

## **Republic of Indonesia**

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### **Coastal Community Development Project**

### **Mid Term Review report**

#### **Volume I**

#### **Main report and appendices**

Mission Dates: 12 September – 1 October 2015  
Document Date: 18-Nov 2015  
Project No. 1621  
Report No: 3907-ID

Asia and the Pacific Division  
Programme Management Department



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## Abbreviations and acronyms

AOS	Annual Outcome Survey
APBD	Local government budget
APBN	National government budget
AWPB	Annual Work Programme and Budget
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah (Regional Development Planning Agency)</i>
BUMD	<i>Badan Usaha Milik Daerah</i> (Local Government Owned Enterprise)
BUMN	<i>Badan Usaha Milik Negara</i> (State Owned Enterprise)
Bupati	Administrative head of a district
CBCRM	Community Based Coastal Resource Management (Group)
CCDP	Coast Community Development project (including small islands)
CPUE	Catch Per Unit of Effort
Desa	An administrative village
Dinas	District agency
DIPA	National annual budget
DKP	<i>Dinas Kelautan Dan Perikanan</i>
DOB	District Oversight Board
EA	Extension Agent
FY	Financial Year
GAP	Gender Action Plan
GoI	Government of Indonesia
HH	household
HP	Horse Power
IDR	Indonesian Ruppee
IFAD	International Fund for Agricultural Development
KKP	<i>Kementerian Kelautan Dan Perikanan</i> (Ministry of Marine Affairs and Fisheries)
KM	Knowledge Management
M&E	Monitoring and Evaluation
MIS	Management Information System
MMAF	Ministry of Marine Affairs and Fisheries
MoU	Memorandum of Understanding
MTR	Mid Term Review
MWECP	Ministry of Women Empowerment and Child Protection
NGO	Non-governmental organization
NSC	National Steering Committee
Pedum	<i>Pedoman Umum</i> , or general guidelines
PEMP	<i>Programme Nasional Pemberdayaan Masyarakat</i>
P-IRT	<i>Pangan-Industri Rumah Tangga (Food - Home Industry)</i>
PIU	Project Implementation Unit
PMO	Project Management Office
PNPM Madiri KP	Coastal Community Economic Empowerment Programme
Pokmaswas	Community resources monitoring and enforcement group
Posyandu	<i>Pos Pelayanan Terpadu</i> or integrated health service post
ToT	Training of Trainers
TPD	<i>Tenaga Pendamping Desa / Community facilitator</i>
RIMS	Results and Impact Management System
SME	Small and Medium Enterprise
VIC	Village Information Centre
VWG	Village CCDP Working Group
WA	Withdrawal Application

## Indonesia

### Coastal Community Development Project

#### Design report



10-11-2011



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

## A. Introduction<sup>1</sup>

1. The Coastal Community Development Project (CCDP) was approved at IFAD's Executive Board in September 2012. The total project financing is US\$43.2 million which consists of: an IFAD loan (No. I-880-ID) of US\$24.2 million; an IFAD grant (No. I-C-1392-ID) of US\$2.0 million; a US\$7.8 million loan from the Spanish Food Security Trust Fund (No. E-16-ID); government contribution of US\$7.1 million; and beneficiary contributions of US\$2.1 million. The Project became effective on the 23 October 2012 and the project completion date is 31 December 2017. The goal of the CCDP is reduction in poverty and enhanced, sustainable and replicable economic growth among the active poor in coastal and small island communities. The Project's development objective is increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities. The Project has three investment components: (i) Community Empowerment, Development and Resource Management; (ii) District Support for Marine-Based Economic Development, with two Sub-Components: District-Level Investment and Capacity Building; and Market and Value Chain Support; and (iii) Project Management.
2. A Mid-Term Review (MTR) was undertaken from 12 September to 1 October 2015 to review the performance and implementation progress of the CCDP, in accordance with the Project Financing Agreement and the relevant IFAD procedures and requirements. The MTR's main objectives were to: assess the project's progress towards achieving its objectives; review the project's performance in terms of effectiveness and efficiency; and generate lessons learned over the first half of the Project to inform recommendations to enhance project management, project impact, and sustainability. The MTR also considered current and expected utilisation of project financing, and made recommendations about fund utilisation over the remainder of the Project.
3. The MTR was conducted in close consultation with key stakeholders (Government, community and enterprise group beneficiaries, civil society, private sector parties, and development partners). The mission consulted with various project stakeholders at the national, provincial, district, sub-district and village levels, and undertook field visits to Kubu Raya District in Kalimantan Barat Province, Ternate city in Maluku Utara, Parepare city in Sulawesi Selatan, and North Gorontalo District in Gorontalo. The field visits enabled inspection by the MTR team of project investments in 17 project villages and discussion with project beneficiaries in those villages, inspection of district level investments in four districts under various stages of completion under component 2 and discussions with the third parties intended to operate and manage the investments, and detailed engagement by the MTR team with 4 PIUs/*Dinas Kelautan Dan Perikanan (DKP)* and other project partners at the district level. The MTR team would like to thank the project staff and consultants, and all government partners, who so ably facilitated their work.
4. Well-attended pre-wrap up and wrap-up meetings were held on the 28 and 29 September and 1 October 2015, and this Aide Memoire reflects the main discussion and decisions made at the wrap up meeting.

## B. Overall assessment of project implementation

5. The overall assessment of project implementation is rated as *satisfactory* and the likelihood of achieving development objectives is considered as *moderately satisfactory* according to IFAD's performance assessment methodology<sup>2</sup>.

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<sup>1</sup> Mission composition: Graeme Macfadyen, Team Leader; Richard Abila, IFAD Senior Technical Specialist – Fisheries & Aquaculture; Pari Baumann, Sociologist; Sumaryo Soemardjo, Financial Management, Procurement and Audit; Sarah Hessel, IFAD Programme Officer - Project Management and M&E; and Isabel de la Pena, Nutrition. The mission was supported by Ron Hartman, IFAD Country Director, and Anissa Pratiwi, IFAD Country Programme Facilitator. The IFAD MTR team was accompanied during field visits by staff and consultants from the PMO, KKP and Bappenas.

6. Assessment of impacts at mid-term can be drawn from the recently completed AOS and RIMS survey which show that project social and economic activities have started to contribute to poverty reduction. The RIMS survey, for example, shows that the level of household welfare has increased significantly since 2013 with significant movement between poverty quintiles; a 50% reduction in the poorest (fifth) quintile which has moved to the poor quintile as well as a decline in the average quintiles (third and fourth) which have presumably moved to the first quintile, as this has increased from 15% to 25%. This shows a general trend of increasing incomes as well as a reduction in extreme poverty. Further outcomes show increased asset ownership and savings, increased food security and an improved natural resource base. The reports also show a trend towards diversified income sources, a lesser dependence on moneylenders, and an increase in beneficiaries providing employment. These figures, which are supported by field impressions, suggest not only reduced poverty but also a reduction in the vulnerability of the poor.
7. From project commencement up to 30 June 2015, the cumulative disbursement rate based on IFAD's data was 37.4% for the IFAD loan, 22.1% for the IFAD grant, and 44.8% for the Spanish Trust Fund loan. The government contribution up to 30 June 2015 was 27.7% of the total amount planned over the lifespan of the Project, and does not include government salaries including extension workers, government operating expenses, office space, equipment, and tax. Beneficiary contributions have been significant through the provision of land, labour and materials. Current estimates, which are likely to significantly under-represent the true contributions as only some items of cost were included and not the 20% contributions required by beneficiaries in enterprise groups, have been estimated at 18.9% of the amount planned for the whole project. The PMO will need to provide more complete estimates of beneficiary contributions before the end of the Project, based on a representative sample. In 2014, the most recent full year of implementation, the Project achieved 88.6% of its Annual Work Plan and Budget (AWPB) target, and project implementation and progress of both component 1 and 2 since the supervision mission in May 2014 and the implementation support mission in May 2015 respectively has been impressive. The last implementation support mission agreed a number of actions to be completed, all of which have been either completed or partially completed.
8. Under component 1, community facilitation, planning and monitoring (sub-component 1.1) has been impressive in terms of: (i) targeting to ensure participation by women and the poor; and (ii) awareness building and mobilisation so that there is good understanding at all levels of the Project and what it is trying to achieve. This has effectively laid the groundwork for coastal resource assessment, planning and co-management (sub-component 1.2) and market-focussed village development (sub-component 1.3). The recently completed Annual Outcome Survey (AOS), and Results and Impacts Management System (RIMS) both provide quantitative evidence that project support for enterprise groups is already contributing to significant impacts on the income, social welfare, and food security of beneficiaries. The mission also obtained a strong qualitative impression of these positive impacts through discussions with project beneficiaries in villages. However, while there are social benefits of group formation that should not be ignored, the financial performance of enterprise groups is very variable, not all groups appear to be financially viable (with capture fishing and marketing groups generally performing the best), and human capacity limitations exist in many. Component 2 activities may serve to improve performance of enterprise groups and the project target is for 60% (not all) of enterprise groups to be sustainable on project completion. Nevertheless the Project should continue to work towards sustainability of the groups, with a particular focus on the processing groups. Challenges also remain in sustaining natural resource management practices.

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<sup>2</sup> IFAD performance ratings are: highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory. The ratings provided in this Aide Memoire should be viewed in the context of this ratings scheme.



9. Under component 2, district level investments (sub-component 2.1) have been agreed in all districts and almost all are now either completed, under construction, or at the final stages of procurement. This represents impressive progress considering the work involved in agreeing investments with all relevant parties, and the procurement processes involved. The project is proposing a range of different modalities for the operation and management of the investments by third parties, the details of which still need to be further clarified and finalised. In addition, the MTR notes that for all but 1 (a packaging house in Kupang) of the proposed district level investment packages, third party partners (private sector, cooperatives, state enterprises, and small and medium enterprises ([SMEs]) have now been identified. Many of the proposed component 2 third party operators are newly formed and lacking in experience, skills and access to funds. Market and value-chain support (sub-component 2.2) has been well planned to reflect the different development opportunities and resource base in different districts, and to link with and support enterprise group activity under component 1. A number of new marketing arrangements and outlets have already been realised, which may also be contributing to the positive impacts recorded in the AOS and RIMS mentioned above. However, as intended in the phased approach planned in the project design, while the Project has laid the groundwork for positive outcomes in terms of expanded economic opportunities they still remain largely to be realised. There is much work to be done for example to operationalise Memorandum of Understanding (MoUs) between communities and buyers of enterprise group products, and to actively facilitate technology transfer and human resource upskilling at the village level to ensure sustainable business relationships between the communities and markets.
10. Project management (component 3) is a particular strength of the project, and offers many lessons of best practice applicable in Indonesia and elsewhere. There is evidence that some of these best practices are already being incorporated into other Indonesian government development programmes and administrative processes. The project management structure is well designed with very effective implementation at Project Management Office (PMO) and Project Implementation Unit (PIU) levels. Effective implementation is fostered by a strong sense of identity and pride with and in the project, high quality staff and consultants, performance incentive mechanisms, innovative and high quality knowledge management, and strong monitoring and evaluation (M&E). Ongoing institutional changes in *KKP* have the potential to impact on the institutional housing of the project, and also on its implementation through changes in staff and policy emphasis. Such impacts should be carefully handled to minimise any disruption to the current successful project implementation.
11. The CCDP design and objective are intended to ensure that the Project tests development approaches for wider replicability in poor coastal communities in Indonesia. Through working in 12 districts and with different types of enterprise groups with very different characteristics and development requirements and performance, the Project has already learned many lessons which are being recorded by the Project and informing its implementation. These lessons, coupled with: (i) the emerging successes of the project; (ii) the strong partnerships being created by the Project with *DKP* and other *Dinas* (for example, health, tourism, industry and trade), and *Wali Kota* and *Bupati* offices; and (iii) active thinking and engagement by the project staff and its partners in preparing for an exit strategy, all provide encouragement that the Project should result in replicability of successful and innovative development approaches as intended.
12. Ultimately however, replicability, and indeed the success of the Project in achieving positive impacts on poverty reduction and sustainable economic growth, will depend on good performance during the remainder of the Project. This in turn requires all project stakeholders to guard against complacency, as well as: (i) a particular focus in component 1 on utilising data now available on the economic performance of enterprise groups to guide support for both existing and new enterprise groups, with high quality facilitation and capacity building; (ii) active mitigation of challenges and risks in component 2 related to identifying third party operators in all cases, and the final arrangements reached with those third party operators of district level

investments—the PMO and PIUs will need to work actively to build the capacity of the third party operators; and (iii) careful handling by the project management of the scaling up process planned for 2016 and 2017.

13. Analysis during the MTR mission suggests that known and anticipated expenditure under the IFAD loan and grant and the Spanish Food Security Trust Fund may reach around US\$28.5 million, or 84% of the funds originally budgeted by project completion. The predictions of likely expenditure until the end of the Project leaves room for the use of funds for new or expanded activities so long as those activities are in line with the project design, objectives, and intended outcomes. Later sections of the Aide Memoire make proposals for the use of potentially remaining funds, none of which imply any re-design of the project. IFAD and the government should work collaboratively to revise project costs, and to assess the implications on the seven Financing Agreement cost categories. If necessary, given IFAD's allowance for flexibility on use of funds by cost category, the Government of Indonesia should propose an amendment to the Financing Agreement for consideration by IFAD. The analysis completed during the MTR also suggests that the Project has been budgeting and managing funds by component and funding source based on an allocation of some costs (e.g. consultants, training) that is different to the original allocation of funds against components and funding sources. This gives the impression that there has been an underspend on component 1 and a likely overspend on component 3, which may not in fact be the case.

### C. Outputs and outcomes

14. **Component 1. Community Empowerment, Development and Resource Management** are considered to be *satisfactory*. The intended outcome from the component is: *target households implementing profitable marine-based economic activities with no detrimental effect on marine resources*.
15. **Sub-Component 1.1 – Community Facilitation, Planning and Monitoring.** This sub-component is rated as *satisfactory*. The expected output is: *marine and fisheries households' development priorities identified, agreed and documented*. The sub-component facilitates a village participatory planning approach and provides the basis for implementation of all project activities within the community.
16. The sub-component operates under the direction of PMO and is facilitated by the National Community Empowerment Consultant and in the regions under the direction of the PIUs and facilitated by the Community Empowerment Consultant. The main operations are carried out by project Community Facilitators, *Tenaga Pendamping Desa (TPDs)* supported by Extension Agents (EAs) from the *DKP*. The investment activities of sub-component 1.1 include: (i) recruitment and training of community facilitators and community empowerment consultants; (ii) forming, training and capacity building of Village Working Groups (VWGs); (iii) carrying out village inventories and assessments and; (iv) participatory community planning and development of marine development plans.
17. The Project is operational in 108 villages with 9 villages per PIU (36 formed in 2013 and 72 in 2014) in 12 PIU districts. The Project intends ultimately to cover around 180 villages. The key outputs of sub-component 1.1 include: (i) 72 *TPDs* with approximately 20% of *TPDs* recruited in the first quarter of 2015 and trained by retained *TPDs*; (ii) 32 EAs posted to cover project sub-districts working alongside *TPDs*; (iii) appointment of a Market and a Community Empowerment Consultant at each PIU, and; (iv) the development of 108 VWGs, 108 Infrastructure Groups, 105 CBCRM groups, 20 Savings Groups, and 1,044 enterprise groups reaching approximately 13,060 households. Virtually all Infrastructure and CBCRM Groups have been successful in submitting proposals for activities, opening bank accounts and utilizing funds to make investments. Procurement for sub-component outputs is on schedule with the recruitment of more project staff for the sub-component as well as completion of many of the contracts for

Mapping and Village Profiling firms and a scheduled procurement of Community Awareness Campaigns in 12 PIU's in the 3<sup>rd</sup> Quarter of 2015.

18. There has been substantial progress made towards the key objective of this sub-component. Supervision missions in 2013 and 2014 noted that the Project had yet to be fully internalised and acknowledged that the Project was difficult to operationalize given the complexity of its scope and ambitions. The MTR finds that the Project has made remarkable headway in establishing a coherent organisational framework with a respected project 'brand' that has legitimacy both amongst project beneficiaries and other stakeholders. Project beneficiaries have a good grasp of the project rationale as well as the purpose and cross-linkages intended by the formation of different groups. The 2015 AOS demonstrated the growing efficiency of sub-component 1.1 as the number of visits by project staff and income and production of beneficiaries is clearly linked.
19. Key issues in building on the organisational framework to further support the sustainable economic and environmental objectives during the remainder of the Project are: (i) PIUs require adequate numbers of *TPDs* and their upskilling to enable them to provide appropriate technical and community facilitation services, along with improved engagement by the EAs; (ii) community group members (in VWG, infrastructure and CBCRM groups) require incentives to encourage participation (subject to government and IFAD requirements); and (iii) project data on the economic potential of different enterprise group types should be reviewed and used to inform further support for existing groups and the formation of new groups.
20. Sub-component 1.1 relies heavily on the capacity of *TPDs*. The PMO has given the PIUs some autonomy to decide on the terms and conditions for *TPDs* (for example should they be required to live in villages they support or not), which is appropriate given the significant contextual differences between PIUs. *TPD* recruitment and training has been managed well and there is now a core of experienced *TPDs*. However a number of key issues identified by the MTR are: (i) whilst the *TPDs* are well trained in social mobilisation and project operation they require further training in technical skills (such as business management, processing, marketing, aquaculture and resource management methodologies). Technical upskilling would raise the credibility of *TPDs* in the communities thus further supporting project success, and could be partly achieved by developing *TPD* focal points for different technical issues in each district to support other *TPDs* on a needs-basis, either remotely or in person. Other mechanisms for upskilling the *TPDs* could be increased use of cross-site visits, and the use of videos on different technical issues (e.g. of coaching clinics), which might be especially cost effective; (ii) some *TPDs* are currently having to support more than one village; (iii) the EAs provide valuable support and their participation is recognised as important for the sustainability of interventions but there are far too few per sub-district to cover all the project villages, and they face many competing demands on their time, meaning that they are unable to fully complete the functions of *TPDs* when asked to do so (as is the case in some districts). The MTR therefore recommends that as a general rule there should be one *TPD* per village and dedicated EAs to support the PIUs. Mechanisms for incentivising the participation of EAs in the project may also be usefully explored.
21. The Project has not yet fully resolved the issue, present since the beginning of the Project, that community groups (VWGs, Infrastructure Groups, and CBCRM groups) do not get any economic benefit for their contributions. The MTR field visits continued to find, not uniformly but frequently, community group members whose contribution is sub-optimal because they consider this unjust. This perception is less frequent amongst VWG members, because they tend to already have leadership positions, because most now get some reimbursement from the local government funds, and because additional project funds are expected/planned. However to ensure continued quality support from the community groups: (i) new community groups could be formed when scaling up, with the aim that members have household participants in enterprise groups and that they are sensitised to the view prior to the group formation, that participation in the Project can be thought of as at the household level (with

