

Indonesia

Smallholder Livelihood Development Project in Eastern Indonesia (SOLID)

Mid-term review report

Main report and appendices

Mission Dates: 2-20 June 2014
Document Date: 31-Dec 2014
Project No. 1509
Report No: 3961-ID

Asia and the Pacific Division
Programme Management Department

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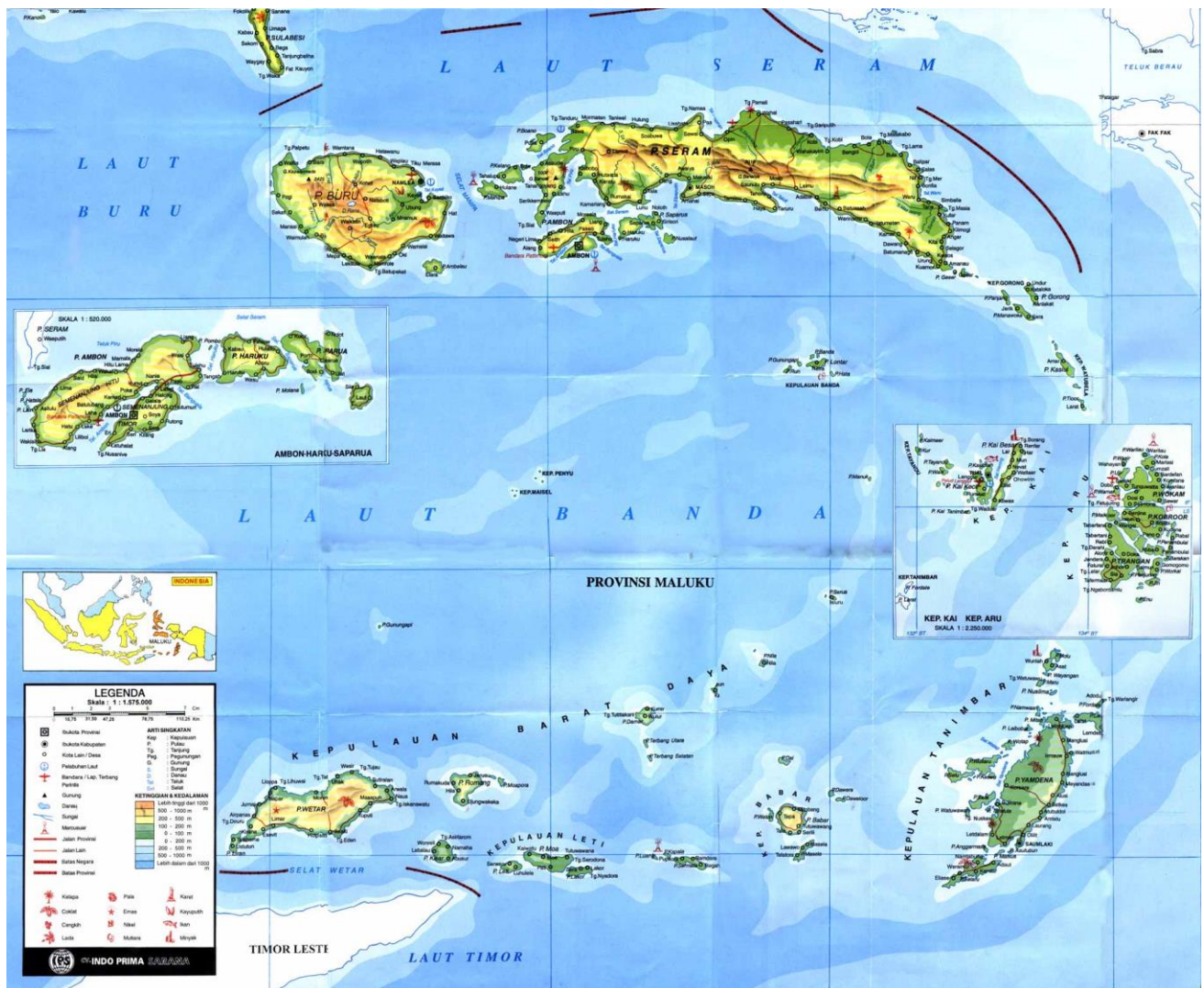
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Abbreviations and acronyms

APLs	Agriculture Production Loans
AHW	Animal Health Worker - not included in post MTR
AOS	Annual Outcome Surveys
APRFs	Agriculture Production Revolving Funds
AWPB	Annual Work Plan and Budget
CEWs	Community Extension Workers - not included in post MTR
Demplots	Agriculture Demonstration Plots
DPIUs	District Project Implementation Units
DVCPs	District Value Chain Plans
FFs	Farm Facilitators
FFSs	Farmer Field Schools
GoI	Government of Indonesia
HHs	Households
IDR	Indonesian Rupiah
IFAD	International Fund for Agriculture Development
LVCs	Long Value Chains
MOU	Memorandum of Understanding
MTR	Mid Term Review
NGOVFs	Non-Government Officer Village Facilitators
NPMO	National Project Management Office
O&M	Operations and Maintenance
PDR	Project Design Report
PTLs	GoI- employed Extension Workers
PPCO	Provincial Project Coordination Office
PPLs	Contract Extension Workers
PRA	Participatory Rural Appraisal
SOLID	Smallholder Livelihood Development Project
SHGs	Self-Help Groups
SMSs	Subject Matter Specialists
SVCs	Short Value Chains
VCOs	Village Commercial Officers
VITs	Village Implementation Teams

