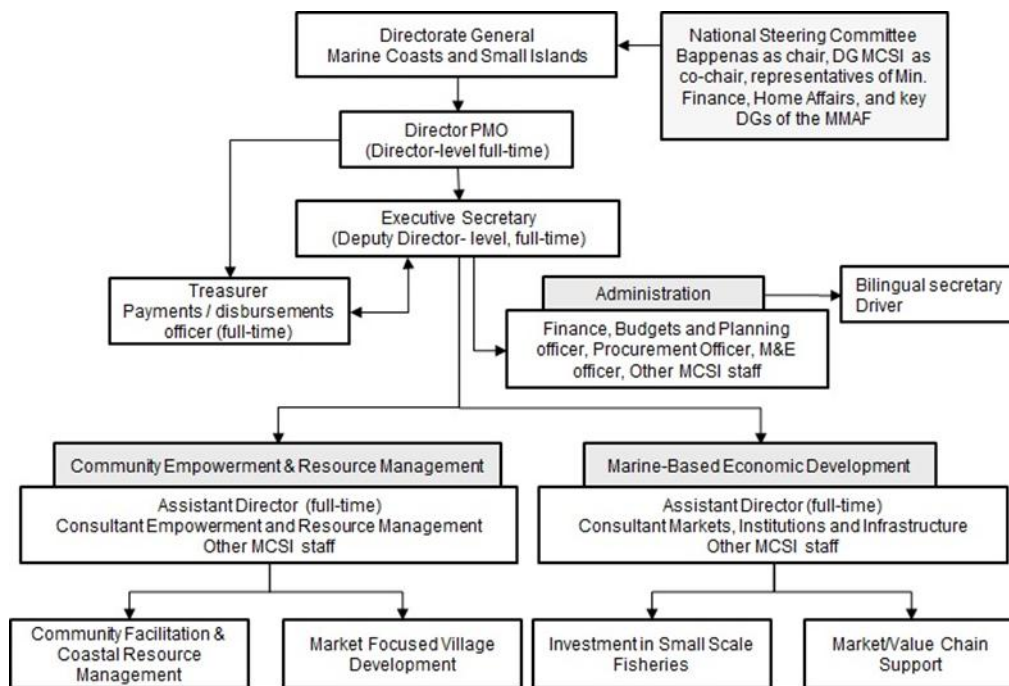
Republic of Indonesia: Coastal Community Development Project
DESIGN COMPLETION REPORT – APPENDIX B: COUNTRY PORTFOLIO OF LOANS AND GRANTS

Loan/ Grant Number	Project Name	Implementing Partner	Contact Person
1034	Food and Agriculture Organization of the United Nations/Self Employed Women's Association (FAO/SEWA): Medium-term Cooperation Programme with Farmers' Organizations in Asia and the Pacific Region	FAO	Ms Beatriz del Rosario Regional Programme Officer, MTCP FAO Regional Office for Asia and the Pacific, Maliwan Mansion 39 Phra Atit Rd Bangkok 10200 Thailand Beatriz.DelRosario@fao.org
1108	Enabling Poor Rice Farmers to improve Livelihoods and Overcome Poverty in South and South-East Asia through the Consortium for Unfavourable Rice Environments (CURE)	IRRI	David Johnson, CURE coordinator, D.JOHNSON@CGIAR.ORG c.guerta@cgiar.org
1179	Programme for Development of Knowledge Sharing Skills	FAO	*****
1227	Programme for Improving Livelihoods and Overcoming Poverty in the Drought Prone Lowlands of South East Asia	IRRI	David Johnson: D.JOHNSON@CGIAR.ORG - Corinta Guerta: c.guerta@cgiar.org
1239	Root and Tuber Crops Research & Dev Programme for Food Security in the Asia and the Pacific Region	CIP	Dr. Dindo Campilan RTCs-FS Project Leader, International Potato Centre (CIP)
1244	Leveraging pro-poor public private partnership for rural dev.-widening access to energy services for rural poor in Asia and the Pacific	ESCAP	Ms Marisa Panyachiva, Programme Officer, Programme Manag Div, UNESCAP, Bangkok 10200 Tel. 662 288 2163 Fax. 662 288 3035 Email. panyachiva@un.org
1286	Pro-poor Policy Approaches to Address Risk and Vulnerability at the Country Level	FAO	Dr Ganesh Thapa Regional Economist IFAD Email: g.thapa@ifad.org
G FSP 7	Rehabilitation and sustainable use of peatland forests in South East Asia	ASEAN GEF	Riena Prasiddha Programme Officer Asean PCU Email: riena@asean.org
1090	Effects of biofuels on agricultural development, food security, poverty and the environment	INTERCAFE	Bustanul Arifin: barifin@yahoo.com; barifin@uwalumni.com

APPENDIX C
PROJECT ORGANIZATIONAL STRUCTURE

PROJECT ORGANIZATIONAL STRUCTURE

- The following are two charts illustrating the project organization and the institutional linkages between project agencies at national, province, district and village levels.



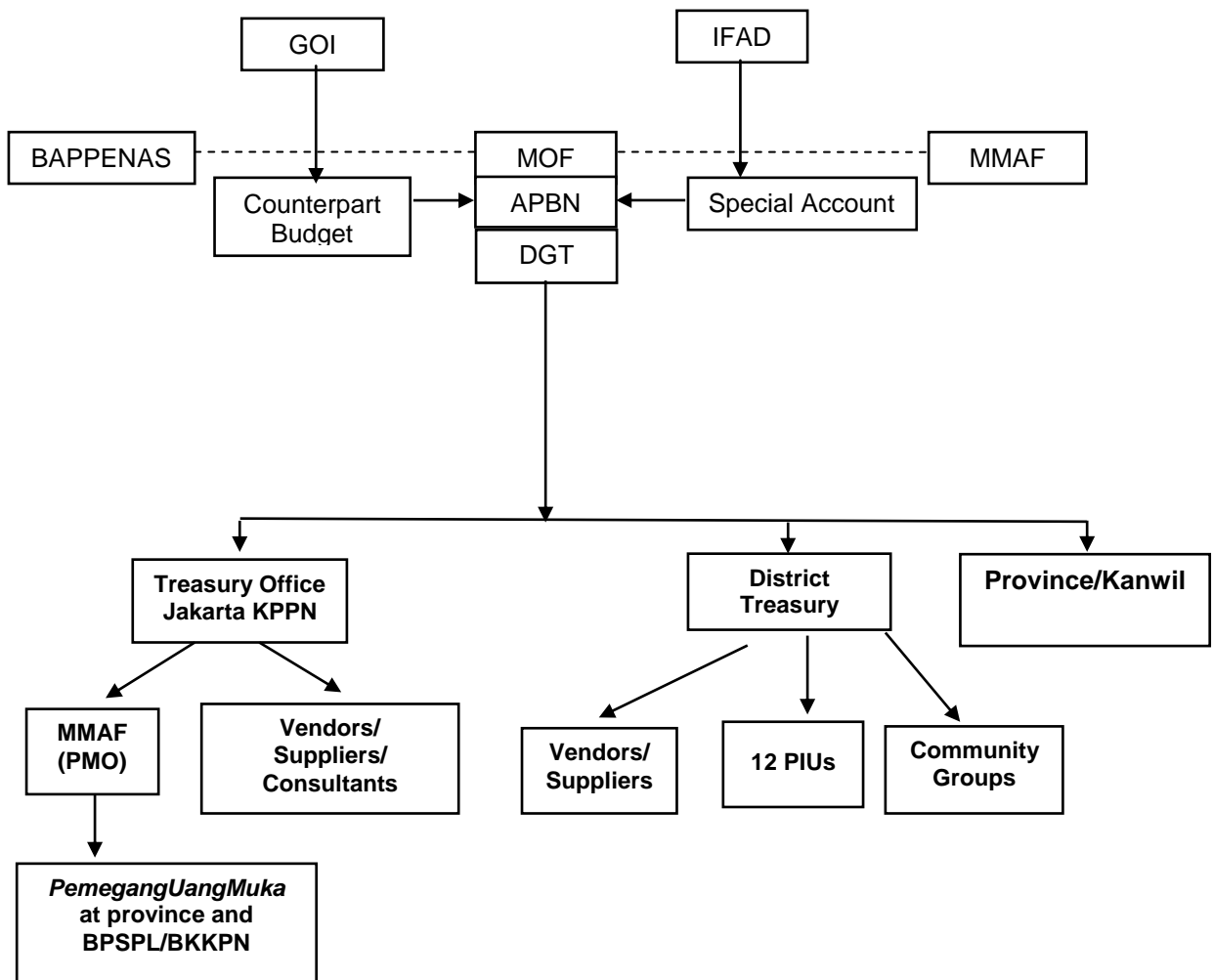
Command line —————
 Coordination line - - - - -
 Main Action lines >>>>>

APPENDIX D
FLOW OF FUNDS

FLOW OF FUNDS ARRANGEMENTS

1. **Flow of Funds Procedures.** The central level (with the Project Management Office or PMO assuming key responsibility) will be responsible for the project financially and will manage project funds. All contractors and consultant invoices will be submitted to the Commitment Maker Officer representing the Budget Holder (*KuasaPenggunaAnggaran – KPA*) who will review and verify the invoices and relevant supporting documents, and submit them to the Verification Officer. During this process, the invoices and supporting documents will be reviewed and verified prior issuing a payment request (*SuratPermintaanMembayar – SPM*) to the Treasury Office in the area. The Treasury Office will then issue a payment order (*SuratPerintahPencairan Dana - SP2D*) to its operational bank, which will arrange for the remittance of funds from the designated account to respective contractor's or consultant's accounts.
2. Flow of Funds to Community Groups would be as follows:
 - The flow of funds to the community groups will be made through the respective district project Implementing Units (PIUs), using similar procedures. Each community group – either community infrastructure group, community services group or enterprise group – will have a 'committee' which will consist of a Leader/Chairman and a number of other members who will divide the committee's responsibilities among them. They are to be elected by the community.
 - Each community group will open a bank account in the nearest bank. Ideally the same bank shall be used in the district/sub district to facilitate monitoring
 - Each group will submit proposal(s) consisting of the activities or investments, schedules and estimated costs, helped by village facilitators or village engineer. The proposals will be reviewed and verified by the district project implementing unit (PIU).
 - After the proposals are agreed, the community group will sign an agreement with the Head of the PIU (KPK = Kuasa Pengguna Anggaran or Budget Proxy Officer who is authorized to sign contract)
 - Based on the signed agreement, the KPK will send requests to KPPN (local government treasury office) to transfer funds to the group's bank account, usually in 3 tranches depending on the progress.
 - Community group committee will prepare progress reports to the PIU.
 - The district PIUs prepare financial reports to central PMO for consolidation before submission to the Ministry of Finance/DG Budget.
 - Based on the financial reports from the central PMO, MOF/DG Budget will submit withdrawal applications (WA) to IFAD and after the WA is approved by IFAD, IFAD will transfer funds for replenishment of the Special Account in Bank of Indonesia.
3. Figure 1 shows the overall flow of funds from central to local entities and Figure 2 shows the flow of funds using a Special Account.