- engagement in community group activities with a social and community benefit being partly in exchange for household participation in enterprise groups) and; (ii) vocational training could be provided (e.g. on infrastructure skills) along with cross-visits for community groups subject to government regulations.
22. There is marked variation in the economic performance of enterprise groups and indeed many enterprise groups have yet to realise significant benefits. The first round of enterprise group formation was guided by projections of the potential of different economic activities in different socio-economic contexts. While remaining within the overall project framework, data that are now becoming available from the existing enterprise groups could be usefully analysed and used so that lessons learned can inform community socialisation and market orientated training as part of the new enterprise group formation under the scaling up process in 2016 and 2017. Increased learning exchange between PIUs, especially those performing well and the weaker PIUs, should enhance capacity.
23. **Sub-Component 1.2 – Coastal Resource Assessment, Planning and Co-Management.** This sub-component is rated as *satisfactory*. The expected output is: *community-based marine resource management areas being managed effectively*.
24. All of the 108 villages in which the Project is already working have successfully constructed a Village Information Centre (VIC). The VICs have been built on land provided free of charge by villages, with indicative designs in the *Pedum* CCDP being adapted to suit the needs of individual villages. The quality of construction of the VICs is generally good based on the observations of the MTR team and earlier supervision and implementation support missions, and the VICs are now being used as a location for discussions, socialisation, and empowerment, and for meetings and the sharing of project and natural resource information. A particular feature of the VICs is their use as venues for a broad range of additional community activities. Operational and maintenance costs are minimal and being provided for by the communities.
25. Progress over the first half of the Project has also included the establishment of 105 village community based coastal resource management (CBCRM) groups. The Project is taking a phased approach to the development of CBCRM groups whereby group formation is: first centred around village data collection and inventories (working with consultants/universities contracted by PIUs) and conservation activities based on the specific needs in different villages as assessed by the groups themselves (e.g. mangrove re-planting, fisheries surveillance, beach clean-ups); then strengthened through support for traditional/customary arrangements, the enactment of village/local regulations, and the creation of no take zones; and finally used to establish integrated coastal managements (ICM) plans. The development of these plans is in line with current priorities of the government, but remains very much work in progress with some PIUs having many plans already in place and others very few. Some local marine/fisheries management regulations have already been enacted, and the Project has completed awareness-raising and coaching clinics for the creation of ICM plans being developed in association with HAPPI (the national association of coastal management experts) and PIUs, and funded by the Project. A crab management plan has also been developed in Kubu Raya and the Project has started to work on the collection of catch per unit of effort (CPUE) data as suggested by earlier missions, in both cases so that it can be assured that component 1 activities result in *no detrimental effect on marine resources* (the second part of the component 1 outcome).
26. Given the high dependence in villages on marine resources to support livelihoods, and value chain linkages between the catching sector and downstream marketing and processing activities being supported by the Project, effective coastal resource management and sustainable resource exploitation are essential in underpinning the economic and social well-being of the CCDP's beneficiaries, and ultimately therefore for achievement of project objectives. This in turn means that while there is no target for the number of CBCRM groups

which should be sustainable on project completion (as there is for enterprise groups), their continued functioning is important not just to support the intended output of the sub-component, but also in support of the component 1 outcome. In many villages there appears genuine understanding of the importance of the CBCRM groups and the need for marine resource management, however important issues are: (i) while some *new* management arrangements have resulted from project activities, these are limited in number to six; (ii) the sustainability of the CBCRM groups appears strongly dependent on their ability to earn revenue (for example from eco-tourism, selling of harvested products such as honey, or from fishing using the boats/engines provided by the Project on some days and conducting fisheries surveillance activities on others), incorporation of some group activities into the *DKP* activities, and CBCRM group integration in ICM processes with ICM plans providing the basis for funding through the new Village Law (UU Desa No. 6/2014); (iii) the legal basis for CBCRM groups to enforce fisheries management rules is limited; (iv) the Kubu Raya crab management plan remains largely to be implemented; (v) the Project still has to fully implement earlier mission suggestions to generate CPUE data using records maintained by capture fisheries enterprise groups, and work is now underway.

27. When establishing new CBCRM groups in new villages as part of the scaling up process planned for 2016 and 2017, lessons learned from project experience should be incorporated, and include: (i) trying to include teachers (or other informal community leaders) in CBCRM groups because of their ability to positively influence the wider community, through access to the young and because of their social status in the villages; (ii) ensuring where possible that CBCRM group members have family members as part of enterprise groups (as discussed under sub-component 1.1 above); (iii) revenue generating activities are however considered where appropriate and in the context of good natural resource management (and taking care that the main purpose of the groups is natural resource management not revenue generation); (iv) CBCRM group investments should be made where possible *as part of* coastal marine co-management and ICM plans; (v) when third parties (universities, consultants) are used to prepare village coastal resource inventories in new villages, the CBCRM groups should be involved in this process where possible to build their capacities; and (vi) the potential for project groups to increasingly link with other government and civil society initiatives aimed at resource management.
28. **Sub-Component 1.3 – Market Focused Village Development.** This sub-component is rated as *moderately satisfactory*. There are two expected outputs of this 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*.
29. **Savings Groups and Group Savings.** The design concept of the savings group activity was to enable approximately 40 extremely poor and risk-averse households per village to accumulate sufficient funds to form enterprise groups. This design concept has faced challenges since project inception, and earlier supervision missions have agreed that the savings group schemes in the design are not that relevant, because: (i) the Project already targets extremely poor households and it was not considered legitimate to target within this group; (ii) the enterprise groups do not require assets to enable participation as contributions are in-kind and accessible even to the most vulnerable households and (iii) it did not fit with any government programmes.
30. The May 2014 supervision mission agreed that the PMO would review the suitability of various alternative modalities for savings and rural finance that would satisfy the intent of the design concept. The following modalities have since been identified and implemented: (i) the enterprise groups have been required to hold a group savings account from which members can borrow with the obligation to return loan amounts to the group; (ii) savings groups are provided with seed capital, usually between IDR30 million and IDR40 million to on-lend, based on a Grameen bank-type approach. These operate using different rules and operating guidelines in different PIUs; (iii) the capacity of existing micro-finance institutions to service the

Project will be enhanced to serve the project area - in North Gorontalo training has already been initiated.

31. There are now 20 operational savings groups: Yapen and Makassar have 6 and 4 respectively; the other PIUs have less than 4; and some PIUs do not have any. The savings groups appear to be working well with good records and effective risk profiling. The enterprise group savings scheme, started in late 2014, has made rapid progress with 54% (489 groups) having saved IDR 795,693 million. The PIUs and TPDs consider that these savings have been instrumental amongst project beneficiaries in developing the notion of business sustainability and investment, but that in some cases due to the remoteness of project locations and difficulties accessing banks, savings retained in households may be a valid approach. The MTR field visits confirmed this perception, and observed that increased incomes resulting from the Project are being used for a mix of increased household expenditure, investment in assets (productive and not productive), and household savings. Many of the project beneficiaries have never saved before and plan to use the savings for further investment, while others are making sufficient incomes to ensure that when it becomes necessary to make savings to replace assets they are likely to be able to do so.
32. The Project approach to savings is in line with the intent of the design, both regarding inclusion of poor households and the piloting of different approaches. The PMO is focused on the sustainability of savings initiatives and the requirement that savings groups have three years positive cash flow to link up to the national government saving system. Further, the Project has to comply with a Ministerial Finance decree which prohibits the provision of cash to groups (see later discussion).
33. Observations made during the MTR field visits include the fact that: (i) the different group savings modalities were understood to a differing extent by the PIUs; and (ii) several savings group members noted that they had wanted to form processing groups but that the 'quota' was full. The members considered themselves to be principally a service to the enterprise groups without a strategic plan of their own. Aligning both savings groups and group savings with project objectives will require continued guidance on when and under what terms to establish them in the next phase of group formation.
34. *Enterprise Groups.* There has been significant progress in the formation of enterprise groups in all the 12 targeted districts. A total of 1,044 enterprise groups have been formed across the districts, consisting predominantly of (i) capture fisheries groups (52%) (ii) processing groups (22%) (iii) aquaculture groups (15%) and (ii) marketing groups i.e. fish traders (12%). There are also three handicraft enterprise groups recorded under processing group numbers, while a smaller number of groups (mainly CBCRM groups) are also generating some income from eco-tourism. The capture fisheries and marketing groups are typically made up of those who were fishing or trading respectively prior to the CCDP. However, many of the members of the processing groups were not previously involved in processing, and new (and in some cases innovative) products and market linkages have been established by the communities, creating new livelihood opportunities. The processing groups in particular have acquired useful skills and are able to process food products without the need for external supervision. The numbers of enterprise groups supported per village generally reflects the number of fisheries/marine households.
35. Processing groups have been formed in 11 out of 12 districts, with a total of 211 groups to date. Nearly all processing is done by women and much effort has gone in training them to produce basic food items like fish balls (*bakso*), crackers (*krupuk*), shredded fish (*abon*) and salted or smoked fish. Marketing groups have been formed in 10 out of 12 districts. The main support for this group has been towards group socialization, business development and record keeping, and provision of equipment for transporting and selling fish (e.g. vehicles, motor cycle trolleys, ice and fish containers etc.). Capture fisheries is the dominant enterprise and all districts have formed capture fishing groups, making a total of 553 groups. Most fishing is done using simple

technologies such as small (3m inboard 5.5 HP powered) boats (*katinting*) with hand line gear or nets. Similarly aquaculture enterprise groups have been formed in all districts, however there is notable disparity between the districts with three PIUs (Maluku Tenggara, Lombok Barat, Makassar) accounting for 55% of the total number of aquaculture groups, based in part of the feasibility of aquaculture in different locations. Aquaculture activities so far include farming of freshwater catfish, marine fish cage culture (e.g. golden trevally) and seaweed culture. Processing, marketing, and aquaculture groups are especially important for women, and continued emphasis on these types of enterprise groups from mid-term onwards would serve to support the project's gender targets.

36. About 99% of the enterprise groups have prepared proposals, received funding and completed their investments under the first phase of the project in the existing 108 villages. The PMO has worked with PIUs to develop about 90 different types of business models representing the different activities being conducted by the groups. Almost all the models demonstrated viability of group activities, with preliminary data indicating that 67% of enterprise groups categorise viability as adequate, good, or self-sufficient, however some have low financial rates of return. The MTR observed that capture fishing and marketing groups may generally be more profitable than processing groups, although this may in part be due to methods of recording profit in the processing groups. Processing groups may however provide more regular incomes to group members than capture fishing groups (sometimes using project assets to produce non-fisheries products), and offer the most potential to scale up business activities. The logframe indicator goal is for 60% of enterprise groups to be sustainably operating on project completion, which suggests that the Project has made much progress to attaining the indicator. The PIU will need to revise and update these models in the coming months based on actual data collected by the groups. Enterprise groups reported that they meet regularly to discuss operational and savings issues and there is generally good awareness among the members on the scope and limitations of the Project.
37. The Project design envisaged the establishment of village-based service enterprise groups (to provide critical productive inputs and services to fishing/marine households and small enterprises within the villages such as cold rooms or small fuel access points). Earlier supervision missions agreed that this was not appropriate, and that the Project consider such investments under component 2.
38. The Project has fully established the village-level community infrastructure investments provided for under Component 1.3, most of them having been completed in 2014. The most common infrastructure facilities are the village information centres, which have been constructed in each village. Other facilities include; footpath/ terraced steps, pedestrian bridges, jetty/boat mooring, fish drying facilities, water supply, surveillance tower, fish smoking house, wave breaker, public toilets, drainage, and village fish market. There has generally been good communication and integration by the Infrastructure groups with both enterprise groups and village development plans (*Musrenbangdes*). This has resulted in many infrastructure investments that will directly support the activities of the enterprise groups and market linkages. The facilities are well utilized by the communities as they were chosen based on the local needs.
39. Key issues for this sub-component include the fact that a large share of the community enterprise and infrastructure funds have gone to capture fishing groups, much of which is used to fund new vessel hulls, fishing gear, and/or engines. In some cases such assets have been provided to crew members to become self-employed fishers, while in other cases assets have been provided to existing boat owners, mainly as replacement assets to those most in need. However, the result in both cases has been an accumulation in fishing capacity/effort on marine resources. Few, if any proposals by capture fishing groups have resulted in changes in fishing methods towards more selective gears, smaller vessels and engines or non-motorized boats in order to reduce fishing pressure. The small fishing vessels localized in the villages may contribute just a little of the overall fishing pressure on shared migratory fish stocks (e.g. pelagic

species), and overall there is no indication that the Project activities cause detrimental effects on the fishery. However, there remains potential for the current implementation approach to result in localised over-fishing of both pelagic and demersal species, threatening the activities of the groups themselves as well as all other downstream enterprise groups. It is therefore recommended that in districts where resource assessments (including through the use of project CPUE data) suggest fish resources are under significant pressure, the Project should not expand capture fishing groups or support additional investment in assets that could result in increased fishing pressure.

40. The MTR notes the effort made by the PMO and PIUs to conduct coaching clinics and training in aquaculture technologies and marketing, which has raised the profile of aquaculture in the Project. Increased inclusion of aquaculture may help to reduce problems associated with the low fishing season and resulting seasonal declines in incomes for fishing, marketing and processing enterprise groups. Business records kept by aquaculture enterprise groups indicate good profit margins, which could be increased by reducing the cost of feeds, for example if the groups were trained to produce most of their feeds locally and supported with equipment and inputs. The Project may also assess the viability of setting up hatcheries under component 2, especially if the number of aquaculture groups increases resulting in higher demand for fingerlings, including from non-CCDP fish farmers. However this needs to take into account the existing human capacity and available technical and financial support from the Project. The Project may also consider developing capacity for culture of other species with high aquaculture potential, particularly fresh/ brackish water tilapia, shellfish, milkfish, and mangrove/mud crabs.
41. Marketing enterprise groups are emerging as highly viable and innovative in their operations. The groups buy fish from auction markets (generally not from the CCDP processing groups), which they take to markets outside their villages. Taking advantage of the working capital and assets acquired through the Project, such as vehicles, motor-cycle trolleys and small fish holding cold storage containers, they have been able to up-scale activities and explore new markets, in many cases considerable distances from the villages. The marketing groups met during the MTR indicated generally very high profit margins resulting from project support, which has enabled them to acquire assets such as TVs, music systems, better mobile phones and even new motorcycles. Even though this is a positive outcome (in terms of increases in household assets owned by beneficiaries), a concern is that profits have not typically been re-invested in the marketing business to further expand incomes, and some sensitisation on the benefits of doing so may be useful. There is also potential to use the links established by marketing groups, and the transport available, to expand markets for products produced by processing enterprise groups.
42. The handicrafts enterprise group observed during the MTR field visits demonstrated very fine skills in producing good quality handicrafts and good enthusiasm. It shows that much effort has gone into building their capacity and they can readily exploit the potential handicraft sales. Of great concern though is the lack of a clear marketing strategy for the very well designed items produced. The items are currently sold mostly in the village where they are produced and in a few other outlets. The Project should prepare an effective marketing strategy for the handicrafts, which may include tourist locations, souvenir shops, airport outlets and other high-end market outlets, and which could be replicated in other new villages when scaling up.
43. In drawing some lessons from the project experience so far, the MTR notes that the selection of group activities, and indeed the formation of the different types of groups, has in some cases been based on insufficient assessment of the economic viability of proposed group activities due to insufficient detail being contained in the proposals made by the enterprise groups. Where possible, and based on the capacities of the DOBs to assess financial plans, real business data may now be more fully used to review and approve specific proposals.
44. Another lesson is the willingness of coastal communities to access productive technologies particularly of three types: fishing technology, fish processing technology, and aquaculture



technology. The communities have shown much interest and readiness to adopt technologies that are completely new to them, principally processing and aquaculture technologies. This offers encouragement for the scaling up of village-level activity in 2016 and 2017, and the Project should build on these efforts when scaling up and continue to focus on ensuring that all groups are increasing incomes not just through expanded sales of existing activities enabled by the injection of Project funds, but through a focus on value-addition through product development and access to new technologies and markets.

45. **Component 2. District Support for Marine-Based Economic Development.** The performance in implementing this component is rated as *moderately satisfactory*, considering that while some outcomes are beginning to emerge, the phased approach to the project and the implementation progress of component 2 means that successes of this component have so far been related more to *outputs*, than to *outcomes*. The expected outcome is: *the expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries/marine operations*. The component comprises two sub-components as discussed below, which are aimed at supporting the Project's village-level interventions with complementary investments at the district level.
46. **Sub-Component 2.1 – District-Level Investment and Capacity Building.** This sub-component is rated as *moderately satisfactory*. The expected output is: *improved infrastructure and services supporting small scale fishing and marine activities established in the project districts*. Under the sub-component the Project provides financing for two interventions: (i) a district fund for supporting small scale fisheries to support district infrastructure for small-scale fisheries, and district innovation for small-scale fisheries, and (ii) district training and institutional capacity building.
47. The Project has made some progress in the establishment of district infrastructure supporting marine-based economic activities in project villages under sub-component 2.1. A total of 43 infrastructure facilities have been tendered, consisting of 21 buildings (production houses, packaging house, shop outlets, ice-plants, etc), 20 sets of equipment (processing, packaging, ice-making equipment etc.) and a small number of transport facilities (vehicles, motor tri-cycles for marketing). Works or procurement have been completed for 40 of the investment packages. Some of the ready facilities are being used to support production and marketing activities by the groups, however most of the major investments such as packaging houses are yet to be put in use. The main reasons for a lack of use so far relate more to the timing of the Project than to a potential lack of demand, with construction still underway. All but one of the investment packages now have a third party operator identified, but for some investments the MoUs with the third party operators are not finalized. Finalisation of investments and operating arrangements would serve to achieve the logframe output which states that 70% of facilities, services and infrastructure financed by the Project are operating, available and used by small-scale fishers/marine operators in support of fishing production and marketing. An additional indicator is that 20 projects financed by the District Fund for Supporting Small Scale Fisheries are driving new business models and benefiting target villages.
48. There has been much progress in this sub-component in the provision of training, which covers various aspects of product developments, business development, management training, market promotion and strategy, and partnership development. All the PIUs have organized training workshops addressing various technical and business management issues in their districts. The trainings have principally targeted the various enterprise groups to develop their capacity for production and marketing. However, there has also been Training of Trainers (ToT) for PIU, PMO, and TPD staff on marketing issues and techniques. Practical coaching clinics have been conducted to improve product quality and support technology transfer. Among the immediate benefits from training are improved skills among the processing groups, improved products quality, adoption of new technology, improved capacity of PIU staff to manage various project activities, improvement in business records etc. To build on the gains already made and expand

- the project's impacts, there is need for continued institutional strengthening of all groups in both 'old' and 'new' villages, which calls for careful allocation of project inputs to serve all groups.
49. A key issue for this sub-component is the phased implementation of component 2 infrastructure, which has an impact on the economic potential of enterprise groups. As mentioned earlier, most of the key infrastructural investments, such as packaging houses, mini ice plants and some equipment are yet to be operationalized with consequent impact on the value chains of the processing groups. The Project should address the constraints preventing the facilities that have been completed from coming into full use and ensure they become operational.
50. A second major issue is that of the 70% of investment packages for which partners have been identified, 43% are comprised of community cooperative groups, 29% from *Dinas* and only 29% from the private sector. Cooperatives have been identified as key partners for implementation of component 2.1 investments in 6 districts. While this represents an interesting innovation and piloting opportunity within the Project to test implementation compared to investments to be managed by private sector parties, this is a departure from the project design and the work in building sustainable cooperatives should not be underestimated. A preliminary assessment indicates that some of the co-operatives are newly established and therefore limited in experience, capacity, knowledge, funds and start-up resources. The Project will need to address these shortcomings if this partnership is to succeed, and in order to successful operation of the district level investments. The co-operatives (and indeed all third party operators who have not already done so) should prepare business plans if possible or at least outline operational plans, even if only indicative at this stage. The Project should consider engaging a Cooperative Development Consultant to build their capacity and there should be dedicated staffing in the PMO and in relevant PIUs. There should also be linkages with the Ministry of Cooperatives and respective *Dinas* Cooperatives.
51. Finally, it is noted that in relation to the MoUs between the Project and the third party operators, these are very vague in nature without specifying clear obligations and benefits to respective parties. Likewise the business plans for the district level investments, where they exist at all, have generally been prepared by the project staff without the participation of the third party operators and are speculative in nature. While this is understandable given that operations have not yet started and real data on input costs, throughput, sales revenues, operational costs, etc. are not yet available, it will be critical once operations start to further specify contract agreements and the business plans, and to ensure that the interests of the Project (and beneficiaries) are safeguarded.
52. **Sub-Component 2.2 – Market and value chain support.** This sub-component is rated *moderately satisfactory*. 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*.
53. Much of the effort under this sub-component so far has gone into laying a strong information and knowledge basis and framework for implementation. Achievements include; preparing manuals and technical guidelines; conducting and validating market studies and opportunities; identifying primary commodities; refining the value chain description; identifying priority PIU infrastructure investments; and developing market intervention strategies and business plans. All PIUs have made preliminary costings of their marketing strategies (which total around \$4.3 million over 2016 and 2017) but further discussions are necessary between PIUs, DOBs and market consultants to review and finalize these strategies and the costings already prepared.
54. The Project design envisaged partnership as a mechanism to enable groups to access markets, capacity development, new technologies and financial services linkages. Some progress has been made to sign marketing partnership agreements between enterprise groups and third parties, mainly through MoUs, between the PIUs and identified partners.