Maluku



Executive Summary

Introduction

The Smallholder Livelihood Development Project in Maluku and North Maluku Provinces of Eastern Indonesia (SOLID) was approved by IFAD's Executive Board in May 2011. The objective of the Project is to improve the livelihoods (incomes and food security) and reduce the incidence of poverty for people in the targeted villages. Pre-MTR, the Project had five components: (i) community empowerment; (ii) productivity improvement and integrated farming systems; (iii) value chain development and marketing; (iv) productive rural infrastructure investment; and (v) institutional strengthening and Project management. Its expected outcomes were: (i) village institutions and self-help groups and unions functioning effectively; (ii) target group farmers using improved, sustainable production systems and low levels of purchased inputs; (iii) target communities using improved natural resource management systems; (iv) self-help groups (SHGs) and unions/Federations operating as successful elements of the value chains for the targeted commodities; (v) improved small-scale infrastructure available in the target villages with the community organisations undertaking their operation and/or maintenance; and (vi) Project completion on time and within agreed budget..

Funding

The Government of Indonesia was expected to provide \$14.81 million from the central budget. The original IFAD budget for SOLID was US\$49.11 million) from loan funds. With an additional IFAD grant of US\$1.08 million. Disbursement of these funds has been slow. At MTR, 16.4% of IFAD loan funds, 24% of IFAD grant funds and 33.4% of GOI funding has been spent. Thus, 83.6% of IFAD loan funds, 92.4% of IFAD grant funds and 66.6% of GOI funds remain outstanding for expenditure between MTR and the project closing date in 2018. After allowance for 2014 AWPB expenditure, the post MTR funds available are: IFAD loan – US\$29 million; IFAD grant – US\$0.75 million; and GOI - US\$ 10.15 million. It should be noted that post MTR GOI funding is budgeted at \$14.83m.

Documentation

The Project Design document is barely adequate in terms of specifics and the Project Implementation Manual lacks precision and is vague on important details to guide implementation. Perhaps the most significant issue in the original design of SOLID was the conceptual weakness of trying to engage poor, food insecure villagers directly in value chain activities without adequately addressing the key issue for beneficiaries – i.e. their food insecurity.

The MTR has revised the SOLID concept towards a progression of activities from community empowerment, to food security, to establishing local market linkages, to finally engaging with provincial markets for 3 key commodity crops (copra, cacao and nutmeg).

Management

SOLID is implemented under the management of the Food Security Division of the Ministry of Agriculture. Up to the time of MTR, management arrangements have lacked clarity. A relatively inexperienced Project Director has had too little day to day management support and in addition, staffing arrangements at provincial and district levels are too informal to ensure commitment and implementation certainty of SOLID activities. Key aspects of the management arrangements have not been implemented – in particular the fielding of the Village Implementation Teams, and key management processes, especially M&E and procurement, have been weak and ineffective. These 3 factors have had a major negative impact of achievement of SOLID outcomes and on disbursement of funds to date.

To address these shortcomings, the MTR proposes the introduction of a senior

management team - comprised of 5 persons: (i) the National Project Director as chairman; (ii) a proposed Project Management Adviser; (iii) a proposed Project Manager; (iv) a proposed International Implementation Support consultant; and (v) a consulting firm representative. This NMT will work with the NPD on a daily basis to ensure the transition from pre to post MTR SOLID is smooth. The NMT will also ensure: (i) accountability for performance of staff, TA consultants and NGOs; (ii) staff commitment to SOLID; and (iii) staff mobility. The focus for post MTR management will be at district and village level. The underpin this, post MTR, 78% of total staff numbers and 61% of total salary and consultant costs will be targeted at District level.

In an effort to formalise staff commitment to SOLID, the NPD will negotiate and sign MOUs with the 11 District Mayors to ensure DPIU staff commit at least 50% of their time to SOLID implementation activities. Further, MOUs will be agreed and with the 11 District *Dinas* Heads to obtain commitment to allocating 1 PPL/PTL per 2 SOLID villages.

Implementation

The MTR acknowledges that implementation of Component 1 (Community Development) has been undertaken to a reasonable standard. In particular, the PRA process, poverty and gender targeting have been well done. However, because of the failure to recruit VITs and NGO VFs in particular, other aspects of Component 1 continue to be weak – including M&E and the preparation of SHGs to engage with technical components e.g. Agriculture Productivity and Value Chain Development. Grant funding to Federations has been disbursed with little if any socialization and training. Agriculture extension workers have been obliged to undertake the role of NGO VFs but at the expense of their own technical responsibilities. As a result, with some exceptions, implementation of technical activities has been largely unsuccessful. Implementation of Component 4 (Community Infrastructure) has also been generally good but sustainability is undermined by lack of O&M plans.

Impact

To date, there has been limited significant impact as a result of the implementation of SOLID. The Project impact assessment was not completed in time for the MTR which severely constrains ability to accurately assess impact. Some village groups have had income generating success from their demplots while others have had success with value adding to agriculture products for local sale. But these successes are the exception to the rule. Much more needs to be done if the considerable potential for productivity improvement and enhanced market linkages are to be realised. There have been some social outcomes especially with equity of gender participation. However, much more needs to be done, especially with improved family nutrition, food security, and poverty alleviation.