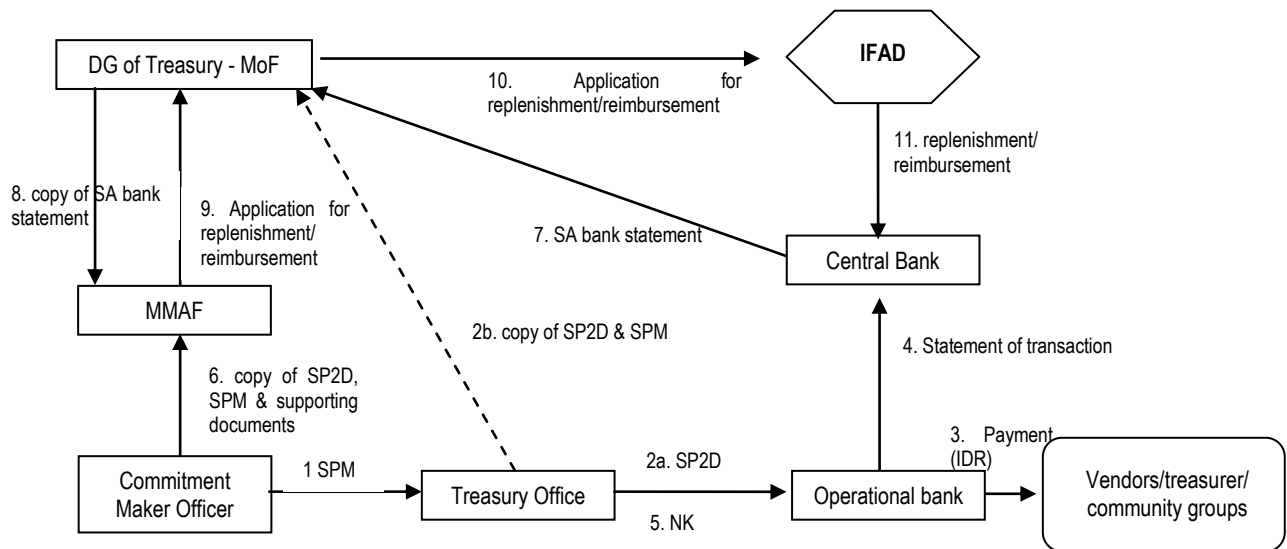
Figure 1. Flow of Funds



Notes:

APBN = National State Budget; PIU = Project Implementing Unit at district level;
 DGT = Directorate General of Treasury; GOI = Govt. of Indonesia;
 MMAF = Ministry of Marine Affairs and Fisheries; MOF = Ministry of Finance;
 PMO = Project Management Office;
PemegangUangMuka at Province = a person appointed by province office who is responsible in managing the budget for project activities at provincial level (a treasurer assistant to the PMO treasurer)
 - Districts with no Treasury Office will go to the nearest District Treasury Office
 BPSPL/BKKPN = Technical Unit under DG MCSI which oversees the implementation of DG MESI activities in the region

Figure 2. Flow of Funds through a Special Account



APPENDIX E
ENVIRONMENTAL AND SOCIAL REVIEW NOTE

ENVIRONMENTAL AND SOCIAL REVIEW NOTE

I. BRIEF DESCRIPTION OF PROGRAMME/PROJECT AND COMPONENTS

1. **Objectives.** The project's Goal is *reduction in poverty and enhanced economic growth among the active poor in coastal and small island communities*. The Development Objective is *increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities* and is central to reaching the goal. The goal and objective would be achieved by supporting poor communities to invest in their fishing and aquaculture/mariculture production operations and the subsequent marketing of the products. The primary focus would be on aquaculture/mariculture, with a secondary focus on capture fisheries. The capture fisheries axis of production would be limited to those areas or species where assessments ascertain that there is no risk to overfishing, or where a sustainable and managed fishing effort can be assured.
2. **Project Approach.** There are four main elements that are central to the project. They represent the core of the project and provide the foundation for project activities and how they are implemented:
 - The *focus on poverty and targeting the poor* has been one of the main determining factors in selection of the project communities. All selected project villages have at least 20% of households below the poverty line. Within those communities, the focus is on inclusion of the poor in project activities and in particular the 'active poor', that is, those households that can make effective use of the project's investments and market-based approach.
 - *Community empowerment*, essentially a demand-driven participatory approach to development that shapes the way that CCDP would be implemented and provides the main structuring element in the design of the project. It is the basis for selection of project investments and how project activities are organised. It is critical to successful implementation of the project, from the formation of enterprise groups to the establishment and operation of the project's community infrastructure, and from marine coastal resource management through to promotion of group savings for the risk averse.
 - While the participatory demand driven approach enables communities and households to participate and decide on their priorities, it is the *market focused strategy* and the interventions linked to it that would deliver the returns to the fisher/marine households and enable them to raise their incomes by increasing the sustainable net returns from fish and other marine products. The design and implementation of two other project activities are also directly influenced by the market focus and the aim of improving market access. These are: the investments in community and district infrastructure and investments in coastal resource management that jointly aim to ensure that the project's market-based project activities do not negatively impact on fish stocks and that target communities can achieve sustainable returns from their fishing and aquaculture activities.
 - *Replication and scaling-up* project activities and processes is the fourth element that underlies project design and determines how it would be implemented. It has influenced the selection of districts that are located in a range of different marine and social environments, and has resulted in the physical and social diversity and geographical spread of project districts from West Kalimantan to Papua.
3. The project comprises three investment components: (i) Community Empowerment, Development and Resource Management; (ii) District Support for Marine-Based Economic Development; and (iii) Project Management, which also includes a substantial element of human and institutional capacity building and the social safeguards and accountability which underpins project processes.

II. MAJOR SITE CHARACTERISTICS

4. The project is situated in twelve coastal districts and 180 target villages, predominantly in Eastern Indonesia (Fig. 1).

Figure 1 Project District Locations



5. Indonesia is the world's largest archipelago with more than 2.5 million hectares of coral reefs, mangroves and other marine ecosystems, which are a significant productive asset for the country, supporting a range of economic activities from fisheries to tourism. Healthy marine ecosystems can annually produce fisheries products worth about US\$15 000 per square kilometre, are a major factor in attracting tourism and have an important coastal protection function. They are an important source of food for Indonesia's 237 million people and essential to livelihoods, particularly of the small-scale fishers, in about 10 000 coastal villages across the country in 357 coastal districts²¹. About 65% of the Indonesian population lives in coastal areas or on small islands.
6. The project locations encompass the extensive coastal estuarine mangrove systems in Kupang (East Nusa Tenggara) and West Kalimantan), and Merauke (Papua), to fringing coral reefs and seagrass beds of shallow-water embayments in Gorontalo and Bitung districts (Sulawesi), to the oceanic waters of Ternate (North Maluku).
7. Unlike the inland communities of Indonesia, the settlements along the coast have historically been far less isolated, as the rivers and coastal margins have always formed the major transportation and migration routes of the archipelago. Long before European colonialists extended their influence into Indonesian waters, the Makasar and the Bugis, originating from southwest peninsula of Sulawesi built elegant, ocean-going schooners to ply the trade routes, traveling as far east as the Aru Islands, off New Guinea, and northern Australia, to the major entrepôts of Asia such as Cochin, where they bartered the products of the forest and sea for opium, silk, cotton, firearms and gunpowder. This thriving trade was severely curtailed under Dutch colonial rule.
8. The maritime travel and trading resulted for the most part in indigenously mixed coastal populations; the exceptions being either some isolated populations at the top of large bays, off the main transport routes, such as *Teluk Bone* in South Sulawesi, or those communities whose practices and beliefs are significantly outside of the mainstream way of life, such as the Bajau²² who rarely come to shore and live in communities houses built on stilts, situated on coral reefs.

²¹ 72% of Indonesia's 497 districts.

²² The Bajau are an indigenous ethnic group of maritime Southeast Asia. Bajau continue to live a seaborne lifestyle, making use of small wooden sailing vessels for voyages throughout the seas of austronesia. Groups of Bajau have also migrated from the Philippines to Sulawesi and Kalimantan in Indonesia, although figures of their exact population are unknown. According to AMAN there are about 160,000 Bajau in Gorontalo Province.

9. In West Kalimantan the coastal populations identify themselves as Melayu Bugis a mix of the original population, found in peninsular Malaysia and Borneo and the east coast of Sumatra, and Bugis. Eastern Indonesia is characterized by the traditional Melanesian cultural division between the people that inhabit the coast and people that inhabit the interior. The Moluccas reflect this pattern, although their proximity to the western islands makes them a more complex ethnographic and linguistic area. The islands are populated by a number of distinct ethnic groups. Typical of the coastal peoples are the Ambonese, ethnic group of mixed Malay-Papuan origin, who live along the coasts of Ambon and neighbouring islands. A long history of trade and seafaring has resulted in a high degree of mixed blood ancestry in Malukuans. Austronesian peoples added to the native Melanesian population around 2000 BC. Later added to this Austronesian-Melanesian mix were Indian, Arab, Chinese, Portuguese and Dutch genes. The people of Papua, the native Papuans, display much more strongly the distinction between coastal and interior groups. Those in the foothills and on the coast have affinities with other Melanesian peoples to the east and south of New Guinea. In addition, Indonesians from the western islands have mixed with indigenous peoples in the coastal trading settlements.
10. While many coastal and fishing communities have a thriving marine economy, others face an increasing struggle to make a good return from their fishing, due to declining catch levels. Overfishing, destructive fishing, pollution and ecosystem degradation are all having negative effects on the resources in the different communities. Artisanal fishing communities are often among the poorer communities in a district, especially those on isolated coasts and islands farther from the main commercial centres and markets; a characteristic which most of the CCDP target villages have in common. The coastal and marine sector, and more specifically, small-scale fisheries sub-sector, represents the nexus between poverty and increasingly fragile environment. Members of fishing communities are often poor, highly dependent on small-scale fishing for their livelihood, and in some communities the income from fishing can be insufficient to meet basic subsistence needs. Many of these communities are in the front line of climate change, facing increasingly erratic weather patterns, coastal erosion, and the loss of coral reefs from ocean acidification. Limited access to fishing vessels and gear, destructive and illegal fishing methods and poor management by aquaculture operators means that there is considerable scope for positive interventions in the sector. In particular, there is large potential for improving and expanding aquaculture, such as seaweed culture, cage culture of fish, growing molluscs, crabs and high-value products as well as sustainably increasing the return from inshore fisheries.

III. ISSUES IN NATURAL RESOURCES MANAGEMENT

11. There are two main environmental considerations in the CCDP: overexploitation of capture fisheries and potential negative effects of aquaculture. A secondary consideration is the possible limited local environmental impact of the minor infrastructure investments.

Overexploitation of capture fisheries.

12. Indonesia has eleven fisheries management areas, seven of which cover waters in eastern Indonesia, the project's primary target area. It is recognized that this vast resource has to be carefully managed, as some areas are heavily exploited, particularly in Western Indonesia, while other more remote areas and less populated areas have relatively low levels of exploitation (Table 1).
13. The demersal fisheries are in general fully exploited, although the data from three CCDP areas: Gorontalo, N. Sulawesi and Maluku are insufficient to make a judgement. Small pelagics, with the exception of the South China Sea, are at a level of medium exploitation, meaning there is some ability to increase fishing effort. The major shrimp fisheries, where they exist are fully exploited or over exploited, with the exception of the South China Sea area.
14. There has been a general trend throughout the fisheries in Indonesia to move from non-motorised to motorised vessels (Figure 2). Much of the movement has been from non-motorised vessels to outboards, together with a move to small less than 5GT inboards. The rapid increase in large scale fishing vessels greater than 10GT was severely curtailed by the 2004 Tsunami but has recovered in recent years.