55. Much progress has also been made in the development of processing activities of the enterprise groups. This has resulted in a broad range of innovative value-added and marketable products processed from fish. A total of 119 products/products derivatives have been developed across the 12 districts, which are differentiated by product type, ingredients, packaging and brand labelling etc. The products include various types of: fish floss, smoked fish, dried fish, noodle, seaweed products, crackers, sticks, fish sauce, syrup, fillet, meat balls, fresh fish, crackers, nuggets, salted fish, fish burgers, frozen squid, boneless/headless fish, sandwiches, shrimp paste, tortilla, *udang*, crabs meat/*soka* etc. To reduce risks and enhance sustainability, it is necessary to diversify the sources of raw materials. An important consideration therefore is the diversity of the raw materials (fish types) from which the products are made. Much has been achieved in this direction, with at least 15 different fish species entering the value chain of different enterprise groups. The species utilized include; anchovy, baby tuna, crabs, grouper, mackerel, milk fish, ornamental fish, red snapper, seaweeds, shrimp, skipjack tuna, small pelagic, small pelagics, snapper, squids etc. This level of diversity should be encouraged, and steps taken to explore new products that are currently less exploited. Other achievement in relation to this is P-IRT certification of 121 products by the *Dinas* Health with a number more under consideration, and these will help greatly to operationalise the marketing partnership MoUs between the communities and third parties mentioned above, as sales are generally conditioned on products being certified.
56. Nonetheless there has been good progress towards attaining the logframe indicator for this sub-component which states that an average of 300 additional households in each project district are actively participating in the prioritized high potential product value chains two years after initial involvement and are continuing to do so, and; at least 4 buyers (state run shops, private sector buyers, SMEs, cooperatives, etc.) actively buying products in each district within at least two thirds of the prioritized value chains.
57. A key issue for the Project is that while the P-IRT certification of 121 products by the *Dinas* Health is a significant achievement this certification is only the basis for a local distribution license for the activities of small and medium enterprises as a guarantee that the food and beverage products meet basic food safety standards. From a nutrition perspective, the certification is a relevant step towards improving the nutritional quality and food safety of the value chains that are being developed. However, for the enterprise groups to expand sales it may be necessary for the Project to provide funding for halal certification and for national-level Department of Health certification which would require laboratory testing of samples in Jakarta. The costs related to laboratory testing and certification are in line with the objectives of the Project and therefore considered eligible for IFAD funding, and could be funded given the analysis of potential available funds described elsewhere. However IFAD and the government should ensure that costs are proportionate following an analysis of the potential benefits, in line with the marketing strategies, and cost-efficient (for example where possible through grouping products for individual certifications).
58. **Component 3 Project Management.** The implementation of this component is considered to be *satisfactory*. The expected outputs are: (i) *PMO and 12 PIUs established and operating effectively* along with the Badung Learning Centre PIU; and (ii) *replication and scaling up of the Project facilitated*. Project Management is reviewed under Section D below.

Agreed action	Responsibility	Agreed date
1. One TPD to be provided per village in the second phase of the Project	PMO, PIUs	1 February 2016
2. All third party operators of district level investments to prepare outline operational plans for the investments	Third party operators, PIUs	31 March 2016
3. Review, amend as necessary, and finalize the PIU-level marketing strategies and costings	PIUs, DOBs, PMO	31 January 2016
4. Complete tenders and procurement for 2014 and 2015 Component 2 infrastructure investments	PIUs	31 December 2015
5. MoUs to be signed between the project and third party operators of all 2014 and 2015 district level investments	PIUs	31 March 2016

Note: Agreed actions under section E (Fiduciary) include the provision of additional funds for components 1-3.

## D. Project implementation progress

59. **Project Management** is found to be *satisfactory*. The project management structure consists of a national PMO; 12 PIUs and DOBs; and a Learning Centre in Badung, Bali (which is also a PIU). The Project is nationally coordinated, but implemented primarily at the district and village levels with *KKP* as the Project's Executing Agency. At the district level CCDP is implemented through the local fisheries agency (*DKP*). Provincial and district oversight is provided through representatives of DOBs.
60. Institutionally within *KKP* the Project is currently housed with the Directorate of Marine Services (formerly the Directorate of Coastal Community Empowerment and Business Development) under the Directorate General of Spatial Marine Management Areas (formerly the DG of Marine, Coasts and Small Islands). As per Ministerial Decree *Nomor 16/Kepmen-KP/2014*, CCDP's national institutional structure consists of: (i) a National Steering Committee; (ii) an Implementing Group and (iii) a Secretariat. The Implementing Group is led by a Director, 2 Assistant Directors, an Executive Secretary and an Assistant Executive Secretary. It is supported by a 10 person Secretariat with sections for Monitoring and Evaluation (M&E), Planning, Procurement, Finance and Knowledge Management. The Implementing Group and Secretariat form the PMO, which is responsible for overall project coordination, budget processing, financial management, administration and monitoring.
61. In each of the 12 CCDP districts, the *Bupati*, *Wali Kota* or *DKP* has issued a decision-letter formally establishing the local level organizational structure for the Project, its operating procedures, and staffing. Based on this letter, DOBs (comprised of wide private sector and government sector representation) and PIUs have been created. The PIUs are led by a manager, secretary and treasurer. The staffing in the PIUs varies but averages around 10 people. Village activities are coordinated by VWGs with support from *TPDs*, and Extension Agents from *DKP*, with all villages generally being supported by one TPD or one EA. PIUs also have community empowerment and marketing consultants responsible for coordination and technical inputs to component 1 and 2 respectively.
62. The MTR reviewed PMO performance and found that it operates smoothly, enhanced by weekly coordination meetings between all key PMO staff, national consultants and strategically invited guests from *KKP* and other institutions. As discussed under sub-component 1.1, a particular success of the PMO has been the way in which it has managed to ensure that staff, consultants, and project partners at all levels are very well familiar with the details of the Project and implement it as per the design. This familiarisation with the Project is further supported by very strong 'branding' of the Project, and specific efforts by the PMO have ensured that all stakeholders refer consistently to 'the CCDP-IFAD Project'. PMO staff and consultants are motivated and provide high quality inputs to the Project. Four of the PMO consultants are

- former high-level *KKP* officials, which contributes to the project's influence in the districts, as well as enhancing the project's network and the technical skills available to the Project.
63. During 2015 the PMO moved into an office in Jakarta outside of *KKP*'s headquarters, providing sufficient space for all staff members and meetings. When not in the field, PMO *KKP* staff divide their time between the main Ministry building in Jakarta and the PMO office and, according to the PMO, the new office location does not adversely affect coordination and consultation with *KKP*.
64. The PMO has introduced a number of innovative management approaches that support effective implementation and ensure information transparency despite the diverse and extensive project area: (i) a weekly dashboard is published, showing progress towards key project indicators for all PIUs; (ii) a comprehensive Management Information System (MIS) ([www.ccdp-ifad.org/MIS2](http://www.ccdp-ifad.org/MIS2)) provides access to all project data and documents; (iii) WhatsApp groups at both national and district level allow project staff to obtain instant information and updates; (iv) a 'reward and punishment' system enables a performance-based budget allocation to the PIUs; and (v) incentives are provided for high performing project staff in the form of participation in training and learning events. Allocation of work assignments is closely aligned with project components and sub-components.
65. The reward and punishment system applied by the PMO is based on a matrix of different performance criteria (such as disbursement against AWBPs and timeliness of reporting data to the PMO) to determine the scale of investment and support to each PIU based on its performance. This is the first time such an approach has been employed by IFAD in Indonesia. The performance-based allocation seems well accepted by the PIUs, and the mission observed that it generates a focus on results and motivates PIUs to improve their performance. The PMO provides enhanced supervision to the weaker-performing PIUs so as to improve performance and a number of PIUs have moved up performance categories as a result. This overall performance-based approach should be continued given its positive results.
66. In considering the performance of the PIUs, as noted above this is variable as measured by the reward and punishment system. The MTR also more qualitatively observed differences in PIU performance, but was generally impressed by the capacities of the PIUs, their understanding and sense of identity with the Project, and their engagement along with that of the *DKP* with the Project. *TPDs* and *EAs* appear well managed by the PIUs with weekly meetings taking place to discuss coordination and technical issues, and the capacity of the PIU consultants is generally good. *TPDs* appear motivated and understand their role in the Project well, but given their crucial role in the Project and the diversity of skills required, would in many cases benefit from upskilling as discussed in the text under sub-component 1 above. The mission also found that *TPDs* often face constraints in terms of their operational means and budgets, and the PIUs should better budget and plan for such needs. Turnover of project staff, consultants and *TPDs* was considered by the MTR and not assessed to be abnormal or to be negatively impacting on overall project performance.
67. One of the reasons for the weaker performance of some PIUs mentioned above in the discussion on the reward and punishment system introduced by the PMO is that the PIUs are housed in *DKP* in districts where institutional capacity may be low. Institutional capacity in the *DKP* (and other *Dinas*) would benefit from special support. Given the housing of the PIUs within the *DKP* and their importance for long term sustainability of project activities, and indeed for replicability, the Project should consider using some of the funds estimated by the MTR mission to be available, on specific short term training and upskilling of *DKP* staff or on part-time non-residential post-graduate university education in nearby locations; care should be taken that this does not negatively interrupt/impact on project implementation through absentee staff. Under IFAD guidance the project could also explore potential training through the UN fisheries training programme.

68. In 2016, the project activities will be scaled up from 108 to around 180 villages. The PIUs have already identified and submitted the potential new villages to the PMO for approval by the PMO. Generally PIUs use government poverty data as the basis for the selection of new villages, with other factors (such as perceived/likely motivation for engagement with the Project, the potential to support different economic activities in different villages, and geographical location and spread in relation to other villages) then influencing the final proposals made to the PMO. The MTR found that the process is well considered by the PIUs. The number of new villages will vary between 3 and 9 per district – some districts have proposed adding a lower number of new villages with new enterprise groups to be added in existing project villages where the villages may be large enough to accommodate more enterprise groups while still complying with the project's targeting criteria. This scaling up process will need to be managed carefully and should be closely supported by the PMO to ensure effectiveness of activities in new villages while maintaining the quality of support to existing villages. A key factor for success will be the *TPDs* who should be hired well in advance to allow sufficient time for training and familiarising them with the project approach. In order to obtain the highest qualified *TPDs*, flexibility should be retained in line with current practice with regard to them being from, and having to live in, the village they will support. Earlier text on sub-component 1.1 has considered the need for one *TPD* per village, and the role of the EAs. A number of PIUs (for example, Kubu Raya and North Gorontalo) plan to establish a mentoring programme for new *TPDs*, assigning them an experienced *TPD* or experienced EA as a mentor, in addition to the formal training. Such a system could be introduced in all districts, but should be managed by the PIUs to ensure that existing/experienced *TPDs* are not neglecting the duties required to support their own villages.
69. Currently, *KKP*'s institutional structure and leadership is being reorganised. Furthermore, *KKP*'s strategic framework is still under development and is expected to be presented in the coming weeks. These changes have a potential impact on the institutional housing of the project, and on its implementation through changes of PMO (and PIU) staff and changed policy priorities. Such impacts should be carefully handled to minimize any disruption of the successful project implementation that is currently in evidence. Indications by the PMO, however, are that while the Project might be re-located to a new Directorate, it will not change to another Directorate General. *KKP* should notify IFAD of the final agreement within government of where the Project will be housed. The important contribution made by consultants, both at national and district levels, also serves as a risk mitigation measure, as long as they are maintained as members of the PMO/PIU. All consultants are either Indonesian nationals or recruited locally (with performance reviewed annually), and given their high quality as mentioned earlier, provide good value for money for the Project.
70. **Coherence between AWPB and Implementation** is rated as *satisfactory*. During 2013 and 2014 the Project expended IDR48,360 million and IDR84,857 million or 79.9% and 88.9% of the 2013 and 2014 budgets respectively. However, for the financial year (FY) 2015 up to 30 June 2015, the Project had expended only IDR19,876 million or 18.5% of the FY 2015 budget. This was principally due to the late release of the budget, and indications are that by the end of the year implementation should be close to that expected in the AWPB. For the first two and a half years of implementation, the cumulative expenditure is 58.1% of the budget for the first three years, but the project expects expenditure during the second half of 2015 to increase significantly and for most of the planned expenditure in the 2015 AWPB to be realised. The main reason for the low expenditures during the first half of a 2015 budget revision related to the national budget reduction policy meaning that the budget could only be expended from April-May 2015, and the changing government policy on the disbursement mechanisms that can be used to provide funds to communities.
71. **Monitoring and Evaluation** is found to be *satisfactory*. The Project has developed an extensive M&E system which allows robust quarterly reporting on financial and physical progress. The information collected, and provided by PIUs, feeds into a weekly dashboard that

- provides disaggregated data and which is available to all stakeholders. This dashboard, and the real-time data it contains being used as one criteria in the reward and punishment system already described represents good practice in using M&E data for management decisions, as ultimately, the budget for each PIU is distributed based on their performance. It also allows for a constant review of performance and the early identification of necessary follow-up actions.
72. Collectively, these activities have contributed to a culture of information sharing and communication among key project stakeholders, and an understanding that M&E is a shared rather than a delegated responsibility. The PMO has established a management information system (MIS) to facilitate the distribution and dissemination of reports and project results, which is also used by the Project to fulfil some of its reporting requirements to both Government and IFAD, and to avoid inconsistencies in reporting.
73. The Project completed a 2015 Annual Outcome Survey (AOS) and a mid-term RIMS survey prior to the MTR mission. Both studies show positive achievements and outcomes after two and half years of implementation. Together with the progress and group performance data available, these surveys offer a wealth of data that should be thoroughly analysed and evaluated to guide forthcoming project strategies and activities. In addition, considering that one of the Project's objectives is to test and tailor the development approach to different contexts, analysis should be undertaken to key challenges and success factors. The positive results already experienced based on the CCDP implementation model and project performance, should support improved awareness about project successes and approaches in *KKP* policy discussions.
74. The MTR team worked collaboratively with the PMO during the mission on some minor improvements to the logframe and its indicators.
75. **Gender Focus** is assessed as *satisfactory*. There are various mechanisms envisaged for mainstreaming gender into the Project: (i) the selection of TPDs should reflect appropriate gender balance with a target of 30% women; (ii) training for community facilitators includes a module specifically on gender-mainstreaming; (iii) 30% of participants in village groups should be women and 20% of all enterprise groups should be women's groups and (iv) a gender consultant to develop a Gender Action Plan (GAP).
76. There has been significant progress made towards project gender objectives, and across the Project the participation of women at 29% is now just below the project target. Women are widely represented throughout the Project structure, in many cases holding important positions and constituting over 30% of the PMO, 29% of PIU staff, 33% of DOB members, 13% of Empowerment Consultants, and 25% of TPDs. At the village level women make up 33% of VWG members, 5% of Infrastructure Group members, 14% of CBCRM group members and 90% of Savings Group members. The challenge from the beginning of the Project has been that capture fisheries, one of the most prevalent and profitable economic activities of coastal communities, is a predominately male occupation.
77. The MTR found that women have become active participants in the Project and are recognised as an inherent part of the solution to developing sustainable livelihood strategies for coastal communities. The numbers on participation provided above have not changed significantly since inception but qualitatively progress is evident in the increased organisational and economic capacity, sense of self-worth, and influence on decision-making at the household and community level that women claim. The AOS 2015 outcomes also provide some quantitative evidence that since the AOS in 2013 there has been: (i) a 19% increase in women having their own accounts; (ii) a 33% increase in assets controlled by women and; (iii) an 8% increase in women accessing credit. Moving forward, and given the extensive experience in gender mainstreaming accumulated since inception, a number of steps can be taken to further improve performance on gender. Some PIUs are consciously planning to try to increase the number of groups which are characterised by the potential for women's participation, as part of the scaling up process in 2016.

78. The elaboration of a GAP for the project is currently facing a human resource constraint. The Gender Consultant, appointed in 2014, produced a comprehensive analytical document on gender issues in the Project and initiated gender training of PIUs. The objective is to use the gender analysis to operationalize PIU specific GAPs. However, the consultant is on temporary leave for personal reasons and the document, whilst a useful resource, does not provide a GAP for the Project going forward. The 2015 Gender Report has elaborated a draft GAP drawing on the project specific gender context in collaboration with PIUs and therefore provides a legitimate and realistic approach towards strengthening project gender objectives. The recommendation to pilot a GAP in Ambon, the PIU with the most impressive gender outcomes so far, appears to be a good one and if successful could be used as the basis for wider replication. A gender mainstreaming workshop with the PMO, *KKP* and the Ministry of Women Empowerment and Child Protection (MWECP) was held in May 2015 to elaborate gender mainstreaming models, and in August 2015 a workshop in Ambon on gender mainstreaming was attended by local government representatives and *Dinas* representatives from *KKP* and *MWECP*, with the *Wali Kota* expressing interest and support for a gender pilot project in Ambon.
79. Apart from the findings of the Gender Report, which the MTR endorses and which do not need to be repeated here, there are a number of additional considerations based on the MTR field visits on how women's participation could be strengthened, and given observations that aquaculture and marketing groups offer the potential to contribute to both income and gender targets: (i) there is scope for further investigation of economic diversification that is gender inclusive and; (ii) women's participation in training and cross-visit field exchange could be prioritised.
80. The increased participation of women in CBCRM groups, not so much by percentage but in quality, can be encouraged. Participation by women in conservation programs has been slow but steady and as the Gender Report 2015 demonstrates there are many 'hidden' activities in conservation that are traditionally female activities. Possibilities that may be coupled with income generating activities include mangrove fruit processing, mangrove seed flour production, and involvement in ecotourism. Finally it is noted that strengthening gender performance is also relevant for enhancing nutrition, given that women's empowerment is a key mediator of impact on household's nutrition.
81. **Poverty focus** is *satisfactory*. The Project has selected fishing communities in villages below the national poverty line. The villages that were pre-selected for the Project were found to be relevant for the poverty focus and objectives of the Project. They were below the national poverty line and the Project has effectively identified the poor fishing and marine based households within the selected communities. The activities of the enterprise groups are relevant and accessible to the poorest households. More specifically the Project effectively targets those households that regularly provide labour to households with medium-high marketable marine resources (such as crew on larger fishing boats) and households with only very basic or no productive resources, such as traders.
82. The effectiveness of the poverty focus was too early to assess in previous supervision missions as the Project economic activities had not yet fully gathered momentum. At mid-term, the recently completed AOS and RIMS show that project social and economic activities have started to contribute to poverty reduction. The RIMS survey, for example, shows that the level of household welfare has increased significantly since 2013 with significant movement between poverty quintiles; a 50% reduction in the poorest (fifth) quintile which has moved to the poor quintile as well as a decline in the average quintiles (third and fourth) which have presumably moved to the first quintile, as this has increased from 15% to 25%. This shows a general trend of increasing incomes as well as a reduction in extreme poverty. Further outcomes – which do not need to be repeated in detail - show increased asset ownership and savings and the social benefits from a changed mind set of better managing seasonal fluctuations in income, increased food security and an improved natural resource base. The reports also show a trend



towards diversified income sources, a lesser dependence on moneylenders, and an increase in beneficiaries providing employment. These figures, which are supported by field impressions, suggest not only reduced poverty but also a reduction in the vulnerability of the poor.