Project coverage

Progress to date has been modest. At the end of 2013, 33% or 108 villages were engaged with SOLID while the 2014 AWPB target is to add a further 116 villages meaning 68% of the 330 target villages are engaged by MTR. Similarly, at the end of 2013, 952 SHGs and 14,280 beneficiaries (both 29% of target) were engaged while the 2014 AWPB is targeting a further 116 villages and 476 SHGs bringing the total number of SHGs formed to 1428 with 21,420 member households. The MTR Mission was concerned at the significant lack of data available to management. This includes a comprehensive data base of village, SHG, federation, status of matching funds disbursed, and status of infrastructure constructed.

Monitoring and Evaluation

Implementation of monitoring and evaluation has been disappointing. Project managers have received little, if any M&E information of value with which to re-

orient or re-direct project implementation approaches. Data gathering has become a burden for SHG members resulting in loss of interest in SOLID and its objectives. Pre MTR, data gathering was scheduled to be undertaken on a monthly basis which was much too frequent. The failure to recruit village facilitation support has meant PPLs have undertaken the data gathering task, but at the expense of spending time on their main role of providing technical support. When data was gathered, there was no capacity in place to analyse and interpret it into meaningful management messages. Given the technical support resources (both national and international) that were provided to address M&E issues, this unsatisfactory situation is regrettable.

The need to ensure M&E is functional is a priority task. The first step is to un-clutter the M&E process which will involve: (i) identifying the VIT member responsible for data gathering (probably the NGO VF); (ii) simplifying data needs i.e. less but more relevant indicators; and (iii) reducing frequency of data collection. The Log frame now has 4 outcomes, 10 outputs and 20 key performance indicators (KPI). Further, of the 20 KPIs, only 12 require data gathering at SHG level. The key to successful M&E for component 2 will be farm- and HH-level records of food and cash crop production, consumption and sale while the key to successful M&E for component 3 will be farm-, HH- and village-level records of estate crop production and sale; as well as analysis of this data to determine changed HH incomes.

Risks

The MTR Missions sees 3 potentially “high impact” risks. They are: (i) the diminished time frames available for implementation; (ii) inadequate management strategies and plans to introduce and implement the post MTR SOLID; and (iii) the lack of time commitment of key staff at district and village level. Project Managers should understand that risk management is not the sole responsibility of the NPMO (and especially the NPD) but rather, it is a task for all levels of Project staff. The responsibility of the NPMO is to ensure all parties understand their roles and responsibilities.

Financial and economic

Lack of data - SHG activities and technology adoption rates in particular make cost benefit analysis of project activities implemented to date meaningless. Instead, potential benefits have been re-calculated based on planned post MTR interventions. Some of the benefits envisaged at appraisal are still valid, i.e.- (i) enhanced community empowerment, (ii) increased crop yields following the use of improved management techniques, and (iii) higher commodity prices due to better quality of production and some value addition. Other benefits will be more specific to the new project design, i.e. - (i) enhanced food security and nutrition (ii) more inclusive and efficient value chains and (iii) increased productivity and marketed produce from the use of productive infrastructure.

Recommendations and Next Steps

The MTR makes 12 priority recommendations across a range of issues. They are presented after due consideration and each recommendation identifies the agency responsible for actioning the recommendation, and a deadline date. These 12 recommendations are in effect the Next Steps and Key Actions plan to address the core issues identified in the MTR.

Part I: Review of SOLID Progress to MTR.

A. Introduction¹

1. The Smallholder Livelihood Development Project in Maluku and North Maluku Provinces of Eastern Indonesia (SOLID) was approved by IFAD's Executive Board in May 2011. The objective of the Project is to improve the livelihoods (incomes and food security) and reduce the incidence of poverty for people in the targeted villages. Pre MTR of the Project had five components: (i) community empowerment; (ii) productivity improvement and integrated farming systems; (iii) value chain development and marketing; (iv) productive rural infrastructure investment; and (v) institutional strengthening and Project management. Its expected outcomes were: (i) village institutions and self-help groups and unions functioning effectively; (ii) target group farmers using improved, sustainable production systems and low levels of purchased inputs; (iii) target communities using improved natural resource management systems; (iv) self-help groups (SHGs) and unions/Federations operating as successful elements of the value chains for the targeted commodities; (v) improved small-scale infrastructure available in the target villages with the community organisations undertaking their operation and/or maintenance; and (vi) Project completion on time and within agreed budget.

2. The objective of this mid-term review (MTR) is to assess the Project's progress toward achieving its objectives, review the Project's performance in terms of effectiveness and efficiency, and also generate lessons in order to make recommendations to enhance both Project impact and sustainability. After start-up meetings with the National Project Management Team in Jakarta, the Mission visited Maluku (Central Maluku and Buru Districts) and North Maluku Provinces (East Halmahera and North Halmahera) between June 3 – 12, 2014. The Mission members wish to thank all the SOLID staff for their assistance and cooperation during the MTR.

3. This report is presented in 2 parts. Part I contains the MTRs review of the SOLID Project from start up until 1st June, 2014. Part II provides the MTRs suggestions for Project revision and refinement from 1st January 2015 until Project closure on 31st December, 2018.