Table 1. Evaluation of Fisheries Status in CCDP Areas

Fisheries Management Area	CCDP Province	Fishery Status 2006			
		Demersal	Small Pelagic	Large Pelagic	Shrimp
Cina Selatan	West Kalimantan	F	O	UN	M
Selat Makasar	South Sulawesi	F	M	UN	O
Laut Sulawesi	North Sulawesi / Gorontalo	UN	UN	O	-
Laut Maluku	North Maluku	M	M	F	-
Laut Banda	Maluku	UN	M	M	UN
Samudera Hindia B	Nusa Tenggara Barat	F	M	F	F
	Nusa Tenggara Timur				
Laut Arafura	Papua	F/O	M	UN	O

STATUS STOCK

U: Under exploited

M: Moderate

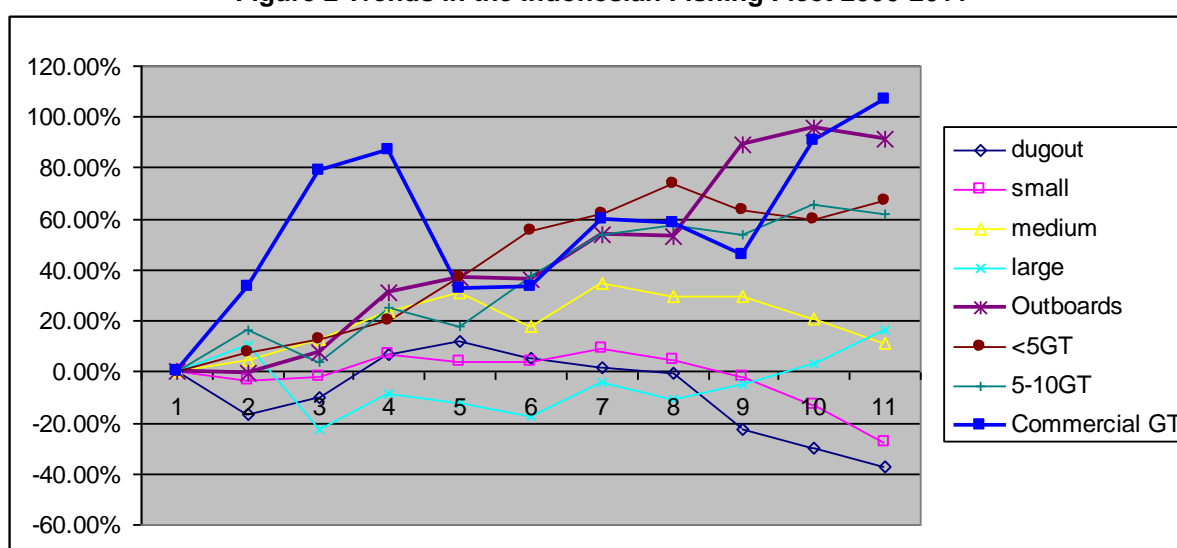
F: Fully exploited

O: Over fishing

UN: Uncertain (insufficient data)

15. It should be noted that Figure 1 describes the biological state of the fisheries. Indonesia currently has no means of tracking the economic performance of different fleets and the possible withdrawal of fuel subsidies in future may have significant negative impacts on the profitability of more fuel intensive fishing operations. The CCDP introduces economic tracking of selected fleets at the district level.

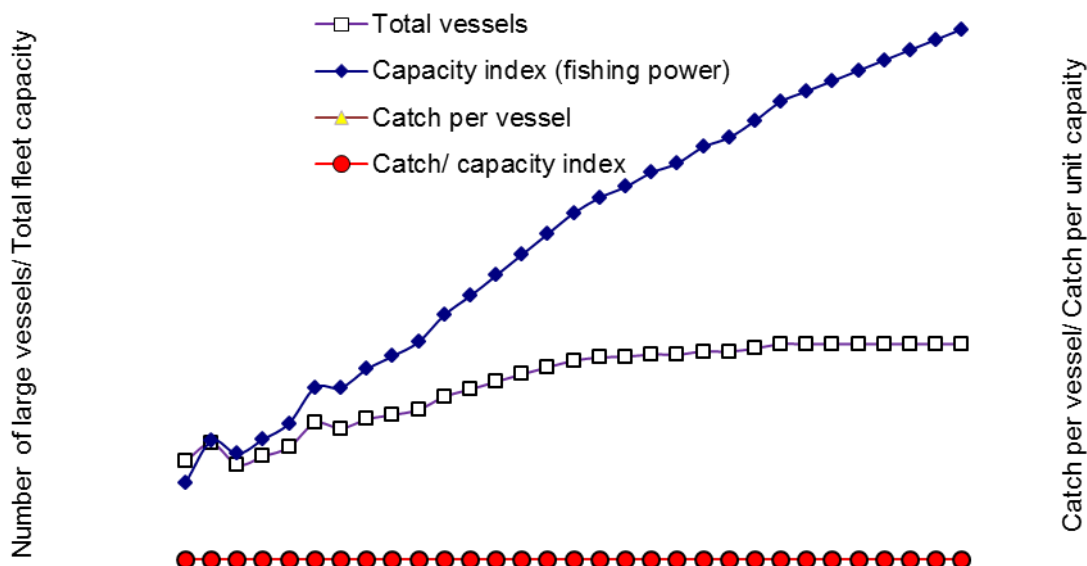
Figure 2 Trends in the Indonesian Fishing Fleet 2000-2011



16. Figure 2 shows a significant decline in dugouts and small fishing craft – those used by the target group. There is a corresponding increase in commercial vessels and outboards. While the trend may well indicate the successful modernisation of the Indonesian fishing activities and a movement out of poverty for some, it may also indicate a loss of livelihood opportunities for others.
17. Indonesia's capture fisheries operate essentially under an open access regime. A combination of modernisation and unbridled open access is likely to progressively lead to resource over-exploitation, loss of fleet profitability and disproportionate impacts on the poorer fishing segments. The following graphic (Figure 3) illustrates this progression at global level. While the global fleet has stayed relatively stable, technologies (such as GPS) have made its catching power increase substantially. As a consequence catch per vessel and unit of capacity have

declined, diminishing the net returns from increasing investments and modernisation. The CCDP would address the policy issues involved through a dialogue initiated through the policy studies at PMO level and tracking the economic performance of selected fleets.

Figure 3. Trends in the global fishing fleet



IV. POTENTIAL SOCIAL AND ENVIRONMENTAL IMPACTS AND RISKS

Overexploitation of capture fisheries, Aquaculture and Infrastructure

18. The project directly addresses the issue of local overfishing through the preparation and implementation of marine resource co-management plans. While the project is not an environmental management project, the sustainable use of the marine and coastal resources is considered fundamental and an integral part of the project design. The main risks arise from:
 - failures to reach agreement on the resource management plan due to resource conflicts, or issues related to fisheries shared with other (non-village) users,
 - deficiencies in implementation of the resource management plans for example, an inefficient enforcement programme, or
 - project investments in increased fishing capacity (fishing power) contributing to overfishing.
19. **Capture Fisheries.** There is a strong demand from villages to increase their catching power, often because vessels from other areas outcompete their inferior gear and equipment. The project would normally finance such enterprise investments only where the opportunities for aquaculture are limited, or negligible. The following are typical examples:
 - moving from a canoe/outrigger to small engine vessels which enable safer fishing in more inclement weather and at a greater distance offshore. This would require an assessment of the state of the fishery, including recognition by the community of the limits to exploitation and provisional limits on the number of such upgrades to catching power, the impact on other users and measures (for example, in the *perdes*) to give preferential access to target-village fishers.
 - installation of fish aggregating devices (FADs) which concentrate fish. The target species, such as tunas and related coastal pelagic and highly migratory species are generally shared with other non-target fishers, for example, larger urban-based fishing vessels. The local ordinance would exclude such fishers from the immediate area around the FAD (alternatively they could pay to fish the FAD resources). The FAD does increase the fishing capacity, but it

does so by shifting the population of the fish and concentrating it to the benefit to the target village(s), in some places away from offshore commercial fishing operations. The economic consequences of this shift are addressed through the tracking of the economic performance of selected fleets, while any issues arising would be addressed by the District Oversight Board.

- movement from individual hand-line canoes to group seine netting for small-pelagic species (e.g. sardines, scad) should not negatively impact resources. To a certain extent these fisheries are self-limiting as fishing is effective only in certain phases of the moon. The shift would have a range of social and economic considerations which would be addressed on a case-by-case basis.
 - the project would promote more sustainable fishing gears and practices, such as for the release of egg-bearing female crabs.
20. **Aquaculture.** There are several potentially negative environmental consequences of aquaculture investments. The enterprise grant approval process would in all cases assess these risks and ensures effective mitigation.
- *Destruction of mangroves.* The project would not support any enterprises which propose to significantly reduce mangrove cover. In particular, the project would not support shrimp farming. However, if a large 'nucleus estate' shrimp farm would be the subject of outside investment in the target areas, and there are opportunities for the enterprise groups, a specific environmental impact assessment would be undertaken.
 - *Collection of wild seed for grouper, or other cage culture.* The project would only support cage culture of threatened species, such as grouper, when 'artificial' seed is available. The shortage of quality artificial seed is recognised as a problem and the PMO would interact with the DG Aquaculture and suppliers to address this issue.
 - *Seasonal spread of seaweed from farms threatening corals.* This would be addressed through restrictions on fishing grazing fish, such as parrot fish, or rabbit fish (*Siganidae*).
 - *Use of mangroves and wild crabs for crab culture.* Harvesting of small crabs is done in the mangroves and the on-growing ponds are often located in mangrove areas. The harvesting and limited use of mangrove areas for holding ponds would be subject to the village resource management plan.
21. **Infrastructure.** The fuel supply points, motorcycle paths, jetties or similar *infrastructure would all be of a small size and have a very limited environmental impact.* Where these are located in the villages, the village would play the dominant role in determining the most favourable location, while project staff would ensure that all possible steps would be taken to minimise negative impacts. In many districts, the *Dinas* already have considerable experience of installing fuel supply points and the construction standards are well known. Training would be provided for the operators to reduce risks of spillage and spillage compensation clauses would be included in the lease agreements. Specific provisions for environmental impact assessments (other than those which would be included in the PIM) would not be considered necessary.
22. **Poverty.** *Enterprise development activities, often being riskier than current fishing/aquaculture/marketing operations, could discourage poorer more risk averse households from taking up project enterprise development activities.* This risk is being addressed directly by introducing an intervention aimed directly for such households: the Savings Group Scheme for Risk Averse Poor Households. This scheme would help facilitate the involvement of poor households in enterprise groups by supporting the generation of savings and this building up equity that they would be able to use as their contribution towards their participation in enterprise groups. These savings groups would not 'graduate' to become enterprise groups until year three when savings have accumulated. However, the members of the savings groups would benefit from the lessons learned from the early adopters by observing the results of those enterprise groups that have started operations in Year 1. Consequently, they would better understand how an enterprise is established, be better able to assess the risks, and benefit from interaction with village enterprises that have been successful.
23. **Gender and indigenous peoples.** *Traditionally, fishing in Indonesia is a male activity while women dominate the marketing and post-harvest processing. While both men and women are involved in aquaculture, the men often have overall responsibility.* The project would prepare a gender strategy to ensure that an appropriate proportion of the benefits flow to women. This

would be done by ensuring that women are represented on the village working groups and in the decision making on the plans, that there is a balance between the enterprise groups dominated by men and women, and that the recruitment of project staff reflects an adequate gender balance. This would be complemented by specific attention to the development of business models which can readily be undertaken by women's groups and allocation of training opportunities for women's leaders.