83. Evidently the poverty focus of the Project is very good. Moving forward, there are a number of ways that the Project can further sharpen this focus while satisfying the piloting objectives of the Project. The Project could develop models for scaling-up and replication in different contexts, using the time series data in the AOS and RIMS as well as project data on the income, savings and welfare effects of different types of project interventions. In addition, there is extensive qualitative information on the impact the Project has on relations of power and inequality at the local level. It is unusual for a Project to have such extensive information on poverty across so many different socio-economic and geographical contexts at mid-term and it is important to ensure that this information is well used. A poverty analysis based on the AOS, RIMS and project data would be valuable both to guide scaling-up and to draw lessons for future replication.
84. **Effectiveness of targeting approach** is assessed as *satisfactory*. The Project has a thorough and effective targeting strategy. The screening matrix for village selection, which has six variables to identify poor and vulnerable communities with the potential to benefit, has been examined in previous supervision missions and found to be successful. The *TPDs* under the guidance of the Empowerment Consultant work with national datasets to identify poor households and then conduct a series of both quantitative and qualitative interviews to determine whether or not the household meets targeting criteria. The *TPDs* have been very rigorous in enforcing criteria, even removing project participants who they subsequently feel do not meet project targeting criteria.
85. The Project has had effective targeting since inception, as noted by previous supervision missions, but at mid-term it is possible to note further improvements: (i) the *TPDs* have more confidence and experience in the targeting methodology; (ii) whereas in previous supervision missions participatory monitoring was barely and poorly undertaken, the PIUs now have effective ranking methodologies that can be used with the participation of beneficiaries to assess progress, as well as target further tranches of project support and (iii) the methodology, which is used for assessment, learning and targeting, appears to be highly effective and considered legitimate. At a project level, the targeting of resources between PIUs through the performance and reward system, as well as the allocation of funds between villages and groups, appears to be working well. Respondents at all levels consider that the criteria through which resources are targeted are valid and transparent.

**Table 1: Project target household numbers and people to be reached and number of households and people reached at 27 September 2015**

Target Group “category”	Total number of households and people to be reached by the end of project implementation (appraisal targets)	Number of households and people reached so far (cumulative)	
		Total Number	Of which, women
Fisheries and marine households	70,000 households (319,000 people) of which 19,800 households will be direct beneficiaries.	13,430 households (direct beneficiaries) 61,375 people (direct beneficiaries) (67.8% of the appraisal target for direct beneficiaries)	3,895 households where women are the direct beneficiaries. (29% of the appraisal target)

Note: 4.57 people per household. Current households reached based on information in the project's weekly dashboard. Number of indirect beneficiaries not yet assessed.

86. **Innovation and learning** is assessed as *satisfactory*. Innovation has been displayed in the form of: (i) the development of new processed fish products for production in different project villages, and new product labelling; (ii) a flexible approach to implementation with the project trying different approaches and development models (for example to savings groups, and to partnerships with third parties for the operation of component 2 district level investments); (iii) the use of technology by the PMO and PIUs for communication and project management (for example through the use of different WhatsApp groups); (iv) a performance-based approach to implementation whereby better performing PIUs receive additional funds for implementation while emphasis is also placed on improving the performance of PIUs performing less well; (v) creative methods to improve performance and build motivation through the use of incentives and competition (such as the selection of better performing TPDs for participation in training and workshops, and the use of a weekly Dashboard containing key performance indicators across all PIUs with the PIUs benchmarking their performance against each other; and (vi) methods and approaches used for targeting.
87. Working in different types of locations (with different geographical characteristics, target species, marketing arrangements, and partnerships), along with the different approaches to implementation, are already providing lessons which will be useful to inform future replicability. One such lesson learned has been the positive impact on implementation of the approach taken to procurement, whereby component 2 district level investments have been broken down into small contracts to stay under IFAD thresholds and allow local procurement, thereby preventing procurement delays. Another is the learning on the impacts on both poverty and inequality generated by different intervention strategies. The Project shares lessons learned of a more technical and community mobilisation nature, through its impressive knowledge management system (see below), and work is underway on around 15 booklets/guides specifically intended to capture lessons learned on different aspects of the Project so far (for example on: gender mainstreaming strategy; knowledge management strategy in the CCDP; market intervention strategies to optimise marketing approaches in the CCDP; lessons learned in facilitating more than 1,000 community groups; and community initiatives and efforts to sustain resource utilization in CCDP locations). The project management's focus on technology (as highlighted above) also serves to effectively share lessons learned among all project partners.
88. **Climate and environment focus** is considered as *moderately satisfactory*. The Project does not have an explicit focus on climate change mitigation or adaptation, although there is an environmental assessment in the project design. The project has involved support for mangrove replanting and production of seaweed will result in carbon sequestration. While some project activities (such as the provision of fishing engines) may increase carbon emissions any negative project impacts in terms of climate change are negligible given the types and scale of inputs being provided to beneficiaries. The potential for the Project to increase the incomes of beneficiaries will also serve to increase their adaptation to the impacts of climate change. The Project has a strong environmental focus in terms of its implementation as already discussed under sub-component 1.2.
89. **Partnerships** are rated as *satisfactory*. The Project has been very effective in fostering partnerships. Partnerships include those with the government sector at national, provincial, district, municipal and local levels, who are all well informed about and involved with the project activities, and the Project has been successful in leveraging additional support and resources from various government partners such as KKP at all levels, other *Dinas*, *offices of Bupati* and *Wali Kota*, and BAPPEDA. Partnership with the *Dinas* Health includes formal arrangements (for example, the P-IRT certification of processed products) as well as informal collaboration (for example, carrying out nutrition activities from *Posyandu* in the Village Information Centres). The MTR mission observed many of these partnerships in action during field visits. Partnerships have also been created with non-government parties such as universities, NGOs and other development partners. Partnerships with the third party buyers and operators of district level

investments are also notable, as already discussed and as represented by the MoUs signed under component 2, and include some partnerships which allow for exports of community products overseas (e.g. crabs in Kubu Raya). The DOBs have been a vehicle to bring many of these different types of partnerships together under one institutional mechanism.

90. **Knowledge Management (KM)** is found to be *highly satisfactory*. The Project is applying a creative and extensive mix of tools and channels to ensure a transparent access and sharing of knowledge and information. On a national level the PMO: (i) maintains a comprehensive project website, which includes a MIS system as already discussed, including all progress and performance data, project related publications, guidelines and training documents; (ii) utilises a Whatsapp dialogue with over 100 stakeholders at national and district levels with information and pictures are shared in real-time, as well as using twitter, Facebook, and other social media; (iii) organizes trainings and coaching clinics; (iv) organizes exchange visits to support knowledge diffusion and peer-to-peer learning among PIUs; and (v) participates in international and national conferences and workshops. At a district level, the PIUs: (i) actively engage in media outreach (print, TV and radio) which facilitates partnership building; (ii) engage with a Whatsapp group with district stakeholders, and each PIU has also a Whatsapp group specifically for *TPDs*; and (iii) document success stories in brochures and videos. At the village level, the VICs are the heart of knowledge sharing within the communities.
91. At the national level, knowledge management activities have up until now been consciously focussed on internal communication within the project team, until project success can be clearly demonstrated and defended to wider public scrutiny. With the 2015 AOS and mid-term RIMs study both showing positive results, and with the positive performance of the CCDP as documented in this Aide Memoire, the PMO should have the confidence to begin to disseminate the project's success more widely at the national level. The use of electronic media and the preparation of around 15 publications covering the lessons learned and good practices of the Project already noted will be useful in this regard. These materials are targeted at government partners and stakeholders and will be socialized through a number of workshops.

Agreed action	Responsibility	Agreed date
6. Institutional housing of the Project given ongoing structural changes in KKP to be finalised and any changes formally notified to IFAD	PMO, KKP	30 November 2015
7. Adjustments to the project logframe reflected in the project MIS	PMO	31 October 2015

## E. Fiduciary aspects

92. **Project expenditure and use of remaining funds.** As mentioned in the Project Design Report, the total amount of funds from IFAD in SDR and Euro is equivalent to US\$34.0 million. However due to changes in exchange rates with the value of US\$ having strengthened against IFAD funds in SDR and Euro currencies, the actual amount in US\$ over the whole of the project may be reduced, unless the US\$ weakens. Based on exchange rates to date, a final figure of around US\$ 33.25 million may finally be available.
93. However, perhaps of even greater importance at the mid-term are expectations about usage of project funds and whether there might be any remaining funds for re-allocation. Analysis completed during the MTR mission suggests that known and anticipated expenditure under the IFAD loan and grant and the Spanish Food Security Trust Fund may reach around US\$28.5 million, or 84% of the funds originally budgeted<sup>3</sup>. The reasons for the potential

<sup>3</sup> This analysis is based on: (i) actual costs up to 30 June 2015 and an assumption that budget utilisation in 2015 will be an average of utilisation during 2013 and 2014; (ii) component 1 costs for new villages in 2016 and 2017 based on historical costs in existing villages and the number of new villages anticipated as part of the scaling up process, and potential ongoing costs in existing villages in 2016 and 2017 based on project plans for continued support to existing villages; (iii) an assumption that given that the costs of the draft marketing strategies are considerably above the funds remaining for 2016 and 2017, even allowing for the refinement of costs and their approval by the PMO and DOBs, all component 2 budget is likely to be spent; and (iv) component 3 costs for 2016 and 2017 to be based on yearly cost experienced to date.

shortfall are a combination of: (i) cost efficiencies in implementation which have been achieved; and (ii) exchange rate changes which have benefited the project as most expenditure is in IDR. The prediction of likely expenditure until the end of the Project leaves room for the use of funds for new or expanded activities. Analysis should be completed of the potential use of remaining funds on new or additional project activities in line with the project design, with an assessment of the implications on the seven Financing Agreement cost categories. If necessary the Government of Indonesia should propose an amendment to the Financing Agreement for consideration by IFAD. Dedicated budget allocations may be made for: (i) capacity development of *TPDs*, (ii) up-skilling and training of *DKP*, *KKP*, and *Bappenas* staff engaged with the Project; (iii) cooperative expertise to support to relevant PIUs and cooperatives; (iv) media outreach knowledge management products; (v) eco-tourism activities and marine conservation areas; (vi) increased amounts of grants to community groups; (vii) replication activities in new districts.

94. The analysis completed during the MTR also suggests that the Project has been budgeting and managing funds based on an allocation of some costs (e.g. consultants, training) that is different to the funds originally budgeted by component and funding source. This gives the impression that there has been an underspend on component 1 and a likely overspend on component 3, which may not in fact be the case. The way that costs are recorded by the Project should not however negatively impact on the likelihood of the Project achieving its aims.
95. **Financial management** is *satisfactory*. Based on the documents received prior to and during the MTR mission, the mission notes that since May 2015, there have been improvements in the financial data recordings in the PMO and in PIUs. However, with regards to the consolidation of expenditures based on sub-components/components as well as per category, some consolidated figures are inconsistent or do not tally with expenditure details, and this needs correcting or fine tuning. Correct expenditure data based on categories are very important for withdrawal application (WA) preparation and will help in accelerating disbursement processes by IFAD. There are no significant delays in submission of monthly reports by PIUs to PMO. The filing system of project documents has improved and is satisfactory. During the MTR village visits, the mission met with several treasurers of community groups and noted that their book keepings, while generally adequate and informative, still need improvement for completeness and standardization. They have been given simple standard forms by PIUs for financial data to be filled, but the ways forms are filled varies among groups. The community facilitators and/or *TPDs* should provide continuous support, monitoring and guidance to the community group's treasurers in maintaining their book keeping. It would be useful to standardize the record keeping systems used for community groups throughout the project. Financial records of the enterprise groups are important for the RIMS survey and in estimating the economic/financial rate of return after the Project closes.
96. In accordance with IFAD procedures, the mission conducted a Fiduciary Risk Assessment, including the organisational structure, qualification of project staff in their respective positions, disbursement, budgeting, reporting, internal control and transactions reviews. While progress is being made, the MTR mission notes the following issues: (i) lack of ready availability of some PIU's supporting documentation for contract documents; and (ii) lack of standardization in the formats used for community bookkeeping; and (iii) low capacity of community groups in financial management and book keeping.
97. **2016 AWPB**. The project 2016 budget is still being prepared and processed by the government following the national budgeting process. The total amount of 2016 budget being proposed is IDR107,784,000,000 (approximately US\$ 8 million. This amount can be increased if the Project makes a request to the government during 2016 to do so. The mission reminds the PMO that as mentioned in the General Conditions of the Financing Agreement Section 7.01 para (b)(i) and (ii): (i) each AWPB should include, among other things, a detailed description of planned activities during the coming Project Year, a Procurement Plan, and the sources and uses of funds; and (ii) the AWPB should be submitted to IFAD for comment no later than 60 days before

the beginning of the relevant Project Year, which will be 31 October 2015. As this may not be feasible given the timing of government approval processes, the AWPB should be submitted as soon as the national budget (*DIPA*) is approved.

98. **Disbursement** is rated as *highly satisfactory*. Based on IFAD data, the level of cumulative disbursement from the funding sources as of 30 June 2015 is summarized in the following table, with a total disbursement rate of 37%, whereas IFAD project disbursement profiles for similar (fisheries) IFAD projects suggest a typical disbursement rate of 23% after two full years (and 39% after 3 full years).

**Table 2: Loan and Grant Disbursement to 30 June 2015<sup>4</sup>**

Source of Funds	Amount	Disbursed	%	Balance
IFAD Loan	SDR 15,870,000	SDR 5,940,784	37.4%	SDR 9,929,216
IFAD Grant	SDR 1,186,000	SDR 262,190	22.1%	SDR 923,810
Spanish Trust Loan	EUR 6,288,000	EUR 2,815,576	44.7%	EUR 3,472,424

99. **Counterpart funds** are rated as *satisfactory*. Counterpart funds are provided from the national and local annual budget (DIPA/APBN and APBDs). As mentioned in the Financial Management Guidelines (issued by DG of Marine, Coasts and Small Islands), local government also has an obligation to provide supporting funds (*dana penunjang*) from their respective local budgets (APBDs) in the amount of 10%, and the beneficiary contributions (in kind, in the provision of lands for infrastructures, building materials and labours) in the amount of 20%. Based on the available data, the estimated cumulative government counterpart funds and beneficiary contributions up to 30 June 2015 are summarized in the following table.

**Table 3: Cumulative government counterpart and supporting funds and beneficiary contributions (2013 – 30 June 2015 in IDR/US\$)**

APBN/RM (Actual)	APBDs (Actual)	Total Government Funds	% to Total Commitment	Beneficiary Contribution (In kind)	% to Total Commitment
IDR16,252,347,957 (US\$1,462,463)	IDR5,560,499,771 (US\$500,360)	IDR21,812,847,728 (US\$1,962,823)	27.65%	IDR4,518,150,000 (US\$406,564) <sup>5</sup>	18.9%

100. The mission noted the counterpart funds provided by APBN and APBDs in 2013-2015 budgets of IDR 33.68 billion, which are adequate to cover project activities.
101. **Compliance with loan covenants<sup>6</sup>** is *satisfactory*. Section A para 2 of the Financing Agreement states that the Fund's General Conditions for Agricultural Development Financing are annexed to the Financing Agreement, and all provisions thereof shall apply to the Financing Agreement. Most of the conditions have been met, and the non-compliance, for example delays in submission of AWPB and annual financial statements, are minor and do not significantly affect project implementation or achievement of the development objectives, or violate IFAD's statutory requirements.
102. **Procurement** is *satisfactory*. The MTR mission conducted post-procurement reviews of 14 contract documents, two for infrastructure construction and 12 contracts for procurement of goods (vehicles and equipment) in PIU Ternate and North Gorontalo. The mission found that in

<sup>4</sup> The total amount disbursed is US\$12,747,491 equivalent, including the initial deposits in the respective Special Accounts. As of 30 June 2015, the balance in the Special Accounts is US\$2,482,857.

<sup>5</sup> This estimate is certain to be an understatement of the true beneficiary contributions (which should be better estimated before project completion), given the costs that have been included in the estimation.

<sup>6</sup> Assessment is made of compliance with the general conditions of the Financing Agreement.

general the procurement followed the agreed procedures, and the speed of procurement processes has been impressive, in part due to the approach of splitting procurement into packages consistent with IFAD thresholds. One small issue is that the supporting documents related to bid evaluation or selection processes in some contract documents are kept in separate folders. The mission also notes that the contract registers and asset registers are now complete, and that assets have been marked with inventory identification code stickers.

103. Most of procurement packages for 2015 have been carried out and the mission was informed that in North Gorontalo district there is a contract package for construction of cold storage whereby the bidding process has not been started yet. Considering that the time period required for the bidding process, construction and equipment installation may take several months, the end of the financial year is fast approaching, the mission is concerned that not all contract packages will be completed by end of 2015 as intended in the AWBP. The mission also notes that due to a lack of sufficient bidders, several 2014 contract packages had to be re-tendered in 2015. Proper procurement planning is important to prevent re-tendering which may have budgeting implications.
104. One issue of potential concern is current government policy preventing cash disbursements being made by government direct to beneficiaries, and a requirement for any inputs to be provided in the form of assets. The Project has so far operated on the basis that BLM funds can, if necessary and justified, be provided in cash to the bank accounts of community and enterprise groups, with the groups themselves purchasing assets or using funds to ease working capital and cash flow limitations. There is evidence that cash inputs to provide working capital has been a major factor in marketing and processing groups being able to up-scale their businesses. The implications of the current government policy are that: (i) when scaling up to new enterprise groups, the Project may be prevented from providing working capital thereby reducing the positive impact of the project on new groups, so a specific strategy on this issue needs to be developed by the PMO; and (ii) if all inputs to groups are to be provided in the form of assets by *DKP*, this will involve a huge increased workload for the PIUs/*DKP*, and potential to considerable delays in procurement of inputs to be provided to the new groups.
105. **Audit** is rated as *satisfactory* and both 2013 and 2014 audit reports have unqualified opinions or *Wajar Tanpa Pengecualian*, where the financial statements are deemed to present fairly in all material respects. The mission notes that the 2014 audit report was submitted to IFAD on time and that most of the recommendations in the 2013 audit report were followed up. There are however audit notes of overpayments of about IDR1,19 million (or 1.59% of total expenditures of IDR75.3 billion, which is insignificant to influence the fairness of the overall financial statements presentation), mainly due to weak internal control. The auditor recommended that this overpayment should be returned to the State Treasury Office. In addition, some of community funds (BLM) have not been used in accordance with the procedures. A summary of the annual auditor's findings and recommendations, and the follow-up actions that have been carried out should be prepared and monitored regularly and recorded in an audit log.