B. Overall Assessment of Project Implementation

4. At the time of MTR, the overall assessment of Project implementation performance is considered *moderately unsatisfactory* (3) with some overall signs of improved performance. This assessment is based on the projects achievement of outputs, however, without significant improvement, this project risks deteriorating into problem project status.

5. The Mission considers that there are several issues to be addressed before the Project can expect to achieve success. These include clarifying Project design documentation, weak Project implementation guidelines, various management constraints (including staff quality, staff quantity, staff deployment and staff immobility), and continuing failure to recruit an NGO facilitator and consultants, an ineffective M&E system, a lack of linkage between the various Project components and activities, and a continued lack of understanding of value chain concepts.

6. The MTR has been constrained by a lack of data and information on which to establish a baseline from which to determine its assessment and recommendations. The absence of a clear picture of the Self Help Groups (SHGs) including their activities, membership, financial status and quality – challenges the MTR to (i) make effective recommendations; and (ii) allocate Project resources to respond to the needs of beneficiaries.

¹ Mission composition: Mr Ron Hartman, Country Programme Manager; Mr. Tony Ryan, Team Leader, Mr. Philip Young, Agriculture, Ms. Pari Baumann, Sociologist, Ms Blanca Amado, Economist, Mr. Sumaryo Soemardjo Financial Management and Procurement, Mr Shaheel Rafique, Monitoring and Evaluation and Project Management; and Ms Anissa Lucky Pratiwi, Indonesia Country Programme Facilitator.

7. An important issue for beneficiaries has been the unfortunate combination of a community development process that was time consuming and excessively administrative and an equally burdensome M&E process. As a result, the important technical aspects of the Project have been squeezed between community development and M&E with two important outcomes. First, at village level, food production and value chain activities have had less than ideal attention, and secondly SHG members have become fatigued and risk disengaging with the Project.

8. The Project has however made some good progress and achievements. These include women being more active and engaged in food production and small value adding activities. They have grasped their opportunities more enthusiastically than men. Despite some issues, and the continuing failure to recruit an NGO to support village facilitation activities, the community development activities have had a positive impact in establishing a platform on which the Project can build. This success is due to the commitment of the agriculture extension workers (PPL) who have had to assume responsibility for social mobilization and community development in the absence of village facilitators (VF). District value chain plans have been prepared and provide a sound base on which to proceed.

9. Extensive training and rigorous adherence to guidelines on targeting and group formation has ensured that the poverty and gender focus of this component has been effectively internalised. The mobilisation of SHGs and Federations has been carried out close to appraisal targets and there are some noteworthy examples of activities and investments that are likely to improve member livelihoods. However the general trend is that obstacles to mobilising the project facilitation services envisaged in the design and failure to link group building activities to agricultural production and value chain activities has hindered real progress towards outcomes. In short, SOLID has correctly identified the target group and mobilised these into groups as planned but without a more concrete plan for agricultural production and value chain activities and the appointment of the facilitation services originally envisaged, the Project risks losing the interest of the target group, a trend that was already evident during mission fieldwork. Despite this, evidence from fieldwork suggests that the initiation of savings activities was empowering. In fact for many respondents this was the first time they had saved.

10. Whilst SOLID's demonstration plots (demplots) and farmer field schools (FFSs) are reasonably on track in terms of achieving targets, there is little quantified evidence that the component is resulting in increased farm productivity and more sustainable farming systems. Component 3 is the "weakest" component in SOLID's portfolio of activities. Good progress has been made in the form of the district value chain plans (DVCPs) and it is apparent that some short value chains (SVCs) are operational at the village level, but there has been no progress in developing more commercial and long value chains (LVCs) based on the three major estate crops (copra, cacao and nutmeg).

11. As the Project has been somewhat slow to disburse to mid-term there are still adequate Project financial finances² available to support a redesign and reorientation of the Project. The MTR is confident that the Project goals, objectives and outcomes can be achieved by 2018 if there is improvement in ensuring a deeper, more comprehensive and effective engagement with existing villages rather than a more limited, wide-spread coverage aimed at simply meeting numerical targets.

12. Impacts: Unfortunately, despite commitments, the Project impact assessment was not completed in time for the MTR. This severely constrains the MTR Mission's ability to accurately assess impact. However, there is the one finding in the Annual Outcome Survey that 80% of respondents noted that the Project had "some" impact. The Mission observed that the Project has achieved limited impact at this stage.

² To 14.5.14: Loan is 16.4% disbursed and Grant is 7.6% disbursed.

C. Outputs and Outcomes

Component 1: Community Development and Gender

13. Performance under this component is considered to be *moderately satisfactory* (4). The mission has not been able to find precise and consistent physical and financial data on which to build an assessment of progress towards the project outcome of this component, which is improved livelihoods and reduced poverty. The annual outcome survey reports that 80% of respondents found SOLID to have a 'reasonable impact' but without further explanation this finding has little value. The fact that many of the SHGs noted that this was the first time that they had saved was encouraging. There were also examples of groups adopting new agricultural technologies and increasing food production as a result of participating in the project. However, the general impression of the mission was that, despite some notable exceptions, progress towards the component outcome remains slow.

14. Communities mobilised and SHG and Federations established. The absence of a clear picture of the Self Help Groups (SHGs) – their activities, actual membership, financial status and quality – has complicated the task of mid-term assessment. However, there has been considerable progress made towards the key component output as outlined in table 1.