24. There are a number of indigenous peoples groups in the project area, for example, Papua is considered an 'indigenous peoples' area' and in a few districts of North Sulawesi and Gorontalo a number of communities contain Bajau people and in West Kalamantan there are communities with Bugi and Dayak families, though their numbers are not sizeable. The project would make adequate provision for representation and empowerment of indigenous peoples and would reinforce their traditional fishing rights. As part of the approach to indigenous peoples' participation and inclusion in the project, the community empowerment approach embodied in the CCDP will involve consultation with local traditional institutions, community groups/associations and leaders, both formal and informal. It will also allow for the reflection of local *adat* laws and practices in the various aspects of CCDP village regulations, rules and community-based agreements, especially in relation to coastal natural resource management. When a community comprises more than one ethnic groups, the Community Facilitator will pay special attention to the community mobilization process, and ensure inclusion and equal participation of all groups, including minority one(s). CCDP Inventory Assessment will take into consideration ethnically-differentiated characteristics of marine-based livelihoods. Furthermore, efforts will be made to identify and recruit CFs among qualified local personnel who are familiar with the customs of indigenous populations and capable to communicate with them.

V. ENVIRONMENTAL CATEGORY

25. The project would have a substantial positive impact on the marine and coastal environment. Without the project, overfishing and environmental degradation would be likely to increase with negative impacts on incomes and poverty. The positive environmental impact would occur through: (i) improved food security and nutritional situation in the project communities through increased incomes and auto-consumption; (ii) increased incomes through higher net returns per unit of fishing effort; (iii) reduced coastal erosion, conflicts over fishing grounds and destructive fishing as a result of effective co-management operations in project villages and adjacent villages. The activity would open the possibility for links to payments for ecosystem services (e.g. dive site conservation), or access to climate funds.
26. There is, however, a risk that investment in improved fishing vessels, gear or motors, although not a priority intervention for the project, could result in overfishing, or that poor aquaculture practices could cause spread of fish diseases, or environmental degradation. Enterprise investments in expanded fishing capacity, or catching power, would be undertaken only where the opportunities for viable aquaculture would be limited and in combination with a village resource management plan. The siting of aquaculture activities (number, location, and proximity) would also be outlined in the village resource management plan and the details recorded in the village registry as a basis for more formal tenure. As a result the potential negative impact from project promoted activities is expected to be minimal.
27. Thus the project is classified under Environmental Category 'B'. No formal Environmental Impact Assessment (EIA) would be done at the inception of the project.

VI. FURTHER INFORMATION REQUIRED TO COMPLETE SCREENING AND SCOPING

28. While it was originally proposed to carry out a social assessment prior to the design completion mission, this was not possible due to budget restrictions. Supplementary information provided by project districts helped to fill the gap in social, physical and resource information and allowed the design completion mission to refine the ESRN prepared by the detailed design mission and complete its design process. The screening adequately reflects the gender and indigenous peoples' issues. No further information is thus required to complete screening and scoping.

VII. RECOMMENDED FEATURES OF PROJECT DESIGN AND IMPLEMENTATION TO IMPROVE NRM AND MITIGATE ENVIRONMENTAL CONCERNS

29. The following features have been incorporated into the project design to mitigate environmental concerns.
- Baseline study on the state of the fisheries. Because of the cost implications and the often discrete nature of the highly diverse community fisheries, the baseline study would not prepare fish stock assessments, but compile available information from surveys, catch trends, and assessments made by LIPI²³ and MMAF's DG Capture Fisheries.
 - Baseline aquaculture study describing the potential of the target areas and drawing on the experience of the DG Aquaculture to set out the measures to ensure sustainability
 - Village-level participatory marine resource management plans
 - Implementation of these plans, including provision for enforcement and formal recognition of the plans through local ordinances
 - District-level support for the village resource management plans through complementary ordinances, enforcement and tracking of the economic health of the fisheries.
 - Development of sustainable value chains and, where applicable, certification of sustainability of the products
 - District and PMO monitoring of the environmental performance of the project through the M&E scheme as described below.

VIII. MONITORING ASPECTS

30. The logframe provides detailed and quantified monitoring indicators for each of the project components and for the outcomes and outputs, all of which are quantified. The relevant environmental and social impact indicators are listed below:

Resource assessment/management indicators:

- 40 community-based marine resource management areas established, strengthened, demarcated, declared and ratified (through *perdes*, or village ordinances) and community register of resource users established and maintained
- Fish landing statistics from fishing vessels based in project and adjacent villages show no decline in levels of catches

Monitoring indicators linked to gender, women's participation and poverty reduction:

- 9 900 additional HHs with improvement in HH assets ownership index
- 40% reduction in the prevalence of child malnutrition
- 13 200 additional HHs for which food security has improved
- 70% of fisheries/marine HHs state village plans represent their priorities (disaggregated by poverty status)
- 50% of women state village plans represent their priorities
- Two thirds of the enterprise groups supported and trained by the project profitable three years after their establishment, disaggregated by poverty ranking of member households

IX. COMPONENTS REQUIRING ESA AND SCOPE OF ASSESSMENT NEEDED

31. The baseline and ongoing ESA requirements are embedded in the project design and no additional assessment is required. The baseline assessments combined with the indicators monitored during the course of the project would comprehensively cover the ESA issues.

²³ Indonesian Institute of Sciences (*Lembaga Ilmu Pengetahuan Indonesia*, or LIPI)

Specifically, the baseline surveys would quantify and give geographical specificity to the poverty and environmental challenges. The gender strategy would directly address the gender issues. The social safeguards listed in the risks and responses matrix would address the social issues, while Component 1 directly addresses the environmental issues.

X. RECORD OF CONSULTATIONS WITH BENEFICIARIES, CIVIL SOCIETY, GENERAL PUBLIC ETC.

32. The communities and community-based organisations have been consulted extensively during the four design missions in March, June, September/October 2011 and January 2012. Each of these missions involved visits to different project areas (six in total) and in each district the majority of the time was spent in the communities carrying out poverty profiling, interviews, rapid surveys, focus group sessions, verifying the state of the natural marine capital and verifying the information provided by the district (for example, number of fishers, numbers of fishing vessels, aquaculture activities, community infrastructure). Sessions were held with village leadership, village management groups, fisher and aquaculture groups, groups of women traders and processors, small processing groups and youth groups. Rapid rural assessment of poverty levels and dimensions were carried out including assessing the different levels of poverty by types of activities (for example, different types of fishing, farming, trading) to assess the needs, opportunities and strategic options for the villages.

APPENDIX F

KEY FILE

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Table 1: Rural Poverty and Agricultural/Rural Sector Issues

Priority Areas	Affected Group	Major Issues	Actions Needed
Poverty reduction	Coastal communities	<ul style="list-style-type: none"> Incidence of poverty in rural areas higher than in urban areas. Coastal Poverty incidence higher in eastern Indonesia, although the greatest numbers of poor people are in Java. A high proportion of the population is living just above the poverty line (<i>near poor</i>) and so vulnerable to falling into poverty. 	<ul style="list-style-type: none"> Policies, strategies and investment that focus on sustainable improvements in fisheries production and value of production and increasing non-farm employment and skills in coastal areas. Continuing focus on eastern Indonesia, and poorer areas.
Community self-help capacity	Coastal communities and poorer groups within these communities	<ul style="list-style-type: none"> Low capacity to plan, finance and manage activities within government structures at village level, and sometimes above. A lack of community participation in formulating, financing and implementing development activities leading to a lack of sustainability and a dependency on government. Inefficient use of government funds due to misuse of funds and leakages. Gender inequality. 	<ul style="list-style-type: none"> Use participatory procedures to plan, finance and manage development activities such as those used in PNPM- Mandiri. Develop capacity of the local communities to engage successfully with government, business and financial entities. Employ public/private partnerships to capitalize on NGO capacity in community participation Mainstream gender in all activities. Develop capacity for saving and financial management.
Agricultural, marine and rural productivity	Most upland and coastal communities with a subsistence-oriented production systems	<ul style="list-style-type: none"> Low production from marine catch and aquaculture, inadequate management and marketing systems, limited value addition Limited knowledge of appropriate and modern improved practices. Lack of effective extension and research outreach. Multiple, overlapping, uncoordinated and short-term government programmes leading to confusion, apathy, conflict, dependency and a lack of sustainability. Destructive and unsustainable fishing techniques. 	<ul style="list-style-type: none"> Fisherfolk adopt improved technology and management systems while avoiding environmental degradation. Create effective links between small-scale producers and public and private sector sources of technical support and input supplies. Coordinate activities effectively with those of other agencies and provide support for long enough to ensure sustainability. Implement existing fisheries and environmental legislation. Train fishermen to apply sustainable techniques. Encourage district governments to make fisheries and aquaculture extension a development priority.
Working with different cultures	Many rural communities	<ul style="list-style-type: none"> Lack of integration between traditional and government administrative systems at village level can hinder development. Lack of understanding of livelihoods systems and culture of the indigenous population. 	<ul style="list-style-type: none"> Involve community and traditional leaders in the development process. Service providers must understand the variations of local culture social cohesion and motivation.
Lack of value addition	Rural communities	<ul style="list-style-type: none"> Poor quality of produce with a low market value. limited value addition through processing and marketing with value addition occurring outside. Lack of market information systems, knowledge. 	<ul style="list-style-type: none"> Develop processing groups to improve post catch/harvest management (value addition) and marketing of fish, seaweed and other marine products. Create effective links between communities (small-scale producers both marine/aquaculture and seaweed) and market outlets.
Rural finance	All smallholders / fisherfolk and other rural people in	<ul style="list-style-type: none"> Limited access to rural finance institutions Banks require collateral even for small loans. 	<ul style="list-style-type: none"> Encourage and facilitate access to local micro-finance institutions (savings and credit)

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Priority Areas	Affected Group	Major Issues	Actions Needed
	coastal areas	<ul style="list-style-type: none"> Reluctance of commercial banks to extend credit to farmers, fishers and SMEs, particularly for medium-term investments. Failure to mobilise savings within the community Negative experience with past credit initiatives and absence of a banking culture among fishermen. 	<ul style="list-style-type: none"> Link mature self-help enterprise and savings & credit groups with banks and non-banking financial institutions. Develop innovative financial products to overcome access and collateral difficulties. Availability of short, medium and long-term loans for production and investment for SMEs. Enhanced role for agribusiness SMEs in providing finance for fish farmers, e.g. Fish feed suppliers (?)
Security of tenure	Coastal communities	<ul style="list-style-type: none"> Open access nature of capture fisheries Traditional systems of tenure vulnerable to takeover in commercial and cultural conflict situations. Traditional tenure unsuited for collateral. 	<ul style="list-style-type: none"> Raise awareness of communities to land tenure issues. Develop policy options for pond management. Assist with process of resource ownership demarcation, mapping and registration of coastal marine management areas in vulnerable communities.
Infrastructure	Coastal communities	<ul style="list-style-type: none"> Deteriorated access roads in very poor areas. Poor links to domestic markets. Lack of small-scale infrastructure directly related to improving marine productivity (e.g. fuel depots, ice/cold stores, etc.) Lack of clean drinking water in many areas. Sewage going directly into waterways / mangroves Pond management schemes/water distribution 	<ul style="list-style-type: none"> Link infrastructure investment decisions to market initiatives and commercial viability. Build and upgrade rural access, where technically appropriate and cost-effective. Construct clean water supply and reticulation schemes. Build appropriate small-scale rural infrastructure that can improve productivity identified by the community organisation. Ensure that infrastructure investments are cost effective, without adverse environmental impacts and include appropriate arrangements for O&M.
Employment opportunities	All poor rural people, coastal communities	<ul style="list-style-type: none"> Few on and off-farm employment opportunities in coastal areas away from cities. 	<ul style="list-style-type: none"> Establish/expand SMEs where market opportunities exist to increase employment and household incomes. Improve employment skills of poor people, including both marine and aquaculture (and value chain), as well as skill diversification outside of traditional marine sector (e.g. tourism related).