Agreed action	Responsibility	Agreed date
8. Further improvement in consolidation of expenditures made based on sub-component/components and loan categories.	PMO and PIUs	Continuously
9. 2016 AWPB should include all sources of funds and their respective uses and be submitted to IFAD as soon as the national budget ( <i>DIPA</i> ) is approved, given it will not be possible to submit to IFAD within 60 days before the beginning of the 2016 financial year as per the Financing Agreement.	PMO	15 January 2016
10. Timely submission of 2015 FY financial statements to IFAD and BPKP	PMO	28 February 2016
11. Agreement on the use of the remaining IFAD funds, and allocation by component and cost category (and if necessary Government of Indonesia make request to IFAD for an amendment to the Financing Agreement).	IFAD, PMO, <i>KKP</i> , <i>Bappenas</i> , MOF	31 December 2015
12. Prepare audit log and follow up the auditor's findings	PMO and PIUs	31 December 2015

## F. Sustainability

106. **Institutional Sustainability.** The prospects for the institutional sustainability of the Project are considered *moderately satisfactory*. Institutional sustainability is of course also strongly impacted by the exit strategy described in more detail below. The *KKP* has clear ownership of the project at the central, district and village levels; the project activities are integrated into wider *KKP* planning processes, PIUs are housed in and are part of *DKP*, and the project is also being used as an opportunity for the *KKP* to develop and innovate approaches to be mainstreamed. The involvement of *DKP* staff with the Project as Extension Agents, and their close collaboration with the TPDs will support institutional sustainability, and it is expected that some of the *TPDs* may be recruited as community facilitators by the *KKP* Human Development Board on completion of the project. The very strong partnerships being created by the Project, for example with *Wali Kota* and *Bupati*, also provide encouragement about potential sustainability, especially their strong support as evidenced by the MTR mission. Indeed, *DKP*, *Wali Kota* and *Bupati* are all providing funds in support of, and alongside project funds, and appear fully aware and supportive of their role in taking over project activities on completion of the CCDP.
107. At the village level, sustainability of the institutions and groups formed by the Project will be dependent on: (i) the quality of support provided until the end of the Project; (ii) the incorporation of the CBCRM into evolving ICM processes; (iii) the development of successful modalities for savings groups and enterprise group savings; (iv) incorporation of CCDP activities and funding requirements into village planning and budgeting processes now in place under the Village Law of 2014 that will decentralise resources to be used for local development and; (v) the linkages that are being developed between enterprise groups and the private sector and cooperatives.
108. **Empowerment and social sustainability** is rated as *moderately satisfactory*. The community empowerment and planning processes have supported household empowerment and social cohesion. Whilst the groups themselves may disappear or take different forms, the empowerment engendered by the Project should be sustainable. Women's participation in the Project is likely to contribute to sustainable empowerment as it has encouraged women to reconsider their capacities. Many of the project villages have communities and participants from diverse social and ethnic backgrounds working in the same groups. Collective economic and planning activities that support joint profit from coastal resources as well as joint stewardship of the natural resource base reinforce social cohesion and sustainability. The project design provides for learning and innovation from project activities to be replicated in other contexts, further contributing to the social sustainability of the project.
109. The sustainability of community empowerment is an active concern at all levels of the Project, including amongst project stakeholders. Consequently, considerable work has been directed towards the creation of a 'sustainability path' for community empowerment. PIUs are developing a road map for Component 1 that includes 30 different steps towards supporting the sustainability of progress in empowerment. Project groups are regularly assessed and ranked to evaluate their progress, with sustainability based on six different criteria being the final objective. The Project is in a good position, given its responsive and effective M&E system, to learn from these road-maps and evaluations, to further support the sustainability of project progress on social and community empowerment.
110. **Quality of beneficiary participation** is assessed as *satisfactory*. The quality of participation in community level groups has improved significantly over the course of the project. The AOS 2015 data show that in the last 12 months there has been a 16% increase in beneficiaries actively involved resulting in a 94.5% participation rate. The involvement of beneficiaries in project activities increased along the following lines: 23% in village planning; 38% in financial management; 19% in business training; 8% in fisheries training; 15% in aquaculture training and; 30% in both processing and market training. The significant increase in numbers for village

planning suggests that participation is more far-sighted on the importance of collaboration over collective resources. The AOS 2015 also shows that the level of satisfaction of beneficiaries, which is linked to quality participation, has increased along the following lines since 2013: a 13% increase in beneficiaries who are satisfied; 6% increase in those that are very satisfied and; 10% decrease in respondents who are not satisfied to 1.9%.

111. The MTR found that beneficiaries have a good understanding both of the wider objectives of the Project and of their role within that objective. There was wide acceptance of the limits of the Project to provide more funds and the importance of their own investment to increase and sustain project outcomes. There is however a notable difference in the quality of beneficiary participation with enterprise groups generally having a much higher quality of participation than the Infrastructure and CBCRM Groups.
112. **Economic and Financial Sustainability** will be dependent on the quality of investments at district and village levels (by enterprise and infrastructure groups), the due diligence completed in screening and approving individual investments, and the quality of technical inputs provided at village and district levels in market analysis, strategies and developments. The approach of the project to identify and foster the comparative advantage of each community in terms of resources, experience, market potential and capacity, along with the linking and mutual support of village and district-level activities, should serve to ensure economic and financial sustainability. Preliminary assessments by the PMO indicates most enterprise groups as viable, with 67% of the groups categorising their viability as adequate, good, or self-sufficient. This presents a good foundation for sustainability and is expected to improve with enhanced technology, better skills, improved market access and financial services.
113. **Technical Sustainability** will be dependent on the quality of support provided by the Project to the beneficiaries, the selection of group activities at the village level, and the technical soundness of the investments and support at the district level. The level of technical developments, while innovative in some cases (such as the extraction of fish oils for medicinal purposes, new aquaculture technology, new processed fish products), are not considered to be beyond the human capacities available at village and district levels, largely due to the efforts made in support of capacity development throughout the project. The Project approach is to foster strong partnerships especially between enterprise groups, private sector and co-operative institutions for long-term technical support, market linkages and other essential services to the groups, and much progress has already been made in initiating the partnership agreements. These steps should ensure that technical sustainability can be realised.
114. **Environmental Sustainability.** The project design, and implementation of project activities related to resource assessments, the establishment of the CBCRM groups, preparation of ICM plans and community mobilization around resource management issues, should all serve to ensure environmental sustainability. Project beneficiaries in different districts are engaged with value chains that typically exploit marine resources which are typically not especially susceptible to over-exploitation if carefully managed (e.g. pelagic species rather than demersal species), and project activities should not result in destruction of mangroves or intensive forms of aquaculture; indeed many enterprise groups focus on seaweed, catfish and trevally production, which are low trophic aquaculture systems with low inputs. In Parepare fishing inputs (boats and engines) provided by the project have been used to fish for resources which appear to already close to, or above sustainable exploitation levels, and further support for fishing inputs when scaling up should be prohibited or at least considerably restricted. However, support for increased fishing capacity in other districts takes place against the background of assessment of resource status in fisheries management areas suggesting that resources are able to handle the small increases in fishing capacity resulting from project support, even when demersal resources are being targeted. As already noted, the project is now beginning to collect CPUE data to ensure there are no adverse environmental impacts of fishing inputs provided by the project. The MTR also had the opportunity to engage with women working as



part of processing groups to assess impacts of processing activity on the cutting of wood to be used when smoking fish. Indications are that most wood is collected as driftwood from around villages areas, or that coconut husks or fronds are used (in part supported by coaching clinics). But if processing groups engaged with smoking fish are to expand activities, the Project should carefully monitor the source of wood to ensure there are no negative environmental impacts of cutting wood for fish smoking ovens, and if necessary ensure that impacts are mitigated by re-forestation/re-planting activities.

115. **Responsiveness of service providers** is rated as *satisfactory*. The Project uses a wide range of service providers, especially in the form of the recruitment of private sector consultants and companies at both PMO and PIU levels (e.g. component coordinators, M&E experts, marketing and community empowerment consultants, *TPDs*). The Project has developed mechanisms to monitor and evaluate the effectiveness for service providers, and all consultants are recruited on yearly rolling contracts subject to review, which helps to maintain quality. As noted earlier, the consultants working for the Project appear well-skilled, and being locally recruited, represent good value for money. Other short term expertise is utilised by the project on a needs-basis, for example to conduct coaching clinics, specific studies, specific activities in the field, or to produce knowledge management outputs. While not all outputs from these short term consultancies have produced the results desired (for example as noted in the last implementation support mission report the study of existing CPUE data proved to be of limited use), many/most short term consultancy outputs (e.g. the AOS) have been of good or high quality.
116. **Exit Strategy and Replication**<sup>7</sup> are both rated as *moderately satisfactory*. Given that the Project as only at mid-term, there is an unusually active engagement by the project with the exit strategy, and keen awareness already amongst both the PMOs and the PIUs of the importance of preparing an exit strategy and of finding solutions for the replication and sustainability of project processes to sustain outcomes. This awareness extends to intuitional partners already engaged with the project as discussed under both institutional sustainability and partnerships. Key aspects of the exit strategy relate to: (i) incorporation of CCDP activities into *DKP*, other *Dinas*, *Wali Kota* and *Bupati* offices; (ii) attempts to merge CCDP activities and priorities into village planning and budgeting processes under village law; (iii) engagement with ICM developments in the country; and (iv) the development and use of cooperatives formed from, and intended to benefit, CCDP group members; and (iv) engagement with a wide range of private sector partners. Many of the exact details remain however to be finalised. The initiatives in ICM, the development of tools to assess group graduation towards sustainability and the organic replication of aquaculture groups in some communities are some examples of progress; however these require both continued support and systematic learning. Given the good practices, positive impacts, and lessons learned already generated by this Project, knowledge management products will be used to support replication throughout the country as part of the exit strategy. The Project will engage in an evidenced-based dialogue with national and district-level stakeholders to ensure mainstreaming of good practices and replication into regular operations of *KKP* and *Dinas* as well as other development projects.

## G. Other

117. **Impact** is rated overall as *moderately satisfactory*. According to the 2015 AOS and the mid-term RIMS study, the project has already made an impact on a number of impact areas. These results were consistent with the qualitative findings and observations of the MTR field visits. The overall rating is informed by the ratings for specific impact areas below.

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<sup>7</sup> Note that this heading is deliberately changed from the IFAD template which refers to 'scaling up', as there is a specific scaling up process planned for the CCDP during 2016 and 2017 which is discussed above and relates to the expansion of project activities into new villages as part of a phased approach to the Project. The term 'replication' is used in this section to avoid confusion.

118. Impact on **physical and financial assets** is rated as *satisfactory*. The RIMS mid-term survey found that housing conditions have improved, with a higher number of households having access to drinking water from pipes channelled into the house (26.22% in 2015 compared to 19.89% in 2013) and a slight improvement in floor material used compared to baseline. The asset ownership has improved with 96% of households having access to electricity (92% in 2013), 85% owning a television (80% in 2013), 44% owning a refrigerator (36% in 2013). Mobility has improved with 53% of households owning a motorcycle (43% in 2013), as did the ownership of business assets (increase in ownership of outboard boats, ships <5 GT, gill nets and lift nets, pumps). It has to be noted though that in terms of sanitation, the situation has not necessarily improved: while the number of households with access to no facilities and flush latrines have not changed, the number of households using an open latrine have increased, while the number of households using semi closed latrines has decreased. The water and sanitation situation in the villages should be closely monitored.
119. Impact on **food security** is rated as *moderately satisfactory*. The 2015 Annual Outcome Survey shows that the percentage of households who were unable to provide 3 meals a day decreased to 1.9% (2015) from 13.3% (2013). In non-project households, the decrease was found to be less significant with 20.9% in 2013 and 15.3% in 2015. Survey participants also report that the household consumption has improved as the income had increased. The 2015 RIMS report reveals that chronic child malnutrition declined from 46% in 2013 to 39% in 2015. Even though progress is considered significant, there is scope for strengthening nutrition impact in order to achieve the target of 40% reduction in child malnutrition established as a project goal in the Logical Framework. In addition, impact in the other two nutrition indicators is mixed: acute malnutrition increased from 13% to 17% and underweight remained the same. There is incoherence between the alarmingly high rate of acute malnutrition according to RIMS (17%) and the prevalence of acute malnutrition in the country (12%<sup>8</sup>) along with the field observations which did not indicate such a high prevalence of acute malnutrition. It is important, therefore, to carefully monitor the anthropometric data collection for the final RIMS survey to ensure accuracy. In any case, the prevalence of all three nutrition indicators (chronic malnutrition, acute malnutrition and underweight) still falls under the WHO classification of high or very high levels of malnutrition.
120. Impact on an **increase in incomes** is found to be *satisfactory*. The Project has had a significant impact on the average household incomes. The 2015 AOS shows that, the average income per month from the fisheries business increased by 57.5% i.e. from IDR 1,688,333 per month in 2013 to IDR 2,659,258 per month in 2015. The 2015 income of project beneficiaries is 56.2% higher than the income of non-beneficiaries (IDR 1,702,791). Further, the survey found the percentage of beneficiaries who had additional income (40%) is higher than the non-beneficiaries (39%). This implies that project interventions have succeeded in increasing employment opportunities of beneficiaries. The project has also contributed to increase awareness of the importance of savings. The RIMS survey supports these findings by showing that the level of household welfare has increased since 2013 with significant movement between poverty quintiles; a 50% reduction in the poorest (fifth) quintile which has moved to the poor quintile as well as a decline in the average quintiles (third and fourth) which have presumably moved to the first quintile, as this has increased from 15% to 25%.
121. Impact on the **quality of natural asset improvement and climate resilience** is found to be *moderately satisfactory*. The CBCRM groups have been active in improving natural assets, for example by establishing mangrove sanctuaries, rehabilitating mangrove forests and cleaning of beaches. The project has contributed to a widespread awareness of the need for effective national resource management and conservation among the project villages. As per recommendations of previous missions, catch per unit effort (CPUE) data should be generated from data recorded by fishermen to ensure that project investments are not negatively

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<sup>8</sup> Source: RISKESDAS 2013, Basic Health Research carried out by the Ministry of Health, Indonesia.

- impacting fishery and marine resources. The surveys also show an increased diversification of household income sources, which reduces household vulnerability.
122. **Policy impact.** The project has so far not shown any strong policy impact. However, approaches piloted have a high potential to be mainstreamed into national and district level operations, which will be the focus of KM activities for the forthcoming period.
123. **Nutrition.** Malnutrition is a serious concern in Indonesia, where more than one third of the children remain chronically malnourished despite the high rates of economic growth<sup>9</sup>. The consequences of malnutrition are profound and irreversible, compromising children's school performance and life-time earnings, as well as making them more prone to infectious and chronic diseases. Good nutrition is, therefore, not just an *outcome*, but also an important *input* for economic and social development. In addition, the causes of malnutrition are complex and run across different sectors, hence the need for a multi-sectoral approach to address the nutrition problem and the incorporation of nutrition considerations in a wide range of interventions outside the health sector, particularly in agriculture and fisheries.
124. A reduction in the prevalence of child malnutrition by 40% is a project goal, but the project design did not specify clear impact pathways through which the project will achieve that target. Therefore if this goal is to be achieved, the Project may need to a specific focus on nutrition from mid-term onwards, while recognising that the goal is a target to which the Project should contribute not necessarily one which it is responsible for achieving. There are multiple pathways towards nutritional impact and CCDP's development objective of increasing household incomes is an important one. However, raising incomes alone is not guaranteed to automatically translate into improved nutrition. Moreover, there are other pathways through which the Project can (and already is) improving nutritional status of the target population.
125. The RIMS survey report completed in 2015 reveals a positive impact of CCDP in reducing chronic malnutrition, which went from 46% to 39% in two years for under-fives. This reduction is striking and may be due to many other factors in addition to the project's contribution. However, there was no impact in reducing acute malnutrition and underweight, and all three indicators of malnutrition prevalence are considered high or very high rates by the WHO. The entry points proposed below aim to strengthen the nutritional impact of the Project in order to contribute to the target of 40% reduction in child malnutrition (Indicator 2 for the Project Goal as specified in the project logframe).
126. The potential approach to strengthening the nutritional impact of CCDP must be understood as applying a nutrition lens to the activities and components that are already part of the Project, highlighting the natural entry points for nutrition and win-win opportunities. This approach does not entail the creation of a stand-alone nutrition intervention or a shift in project priorities, but rather the incorporation of nutrition considerations in the Project.
127. *Potential entry points for nutrition at community level:* Although fish consumption (a crucial source of micronutrients and animal protein) is high among the target population, field visits and discussions with the *Dinas* Health during the MTR revealed: (i) low nutrition awareness in communities with regards to the importance of fruits and vegetables in a diversified diet; and (ii) sub-optimal water, sanitation and hygiene habits. Nutrition education and behaviour change require a coordinated effort and nutrition expertise, areas in which the *Dinas* Health can serve as a strong ally for the Project. Strengthening the partnership with the *Dinas* Health in this area could involve extension of the nutrition education components of the *Posyandu* program to disseminate key nutrition messages to the Project's community groups, and potentially the use of VICs to display key nutritional information.
128. *Potential entry points for nutrition along the value chain:* by developing fish and marine product value chains, CCDP is improving the availability of fish, for example by increasing incomes, by increasing fish sales and introducing new products in local markets, by contributing to

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<sup>9</sup> In 2013, the prevalence of stunting among children under 5 years of age was 37,2% (RISKESDAS 2013, Ministry of Health).

reductions in post-harvest losses through processing of products with longer shelf-life than fresh fish, and by increasing household's access to fish consumption out of own production. The Project also contributes to improvements in nutritional quality (by pursuing food safety certification that not only opens new markets, but also ensures that the food is safe for human consumption). It is important to acknowledge the relevance of these value chain activities for nutrition so as to maintain them and include them in the scaling up to new villages. Opportunities to further enhance the nutritional impact could involve: (i) identification of the most nutrient preserving processing methods utilised by the processing groups, and incorporation of nutrient content as a component of the marketing strategy, analysing the possibilities of setting a premium price for nutritious/healthy products; and (ii) exploring non-coastal community markets, where demand for fish and fish-based products may be higher given the reduced local availability and where fish consumption and, hence, nutritional status may be worse.

129. **Changes to design.** The MTR mission recommends to maintain the design given its success. Adjustment to the budget allocation (including allocation of unallocated funds) will be made and finalized following the MTR.

## H. Conclusion

130. The MTR mission has been well supported by the government, the PMO and PIUs, and all relevant project partners, and the IFAD mission members worked collaboratively with government staff and project consultants throughout the MTR, both during field visits and while in Jakarta. This allowed for a detailed review of project performance over the first half of the Project, an assessment of emerging outcomes and lessons learned, and consideration of a number of challenges and risks that should be addressed by the Project going forwards.
131. IFAD congratulates the Government of Indonesia for its effort in facilitating the successful implementation of the CCDP to date. While there is certainly no room for complacency, the Project is characterised by very strong and innovative project management, and the implementation of both component 1 and component 2 is largely on track and contributing to positive outcomes and impacts in the communities being supported by the Project in terms of increased incomes, asset ownership and savings, and food security.
132. The project is actively learning from project experience and the range of implementation modalities and technical solutions being tested, to inform not just ongoing project activities, but also an exit strategy and ways to ensure replicability on completion of the project. The communities being supported have shown much interest and readiness to adopt technologies that are completely new to them, for example processing and aquaculture technologies. And the successful partnerships developed by the Project are also a key part of the exit and replicability strategy.
133. The scaling up of village-level activity in 2016 and 2017 should be carefully managed, as should any institutional re-housing of the Project that might result from ongoing institutional restructuring in *KKP*, so as to minimise any disruption to the current successful project implementation.
134. IFAD and the Government of Republic of Indonesia endorse the findings of the mission.

## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Indonesia			Project ID	1621	Loan.	I-880-ID
Project	Coastal Community Development Project					Grant Trust Loan	I-C-1392 - ID E-16-ID
Date of Update	7 October 2015						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	3				
Last Supervision	May 2014	Last Implementation Support/Follow-up mission	May 2015				

				USD million Disb. rate %		
Approval	21-Sep-2012			Total financing	43.24	32.4
Agreement	23-Oct-2012	Effectiveness lag	1.1	IFAD Total	26.20	30.3
Entry into force	23-Oct-2012	PAR value	Not at risk	IFAD loan	24.20	31.3
First disbursement	14-Feb-2013			DSF grant		-
MTR	Sept 2015	Last amendment		IFAD grant	2.00	19.0
Original completion	31-Oct-2017	Last audit	2014	Domestic Total	9.24	25.8
Current completion	31-Dec-2017			Beneficiaries	2.15	18.9
Original closing	30-Apr-2018			Government (National)	7.09	27.7
Current closing	30-Jun-2018			External Cofinancing Total	7.80	47.4
No. of extensions	0			Spanish Fund	7.80	47.4

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	5	1. Quality of project management	5	5
2. Acceptable disbursement rate	6	6	2. Performance of M&E	5	5
3. Counterpart funds	4	5	3. Coherence between AWPB & implementation	5	5
4. Compliance with financing covenants	5	5	4. Gender focus	4	5
5. Compliance with procurement	4	5	5. Poverty focus	4	5
6. Quality and timeliness of audits	4	5	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	4	5
			8. Climate and environment focus	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Community empowerment and resource management	5	5	1. Institution building (organizations, etc.)	4	4
2. Support for Marine based economic development	4	4	2. Empowerment	4	4
			3. Quality of beneficiary participation	4	5
			4. Responsiveness of service providers	5	5
			5. Exit strategy (readiness and quality)	5	4
			6. Potential for scaling up and replication	5	4

B.5 Justification of ratings. Project is performing strongly on all activities, mainly due to strong project management, solid support by MMAF, high capacity in project staff. Further attention needs to be placed on sustainability and capacity of groups and to bring up weaker performing districts.

## Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	5
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	5	4
C.4 Overall implementation progress (Sections B1 and B2)	5	5
Rationale for implementation progress rating		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4

Rationale for development objectives rating The overall performance of the project is found to be satisfactory and already at mid-term, promising impact is visible. The project has solid prospects of achieving its DO.

### C.6 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

**Fiduciary aspects** – the fiduciary risk assessment is rated low because the Project has a good implementing organizational structure. Financial reports have improved, and most of procurement packages have been completed and follow the procedures. . The project uses the Gol financial management system and government external auditors (BPKP). Both 2013 and 2014 audit reports have unqualified opinion. The main issues are: (i) the need to re-cost project inputs/activities and to provide specific funding allocations for some new activities (in line with and supporting project objectives and outcomes), and to assess the allocations by cost category and funding source in the Financing Agreement; (ii) current Ministry of Finance rules which prohibit the provision of funds as cash inputs to beneficiaries (important both to ease working capital restrictions in village enterprise groups and to minimise PIU workload on procurement of assets on behalf of community groups); and (iii) a need to better quantify beneficiary contributions (as current estimates are certain to considerably under-value actual beneficiary contributions made).

**Project implementation progress** – key risks are: (i) ongoing institutional restructuring of the Ministry of Fisheries/KKP to impact on the institutional housing of the project, and potentially on staff changes;; and (iii) managing the scaling up process from 108 to 180 villages in 2016 and ensuring that both old and new villages receive the necessary support, which in turn requires recruitment of new TPDs (community facilitators) and capacity development of TPDs.

**Outputs and outcomes** – Key risks are: (i) poor financial viability of component 1 some enterprise group activities which threatens their sustainability; (ii) a lack of clarity at mid-term over the third party operators to manage district level investments provided, and in many cases, the exact responsibilities and obligations of the project and those third parties so as to ensure a fair distribution of benefits between the communities and third parties; (iii) weak institutional capacity of many of the third party operators of district level investment that have been identified, and the challenges in building their capacity sufficiently by project completion.

**Sustainability** – key risks to sustainability largely reflect the risks and issues raised under outputs and outcomes above. In addition, institutional sustainability faces risks in terms of DKP (district level of the Ministry of Fisheries having the capacity to effectively to support activities that may be required to ensure sustainability of project investments. In addition, failure to ensure sustainable exploitation of marine resources (by the project and in Indonesia more generally) would threaten the viability of all project investments at village and district level, as all value chains being supported depend in the first instance on sustainable fish resources.

## Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Need to revised project costings and validate MTR findings	Immediately post MTR mission, IFAD needs to work collaboratively with the Government to revise project costings, and to conduct a validation exercise of the MTR review, to assist with embedding the MTR's findings into the project	By end of November 2015	Plans for this underway

Note that Appendix 3 provides a summary of Agreed Actions. In addition, Technical Annex 1 to this report provides a full list of all additional suggested actions/recommendations contained in the Aide Memoire.

**Additional observations:** Financial management and filing systems have improved, and contract and asset registers are complete.

## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

The MTR mission worked with the project to make some revisions/improvements to the project logframe, and also updated progress against indicators where possible. Key performance indicators which were modified/improved/clarified from the original indicators in the project design report, are shown with an \*.

Narrative Summary	Key Performance Indicators	Means of Verification	Aggregated Progress
<b>Goal:</b>			
Reduction in poverty and enhanced, economic growth among the active poor in coastal and small island communities	<ol style="list-style-type: none"> <li>9 900 HHs with improvement in HH assets (<i>this represents 50% of the anticipated 19,800 HH in enterprise groups or savings groups</i>).*</li> <li>40% reduction in the prevalence of child malnutrition.</li> </ol>	<ol style="list-style-type: none"> <li>RIMS</li> <li>RIMS and studies to complement indicator-based data</li> </ol>	<ol style="list-style-type: none"> <li>Improvement in HH assets. RIMS 2015 survey data showed improvements from 2013 in all asset categories (% of HH with electricity, radio, TV, refrigerator, motorbikes, other vehicles, other electrical appliances, telephones). The project has provided assets to 684 enterprise groups prior to the 2015 RIMS survey. This equates to 6,840 HH (10 persons per group) having experienced an increases in assets.</li> <li>Child malnutrition  Underweight children - weight for age 2013: 34.0% Girls, 22.1% Boys 2015: 24.2% G, 21.0% B  Chronic malnourished children - height for age 2013: 55.8% Girls, 51.2% Boys 2015: 41.2% G, 37.7%  Acute malnourished children - weight for height 2013: 17.2% Girls, 16.7% Boys 2015: 15.0% G, 18.5% B</li> </ol>

**Project Development Objective:**

<p>Increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities</p>	<ol style="list-style-type: none"> <li>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.</li> <li>2. Food security has improved, as measured by a decrease in the level of food shortage in the first period to 17.5% (from 34.2% at baseline) and to 5% in the second period (from 11% at baseline).*</li> </ol>	<ol style="list-style-type: none"> <li>1. RIMS</li> <li>2. RIMS and qualitative studies to complement indicators e.g. Annual Outcome Surveys (AOS)</li> </ol>	<ol style="list-style-type: none"> <li>1. Previous year Annual Sales (RIMS)            &lt; IDR 2 million: 2013, 21.81%; 2015; 27.05%            IDR 2 - 5 million: 2013 29.66%; 2015 16.73%            IDR 5 - 10 million: 2013, 18.52%; 2015, 26.16%            &gt; IDR 10 million: 2013 13.01%; 2015 30.07%             AOS 2015 showed average increases in income per month of 57.5% for project beneficiaries.         </li> <li>2. Food security: RIMS data show           <ul style="list-style-type: none"> <li>• First 'hungry season': 2013 308 HHs (34.2%); 2015, 107 HH (11.8%) (duration 3.5 Month)</li> <li>• Second 'hungry season': 2013 99 HHs (11.0%); 2015, 18 HH (2.0%) (duration 2.5 month)</li> </ul>           AOS 2015 showed that HH unable to have 3 meals a day decreased from 13.3% in 2013 to 1.9% in 2015         </li> </ol>
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<p><b>Outcome 1:</b> Project communities implementing profitable and sustainable marine-based economic activities with no detrimental effect on marine resources</p>	<ol style="list-style-type: none"> <li>1. 60% of the project-funded enterprise groups operating by the end of the project.*</li> <li>2. Analysis of enterprise group activities show that &gt;70% are financially viable.*</li> <li>3. Health of marine resources maintained or improved in 80% of areas managed by project. (as measured in terms of catch per unit of effort (CPUE) data).*</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent assessment of enterprise groups still working collaboratively.</li> <li>2. Financial records of project-supported enterprise groups, with financial viability assessed through a random sample of different types of enterprise group activities at project completion using group financial records, and based on positive cash flow.</li> <li>3. Community perception-based resource inventory and assessment, and data collected at village level from capture fishing group on CPUE (through a small sampling programme based on data provided by fishers).</li> </ol>	<ol style="list-style-type: none"> <li>1. 1,044 enterprise groups have been formed up to mid-term, with qualitative assessment that 67% of groups are viable.</li> <li>2. Viability not yet measured based on real data being collected by enterprise groups</li> <li>3. CPUE data not yet available</li> </ol>
<p><b>Outputs:</b> 1.1 Marine and fisheries households' development priorities identified agreed and documented</p>	<ol style="list-style-type: none"> <li>1. 70% of fisheries/marine HHs state village plans represent their priorities.</li> <li>2. 50% of women state village plans represent their priorities.</li> </ol>	<p>1 and 2. District project quarterly reports; Village impact assessments; Project M&amp;E records; Sample surveys.</p>	<p>Not yet available</p>
<p>1.2 Community-based marine resource management areas being managed effectively</p>	<ol style="list-style-type: none"> <li>1. 40 community-based marine resource management areas demarcated, declared and ratified (through <i>Perdes</i>, or village ordinance).*</li> <li>2. All PIUs have Integrated Coastal Management Plan in place in at least 50% of all project villages.*</li> </ol>	<ol style="list-style-type: none"> <li>1. District project quarterly reports; Project M&amp;E records; <i>Perdes</i>, ordinances.</li> <li>2. ICM plans</li> </ol>	<ol style="list-style-type: none"> <li>1. At mid-term 6 new management arrangements ratified through <i>Perdes</i></li> <li>2. At mid-term 2 PIUs have ICM plans in place, 4 have processes underway to prepare plans, 6 PIUs have not yet made significant progress in establishing ICM plans</li> </ol>
<p>1.3 Financially viable community enterprises created under the project</p>	<ol style="list-style-type: none"> <li>1. 1,800 enterprise groups established by the project following submission of proposals, review by DOBs and approval by PIUs.*</li> </ol>	<p>District reports and project M&amp;E records</p>	<p>1,044 enterprise groups established at mid-term with all based on submission of proposals reviewed by DOBs and approved by PIUs</p>

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, being maintained, 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 Village records of maintenance costs/activities  <i>Note: For this indicator project to retain records of number of <u>new</u> (not total) infrastructure developments each year, so that assessment can be made of their use/maintenance 1 and 3 years later</i>	A total of 108 Village Information Centres (VICs) built by end of 2014. 100% utilised and maintained at mid-term (1 year after completion).  216 village infrastructure developments constructed by end of 2014. c.a. 100% being used and maintained at mid-term (around 1 year after completion)
<b>Outcome 2:</b> Expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries and marine operations	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 third party buyers (e.g. supermarkets, processing companies, souvenirs shops, etc) actively buying products in each district, which were not doing so before the project.*	Project M&E records	Not Yet Measured
<b>Outputs:</b> 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, being maintained, and used by third party operators (private operators, cooperatives, state-own companies, SMEs).	Survey of fishing/marine HHs in project villages Project M&E records Audits of project enterprises and infrastructure	Net Yet Applicable
2.2 Increased participation and earnings by small scale fishers and marine producers from prioritized high potential products in each project district	3. 48 MoUs signed (4 in each district) between village level enterprise groups and third party buyers.*	Project M&E records	Net Yet Applicable

<p><b>Outcome 3:</b> Project is managed efficiently and transparently for the benefit of the project's target HHs and communities</p>	<p>1. 80% of project funds are disbursed in a timely manner in line with targets set in AWPBs.</p>	<p>Participatory village evaluation of project performance; Reports from district stakeholder forums on project management ; Project financial records</p>	<p>For the 2013 AWPB 79.9% of budgeted funds were disbursed.  For the 2014 AWPB. 87.2% of budgeted funds were disbursed.</p>
<p><b>Outputs:</b> 3.1 PMO and 12 PIUs established and operating effectively</p>	<p>1. PMO and 12 PIUs have SKs and implement AWPBs and procurement plans as accepted by the GOI and IFAD, in a financially responsible and timely manner.*  2. 75% of project consultants and TPDs with contracts up for renewal, or reviews of performance on completion of contract assignments, assessed by PMO and PIUs as satisfactory.*  3. All PIUs (excluding Badung Learning Centre) evaluated by PMO to be either in category 1 (best) or 2 (good) in the project reward and sanction scheme.*</p>	<p>1. SKs, NOL AWPB and procurement plans, Weekly dashboard, audit reports, withdrawal applications and disbursements.  2. Yearly performance evaluation of consultants and TPDs, contracts.  3. 2.PMO annual assessment of PIU performance based on matrix of performance indicators</p>	<p>1. PMO and all PIUs as assessed at mid-term  2. Consultants: 2014: 2 PIU consultants were not renewed by the end of 2014. 2015: contracts not yet fully assessed for renewal at mid-term.  3. PIUs: Cat 1: 5 (end 2014); Cat 2: 4 (end 2014); Cat 3: 3 (end 2014)</p>
<p>3.2 Replication and scaling up of the project facilitated</p>	<p>1. At least 12 additional districts have been identified and commenced implementation of CCDP.*  2. The Project has been extended to at least 60 additional villages in the 12 project districts.</p>	<p>Project M&amp;E, audit and supervision records</p>	<p>Not yet applicable  Not yet applicable.</p>

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



### Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
<b>Project implementation</b>	1. Institutional housing of the Project given ongoing structural changes in KKP to be finalised and any changes formally notified to IFAD	30 November 2015	PMO, KKP	To be determined during next supervision mission
	2. Adjustments to the project logframe reflected in the project MIS	31 October 2015	PMO	To be determined during next supervision mission
<b>Outputs</b>	3. One TPD to be provided per village in the second phase of the Project	1 February 2016	PMO, PIUs	To be determined during next supervision mission
	4. All third party operators of district level investments to prepare outline operational plans for the investments	31 March 2016	Third party operators, PIUs	To be determined during next supervision mission
	5. Review, amend as necessary, and finalize the PIU-level marketing strategies and costings	31 January 2016	PIUs, DOBs, PMO	To be determined during next supervision mission
	6. Complete tenders and procurement for 2014 and 2015 Component 2 infrastructure investments	31 December 2015	PIUs	To be determined during next supervision mission
	7. MoUs to be signed between the project and third party operators of all 2014 and 2015 district level investments	31 March 2016	PIUs	To be determined during next supervision mission
<b>Sustainability</b>	<i>None required at this stage. Agreed actions on project implementation and outputs considered sufficient to contribute towards sustainability</i>			
<b>Fiduciary</b>	8. Further improvement in consolidation of expenditures made based on sub-component/components and loan categories.	Continuously	PMO and PIUs	To be determined during next supervision mission
	9. 2016 AWPB should include all sources of funds and their respective uses and be submitted to IFAD as soon as the national budget ( <i>DIPA</i> ) is approved, given it won't be possible to submit to IFAD within 60 days before the beginning of the 2016 financial year as per the Financing Agreement.	15 January 2016	PMO	To be determined during next supervision mission
	10. Timely submission of 2015 FY financial statement to IFAD and BPKP	28 February 2016	PMO	To be determined during next supervision mission
	11. Agreement on the use of the remaining IFAD funds, and allocation by component and cost category (and if necessary Government of Indonesia make request to IFAD for an amendment to the Financing Agreement).	31 December 2015	IFAD, PMO, KKP, Bappenas, MOF	To be determined during next supervision mission
	12. Prepare audit log and follow up the auditor's findings	31 December 2015	PMO and PIUs	To be determined during next supervision mission



#### Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Component / Sub-component or Output		Indicator	Unit	Physical			Period: 1 Jan to December 2015 USD			Cumulative Actual (USD 000)	Appraisal Target (USD '000)	
				Target	Actual	%	AWP&B	Actual As per November'15	%			
Component 1. Community Empowerment, Development and Resource Management							5 281 776.00	3 109 190.00	58.87	4 990 261.35	9 611 679.10	51.92
	Sub-component											
1.1	Community Facilitation, Planning and Monitoring	RIMS 1 <sup>st</sup> Level					967 008.00	458 815.00	47.45	1 110 149.23	2 117 735.47	52.42
		Village /community plans formulated	Plans	NA	NA	NA						
		Logframe										
		1. 70% of fisheries/marine HHs state village plans represent their priorities	Fisher HHs	NA	NA	NA						
		2. 50% of women state village plans represent their priorities	Village Women	NA	NA	NA						
1.2	Coastal Resource, Assessment, Planning & Co-Management	RIMS 1 <sup>st</sup> Level					1 046 256.00	990 266.00	94.65	1 122 621.60	2 042 291.19	54.97
		Environmental management plans formulated	Plans	NA	3	NA						

		<b>Logframe</b> 1. 40 community-based marine resource management areas demarcated, declared and ratified (through Perdes, or village ordinance). 2. All PIUs have Integrated Coastal Management Plan in place in at least 50% of all project villages	Marine Management Areas  ICM Plans	NA  NA	6  36	NA  NA						
1.3	Market Focused Village Development	<b>RIMS 1<sup>st</sup> Level</b> Enterprises accessing non-financial services facilitated <b>Logframe</b> 1,800 enterprise groups established by the project following submission of proposals, review by DOBs and approval by PIUs.	Enterprises  Groups	NA  394	NA  366	NA  92.89	3 268 512.00	1 660 109.00	50.79	2 757 490.52	5 451 652.44	50.58



		<b>RIMS 1<sup>st</sup> Level</b>										
		1. Other productive infrastructure constructed / rehabilitated	Infrastructures	NA	NA	NA						
		2. Other social infrastructure constructed / rehabilitated	Infrastructures	NA	NA	NA						
		<b>Logframe</b>										
		1. Two thirds of project-financed community infrastructure operating, being maintained, and being used by fisher/marine HHs, assessed 1 and 3 years after establishment	Infrastructures	NA	NA	NA						
<b>Component 2. District Support for Marine-based Economic Development</b>							<b>1 384 501.00</b>	<b>507 674.00</b>	<b>36.67</b>	<b>1 608 116.32</b>	<b>4 456 071.89</b>	<b>36.09</b>
<b>2.1</b>	<b>District Level Investment &amp; Capacity Building</b>	<b>Logframe</b>					623 103.00	256 311.00	41.13	788 132.78	2 350 869.82	33.53
		70% of facilities, services and infrastructure financed by the project operating/available , being maintained, and used by third party operators (private operators, cooperatives, state-own companies, SMEs)	Facilities and infrastructures	NA	NA	NA						

2.2	Market and Value Chain Support	Logframe					761 398.00	251 363.00	33.01	819 983.55	2 105 202.07	38.95
		48 MoUs signed (4 in each district) between village level enterprise groups and third party buyers.	MoUs	NA	34	NA						
Component 3. Project Management							1 141 869.00	611 562.00	53.56	3 769 032.62	9 915 018.05	38.01
3.1	Project Management	RIMS 1 <sup>st</sup> Level					1 141 869.00	611 562.00	53.56	3 769 032.62	9 915 018.05	38.01
		Government officials and staff trained	Persons Trained	NA	NA	NA						
		Logframe										
		1. PMO and 13 PIUs have SKs and implement AWPBs and procurement plans as accepted by the GOI and IFAD, in a financially responsible and timely manner.	Management office	14	14	100						
		2. 75% of project consultants and TPDs with contracts up for renewal, or reviews of performance on completion of contract assignments, assessed by PMO and PIUs as satisfactory.	Consultant	39	37	94.87						
		TPD	72	54	75.00							

		3. All PIUs (excluding Badung Learning Centre) evaluated by PMO to be either in category 1 (best) or 2 (good) in the project reward and sanction scheme.	PIU	12	9	75						
		<b>Logframe</b>										
		1. At least 12 additional districts have been identified and commenced implementation of CCDP.	Additional districts	NA	NA	NA						
		2. The Project has been extended to at least 60 additional villages in the 12 project districts.	Additional villages	NA	NA	NA						
		<b>Total</b>					<b>7 808 146.00</b>	<b>4 228 426.00</b>	<b>54.15</b>	<b>10 367 410.29</b>	<b>23 982 769.04</b>	<b>43.23</b>



## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

(as of 30 June 2015)