Table 1: Cumulative Project Output for Component 1, 2013

Indicator	Cumulative 2013	AWPB 2014	Cumulative plus AWPB	Appraisal target	Appraisal target 2013 (% of)	Appraisal target 2014 (% of)
Villages	108	116	224	330	33%	68%
SHG	952	476	1,428	3,300	23%	43%
Federations	108	116	224	330	33%	68%
SHG members	14,280	7140	21,420	49,500	29%	43%

15. There is no numerical overview of the current status of SHGs or a breakdown of SHGs by economic activity. In 2014 the target in the Annual Work Plan and Budget (AWPB) is to form an additional 476 SHGs in an additional 116 villages bringing the total number of SHGs formed to 1428 with 21,420 member households. The fact that there are exactly 15 SHG members recorded per group suggests that these numbers do not represent the actual and current SHG membership; field visits demonstrated that membership has decreased significantly, with an average of 8 members in the SHGs visited.

16. Whilst the outputs are satisfactory there is cause for considerable concern over the quality of the progress that has been made in terms of SHG capacity to pursue economic objectives. These are principally caused by: (i) failure to mobilise the facilitation and support services envisaged in the design, notably including those of the NGO, but also those of the Commercial Village Office and Farmer Facilitators; (ii) confusion over the project objectives, in particular how to achieve the joint objectives of food security and value chain development; (iii) a disconnect between the community empowerment and agricultural production and value chain objectives of the project; (iv) the lengthy group building, administration and monitoring that is required of SHG's for what are perceived as limited funds; (v) a lack of logical sequencing of activities and (vi) the lack of guidelines and simple manuals to support the Project district staff and extension workers. Amongst these explanations the failure to contract an NGO to manage the group formation and allow the PPL to focus on the provision of technical services stands out as the most significant obstacle to progress towards component 1 outputs and outcomes at mid-term.

17. Federations. The Annual Report 2013 records a total of 108 Federations formed by end 2013; with the addition of 116 new villages in 2014 the target number of Federations formed by end 2014 will be 224, though the exact status of current Federation formation is unclear. A total of 108 Federations had received a matching grant of IDR 35,000 by end 2013. The USD allocation for

Federation matching is approximately USD 1 million and approximately USD 330,000 or 33% of the total funds, has been disbursed by end 2013. There is no Project information on the either the disposition or current status of these funds.

18. The mission findings on Federation performance are the same as those made in previous missions and acknowledged by project management. Federations currently see themselves in a number of roles, none of which matches Project design intentions. These current roles include managing SOLID infrastructure, running their own village enterprise, some (unclear) role in marketing, and provision of assistance with social development in SHGs. On top of this, the current lack of coherence and strength within a number of SHGs further undermines the likelihood of immediate successful introduction of village level Federations in their intended role. Without clear guidelines the Federation funds are vulnerable to capture and misuse, of which the mission found many examples.

19. The design envisaged that Federations would be formed 3 years after the formation of SHGs as part of a graduated village planning process developed by mature SHGs. In fact the Federations have been formed at the same time as the first SHGs without any prior capacity building, no clear mandate and no guidelines for fund management. In the absence of guidelines on the purpose and function of Federations, these have been created earlier than the design intended partly due to the pressure to disburse, partly because they are considered the logical apex institution for SHGs and partly to enable the infrastructure component to be implemented. The Federations in fact precede the formation of many SHGs as they are created in the first years of village involvement whilst SHGs are phased into villages along the pattern of 3,3,4 SHGs over three years (2011-2013), with the consequence that SHGs formed later are not part of Federation formation. The Federations urgently need a set of guidelines that outline objectives and responsibilities as well as put in place procedures to ensure their accountability.

20. SHG's capable of planning and implementing production and post-harvest plans for enhanced food security and incomes. The design provides for a village planning process through the medium of a participatory rural appraisal (PRA) to identify the key objectives, interventions and beneficiaries for each village. The PRA process undertaken has been fragmented and of uneven quality and has not contributed to a 'village plan' as intended in the design. The PRA process has not received the district level support that is required for it to be an effective planning tool, partly because of restrictions on travel time. In addition the PRA guidelines are too lengthy and complicated and rather than becoming an effective starting point for deciding project interventions they have become a poorly performed activity in the to-do list.

21. The formation of SHGs by already overburdened village extension workers (PPLs) without NGO support is one of the key factors explaining poor quality participation. The vast majority of SHGs had not engaged in any economic planning and had chosen activities that were an extension of existing production patterns as a default option. The focus of facilitation was on building cohesive groups, but without an economic rationale able to generate benefits, many of these SHGs are losing members; in several of the villages during the mission fieldwork SHG membership had reduced by half. Notably, the SHGs most likely to lose members were older SHGs that had used their grants, an early indication that the outputs from this component are not yet sustainable. A simplified PRA will be an important step in providing a guideline for how to link an understanding of assets and priorities to concrete plans for action at both SHG and village level.

22. Given the poor progress on building SHGs able to sustainably pursue economic objectives and continuing slow progress in mobilising project facilitation and support services, the planned targets for including new villages and SHGs in 2014 and 2015 is a cause for concern. The main focus of the strategy for component 1 moving forward from the MTR should be to assess SHG status, prevent the loss of further SHG members, build the capacity of existing SHGs and learn from these before moving forward. Shifting the focus of capacity building from community empowerment and group strengthening to agricultural production and income generation in phase 2 will support this objective.