Table 2: Organisation Capabilities Matrix

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
Enablers				
Ministry of Marine Affairs and Fisheries	<ul style="list-style-type: none"> Wide range of technical and administrative capabilities. Offices at District level with local knowledge 	<ul style="list-style-type: none"> Young ministry – weak institutional and organisational integration Decentralisation negatively affected the line of command from Jakarta to their provincial and district counterparts. 	<ul style="list-style-type: none"> Need to develop policies that promote pro-poor development. Anti-NGOs / private sector provision of community shops 	<ul style="list-style-type: none"> Increase/improve regulatory role and limit direct participation in service provision, e.g. village shops.
BAPPENAS - State Ministry for National Development Planning	<ul style="list-style-type: none"> Mandate for national development planning and strategy formulation. Capacity and mandate for monitoring poverty alleviation programmes Key role in coordinating multilateral development assistance. Worked with IFAD on the preparation of the COSOP 2009-2013. 	<ul style="list-style-type: none"> Decentralisation has further weakened the line of command from Jakarta to the BAPPEDAs at provincial and district levels. has limited sectoral capacity and knowledge. 	<ul style="list-style-type: none"> Capable of playing an enabling, facilitation and coordination role. 	<ul style="list-style-type: none"> Less influential than Ministry of Finance. Proposed CCDP as one of two projects (other SOLID) implemented under the COSOP 2009-2013.
Ministry of Finance	<ul style="list-style-type: none"> Well developed and efficient government financial system for use of IFAD funds to finance programme activities. Capacity and expertise to support programme implementers in financial management. Manages the IFAD Special Account, flow of funds and withdrawal applications. 		<ul style="list-style-type: none"> Can support decentralised project implementing agencies to establish and operate sound financial management systems. 	
Bank Indonesia	<ul style="list-style-type: none"> Independent Central Bank in charge of monetary policy Policy roles in supporting the capacity building for local financial institutions and in providing financial services for SMEs. 	<ul style="list-style-type: none"> Bank supervision was weak. Limited support for microfinance 	<ul style="list-style-type: none"> Capable of playing an enabling and facilitation role and supporting for capacity building of banks participating in the Programme. 	
National Land Administration Agency (BPN)	<ul style="list-style-type: none"> National Land Policy Framework formulated with BAPPENAS. Presence in all districts. 	<ul style="list-style-type: none"> Slow and expensive process for conferring titles. Capacity insufficient to meet need. Conflicts between formal titles and traditional land use arrangements in some areas 	<ul style="list-style-type: none"> Following decentralisation, village administrations are responsible for and have an increased capacity to prepare land tenure maps. Individuals can apply for title. Needs to ensure that <i>traditional</i> land use arrangements do not conflict with formal titles. Needs to accept maps of traditional land ownership prepared using participatory methods and modern 	<ul style="list-style-type: none"> Programme can work with BPN to increase rate that titles are issued in the programme area.

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Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
State Ministry for the Development of Disadvantaged Regions	<ul style="list-style-type: none"> • Uses a good definition of disadvantaged regions based on poverty, service availability, budgetary allocation, disasters etc. • Policy exists for the development of disadvantaged regions. • Experience of international financial institutions e.g. World Bank financed SPAADA. 	<ul style="list-style-type: none"> • Lacks capacity and relies on national consultants to undertake key activities. • No presence outside Jakarta as only a coordinating agency with projects and programme implemented by decentralised agencies using the Ministry's budget and/or funds from other agencies. 	<p>mapping techniques.</p> <ul style="list-style-type: none"> • Using experience and lessons learned to develop investment models suitable for use in developing disadvantaged regions. 	<ul style="list-style-type: none"> •
Audit Board (BPKP)	<ul style="list-style-type: none"> • Independent, decentralised and capable. • Adequate staff and budget. • Audits government agencies. • Familiar with international auditing guidelines and IFAD audit requirements. • Auditing IFAD financed projects (READ, SOLID and PNPM). • Notifies the President of its audit results at least once a year. 	<ul style="list-style-type: none"> • Some reported instances of corruption • Outside reviews identified examples of poor quality work. 	<ul style="list-style-type: none"> • Able and prepared to audit IFAD projects financed from their regular budget. • Auditor for on-going and planned IFAD projects. • 	<ul style="list-style-type: none"> • Project needs to send a letter of instruction (c.c. MOF and MMAF) at the start of the programme so BPKP can plan their audits.
Village and Community Empowerment - Ministry of Home Affairs (BPMD)	<ul style="list-style-type: none"> • Mandate for community empowerment. • Wide experience of community empowerment through <i>PNPM-Mandiri</i>. • Extensive experienced in working with international agencies e.g. World Bank and IFAD and in using of consultants. • Current focus on: capacity building of village institutions, empowerment of women, and appropriate technology development. 	<ul style="list-style-type: none"> • Not specific to coastal areas • Very bureaucratic • Decentralisation has broken the line of command from Jakarta to the <i>BPMDs</i> in the provinces and districts • Can lack understanding of the situation and culture in the rural areas of Eastern Indonesia 	<ul style="list-style-type: none"> • Can complement the programme's interventions at village level. • Lead agency <i>PNPM-Mandiri</i>, which has covered all sub-districts since 2009. 	<ul style="list-style-type: none"> • Programme must collaborate with BPMD to ensure synergy of interventions at village level. • Key agency for the IFAD component of <i>PNPM</i>.
Provincial government	<ul style="list-style-type: none"> • Attuned to provincial issues and priorities. • Involved in participatory development through <i>PNPM-Mandiri</i>. 	<ul style="list-style-type: none"> • Poor outreach. • Restricted role (advisory, integration and monitoring) due to decentralisation process. • Cannot raise revenue locally 	<ul style="list-style-type: none"> • Fisheries staff technically strong • Can provide some technical and policy support. • Provincial extension agency exists in some provinces. 	<p>Important to involve because of politics and possibly monitoring. Have responsibility but little authority</p>
District Government	<ul style="list-style-type: none"> • Elected by and legally responsible to communities. • More important role due to decentralisation. • Recipient of substantial government revenues. • Experience with the World Bank assisted <i>PNMP-Mandiri</i>, and other 	<ul style="list-style-type: none"> • Few independent sources of revenue. • Unfamiliar with participatory development approaches. • Limited technical capacity, limited capacity in fisheries extension • Sub-optimal capacity and performance (old and new districts), including weak financial management, lack of transparency, limited 	<ul style="list-style-type: none"> • Opportunity to develop programmes driven by community demands. • Improved extension staff and facilities possible with the creation of district extension agencies. • Districts responsible for formulating and implementing plans to develop their regions. 	<ul style="list-style-type: none"> • Key level for programme implementation

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Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	development initiatives.	technical capacity, high staff turnover. • Majority of expenditure for routine rather than for development. • Audits are rare. • Staffing issues due to funding – i.e. Staff on books versus staff working	• Staffing procedures and movement of staff could be a threat • Lack of capacity to maintain rural infrastructure.	
Sub-district government	• Local knowledge. • Experience with the PNPM-Mandiri • Integrated extension office – <i>unsure on staffing / expertise.</i>	• Lack of capacity and facilities especially in recently established sub-districts. • Insufficient, and lack of knowledgeable, extension staff (current ratio 1:3 or 1:4 villages).	• Opportunities to support the VMUs, SHG and other groups • Extension units require support to provide an effective service.	• Minor level for implementation of CCDP activities
Community/Village government	• Each village required to have a MTDP	•	•	• Key level for implementation of CCDP activities
Service Providers				
Banks (Bank Rakyat Indonesia), Regional Development Bank and Rural Credit Banks)	• Offices in major rural areas. • Good performance ratings. • Well supervised by Bank of Indonesia.	• Conservative practices in particular medium term lending. • Lack of lending products designed for rural areas.	• Potential exists for developing rural financial products. • Willing to increase their activities in rural areas.	• Bank Indonesia has successfully promoted micro, small and medium commercial credit.
Agribusiness organisations	• Good knowledge of local and export markets. • Competent management.	• Most engagement with fisherfolk is informal and non-transparent. • Poorly developed value chains. • Lack of processing / value addition activity in the sub-districts.	• Opportunities to build on existing domestic markets for local products. • Potential to develop local processing for local products.	
International NGOs	• Coral Reef management. • Experience in sustainable fisheries, protected area management. • Key international NGOs : TNC, WWF, Conservation International • Support and assist capacity building of local NGOs through partnership programmes.	•	• Build partnerships with existing organisations. • Develop interaction with provincial and district governments.	• Could have a key role in extension activities, training. •
Local NGOs and service providers, universities	• Organisations with varying expertise, community outreach and knowledge. • Local NGOs active in prevention of destructive fishing • Some have strong grassroots base and advocacy skills. • Important role in developing gender equity.	• Mixed in capacity and commitment, with quite a few being opportunistic commercial service providers without commitment to supporting target communities.□ • Little understanding of whole spectrum of community development skills. • Limited technical and management capacity. • Often established by government staff to supplement their incomes.	• Local expertise is needed to implement programme activities at community level. • Upgrading of skills is essential.	• Training, coordination and guidance required.
Target Group's Organizations				
Formal Village Institutions	• Increased role under decentralisation. • Enlightened and capable formal	• Weak capacity for inclusive decision making and to undertake new responsibilities in the	• Essential role in developing self-management capacity, inclusive	

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Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	leadership is available in some target communities.	majority of target communities. <ul style="list-style-type: none"> Confusion of roles and responsibilities between past and new structures. 	development support, conflict resolution; enabling access to income generation opportunities for all. <ul style="list-style-type: none"> Project groups need to have links with the formal village institutions. Opportunity to embed extension capacity in the village. 	
Traditional/ Informal Village Institutions	<ul style="list-style-type: none"> Established through local initiatives to serve specific community needs, normally associated with cultural or security issues In some cases established because of project imperatives addressing service provisions e.g. PNPM Members have a common interest. Recognised and increased role under decentralisation. Potential to support inclusive decision making processes within formal institutions. 	<ul style="list-style-type: none"> Does not always have legal status. Limited potential if formed solely to receive benefits from short-term government or donor financed projects. Sustainability of some is questionable. Less authority in comparison with formal institutions and with little or no resources. Some replicate village power relations, therefore are unsuitable for empowering the poorest. 	<ul style="list-style-type: none"> Common interest groups will help form village CCDP required organisations 	<ul style="list-style-type: none"> Need to engage established groups in CCDP process Encourage legal recognition of operational groups and facilitate their coordination with local government initiatives

Table 3: Complementary Donor Initiative/Partnership Potential

Donor/Agency	Nature of Project/Programme	Programme Coverage	Status	Complementarity/ Synergy Potential
Asian Development Bank/World Bank; LIPI	<ul style="list-style-type: none"> Coral Reef Rehabilitation and Management Program (COREMAP), Western Indonesia, establishes viable, operational, and institutionalized coral reef management systems in priority coral reef sites in Indonesia. The development objective of COREMAP is to empower and to support coastal communities to co-manage the use of coral reefs and associated ecosystem resources, which will revive damaged or preserve intact coral reef ecosystems and in turn, enhance the welfare of these communities. 	358 villages, seven districts in three provinces	Phase II closing; Phase III in design	<ul style="list-style-type: none">
World Bank/IFAD; Ministry of Home Affairs, General Directorate of Community Empowerment	<ul style="list-style-type: none"> COREMAP (Eastern Indonesia) see above PNPM- Mandiri Rural – National programme that provides block grants of IDR 3.0 billion per sub-district. Villagers engage in a participatory planning and decision-making process that allocates these grants. PNPM aims to reduce poverty, build local capacity, strengthen local institutions and promotes good governance and transparency. PNPM implementation is decentralised to the sub-district and village levels with support from the district and provincial levels. 	All sub-districts	Ongoing	<ul style="list-style-type: none"> Complementary as implementation uses participatory procedures. Finances community infrastructure investment but increased focus on schools, tends not to finance minor infrastructure for productivity improvement e.g. seaweed drying mats, etc.
Ministry of Disadvantaged Regions	<ul style="list-style-type: none"> Programme for Accelerating Development in Disadvantaged Regions (P2DTK) provides block grants to villages. Development Programme in Integrated Production (P2KPT) provides block grants to villages. 	Selected districts and villages	Ongoing	
Ministry of Marine Affairs and Fisheries	National Programme for Empowering Coastal Communities: provides block grants for motors and fishing equipment.	Selected districts and villages	Ongoing	
Ministry of Disadvantaged Regions/ World Bank	Support for Poor and Disadvantaged Areas (SPADA): Participatory planning, block grants for infrastructure (health and education). USD 104 million	32 districts in 8 provinces	Ongoing	
AusAID	<ul style="list-style-type: none"> Support PNPM administrative secretariat – 200 million over 5 years ACIAR pilots – e.g. Pond management and returns on shrimp/milk fish vs grouper NEW PROJECT: AIPD (grant) Currently in design, will focus on rural development / fisheries, and improving governance at the district and sub-district levels 	NTT, NTB, Papua, West Papua, East Java	<p>Ongoing</p> <p>To start 2012</p>	<ul style="list-style-type: none"> Possibility for partnership / cofinancing, working with ACIAR on upscaling NEW PROJECT