**Table 5A: Financial performance by financier**

Financier	Approval (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD Loan	24,200	6,239	25.78
IFAD Grant	2,000	281	14.06
Spanish Trust Loan	7,800	3,305	42.37
Beneficiary Contribution	2,152	407	18.9
Government	7,100	1,963	27.65
<b>Total</b>	<b>43,200</b>	<b>12,195</b>	<b>28.23</b>

**Table 5B: Financial performance by financier by component (USD '000)**

Component	IFAD Loan			IFAD Grant			Spanish Trust Loan			Beneficiary Contribution			Government (APBN + APBD)			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1 – Community Empowerment, Development, and Resource Management	16,696.0	4,900.6	29.4	2,000.0	1.9	0.1	5,072.6	1,924.2	37.9	2,131.3	406.6	19.1	1,654.1	-	-	27,554.0	7,691.1	27.9
1.1 – Community Facilitation, Planning, and Monitoring	1,337.9	192.6	14.4	-	-	-	4,458.6	1,375.2	30.8	-	-	-	104.6	29.0	27.7	5,901.1	1,596.8	27.1
1.2 – Coastal Resource Assessment, Planning, and Co-Management	4,253.7	1,034.7	24.3	-	-	-	614.0	356.2	58.0	-	-	-	511.6	141.6	27.7	5,379.3	1,534.4	28.5
1.3 – Market Focused Village Investment	11,104.4	3,673.3	33.1	2,000.0	1.9	0.1	-	192.8	-	2,131.3	406.6	19.1	1,037.9	287.3	27.7	16,273.6	4,560.0	28.0
2 – District Support for Marine-Based Economic Development	5,236.4	1,212.2	23.2	-	-	-	1,989.4	985.7	49.5	20.7	-	-	695.5	192.5	27.7	7,942.0	2,390.5	30.1
2.1 – District Level Investment and Capacity Building	2,409.1	1,028.3	42.7	-	-	-	166.4	176.2	105.9	-	-	-	176.5	48.9	27.7	2,752.0	1,253.4	45.5
2.2 – Market and Value Chain Support	2,827.3	184	36.4	-	-	-	1,823.0	809.5	44.4	20.7	-	-	519.0	143.7	27.7	5,190.0	1,137.1	21.9
3 – Project Management	2,267.6	1,453.9	64.1	-	377.8	-	738.0	789.7	107.0	-	-	-	4,740.4	1,312.4	27.7	7,746.0	3,933.8	50.8
<b>Total</b>	<b>24,200.0</b>	<b>7,566.8</b>	<b>31.3</b>	<b>2,000.0</b>	<b>379.7</b>	<b>19.0</b>	<b>7,800.0</b>	<b>3,699.6</b>	<b>47.4</b>	<b>2,152.0</b>	<b>406.6</b>	<b>18.9</b>	<b>7,090.0</b>	<b>1,962.8</b>	<b>27.7</b>	<b>43,242.0</b>	<b>14,015.4</b>	<b>32.4</b>

**Table 5C1: IFAD loan disbursements (in SDR, as of 30 June 2015)**

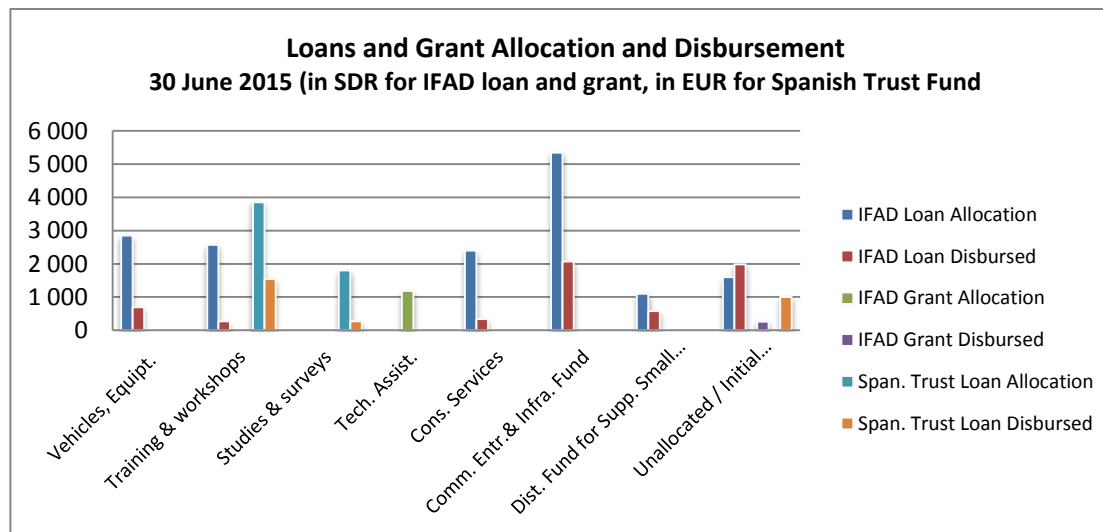
Loan		Alloc	Disb	Bal	%	Pending		Total pending	Total Disb. & Exp.	Bal	%
						Submitted W/A	Exp. not yet submitted				
I	Vehicles, Materials, and Equipment	2,850,000	694,915	2,155,085	24.38	-	-	-	694,915	2,155,085	24.38
II	Training and Workshop	2,570,000	274,118	2,295,882	10.67	-	-	-	274,118	2,295,882	10.67
III	Studies and Surveys	-	-	-		-	-	-	-	-	
IV	Technical Assistance	-	-	-		-	-	-	-	-	
V	Consultancy Services	2,400,000	342,038	2,057,962	14.25	-	-	-	342,038	2,057,962	14.25
VI	Community Enterprise and Infrastructure Fund	5,350,000	2,070,158	3,279,842	38.69	-	-	-	2,070,158	3,279,842	38.69
VII	District Fund for Supporting Small Scale Fisheries	1,100,000	577,100	522,900	52.46	-	-	-	577,100	522,900	52.46
VIII	Unallocated	1,600,000	-	1,600,000	0.00	-	-	-	-	1,600,000	0.00
	Initial Deposit	-	1,982,455	-1,982,455	100.00				1,982,455	-1,982,455	100.00
	<b>Total</b>	<b>15,870,000</b>	<b>5,940,784</b>	<b>9,929,216</b>	<b>37.43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,940,784</b>	<b>9,929,216</b>	<b>37.43</b>

**Table 5C2: IFAD grant disbursements (in SDR, as of 30 June 2015)**

Grant		Alloc	Disb	Bal	%	Pending		Total pending	Total Disb & Exp	Bal	%
						submitted W/A	exp not yet submitted				
I	Vehicles, Materials, and Equipment	-	-	-							
II	Training and Workshop	-	-	-							
III	Studies and Surveys	-	-	-							
IV	Technical Assistance	1,186,000	-	1,186,000	-	-	-	-	-	1,186,000	-
V	Consultancy Services	-	-	-							
VI	Community Enterprise and Infrastructure Fund	-	-	-							
VII	District Fund for Supporting Small Scale Fisheries	-	-	-							
VIII	Unallocated	-	-	-							
	Initial Deposit	-	262,190	-262,190	100.00			-	262,190	-262,190	100.00
	<b>Total</b>	<b>1,186,000</b>	<b>262,190</b>	<b>923,810</b>	<b>22.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262,190</b>	<b>923,810</b>	<b>22.11</b>

**Table 5C3: Spanish Trust Loan disbursements (in EURO, as of 30 June 2015)**

Spanish Trust Loan		Alloc	Disb	Bal	%	Pending		Total pending	Total Disb & Exp	Bal	%
						submitted W/A	exp not yet submitted				
I	Vehicles, Materials, and Equipment	-	-	-	-	-	-	-	-	-	
II	Training and Workshop	3,850,000	1,544,089	2,305,911	40.11	-	-	-	1,544,089	2,305,911	40.11
III	Studies and Surveys	1,800,000	271,487	1,528,513	15.08	-	-	-	271,487	1,528,513	15.08
IV	Technical Assistance	-	-	-	-	-	-	-	-	-	
V	Consultancy Services	-	-	-	-	-	-	-	-	-	
VI	Community Enterprise and Infrastructure Fund	-	-	-	-	-	-	-	-	-	
VII	District Fund for Supporting Small Scale Fisheries	-	-	-	-	-	-	-	-	-	
VIII	Unallocated	638,000	-	638,000	-	-	-	-	-	638,000	-
	Initial Deposit	-	1,000,000	-1,000,000	100.00			-	1,000,000	-1,000,000	100.00
	<b>Total</b>	<b>6,288,000</b>	<b>2,815,576</b>	<b>3,472,424</b>	<b>44.78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,815,576</b>	<b>3,472,424</b>	<b>44.78</b>





## Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>FA - Section B.7</b>	Borrower to open three Designated Accounts at Bank of Indonesia for the benefit of the Lead Project Agency, one in USD for the IFAD Loan, one in USD for the IFAD Grant and one in Euro for the Trust Loan.		Complied with.	
<b>FA - Section B.8</b>	The Borrower shall provide counterpart financing for the Project in the amount approximately USD 7.0 million, including taxes and duties estimated at USD 2.8 million..	Start of project and continue during the implementation period	Being complied with	Counterpart budgets are provided in the annual budget s (DIPA) adequately, and will be monitored during the project period.
<b>FA - Section E.2</b>	(a) Creation of PMO and PIUs and nomination of key staff to satisfaction of IFAD. (b) Preparation of AWPB for the first year of project implementation and the 18 month procurement plan satisfactory to IFAD (c) Opening of the Designated Accounts and designation of persons authorized to sign withdrawal applications	Prior to first loan withdrawal	Complied with	
<b>GC - Section 4.08</b>	(a) The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements: (i) The expenditures shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines (ii) The expenditures shall be incurred during Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date. (iii) The expenditures shall be incurred by a Project Party (iv) If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing the expenditure must relate to a category whose allocation has not been depleted, and shall be eligible only up to the percentage applicable to such category (v) The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.  (b) The Fund may from time to time exclude certain types of expenditure from eligibility (c) Any payment prohibited by a decision of the UN Security Council taken under Chapter VII of the Charter of the UN, shall not be eligible for financing by the Financing. (d) Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for	During the project implementation period	Complied with	To date, there has been no finding for ineligibility

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	financing by the Financing.			
<b>GC - Section 4.09</b>	If the Fund determines that any amount withdrawn from the Loan and/or Grant Accounts was not used for the purpose indicated or will not be needed thereafter to finance Eligible Expenditures, the Borrower/Recipient shall promptly refund such amount to the Fund upon instruction by the Fund. Except as the Fund shall otherwise agree, such refund shall be made in the currency used by the Fund to disburse such withdrawal. The Fund shall credit the Loan and/or Grant Accounts by the SDR equivalent of the amount so refunded.	During the project implementation period	Complied with	To date there has been no finding for ineligibility
<b>GC - Section 7.01</b>	<p>(a) The Borrower and each of the Project Parties shall carry out the Project:</p> <ul style="list-style-type: none"> <li>(i) With due diligence and efficiency</li> <li>(ii) In conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including rural development practices) and good governance</li> <li>(iii) In accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower/Recipient and the Fund.</li> <li>(iv) In accordance with the provisions of the relevant Agreement, the AWPBs, and the Procurement Plan.</li> <li>(v) In accordance with the policies, criteria and regulations relating to agricultural development financing laid down from time to time by the Governing Council and Executive Board of the Fund</li> <li>(vi) So as to ensure the sustainability of its achievements over time.</li> </ul> <p>(b) (i) Project shall be implemented on the basis of AWPB. Each draft AWPB shall include, among other things, a detailed description of planned project activities during the coming project year, a Procurement Plan, and the source and use of funds.</p> <p>(ii) Before each Project Year, the Lead Project Agency shall, if required, submit the draft AWPB to the oversight body designated by the Borrower/Recipient for its review. When so reviewed, the Project Lead Agency shall submit the draft AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year; If the Fund does not comment on the draft AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund.</p> <p>(iii) The Lead Project Agency shall adopt the project AWPB in the form accepted by the Fund.</p> <p>(iv) The Lead Project Agency may propose adjustments in the AWPB during the relevant Project Year, which shall become effective after acceptance by the Fund.</p>	During the project implementation period	Complied with	Delay in submission of AWPB due to government annual budgeting process whereby the budget approval is in December. No significant effect to project implementation.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>GC - Section 7.05</b>	<p>Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each procurement plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines.</p> <p>By notice to the Borrower/Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to:</p> <ul style="list-style-type: none"> <li>• Allow full inspection by the Fund of all bid documentation and related records</li> <li>• Maintain all documents and records related to the bid or contract for three years after the completion of the bid or contract, and</li> <li>• Cooperate with agents or representatives of the Fund carrying out an audit or investigation.</li> </ul>	During the project implementation period	Complied with	Based on post-procurement review of contract documents, procurement is carried out in accordance with the regulations. This will be reviewed during review missions
<b>GC - Section 7.07</b>	The Borrower shall ensure that all facilities and civil works used in connection with the Project shall at all times be properly operated and maintained and that all necessary repairs of such facilities shall be made promptly as needed.	During project implementation period	Complied with	Will be checked during review missions
<b>GC - Section 7.13</b>	The Borrower/Recipient and the Project Parties shall take all reasonable measures to ensure that the project is carried out with due diligence in regard to environmental factors and in conformity with national environmental laws and any international treaties to which the Project Member State may be party. In particular, the Project Parties shall maintain appropriate pest management practices under the project, and shall comply with the principles of the International Code of Conduct on the Distribution and Use of Pesticides of the FAO, and ensure that pesticides procured under the project do not include any pesticide formulation which would be classified as Extremely Hazardous (Class 1a) or Highly Hazardous (Class 1b) according to WHO.	During project implementation period	Complied with	Will be checked during review missions
<b>GC - Section 8.01</b>	The Borrower/Recipient shall ensure that Project Parties maintain records and documents adequate to reflect their operations in implementing the project (including, but not limited to, copies or originals of all correspondences, minutes of meetings and all documents relating to procurement) until the Project Completion Date, and shall retain such records and documents for at least ten (10) years thereafter.	During project implementation period	Complied with	During post-procurement reviews, some supporting documents were not readily available.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>GC - Section 8.02</b>	<p>The Project Lead Agency shall:</p> <p>(i) Establish and thereafter maintain an appropriate information management system in accordance with the Fund's <i>Guide for Project Monitoring and Evaluation</i> with which it shall continuously monitor the Project.</p> <p>(ii) During the project implementation period, gather all data and other relevant information (including any and all information requested by the Fund) necessary to monitor the progress of the project implementation and the achievement of its objectives; and</p> <p>(iii) During the project implementation period and for at least ten (10) years thereafter, adequately store such information, and, promptly upon request, make such information available to the Fund and its representatives and agents.</p>	During project implementation period	Complied with	Good M&E system is in place
<b>GC - Section 8.03</b>	<p>(a) The Lead Project Agency or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substances as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the project and achieving its objectives; (ii) problems encountered during the reporting period; (iii) steps taken or proposed to be taken to remedy these problems; and (iv) the proposed programme of activities and the progress expected during the following reporting period.</p> <p>(b) If specified in an Agreement, the Lead Project Agency and the Fund shall jointly carry out a review of project implementation no later than the midpoint of the project implementation period the "Mid Term Review" or MTR) based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the MTR shall consider the achievement of project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.</p> <p>(c) The Borrower/Recipient shall ensure that the recommendations resulting from the MTR are implemented within the specified time thereafter and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing</p>	During project implementation period	Complied with.	Reports should include summary of cumulative and the current annual project expenditures based on category and component/sub-component.
<b>GC - Section 8.04</b>	As promptly as possible after the Project Completion Date but in any event no later than the Financing Closing Date, the Borrower/Recipient shall furnish to the Fund a report on the overall implementation of the Project, in such form and substances as may be specified in the Financing Agreement or as the Fund shall reasonably request. At a minimum, such report shall address (i) the costs and benefits of the project; (ii) the achievement of its objectives; (iii) the performance by the Borrower/Recipient, the Project Parties, the Fund of their respective obligations under the Agreement; and (iv) lessons learned from the foregoing.	Prior to Financing Closing Date	Not yet applicable	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>GC - Section 9.01</b>	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.	During project implementation period	Complied with	Will be reviewed during review missions
<b>GC - Section 9.02</b>	The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the project each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.	During project implementation period	Partly complied with	Financial data are only available in the annual progress reports and audit reports.
<b>LTB para 36</b>	As soon as practicable, but no later than 120 days after entry into force of the Agreement, the Borrower shall appoint independent auditors, selected in accordance with the procedures and criteria set forth in the IFAD Guidelines on Project Audits (for Borrowers' Use) as may be amended from time to time, and acceptable to the Fund, to audit the financial statements relating to the Project for the first fiscal period. Thereafter, as soon as practicable, but not later than 120 days after beginning of each succeeding fiscal year, the Borrower shall either confirm the appointment of the same auditor, subject to satisfactory performance, or shall follow the same procedure to appoint new independent auditors for the successive fiscal year.	During project implementation period	Complied with	Delay in the first year due to delay in LTB issuance

FA = Financing Agreement  
GC = General Conditions  
LTB = Letter to Borrower



## **Appendix 7: Knowledge management: Learning and Innovation**

**Learning: What has worked particularly well in this project during this period? What have been the reasons for this?**

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1. Coordination and communication is working extremely well, despite the extended and remote project areas. The PMO has been very innovative and is applying ICTs to ensure continuous communication and information transparency.
  2. CCDP has introduced an implementation model using performance-based incentives system approach. This approach has so far worked very well in focussing PIUs on implementation progress, in motivating them and in drawing district authorities attention to the project and its progress. This system builds on a well-established and comprehensive M&E system and a transparent communication of progress and performance to all PIUs through the weekly dashboard.
  3. The PIUs have been good in creating partnerships with third parties and other local authorities. Active communication efforts by the PIUs support the interest by other organizations in working with the project.
  4. The Project is very strong in branding and all staff/consultants have a very good understanding of the project activities and targets.
  5. The Village Information Centres built by the project are important contributions to the communities and are used beyond the project for official and private gatherings. This even provides an opportunity to generate revenue that is used to cover operational and maintenance costs.
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**Learning: What has not worked so well? What have been the reasons?**

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1. Marketing remains a challenge due to remote location of project villages.
  2. Product selection of processing groups could be more strategic and should be based on experiences and data collected up until today.
  3. Community groups (VWGs, CBCRM) are not generating any income. That leads in many cases to a lower participation rate. Incentives need to be created to strengthen motivation.
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**Innovation: Describe any interesting innovation noted during supervision**

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1. The project has initiated a series of innovative actions in management and implementation. In management aspects, the Project has introduced technology for building communication and coordination. The Project has set up a '*whatsapp*' group to update progress and discuss emerging issues in implementation, which is being used within the whole project management structure. The Project also uses this tool to inform and update data and information to support monitoring and evaluation processes.
  2. The Project has set up a comprehensive MIS ([ccdp-ifad.org/MIS2](http://ccdp-ifad.org/MIS2)) which provides access to all project knowledge and M&E data.
  3. *TPDs* and *EAs* are working together in close coordination and sharing. Responsibilities in supporting community groups. In Lombok Barat, they have introduced a mentoring and coaching system from old *TPDs* to new *TPDs*.
  4. The enterprise groups also shows some product innovation, e.g. smoked fish production, new
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labelling designs and packaging. In Bali, the groups have introduced seaweed crisps with vanilla flavour, which apparently is very popular with tourists.