23. SHGs capable of managing and sustaining group resources. Project progress on this output has been extremely mixed, partly due to the lack of clarity and guidelines over the purpose of the

matching grants. The total loan amount for matching grants is USD 6.1 million of which approximately USD 1.3 million had been disbursed to a total of 711 SHGs by end 2013. The total amount per SHG is IDR 18 million in two instalments of nine million each. The AWPB provides for an additional disbursement of USD 1.4 million in 2014. The matching grant constitutes the main investment tool for SHGs but how the money is to be provided to the SHGs, under what conditions, with which prerequisites and for what purposes is not spelled out anywhere in the project design report. The design report variously refers to 'savings and loans' 'devolved funds', 'revolving funds' and 'matching grants'.

24. The project has issued guidelines for grant deployment but these are principally to support the administration of this input rather than the effective use of the grant towards project objectives. The main objective of the guidelines is to provide a mechanism for assessing group maturity through the following indicators, all of which have equal weight: vision and mission, organisation, financial management, accountability and self-management. The size of the matching grant that is provided to the SHGs depends on how they score against these indicators. The SHGs encountered during the mission had received varying amounts and appeared to be accepting of how they had scored although evidently the reality is likely to be more complex.

25. The intended purpose of the matching grant was to kick-start commercial production activities around agriculture, however in practice the matching grant has more frequently been used to start savings and loan activities. The Project was not able to deliver substantial technical and advisory services to support economic investment and for most SHGs the consequence has been unsustainable investments in working capital. Many of the SHGs have lost numbers after the matching grants have been distributed because there is no common economic activity to provide a rationale for further group work. Some notable exceptions were an SHG that had purchased an oil press and were producing coconut oil for sale in the local market and another SHG that had purchased vegetable seed and inputs and had managed to go from net buyers of vegetables to prospective sellers. In general, in the absence of guidelines and technical advice, the investments made in commercial production were not sustainable. There is no data from Maluku on how the matching grants have been used. North Maluku has some data, presented in the Annual report 2013, which suggests that most of the investments had been made in agriculture, followed by livestock breeding, trading, consumption and product processing.

26. The matching grant has had relatively more success as a foundation for group savings and loan activities, although this was not the original intention of the design. For many group members it was their first ever group saving initiative and this in itself was considered empowering. The three main saving practices included: membership instalment, compulsory saving, and voluntary saving with considerable variation in the amount required for the first two saving types. The Annual Report 2013 provides some data for North Maluku, which suggest extremely high level of savings (US\$96,200) as well as investment but the data gaps and inconsistencies do not enable them to be used with any confidence.

27. The following are the main problems related to the performance of the matching grant: (i) there is a confusion about whether the main purpose of the grant is to finance production or to build up savings; (ii) the provision of the matching grant is not linked to an economic investment plan but to a set of criteria whose objective it is to assess the internal cohesion of the group; (iii) the communities are used to receiving grants up front which causes confusion and difficulties for front line staff in trying to enforce qualification for criteria prior to the release of project funds. The project has consequently provided grants to the SHGs before they reached maturity or fulfilled preconditions such as achieving a certain level of savings. The mission recommends that there need to be: (i) consistent guidelines developed to improve fund management; (ii) an improved focus on using matching funds and savings to support sustainable economic production and (iii) an improvement in the quality of its facilitation and capacity building for credit and micro-lending activities; these also need to be consistent with national guidelines and regulations for micro-lending.

28. Facilitation and training. The project has made considerable progress towards the targets set for facilitation and training of component 1 activities; the RIMS 2013 records progress on 'people trained in community management topics' as 79% of the 2013 AWPB target and 24% of the appraisal target. The project staff had been well socialised into the core objectives of the project and internalised the principles of poverty targeting and gender mainstreaming that are central to SHG and Federation formation. Despite this progress, the project implementation staff frequently mentioned that they did not understand how to implement the project. The capacity gap was not so much in what they should do but how they should go about forming SHGs and Federations able to pursue sustainable economic activities. The fact that most of the project staff had to work on core agency work and the failure to mobilise the institutional support structures envisaged in the design (NGO, Commercial Village Officers, Farmer Facilitators) has made much of the training redundant or inadequately matched to corresponding activities in practice. Frequent change in staff and the overall lack of clarity about the project design across the entire project management structure has contributed to the poor implementation of component 1.

Component 2: Productivity Improvement and Integrated Farming Systems

29. Performance under this component is considered to be *moderately unsatisfactory* (3). Output: Extension services improved to facilitate increased agriculture productivity by smallholders. SOLID reports that 24% of HHs (target is 75%) are accessing extension services and have therefore (by deduction) also adopted new technology. However, as the limited Annual Outcome Survey (AOS) does not report on this topic it is difficult for the MTR to be certain that these figures are correct. Limited evidence from field work indicates that because PPL and PTL numbers are well below two per village (as per the design) and these staff only work part-time (50%) for SOLID, it is unrealistic to "assume" that extension services have improved. In terms of the number of agriculture demonstrations (demplots) completed, SOLID has achieved 82% of its physical target, but reports that there "is (are) no data available which link demplots with market development". Similarly 85% of the targeted Farmer Field Schools (FFSs) have been completed³. The skills training activity has a 97% completion rate for North Maluku, with no information available for Maluku. One of the main problems (with all Project components) has been the delinked nature of each component, from a comprehensive and cohesive whole with inter-component complementary to a situation where each component has tended to be implemented on a stand-alone, mini-project basis. Conclusion - limited measured output.