Republic of Indonesia: Coastal Community Development Project
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Donor/Agency	Nature of Project/Programme	Programme Coverage	Status	Complementarity/ Synergy Potential
USAID	<ul style="list-style-type: none"> • IMACS – sustainable fisheries management and community resilience to climate change, consolidation of other projects, strengthening GOI at central and local levels • DOJ – strengthening law enforcement to combat illegal, unregulated and unreported fishing • NOAA – capacity building, training , training of trainers 		Ongoing	<ul style="list-style-type: none"> • Cross-over with IMACS
JICA	Support to MMAF. Office in Jakarta MMAF building Current projects: -Rehabilitation of Jakarta Fishing Port -Improvement of post-harvest handling and marketing at wholesale level	Currently no artisanal or small-scale fisheries projects		<ul style="list-style-type: none"> • Quality and hygiene training for SMEs in fish/shrimp industry in 2010 (but participants selected by MMAF) – possibility for partnership in training , cofinancing (?) in Bali
FAO Regional	Regional Fishery Livelihood Support Programme , local office in Kupang Post-harvest handling, seaweed culture, processing and packaging, co-management and microfinance	USD 19 million across 6 countries	Project office in Bangkok	<ul style="list-style-type: none"> • NEED MORE INFORMATION
GTZ?				
???	TNP2K			
Coral Triangle Initiative – multi donor / region	Manage key Marine Protected Areas,			

Table 4: Target Group Priority Needs and Programme Proposals

Typology	Poverty Levels And Causes	Coping Actions	Priority Needs	Programme Response
Subsistence-oriented coastal communities	<ul style="list-style-type: none"> Lack of participation in village government processes. Insecure land tenure Poor productivity Non availability of finance for on-farm investment and production. Lack of basic infrastructure (roads, water). Lack of participation in markets for produce. Low skill levels. Limited or no extension services. High post-harvest losses. Lack of market access and information. 	<ul style="list-style-type: none"> Any surplus sold or bartered immediately after harvest. Overfishing / exploitation Largely subsistence farming with little relationship to markets. Low productivity production methods. The target groups adopt the following strategies: <ul style="list-style-type: none"> Use low quality or no inputs. Rely on self-taught techniques. Use inadequate storage / ice 	<ul style="list-style-type: none"> Capacity building for village administrations and community organisations. Access to technical and marketing information and opportunities. Training in aquaculture , pond management , sustainable fisheries production, resource management Training in business management and marketing techniques. Appropriate, production-oriented rural financial services. Improved rural infrastructure. Provision of inputs at affordable prices. Training fishers as village extension workers. Proper training on harvesting techniques, grading, and handling. Facilities for storage, suitable transport containers. Promote village level bulking points and direct links to traders. Diversify incomes through agricultural processing. Develop and improve market information systems (information on prices, seasonality, handling constraints, and emerging relevant technologies. Facilitate exchange of information between all elements of the value chains; create/support producer, farmer groups and self-help groups. 	<ul style="list-style-type: none"> Invest in capacity building. Finance installation of appropriate infrastructure. Develop the capacity for saving and financial management for poor groups. Provide technical information and training. Develop market linkages and develop key value chains Provide technical information and training to increase productivity and quality of produce to meet market demands. Ensure that development proposals are environmentally appropriate
Poor fishery/marine-based HHs with limited access to productive assets and/or	<ul style="list-style-type: none"> Low productivity due to lack of appropriate technology. Low market value of the marine 	<ul style="list-style-type: none"> Surplus production sold or bartered immediately after harvest. 	<ul style="list-style-type: none"> Access to finance, information and technology to assist with production and income- 	<ul style="list-style-type: none"> Promote income earning opportunities through enterprise development.

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Typology	Poverty Levels And Causes	Coping Actions	Priority Needs	Programme Response
marine resources	<ul style="list-style-type: none"> resources Lack of access to finance, markets and technology. Marine degradation, pond viruses. 	<ul style="list-style-type: none"> Fishermen use unsustainable practises in order to survive. Low productivity production methods. Informal and non-transparent business linkages, informal credit at high cost. 	<ul style="list-style-type: none"> earning opportunities. Better employment and income-earning opportunities. Improved rural infrastructure, including irrigation. Better access to services to enhance or establish rural SMEs. 	<ul style="list-style-type: none">
Poorer and risk averse HHs without reliable marine resource-access enabling assets	<ul style="list-style-type: none"> Part-time and non-reliable income from the fishery Income opportunities from alternative sources (on-farm, off-farm) are limited Limited labour (i.e. female-headed households) 	<ul style="list-style-type: none"> Wage labour (on boats, casual work, etc.) Fish trading/processing (female-headed households) 	<ul style="list-style-type: none"> Reduce vulnerability to shocks Access to saving opportunities 	<ul style="list-style-type: none"> Gradually strengthen financial basis through provision of saving opportunities When mature, provide opportunities to start enterprises
Women in the poor/poorer HHs	<ul style="list-style-type: none"> Very limited role in production related activities of the fishery except for seaweed farming, gleaning, etc. Income earning opportunities in post harvest activities (local fish trading and processing) are limited. Lack of opportunities for participation in community decision-making and government. 	<ul style="list-style-type: none"> Small-scale village processing , seaweed production Poorly paid wage labour. 	<ul style="list-style-type: none"> Greater opportunities for participation in community governance. Labour saving infrastructure and services Better access to income earning opportunities 	<ul style="list-style-type: none"> Mainstream gender. Women to be represented in Village Working Group. Target women for saving groups Community infrastructure works designed to raise productivity of women and improve their livelihoods, such as drinking water.
	•	•	•	

Table 5: Stakeholder Matrix/Programme Actors and Roles

Component	Coverage	Perennial Institutions Involved	Potential Contractors/ Periodic Inputs	Other Possible Partners in Execution
<u>Community Empowerment, Development and Resource Management</u>	<ul style="list-style-type: none"> • Programme sub-districts 	<ul style="list-style-type: none"> • Village administrations • Community groups • District government • Private/NGO service providers 	<ul style="list-style-type: none"> • NGOs , civil society organisations • Private service providers 	<ul style="list-style-type: none"> • Consultants • Other complementary projects and programmes.
<u>District Support for Marine-Based Economic Development</u>	<ul style="list-style-type: none"> • Programme sub-districts 	<ul style="list-style-type: none"> • Village institutions and Community groups • Marketing enterprises • Local consultants • MMAF • District Governments • Ministry of Finance • Bank Indonesia • Participating banks 	<ul style="list-style-type: none"> • Local research centres • NGOs • Specialist consultants • Private service providers • Specialist government agencies 	
Institutional Capacity Building and Project Management	<ul style="list-style-type: none"> • Programme sub-districts 	<ul style="list-style-type: none"> • MMAF • Village institutions • District governments • User groups 	<ul style="list-style-type: none"> • BAPPENAS • BAPPEDA • 	<ul style="list-style-type: none"> • External consultant(s) for M&E/RIMS design • IFAD Supervision and Implementation Support Missions.

APPENDIX G
CCDP – SCALING UP

CCDP – SCALING UP

1. The Coastal Community Development Project (CCDP) has been designed to enable it to be replicated and scaled up. The project involves a series of interlinked activities and a range of development approaches that will be implemented in different locations in Eastern Indonesia on a limited scale to enable project management to pilot, test, adjust and develop project activities and approaches in different physical, cultural and social contexts. The government – with the Ministry of Marine Affairs and Fisheries (MMAF) being responsible – sees CCDP as the first in a series of district based interventions that will be implemented in a number of locations, both in Eastern Indonesia and potentially across the country as a whole.
2. The aim of this appendix is to present the dynamics for replication and scaling up of the project and the activities that comprise the project, including – the rationale for scaling up, what will be scaled up, process for scaling up, responsibility and context for scaling up, when to scale up, and how to finance scaling up. The annex is structured adopting the IFAD scaling up framing questions.

1. Why scale up?

	<p>The overall goal of the Coastal Community Development Project is reduction in poverty and enhanced economic growth in active poor coastal and small island communities. The project goal would be achieved through increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities.</p> <p>The project has three outcomes, each linked to the project's investment components: (i) target households implementing profitable marine-based economic activities with no detrimental effect on marine resources; (ii) expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries/marine operations; and (iii) the project is being managed efficiently and transparently for the benefit of the project's target households and communities.</p> <p>The innovative approaches and development initiatives, combining marine production with business/value chain development within a poverty alleviation context, if proved successful, would be relevant and attractive to many communities and districts throughout Indonesia.</p> <p>The Project has been designed with the expectation that it will be scaled up both within the selected provinces and districts, and to other provinces nationally. The project design contains a number of features to facilitate and support the scaling up agenda, and milestones to ensure that this occurs. This includes innovative aspects such as an the approach to co-management of coastal resources; an approach for "crowding-in" by other interested groups in the area is expected to be the most effective mechanism for scaling-up; promoting access to finance which is critical for scaling-up and for future replication of enterprise group investments; and catalysing growth of 1-3 high potential value chains in each district, which will make it easier for future prospective enterprise groups and individual producers to access these market opportunities once local supply chains and better market networks and infrastructure are up and running.</p>
	<p>Indonesia is working towards becoming the world's largest fisheries producer by 2015. This will require a three-fold increase in production. Small-scale fisheries currently account for 92% of production. This provides a substantial opportunity for the estimated 7.9 million fishers living in poverty, who constitute 25.1% of the total poor population.</p> <p>The communities included within the project represent a small portion of the potential population that could benefit from project interventions. While it is difficult approximate how many communities could potentially benefit from the project approach, it is estimated that there are 600,000 fishing households living in 10,000 coastal villages in Indonesia, many of which are poor but have potential to improve their livelihood through project activities.</p> <p>While the marine resources constitute a vast renewable natural capital and source of economic growth, effective management presents a substantial challenge. In the past, marine management was directed primarily from the centre, but in recognition of constraints imposed by the huge distances and physical, cultural and administrative complexities, the government in 2001 introduced a decentralization policy that transferred much of the responsibility to the districts. This provides important space for potential replication and scaling up.</p>