5. PIUs and consultants has initiated new innovative market linkages. During the mission, the team came across a couple of small shops, supermarkets, even at the airport, that were selling CCDP groups' products. The linkages was supported by PIU, Marketing Consultant and TPD. Important for marketing, particularly in supermarkets, is the certification.
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**Innovation: How might this be replicated by others, or upscaled here?**

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1. The project has piloted and introduced a number of innovations that can be replicated and scaled up to development projects not only in Indonesia but throughout the region. This particularly includes innovative project management methods. In fact, the weekly dashboard, which tracks the project on different indicators at national and district level, has already been adopted by the IFAD-funded SOLID project in Indonesia (on a monthly basis).
  2. 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 has started to build partnerships at the district level and brought in other *Dinas*' who support activities, for example on health issues and eco-tourism. The PMO and PIU have compiled a comprehensive collection of success stories and lessons learned and will use the remaining 2 years implementation period to communicate these within *KKP* to support scaling up and mainstreaming into *KKP DKP* operations.
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## Appendix 8: Progress Against Previous Mission Recommendations

Action Area	Action Agreed	Date	Whom	Progress
<b>Outputs</b>	1. PIU-level marketing strategies under Component 2 costed based on unit costs of proposed activities and their relevant loan cost categories	By MTR	PIUs/PMO	Completed prior to the MTR, but plans and costings still need to be fully assessed and revised prior to approval by PMO and DOBs.
	2. Detailed agreements between the Project and potential operators of district level investments further clarified	By MTR	PIUs/PMO	Many MoUs exist with the third party operators. However: (i) such MoUs are not available in all cases; (ii) many of the proposed agreements lack detail on the arrangements to be reached between the project and the third party operators.
	3. Accurate annual and cumulative project expenditures data prepared (budget and actual expenditures up to 30 June 2015) per component/sub-component and funding source (and then up-dated monthly).	By MTR (and then continuously)	PMO, Financial Management Consultant & PIUs	Data generally available in time for MTR. However project is allocating some costs (e.g. consultants, training) under component 3 rather than under components 1 and 2 as per the project design. Some PIUs still required to improve performance against this action on ongoing basis.
<b>Fiduciary Aspects</b>	4. APBD funds monitored and recorded to support project implementation and beneficiary contributions as part of project financing estimated	Immediately and continuously, data available for MTR	PMO, Financial Management Consultant & PIUs	Completed for APBD funds, and beneficiary contributions estimated. But the latter are certainly under-estimates and should be improved before project completion.
	5. 2015 Financial Statement finalized and submitted to IFAD as the due date (30 April 2015) has already passed.	30 June 2015	PMO	Completed.
	6. Complete and up-date contract registers monthly, and submitted to IFAD	Immediately and continuously	PMO, Financial management consultant, & PIUs	Registers completed but not yet sent to IFAD.
	7. Complete asset register and ensure inventory identification codes are placed on all assets procured by the project, and up-dated regularly.	Immediate and continuously	PMO, Financial management consultant, & PIUs	Reported by PMO to be completed, and verified by mission in some PIUs. Requires full verification by PMO in all PIUs.
	8. Ensure that all 2013 audit findings are followed up, submit 2014 audit report and prepare audit log which should be updated annually	30 June 2015	Auditor, PMO	2013 findings followed up. 2014 findings followed up at PIU level and PMO to submit to auditor general. Audit log not yet prepared.



## Appendix 9: MTR Mission Schedule and Persons Met

### Mission Schedule and Persons met

Place/date	Activity/persons met
<b>Jakarta</b>	
12 Sep	Mission arrives in country.
13 Sep	Internal team meetings and documentation review.
14 Sep	Kick off meeting with PMO staff and consultants, <i>Bappenas</i> (multinational cooperation, fisheries), KKP Auditor General, KKP Bureau of Planning.
<b>Field Team 1</b>	
15 Sep	Travel to Kubu Raya. Meetings with <i>Bupati</i> office (Secretary); Pt. Borneo (Private Sector Partner); PIU, Co-Chair of District Oversight Board.
16 Sep	Visit to Padang Tikar village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups and inspection of processing plants (crab meat, sold to Pr. Borneo and shrimp cracker) Visit to Sungai Nibong village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups, and inspection of processing plant.
17 Sep	Visit to Nipah Panjang village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Visit to Dabong village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups.
18 Sep	Meeting with <i>TPDs</i> and EA. Detailed wrap-up meeting with Ternate PIU staff and consultants. Inspection of component 2 packaging facility. Travel to Makassar.
19 Sep	Travel to Kota Parepare. Meeting with <i>TPDs</i> in PIU and visit of handicraft shop selling craft items from a project enterprise group. Welcome dinner with the <i>Wali Kota</i> also attended by PIU/ <i>Dinas KKP</i> , <i>Bappeda</i> , PMO and <i>Bappenas</i> .
20 Sep	Meeting with PIU team, <i>Dinas KKP</i> , DOB, Association of SME, representatives from some project enterprise groups and Cooperative <i>Musaka</i> for presentation of project progress and discussion. Visit to Lumpue village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Visit to Cappagalung village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Visit to Lumpue village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Visit to Kampung Baru village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups.
21 Sep	Attended opening ceremony of the CCDP funded packing plant with the <i>Wali Kota</i> and his office, the <i>Dinas</i> and the PIU with all staff members. Meeting with Cooperative <i>Mutiara Biru</i> (selected as managers of the packing plant). Meeting with <i>TPD</i> and Community Empowerment Consultant. Meeting with PIU and <i>Dinas</i> staff.
22 Sep	Wrap-up meeting with the Parepare PIU. Travel to Jakarta via Makassar.

Place/date	Activity/persons met
<b>Field Team 2</b>	
15 Sep	Travel to Ternate in Maluku Utara. Meeting with <i>Wali Kota</i> and Secretary of Ternate city and <i>camad</i> (head of sub-district), also attended by representatives of PIU/ <i>Dinas</i> KKP, <i>Bappeda</i> , <i>dinas</i> Cooperatives, <i>Dinas</i> Industry of Trade, <i>Dinas</i> Health, Disaster Management Agency PIU briefing on CCDDP progress.
16 Sep	Visit to Moti village, Moti Island. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial handover of <i>P-IRT</i> (health and hygiene) certificates. Visit to Tafaga village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups Ceremonial handover of <i>BLM</i> approval and <i>P-IRT</i> certificates. Inspection of component 2 ice production facility (under construction). Meeting with PIU administrative and financial management staff.
17 Sep	Visit to Dora Isa village, Hiri Island. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial handover of cooperative and <i>P-IRT</i> (health and hygiene) certificates. Visit to Sulamadaha Village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial signing of MoU between processing groups and <i>Dinas</i> Industry and Trade and handover of <i>P-IRT</i> (health and hygiene) certificates. Visit to Tobolo village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups.
18 Sep	Visit to retail fish market and discussions with project processing and marketing group beneficiaries. Inspection of component 2 packing house facility and discussions with proposed private sector operating party. Detailed wrap-up meeting with Ternate PIU staff and consultants. Travel to North Gorontalo. Welcome dinner with vice- <i>Bupati</i> and PIU.
19 Sep	Briefing meeting by N. Gorontalo PIU and DOB members. Visit to Langge village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial handover of <i>BLM</i> funds. Participation in visit by representatives of component 1 groups from Kikia and Hutokalo villages. Meeting with PIU administrative and financial management staff.
20 Sep	Visit to Buluwatu village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial handover of <i>BLM</i> funds. Participation in visit by representatives of component 1 groups from Kikia and Hutokalo villages. Participation in inter-village cooking competition initiated by the project. Inspection of component 2 district level investments at Buluwatu, and discussions with leaders of the Lout Biru cooperative.
21 Sep	Meeting with PIU administrative and financial management staff. Visit to Tihengo village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial signing of MoU between Lout Biru cooperative and private sector seaweed trader. Visit to Katialada village. Inspection of project investments, and meetings/discussions with <i>TPD</i> , village head and project community and enterprise groups. Ceremonial handover of <i>BLM</i> funds. Participation in visit and discussions by representatives of component 1 groups from Imana village. Meeting with all N. Gorontalo <i>TPDs</i> . Meeting with <i>Dinas</i> Health.
22 Sep	Briefing meeting with Secretary <i>Bupati's</i> office. Detailed wrap-up meeting with N. Gorontalo PIU staff and consultants. Travel to Jakarta.

Place/date	Activity/persons met
<b>Jakarta</b>	
23 Sep	Internal IFAD MTR team field de-briefing discussions. Meeting with PMO for field visit de-briefing and discussions.
24 Sep	Initial drafting of Aide Memoire (public holiday).
25 Sep	Meeting with PMO staff and consultants on financial and costing issues.
26 Sep	Drafting of Aide Memoire (weekend)
27 Sep	Drafting of Aide Memoire (weekend)
28 Sep	Pre-wrap up meeting with PMO
29 Sep	Pre-wrap up meeting with PMO continued
30 Sep	Meeting with PMO on logframe improvements Finalisation of Aide Memoire
1 Oct	Wrap up meeting with Bappenas, PMO, KKP and PIUs Mission team departs
2-7 Oct	Work on MTR report appendices and annexes



## Appendix 10: Audit Log

### AUDIT LOG

Name of Project: Coastal Community Development Project (CCDP)

Year	Audit Observations			Previous year Observation settled		Audit Observation Outstanding		Remarks
	No	Types	Amount (IDR)	No	Amount (IDR)	No	Amount (IDR)	
2013	8	Over payments, insufficient supporting documents, not in accordance with regulations, etc. that have to be paid back to State Treasury Offices	117,113,684	0	0	8	117,113,684	2013 is the first audit
2014	12	Overpayments and not in accordance with regulations that have to be paid back to State Treasury Office and community group account	136,856,613	7	82,113,684	13	171,856,613	Outstanding from 2013 at IDR 35,000,000 still to be paid to community group account in Yapen. Out of IDR 136,856,613 an amount of IDR 2,000,000 to be paid back to community group account and the remaining to State Treasury Office. Settlements are still going on, to be monitored by PMO.





## Appendix 11: Summary of implementation support provided by IFAD

IFAD has provided a range of implementation support since the start-up of the project during start up and supervision missions (with experts covering different technical areas, including fisheries, social mobilization, financial issues, and project management).

Missions fielded prior to the MTR include:

1. Start-up Workshop	08.02.2013
2. Implementation Support Mission (in the form of a workshop on the annual outcome survey and the market assessments which were then completed by the Project, and training on RIMS and M&E)	17.02.-24.02.2013
3. First Supervision Mission	09.09.-19.09.2013
4. Second Supervision Mission	28.04.-12.05.2014
5. Implementation Support Mission (pre-MTR mission to assist project prepare for the MTR)	14.05.-22.05.2015

Additional support since project start-up has included:

- Ongoing financial management and procurement advice by (i) a consultant hired by IFAD and (ii) and various support from IFAD headquarters in the form of remote advice and visits to Indonesia;
- An implementation support adviser working part-time for the Project during 2013 (with continuity provided in 2014 with the Project itself paying for ongoing part-time support from the same consultant);
- Oversight and coordination by the IFAD Indonesia Country Programme Facilitator; and
- Day-to-day interaction (through the IFAD Indonesia Country Team and HQ staff as required).



## Appendix 12: Fiduciary risk assessment – data sheet

### Mid Term Review

#### Fiduciary Risk Assessment – Data Sheet

<b>Country:</b> Indonesia		<b>Loan and Grant Number:</b> 880-ID/1392-ID/E-16-ID	
<b>Project Name:</b> Coastal Community Dev. Project			
<b>Executing Agency:</b> DG of Marine, Coast and Small Islands, MMAF		<b>CPM:</b> Ron Hartman	
<b>Reviewing Finance Officer:</b> Sumaryo Soemardjo		<b>Date of This Review:</b> 01 October, 2015	
<b>Date of the last PSR prior to this rating:</b> 15 May, 2014	<b>FM rating in the last PSR:</b> 4	<b>Date of the previous FM supervision and rating:</b> 15 May, 2015, rating was 4. This review rating: 5	

Topic		Rating H/M/L	Issues / Comments / Recommendations
<b>A. Inherent Risks</b>			
<b>B. Control Risks</b>			
<b>1. Organization and Staffing</b>			
a.	Adequacy of organizational structure to meet functional needs of the project	L	Organizational structure was established prior to loan effectiveness with qualified key personnel.
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Job descriptions are available, following GOI regulations
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	FM staff consists of coordinators for planning/budgeting, FM and procurement, treasurers and FM assistants. Some time staff are changed with new ones
d.	Segregation/ independence of functions for accounting, payments, procurement.	L	Follows GOI regulations
e.	Availability and adequacy of operating manuals and guidelines for staff	L	Manuals available and adequate.
<b>2. Budgeting</b>			
a.	Timely preparation and approval of project budget, issue of budget execution warrants.	L	Follows the regular annual GOI budgeting process, usually DIPA issued in January
b.	Adequacy of Budget (including loan disbursement categories - schedule 1), including financing plan for all sources, both	L	AWPBs preparation refers to Costab in PDR, and to

	donors and Govt., both loans and grants.		date, the annual budgets are adequate to cover project activities.
c.	Availability of detailed activity plans, procurement plans, cost estimates and assumptions to support budget requests.	L	AWPBs, including procurement plan were prepared and approved by IFAD
d.	Availability of physical progress indicators where applicable.	L	Provided in the quarterly progress reports, monitored using weekly dash board
<b>3. Fund flows and Disbursements / Withdrawals</b>			
a.	Timeliness of Funds disbursed by different sources, including counterpart (set benchmarks and test sample)	M	All sources of funds are included in the national annual budget (APBN). Actual WA preparation and disbursement may be delayed if monthly reports from PIUs are delayed and supporting docs are incomplete
b.	Efficiency of the funding channels. E.g. confirmation of funds reaching intended beneficiaries.	L	Community block grants are transferred by Govt. Treasury Office (KPPN) directly to respective community groups' bank accounts. Manual for this is available
c.	Management of project bank accounts other than Special Accounts, if any- reconciliations, idle funds	L	Only use Special Account in Bank of Indonesia
d.	Banking arrangement and controls (reconciliation of bank statements with financial accounts)	L	Bank of Indonesia issues the balance of SA weekly
e.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management).	L	Follows govt. regulations and FM manual is available
f.	Special Account(s)/Dedicated Account(s) Management, Disbursements		
	- size of the authorized allocation and adequacy thereof to ensure a smooth flow of funds to project accounts	L	The max. amounts in the SAs and SOE thresholds were increased on 20 Jan 2015 to facilitate loan and grant administration and disbursement efficiencies and to promote best practice.
	- Method and adequacy of disbursement used	L	By replenishment of SAs and adequate budget is provided in the govt. annual budget. It will depends on how often WAs will be submitted.
	- Timely preparation and accuracy of Withdrawal Applications	M	Sometimes delays in preparation of WAs due to delays and/or errors of reports from PIUs and incomplete supporting documents, resulting in

			disbursement processing delays.
	- Status on expenditures withdrawn from Special Account but not yet claimed for replenishment, including age analysis	M	See comment above.
	- Regularity of Special Account(s) Monitoring and monthly reconciliations (assess the reconciliations)	L	Bank of Indonesia issues the SA balance weekly and reconciled when preparing WAs
	- Disbursements profile - actual vs plans, systemic reasons for differences	L	Actuals are lower than plans at the first quarter of the year and will accelerate during the remaining quarters. Disbursement rate is satisfactory
	- Recovery of SA balances by loan closure.	n.a	Not yet due
	- Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments	M	Some payment vouchers without complete supporting docs. no clear information on which components or which categories.
	- Eligibility of expenditure under Legal Agreements	L	Based on 2014 audit report, so far no significant issue, and will be monitored during review missions.
<b>4. Internal Controls - Expenditure, Assets, Liabilities</b>			
a.	Adherence to Project Management manuals- clarity and adequacy of decision processes and sequence of events for control functions in project implementation.	L	Some additional and improvement of manuals may still be needed, in particular in simple book keeping for community groups. Refresher training is needed, especially when staff are changed
b.	Effectiveness and efficiency of internal controls for revenue/inflows management (review audit reports)	L	Internal control by the Inspectorate General of MMAF.
c.	Commitment tracking and control including comparison against allocated amounts by loan disbursement category	L	Some payment vouchers without information on category and/or component. Situation has improved
d.	Effectiveness and efficiency of IC for expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.) (also read SAI and other reports)	M	The Inspectorate General is not rigorous as external auditors (BPKP). The 2014 audit report notes still some weakness in the internal control, although insignificant
e.	Effectiveness and efficiency of IC for assets/liabilities management and maintenance	L	Asset registers and inventory need to be updated regularly

f.	Reliability of documentary evidence of outputs realized in project. Linkages between outputs realized and financial reports.	L	Good M&E system, monitoring by weekly dash board where data on outputs and expenditures are available
g.	Physical controls over cash, documents and records.	L	Filing system has improved
h.	Timely payment to suppliers and consultants (benchmark and test sample)	L	As long as supporting docs are complete, payment can be made within few days
i.	Eligibility of expenditures for Bank funds with respect to PDR, Loan agreements	L	To date, no ineligible expenditure found yet. Internal control needs to be strengthened
j.	Legality/eligibility of advances from project funds	L	Follows GOI regulations
k.	Compliance with Financing agreements – both loans and grants	L	To date most of covenants have been complied with
l.	Adequacy of record keeping for fixed assets and inventories	L	Follows GOI regulations, needs to be updated regularly
<b>5. Accounting Systems, Policies and Procedures</b>			
a.	Adequacy of Accounting standards and practices (as designed/Agreed)	L	Follows GOI accounting system (SAI)
b.	Recordkeeping (including documentation and filing/archiving)	L	Completeness of supporting docs and filing system has improved
c.	Fixed Assets Records maintained and reconciled (sample and physical check)	L	Follows GOI regulations, records are up to date
d.	Adequate documentation and controls for Information Systems, integration of all sub-systems	L	Good M&E system is in place. Using weekly dash board monitoring
e.	Adequacy of chart of accounts for project accounting purposes	L	Follows government regulations/procedures (SAI)
f.	Timeliness of recording transactions, controls on erroneous recordings	L	Monthly financial reports should be prepared 10 days after the end of every month.
<b>6. Reporting &amp; Monitoring</b>			
a.	Completeness, accuracy, usefulness, and timeliness	M	Some time there are errors and incomplete supporting docs
b.	Interim FM reports (FMRs, PMRs as relevant) or progress reports - timely preparation, submission	L	Some time there are delays
c.	Follow up of previous aid-memoirs, FMR/PMR or progress reports	L	Most have been followed up, some with delays
<b>7. Internal Audit</b>			
a.	Is project activity or implementing unit subject to internal audit?	L	Yes, by the Inspectorate General of MMAF
b.	Adequacy of internal audit organization - staff capacity	L	Qualified internal audit staff but inadequate to cover all PIUs

c.	Adequacy of internal audit scope of work and quality of reports	L	Not as rigorous in financial aspects as external audit, more on the technical aspects
d.	Assessment of matters raised in audit reports	M	Focus more on technical aspects
<b>8. External Audit</b>			
a.	Scope of 2014 audit.	L	TOR similar to 2013 audit
b.	Audit report timeliness.	L	2014 audit report was submitted on time
c.	Quality of audit.	L	2014 audit report was quite comprehensive, audit on assets needs to be improved

### Project Fiduciary Risk Assessment at MTR

#### Risk Analysis Summary Table: Project # Coastal Community Development Project

**Implementing Agency:** Directorate General of Spatial Marine Management Areas (formerly the DG of Marine, Coasts and Small Islands) MMAF

	Risk Assessment H/M/L	Proposed Mitigation
<b>Inherent Risk</b>		<b>N/A</b>
<b>Control Risks</b>		
1. Organization and Staffing	L	
2. Budgeting	L	
3. Funds flow & Disbursement Arrangements	L	
4. Internal Controls	L	
5. Accounting Systems, Policies and Procedures	L	Refresher training for financial staff
6. Reporting and Monitoring	L	
7. Internal Audit	M	
8. External Audit	L	
<b>Overall Project Fiduciary Risk</b>	<b>L</b>	
H=High, M=Medium, L= Low		

#### Comments:

The project is in its 3<sup>rd</sup> year implementation and a lot of progress has been made, however, financial reporting still needs to be improved