30. Outcome: Target group farmers use improved, sustainable production systems and low levels of purchased inputs. Targets are 50% of HHs using technology, 25% of HHs growing more crops, and 330 contracts between producer groups and marketing enterprises. SOLID reports: "evidence from the field shows significant increases in production for the major commodities - food and estate crops", but when reporting against means of verification state that "there is (are) no data available". The only concrete information to support achievement of this outcome is that 22 companies have established "marketing cooperation" with farmers, but with little if any uptake at the HH level. Conclusion - limited outcome. The very limited AOS does not help in this regard.

Component 3: Value Chain Development and Marketing

31. Performance under this component is considered to be *moderately unsatisfactory* (3). Output: Availability of services to improve market returns by SHGs and Federations. SOLID reports that 64 market facilities have been constructed (target is 330). The numbers are the same for processing facilities. In addition, 22 out of 330 on-farm storage facilities have been constructed and/or rehabilitated. There are no data on the number of farmers involved in these activities, or the number of SHGs/Federations involved, and there is no information available on value chain mapping for business development for key commodities. Conclusion - some achievement of physical targets but there is no indication of resulting improved services.

³ Note: Seram, West Halmahera, and Buru have not performed as well as the other districts. For example Buru only completed 28% of its demplots and 44% of the targeted FFSs.

32. SHGs and Federations operating as successful elements of the value chains for the target commodities. Targets are: (i) 330 functional marketing, storage and/or processing groups; (ii) new marketing arrangements (50% of HHs); (iii) increased farm production; (iv) the number of mature marketing groups; and (v) the percentage of Federations with market linkages. SOLID reports that 64 marketing groups are functioning, some HHs have new marketing arrangements, an assumed increase in marketed product (no evidence), and 94 Federations with market linkages. Conclusion - at best these reported achievements seem some-what tenuous and again there is no convincing evidence of outcome achievement.

Component 4: Rural Infrastructure Development

33. Performance under this component is considered to be *moderately satisfactory* (4). Output: Small-scale rural infrastructure improved. Targets are (i) 330 farmers working on 330 rehabilitated/ constructed irrigation schemes; (ii) 165 km of road rehabilitated/ upgraded; (iii) an unstated number of post-harvest facilities and equipment; and (iv) 330 user groups. SOLID reports: (i) an unknown number of farmers are involved with (i); (ii) 20 irrigation schemes have been developed; (iii) 10.45 km of road in North Maluku has been attended to (no data for Maluku); (iv) 60 units of post-harvest equipment have been supplied; (v) 64 units of processing equipment have been supplied; and (vi) there are no data on the number of user groups. Conclusion - SOLID has made reasonable progress in building and rehabilitating infrastructure and distributing equipment but is unable to demonstrate that this has translated into benefits for target households (HHs).

34. Outcome: Improved and developed small-scale agriculture infrastructure available in the target villages with community organisations undertaking their operation and/or maintenance. In a general sense it is logical to conclude that investment through component 4 must have resulted in some improved availability of functional small-scale agriculture infrastructure, but there is no evidence (from the field or from SOLID's reports) that adequate operations and maintenance (O&M) budgets and depreciation allowances are in place. Conclusion - reasonable outcome in terms of physical infrastructure delivery, but it is difficult to link this investment with tangible investments and impacts.

Component 5: Project Management

35. Output: Efficient Project management and coordination. While this component is financing the costs of Project management at national, provincial and district levels, and supports the development of staff capacity of key participating agencies to provide the services required by the rural community in the target villages, overall management has a number of issues that require urgent attention. In particular, the PDR lacks clarity, the PIM is vague and unspecific, M&E is dysfunctional, procurement is taking far too long and provincial and district staff does not have sufficient commitment to Project implementation. As a result, the performance of this component is considered *moderately satisfactory* (4).

36. The Project has disbursed around 16.4% of the Project loan funds. The Project Management consultant is advising and mentoring the newly appointed National Project Manager while the M&E Consultant has been working closely but with limited success, with the National M&E Officer to institutionalize the participatory M&E system; and the Procurement Specialist is supporting the procurement process but again, with little evidence of success. The mid-term RIMS impact evaluation survey is yet to be completed. Only three out of seven consolidation meetings have been held so far with around 43% of the allocated funds spent. Adherence to planning and reporting procedures and formats has been weak. However the Project has made some attempt to produce complete and accurate financial records, and has completed annual audits.

37. Progressive Outcome. Project completion on time and within agreed budget: The Project has completed procurement of almost 90% of the budgeted equipment and vehicles. The M&E system was developed but its effectiveness is rated as *moderately unsatisfactory* (3). There are 14,280 HHs receiving Project services, which is 29% of the appraisal target of 49,500 HHs. The SHGs are involved directly in the planning process and 165 PRAs have been completed.