	Ministry of Marine Affairs and Fisheries, working together with IFAD
	<p>The project approach is new but builds on a number of lessons that have emerged from past donor-supported programmes and projects and from experience implementing similar interventions in Indonesia. In particular, the CCDP draws on experience and lessons learned from other programmes such as PEMP, PNPM-Mandiri KP, MCRMP and COREMAP. The management of knowledge will play an important role in the project, giving effect to the piloting, replication and scaling up nature of the design. Knowledge management would serve as a foundation for replication of project successes; provide the analytical abilities to resolve challenges for the project, and helping adapt project activities to changing environmental, social and economic circumstances in the project areas. The inclusion of support for the four regional technical centres that focus on knowledge management, both in support for the project's knowledge management activities and in developing capacity for broader knowledge management is critical input into the scaling up of the project.</p>

2. Vision?

Scale	<p>The CCDP will target 12 districts, in 9 provinces, which been selected for inclusion in the project based on their ability to successfully participate in project activities, including demonstrated political and financial commitment by the districts, qualifying numbers of poor coastal and small island communities, the potential for increasing incomes from fishing and marine operations, and the scope for scaling up activities to other districts.</p> <p>15 coastal and small island villages in each of the 12 districts have been selected based on inter alia: (i) poverty level, (ii) demonstrated motivation and successful participation in previous programmes, (iii) potential for marine and fisheries production and value addition; and (iv) inclusion of small islands in each location. A total of 180 villages would be involved. It is estimated that of the approximately 660 households within an average project village, approximately 60% would be involved directly or indirectly in project fishing, aquaculture and other marine-based activities. It is estimated that 70 000 fishing/marine households would benefit from the project, equivalent to about 320 000 people.</p> <p>Additionally, the project has clear targets for replication and scaling up by project completion: (i) at least 24 additional districts have commenced implementation of CCDP approach and activities by the end of the project; and (ii) project extended to at least 60 additional villages in the 12 project districts.</p>
Vision	<p>The vision is for the replication and scaling up of the project to expand the reduction in poverty and enhanced economic growth in active poor coastal and small island communities in Indonesia.</p> <p>The scope of the current CCDP responds to needs of only a small percentage of the total coastal communities and poor fisher households in Indonesia. The vision for potential replication and scaling up is based on: (i) coastal and small island communities are poor and often among the poorest communities in the country; (ii) many communities have demonstrated motivation and commitment to improve their economic position and take responsibility for development initiatives; (iii) there are good economic opportunities, particularly for a range of high value marine products, with strong market potential; and (iv) the project approach is fully consistent with and directly supports key government policies and priorities. The project would also respond to the pressing need to address issues of resource degradation and climate change and provide government with experience to replicate/scale up project activities.</p> <p>Replication and scaling-up project activities are explicit elements of the project. This has influenced the selection of districts, that are located in a range of different marine and social environments, and has resulted in the physical and social diversity and geographical spread of project districts from West Kalimantan to Papua. Adoption of such an approach influences the structure and functioning of project management and enables the dispersed project districts to become regional nuclei testing a range of solutions in diverse, but predominantly poor communities. The design would facilitate replication and scaling up in other areas and districts in Indonesia by exposing contiguous districts to the project after mid-term review and enabling them to understand processes and capture lessons learned to facilitate implementation in their own districts. Based on knowledge, results and learning generated by the project, IFAD will engage government and other development partners in policy dialogue to facilitate the scaling up of the project.</p> <p>An initial list of 48 additional districts has been developed by Government where there are immediate replication potential, expressed interest, and who have met the pre-conditions for participation in the project (refer to attachment 1).</p>

3. Drivers

Leadership	<p>The Ministry of Marine Affairs and Fisheries (MMAF) provides the leadership for the project implementation and the eventual replication and scaling up of the project. MMAF is responsible for the fisheries sector and has a mandate to manage and conserve coastal areas and promote the sustainable use of fish and marine resources for economic growth in coastal and small island communities. MMAF approach is articulated through four policy themes: 'pro-poor, pro-job, pro-growth and pro-sustainability'. The policy is to be implemented through a series of strategies, the most important of which are: 'Minapolitan', Entrepreneurship, Networking, Technology and Innovation, Empowering, and Institutional Strengthening of Community Groups. The strong commitment to the community and to poverty reduction and the need to address them through market focused initiatives and enterprise development, with an emphasis on community groups, provides important orientation for the current project. Resource conservation and measures to combat effects to climate change and climatic events, such as the recent tsunamis, have been given an important emphasis in government strategies.</p>
Champions	<p>The champions to drive the project scaling up agenda are: (i) Government (National, Provincial and District) in line with its policy objectives of economic development, poverty reduction, and decentralization; (ii) the private sector through its engagement in strengthened value chains and emerging market opportunities; (iii) the coastal communities and local leadership, both old and new, who will establish demand for extended project assistance.</p> <p>The MMAF has made a clear statement that it intends to expand the scope of the project to cover more communities and more districts.</p> <p>The prime responsibility for implementation will be with the CCDP Project Management Unit working within the MMAF. Scaling up to additional villages within project districts will be the responsibility of the District Project Implementation Unit with support from the National Project Management Unit.</p>
External Catalysts	<p>The main external catalysts supporting scaling up are: (i) the political imperative to reduce poverty and promote economic development in poor coastal communities – 25.1% of the total poor are estimated to be fishers and many coastal communities are the most disadvantaged in the country; (ii) economic development and sector growth potential through a renewed emphasis on developing Indonesia blue economy driven by small-scale fisheries; (iii) market demand – both domestic and international; (iv) social imperatives – coastal communities are some of the most disadvantaged in the country.</p>
Incentives	<p>There are various political incentives driving the scaling up of the project. The National Government has announced its intent for developing Indonesia's 'blue economy' and has a long standing commitment to reducing poverty and improving economic development in remote areas. This provides an incentive to ensure the project benefits are spread widely. The Provincial and District Governments now have greater decentralized authority, discretion over resource allocations, and accountability to their constituents. There is considerable demand from other communities to engage and benefit from the project. This creates incentive for potential political return for local governments to participate and assist their constituents promotes economic development in coastal communities.</p> <p>In terms of economic incentives, the demand for improved incomes for families involved in fisheries and marine activities in poor coastal and small island communities strengthens the support for replication and scaling up. The identified market opportunities and potential for households implementing profitable marine-based economic activities with no detrimental effect on marine resources and the expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries/marine operations provides a key driver for scaling up.</p>

4. Spaces

Political Space	<p>There is strong political commitment for promoting economic development and poverty reduction in disadvantages areas, particularly in Eastern Indonesia. While decentralisation is still very much 'work in progress', with weaknesses still apparent in many district institutions, it has allowed strategies to be tailored to the specific needs of coastal communities and facilitated more timely and participatory decision making with regard to local resource management and provision of services. In alignment with the government's pro-poor approaches, the decentralisation policy has been accompanied by a series of government programmes that focus on community empowerment and</p>
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	<p>reflect an increasing emphasis on co-management and traditional approaches to local resource management.</p> <p>The political commitment to the project and to expanding the project has been affirmed by the government during the design process. In fact, the government initiated a project design that would cover 27 districts within 21 provinces. It will be IFAD's role during project implementation to ensure flow of knowledge and information to inform policy dialogue and to ensure a focus on replication and scaling up.</p>
Policy Space	<p>Current Government policies create adequate policy space for the replication and up scaling of project activities. The current national focus on the development of the fisheries sector through the blue economy initiative in particular aligns closely with the project scaling up objectives. The project is also closely aligned with the government's strategy for the sector as captured in the MMAF 2010-14 Strategic Plan. By being pro-poor, pro-job, pro-growth, and also pro-sustainability, it supports the long term project objectives and the interventions contained in the project. The four stated priorities of the MMAF plan are: (i) community empowerment (the foundation of CCDP); (ii) untapped aquaculture (a key priority of project investment in the villages); (iii) growth and transformation of fisheries sector (with particular focus on value chains and increasing value from community production); and (iv) preservation of the marine environment and climate change mitigation.</p>
Natural Resource Space	<p>The Government has the policies in place and support for resource management through community co-management. These policies are already being implemented through a number of projects which include: (i) strengthening local capacity to plan and manage marine and coastal resources sustainably, (ii) improving the availability of and access to quality spatial and biodiversity data and information, (iii) improving the legal and regulatory framework for resource management and compliance, and (iv) using "integrated coastal zone planning and management" to identify viable alternative income-generating activities in coastal zones. These initiatives are fully consistent with the co-management arrangements contained in CCDP. The commitment to community-focused co-management is seen by the government as a long-term commitment.</p>
Knowledge/ Learning Space	<p>Knowledge management would play an important role in the project, giving effect to the piloting, replication and scaling up nature of the design. Knowledge management would serve as a foundation for replication of project successes; provide the analytical information to resolve challenges, and helping adapt project activities to changing environmental, social and economic circumstances in the project areas. The inclusion of support for the four regional technical centres that would focus particularly on knowledge management, both in support for the project's knowledge management activities and in developing a capacity for broader knowledge management will be a critical input into the scaling up of the project.</p> <p>As part of the project's management information system (MIS) and its knowledge management, project management will assemble key information on the implementation of the different sub-components and the activities which comprise them. In addition to providing information to management, this information will be assembled in such a way to synthesize experience and lessons in a form that is easily accessible to new districts interested in taking up project activities. This will then be followed up with an active strategy for communicating and promoting the project to other geographic areas.</p>
Institutional and Organizational Space	<p>The Project recognizes importance of ensuring the necessary institutional capacity is developed to serve the targeted coastal communities and to facilitate scaling up of project activities and approaches in other coastal villages. The project includes a specific sub-component which aims to: (i) facilitate investment in district-level marine infrastructure and services, often through public-private partnerships, in support of the small-scale fisheries and mariculture/aquaculture for the target communities; (ii) provide scope for the district fisheries offices to develop and implement new and innovative approaches on a limited/pilot scale; (iii) improve the capacity of the district, civil society and the business community; and (iv) facilitate scaling up of project activities and approaches in other coastal villages in the district and in similar and often adjacent districts.</p> <p>The project will also contribute to future scaling-up efforts by the government in by substantially raising the practical capacity and experience of DINAS staff to support the development of market-driven enterprise groups and priority value chains, including through links to mainstream bank financing, thus enabling them to more readily apply these approaches in future government programmes (e.g. Minopolitan or its successor programmes). Additionally the project will demonstrate on a large scale in the district a low-cost model for rolling-out basic financial numeracy training to fisher households, which is one of the essential foundational skills in the transition to more market-oriented household production activities.</p>

Cultural Space	<p>The project approach is sensitive to the context and realities of coastal communities and has a community development approach as a departure for project activities. Community empowerment considered as the most effective means to enable poor households to directly benefit from development in their communities. This shapes the way that CCDP would be implemented, provides the main structuring element in the design of the project and is the basis for how project investment activities work and relate to each other. It enhances transparency and accountability in the use of project funds and also dictates how project management functions. But, community empowerment also imposes substantial responsibilities and challenges to deliver successful outcomes. It is critical to successful implementation of the project, from the formation of enterprise groups to the establishment and operation of the project's community infrastructure, and from marine coastal resource management through to promotion of group savings for the risk averse. A key dimension of the project's empowerment process is to respond to demands for economic opportunities based on markets for marine products and services.</p> <p>The coastal communities involved in the project and those that would become involved in scaling up the project in new districts and communities, assume the prime responsibility for the planning, prioritization and overseeing the implementation of the community marine development plans produced by the project. The communities not currently involved in the project are in a position to lobby the district to have the project extended to include their villages. While this would not take place in the first phase of the project, new villages would become involved after the mid-term review and after the end of the project investment period, based on support channelled by the district.</p>
Financial/ Fiscal Space	<p>Indonesia is the largest economy in south-east Asia and has progressed rapidly over the past decade to become a dynamic, highly competitive and decentralized electoral democracy. It has had among the best performing economies in the region over the past few years. It has also made important strides in reducing poverty and promoting equality while enacting policies that create employment opportunities and upgrade skills, improve public services and infrastructure, and start to address a legacy of poor governance. The policy of decentralization has seen the transfer of financial resources and responsibility for decision making over budgets and the allocation of these resources to local governments. Indonesia has a track record of allocating substantial resources to community development initiatives for which responsibility is transfers to local communities for example under the PNPM.</p> <p>The central government has “committed” to the potential replication and scaling up of project activities. This requires further dialogue and follows up during implementation. Also, a number of provincial governments included in the project have expressed interest to replicate the project in other districts within the provinces using their own resources. There has also been interest from other non-project provinces and districts. As responsibility for funding decisions is largely decentralized this creates an enabling environment for the expansion of the project particularly considering the requirement for demonstrated political and financial commitment by the districts to engage in project activities.</p>
Partnership Space	<p>The primary partner for the replication and scaling up of the project is the Government of Indonesia. There is a strong current focus on the fisheries sector and coastal communities (mainly around poverty and economic development issues). The current CCDP involves a partnership with Spain through a Spanish Food Security Co-Financing Trust Fund. There has been interest from other bilateral and multilateral development partners for engagement in the project which needs to be further pursued during project implementation. The project will seek to actively share knowledge, results and lessons learned with other development partners to facilitate dialogue and partnership development.</p>

5. Pathways

Which pathways?	<p>The project will adopt various pathways to ensure the replication and scaling up of the project. During the project lifecycle, the CCDP has a target to life of the CCDP target to engage in an additional 24 districts and to expand to at least 60 additional villages in the 12 current project districts</p> <p>For the replication of project interventions in new districts, during design a number of additional districts expressed interest in participating in the project – participation was contingent on a district meeting certain prerequisites: demonstrated commitment and institutional capacity to manage the project interventions; sufficient number of poor villages with sustainable production potential; and willingness to make a budget contribution to the financing of the project. In addition to the 12 districts that were</p>
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	<p>selected, some 48 other districts expressed interest and met the pre-conditions for participation (see attachment 1). In addition to these districts, the provinces within which the project districts are located have expressed interest in extending the project to other districts within their provinces. Besides the institutional support proposed by the provinces, some provinces have stated that they would be willing to make a budget commitment towards the financing of the project interventions in these new districts. In both cases, the interest was to scale up the full set of project interventions.</p> <p>For the replication of the full set of project interventions, in new villages within the same districts, the average number of villages selected within a project district will be 15, though the number could be less or more depending on the performance of the district in implementing project activities in the first nine villages. However, in a number of these districts, especially the larger ones, there will be some villages that will not be able to participate in the project, even though they meet all the prerequisites. These villages represent another potential for scaling up the full set of project interventions.</p> <p>For the replication and scaling up of specific project approaches, activities and sub-components, while the most common scaling up is expected to be for the full set of project interventions – i.e. the full project – it is expected that there could be interest in scaling up certain approaches, or activities, or maybe sub-components. For example, the project approach to resource co-management contained in Sub-Component 1.2 is innovative and could be attractive for other projects or government programmes to adopt if provided to be successful and replicable. Similarly, the approach to value chain analysis and the subsequent market arrangements established with processors and exporters could be attractive to replicate, as could the innovative vulnerable savings scheme. In each case, careful attention to knowledge management would be required.</p> <p>The general approach will follow a series of steps that are relevant for scaling up CCDP regardless of where the scaling up will take place and what will be scaled up. They involve: (i) documenting project experience and assembling it into a readily accessible set of material; (ii) promoting the project and soliciting interest from districts (and provinces) in taking up project activities; (iii) organizing information sharing and exchanges to give exposure to project activities with interested districts; and (iv) mobilizing financing and facilitating access to budget. IFAD through its local office and supervision and implementation support will play a key and critical role in supporting the MMAF in facilitating scaling up,</p> <p>After mid-term review, with support from IFAD, the Project Management Office will organize sessions to discuss the implementation of the project with districts and provinces that have expressed interest in starting up the implementation of CCDP activities using the documentation referred to above as the basis for the working sessions. Exposure sessions with project implementers in selected districts will be organized to enable district and provincial officials to experience how the project is being implemented first hand, including working sessions with district Project Implementation Unit staff and with project teams in the villages. The four regional technical centres would focus on the project's knowledge management activities and in developing a capacity for broader knowledge management as an input into the scaling up of the project. The development of a participatory village networks would also enhance the project overall impact through sharing of experience, improving local knowledge and raising awareness, and facilitating communication of successful strategies and technologies. This would enable scaling up of sub-component activities and increasing the project village's ability to continue project activities after project support terminates</p>
Time Horizons	<p>The project has two time scales for replication and scaling up: during project implementation and post project. During the project implementation period, there are clear targets for replication and scaling up (24 new districts and 60 additional villages). For post-project and the potential further expansion, dialogue will intensify at mid-term review when decisions over future project investment will be taken in consultation with Government.</p> <p>In terms of the specific timing, the focus on replication and scaling up will deepen after the mid-term review when CCDP's project management will have been able to establish knowledge management processes and have captured the experience of project implementation over the first 2-3 years and be able to prepare material to help disseminate project learning to other districts. The mid-term review also provides a milestone for IFAD to intensify its dialogue with Government at national and provincial levels to advocate the replication and scaling up of project activities and focus on the post project period.</p>

Role of Drivers and Spaces	The successful scaling up of the CCDP will require the key drivers (leadership, champions, external catalyst) to take advantage and further develop the space(s) for the initiative to grow. There is enabling environment (spaces) for the project to move to scale which will be further developed based on the CCDP implementation experience and the successful management of learning and knowledge. The implementation of CCDP will further open key spaces such as partnership through investing in consistent dialogue and communications, fiscal space through demonstrated impact and EIRR and FIRR, and particularly learning space around results.
Obstacles and Risks	One of the main project risks is that other villages and other districts will not take up project activities thus negating an important justification for the project. While there is always a risk that other villages and districts will not understand or appreciate the benefits of project activities and not be motivated to take them up or that they would be limited by availability of finance. However, the design incorporates a number of measures that mitigate against this risk: (i) the design incorporates the involvement of other villages and fisheries agency officers in the implementation of CCDP through exposure visits, participation in different phases of project implementation, dissemination of success stories and experience with project implementation and inter-village exchanges; (ii) government has confirmed that it intends to use the experience in CCDP to extend its programme of block grants for activities being implemented under the project, most likely through an extension of the PNPM-Fisheries Programme, and has the budget to do so; in fact, a number of provinces have already made commitments to finance extensions of programme activities to adjacent districts; and (iii) the group enterprises to be used in the project would not need matching grant financing to be replicated as it has been demonstrated that these enterprises would be viable with loan financing.

6. IFAD's Role

IFAD's Specific Role	<p>IFAD has an important catalytic role to play in facilitating scaling up of the project and encouraging the involvement of additional villages in project activities. This responsibility combines assembly of information, experience and lessons learned through support for the project's knowledge management system. In conjunction with this process, IFAD will make available information/experience from other of its projects that are active in supporting scaling up. This could be done through providing lessons and best practices and also organizing exchanges between CCDP and other similar projects.</p> <p>IFAD's main role will be to support the drivers through capacity building and supervision support; developing and strengthening partnerships and communication with Government (including potential adoptees) and development partners; providing financial and technical support for scaling up process; supporting effective knowledge management and dissemination; engaging in policy dialogue to ensure country and sector policies and strategies are appropriate for the scaling up of CCDP</p> <p>IFAD's involvement in scaling up of the project will depend on the successful implementation of CCDP; the ability of the project to attain the key indicators would help determine the attractiveness of IFAD's becoming involved in a subsequent phase in which the project would be scaled up. The key indicators to monitor will be those linked to the Project Goal, the Development Objective and those linked to the three project outcomes.</p>
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Attachment 1
CCDP DISTRICTS: REPLICATION/SCALING-UP POTENTIAL

No.	Province	District/City	Previous Projects / Remarks	Replication Potential
1	Papua	Merauke	PEMP, PNPM MKP, MINAPOLITAN, Remote area, Poor and traditional coastal community	Marine indigenous knowledge (Marined tribes) who has marine customary right "sasi" can be replicated to Southern Papua Province such as: i. District Mappi, ii. District Asmat, iv. District Timika, and v. District Bovendigul.
2		Yapen	PEMP, PNPM MKP, MINAPOLITAN, Remote area, Poor and traditional coastal community	Marine indigenous knowledge (Marined tribes) who has marine customary right "sasi" can be replicated to Southern Papua Province such as: i. District Waropen, ii. District Biak, and iii. District Supiori.
3	Maluku	Maluku Tenggara	PEMP, MINAPOLITAN	Key tribes and customary right "sasi" can be replicated to other districts such as: i. District Tual, ii. District Maluku Tenggara Barat, and iii. District Aru Islands, and iv. District Maluku Tenggara Barat Daya.
4		Ambon City	PEMP, PNPM MKP, MINAPOLITAN	Declared as The National Fish Centre; Sail Banda 2010 a Collaboration Program MMAF, Ministry of Tourism, Ministry of Youth and Sport and Maluku Province Government and many other Institution; Key tribes and customary right "sasi" can be replicated to other districts such as: i. District Maluku Tenga, ii. District Buru, and iii. District Buru Selatan.
5	North Maluku	Ternate City	PEMP, PNPM MKP, MINAPOLITAN	There is a historical experiment for being a local kingdom, Key tribes and customary right "sasi" on Marine Management can be replicated to other districts such as: i. Tidore Islands, ii. Halmahera Utara, iv. Halmahera Selatan, and v Halmahera Barat.
6	Gorontalo	Gorontalo Utara	PEMP, PNPM MKP, MINAPOLITAN	Declaration of Minapolitan; potential replication to neighbour districts such as: i. District Gorontalo; ii. Gorontalo City, and District Pahowato.
7	North Sulawesi	Bitung City	PEMP, MINAPOLITAN	Bitung as a fishing industrial city in Eastern Indonesia and can be replicated to the northern Sulawesi districts such as: i. District Minahasa; ii. District South Minahasa; and iii. District North Minahasa
8	South Sulawesi	Pare-Pare	PEMP, PNPM MKP, COREMAP II, MINAPOLITAN, Remote area	Development based on conservation, aquaculture, fishing capture and marine ecotourism which can be replicated to other districts such as i. District Luwu and Luwu Timur
9		Makassar City	PEMP, PNPM MKP, MINAPOLITAN	Improving economic growth after coastal reclamation; integrated marine estate which can be replicated to other district such as 1. District Maros; ii. District Bantaeng, iii District Pangkep, and District Bulukumba.
10	West Nusa Tenggara	Lombok Barat	PEMP, PNPM MKP, MINAPOLITAN	High potency in traditional pearl culture and can be applied in other Districts in : i. District Central Lombok; ii. District Eastern Lombok, and iii. District Northern Lombok.
11	East Nusa Tenggara	Kupang District	PEMP, COREMAP II, MINAPOLITAN	Part of Sawu integrated conservation area and can be integrated with others districts such as i. District Flores Timur, ii. District Rote N Dao, iii. District TTU and iv. District TTS
12	West Kalimantan	Kubu Raya	PEMP	Part of Karimata strait cooperative regional governmental due to marine and coastal management area; other district in West Kalimantan, especially to : i. District Pontianak; ii. District Sambas, iii. Dsitric Singkawang, and iv. District Ketapang
13	Bali	Badung	PEMP, MINAPOLITAN	The best implementation of PEMP; collaborative management between social/culture unique and economic management and can be replicated in many sites such as Klungkung, Buleleng, Jembrana, and Tabanan.