D. Project Implementation Progress

Component 1: Community Development and Gender

38. The project has been able to make progress towards physical outputs but as noted project management performance has been seriously affected by the failure to procure an NGO, the inadequacy of funds for staff to travel and the requirement that SOLID staff dedicate significant amounts of their time to core agency tasks. Monitoring and evaluation has absorbed much of the limited staff time available on cumbersome procedures that neither the PPLs nor the SHG members consider value adding. Despite this, reporting quality across the project is poor, with inadequate information on project progress related to outputs, outcomes and short-term impacts. Despite this, the project has a fair performance in the three key areas that relate most to component 1 outputs: gender focus, poverty focus and the effectiveness of the targeting approach.

39. **Gender focus.** The gender focus is considered to be *satisfactory (5)*. There is an overall positive emphasis on gender in the Project. The relevance of gender mainstreaming appears to have been accepted by project staff and internalised as routine management practice. The M&E system is being slowly gender mainstreamed with the collection of sex-disaggregated data and there have been 456 training sessions held on gender. Project gender targets include 50% of women in all project activities and 30% of leadership positions in SHGs and Federations held by women. The data on women's participation in SOLID activities suggests two different pictures. On the one hand the Project has made good progress with 343 women's SHG and 294 mixed SHGs out of a total of 952 SHGs formed by the end of 2013. On the other hand women constituted only 30% of project participants until the end 2013. The main explanation for this would be that men dominate the mixed groups. The project is not able to report aggregate progress towards targets regarding women in leadership positions but data gathered during the fieldwork shows that this drops sharply, particularly with regard to Federations.

40. The mission found women to be active during village visits and their participation far exceeded that of men. Previous mission reports as well as the Annual Report 2013 note that men are more involved in commercial activities whilst women remain engaged in more subsistence oriented farming. This was not the finding of this mission; however, particularly with aggregate figures suggesting that women make up only 30% of project participants, it is important that the Project remains aware of this tendency as SHG's move towards market engagement and support women through facilitation and training to take full advantage of emerging opportunities. Equally, it is important that the Project remains committed to gender targets in the constitution of the Federations and improves the quality of sex-disaggregated monitoring and evaluation.

41. **Poverty focus.** The poverty focus is considered to be *satisfactory(5)*. Project measures to ensure a pro-poor focus include a thorough and cross-checked identification of the poor and a three stage targeting process through which they are identified. Fieldwork respondents frequently mentioned that the project does not in any case interest the less poor because of the limited funds available and the extensive group building exercises required to access these funds. The only area in which there was some evidence of benefit capture was in the operation of the Federations, but this was opportunist rather than elite capture. The Annual Outcome Survey contradicts this finding showing instead that the project has targeted the 'poor' and 'average' rather than very poor groups. However the quality of the Survey is poor, there is no control group and the findings are contradictory as the target group also has food insecurity that is higher than the regional average. The assessment of satisfactory performance based on field findings and review of the PRA documents seems more accurate at mid-term.

42. There are villages in which the Project has included almost all households regardless of poverty levels. These are mainly the smaller villages in which total household numbers were not sufficient to reach the targeted number of SHGs. As the smaller villages tend to be more poor and remote and as participatory poverty appraisal is a comparative methodology, it is likely that even the wealthier households were poor or near poor. In any case, given the implementation costs of initiating project

activities in a village and the limited time available to the PPLs, extending project activities to a wider beneficiary group appears a rationale choice and use of resources.

43. **Effectiveness of targeting approach.** The targeting approach is considered to be *moderately unsatisfactory* (3). The Project has a three step targeting approach whereby the sub-districts, villages and households are selected. The sub-districts and villages are selected with a set of indicators to narrow the focus to a project population with over 20% poverty rates that has potential for improved agricultural productivity. Within villages, households are selected following an extensive participatory planning process whereby participatory identification of household poverty and opportunity are cross-checked with sub-district poverty data in village planning sessions, as well as through direct household level verification.

44. Beyond this targets include 50% women's participation overall and 30% of women in leadership positions. The design notes that indigenous people will be involved in the project as per IFAD guidelines, but no target has been established. As the indigenous population in the target villages is 54% and given the effectiveness of poverty targeting, it is likely that participation rates are high, however no data has been collected through which this could be verified.

45. The project is largely self-targeting in that the goods and services available are relevant to the poor target group and much less attractive to relatively wealthier farmers. This was evident and frequently stated during the field visits. The targeting approach has been effective in identifying project participants along the categories identified in the design. The attitudes and capabilities of the project management towards targeting are one of commitment and thorough application of the project targeting tools, despite the limited time and budgetary resources that have been available.

Table 2: Project Target Performance

Target Group "category"	Appraisal Targets	No. of people reached end 2013 (cumulative)	
		Total number	Of whom - women
Poor rural people	49,500 households	14,280 (28%)	5806

46. The Mission noted that there are instances where the total target of 150 poor household beneficiaries (10 groups of 15) per village is difficult to achieve as the number of qualified poor households is insufficient and/or the village is small or has been divided. It is suggested that in these cases the Project adjusts its targeting criteria to include the near poor as the eligible target beneficiary, up to 40 % in the bottom of the wealth-ranking pyramid. This is in line with the operational definition adopted by the national team for poverty alleviation. Additionally, the new villages selected vary considerably in size and consideration can be given to forming more SHGs in the larger villages to meet project targets.

Component 2: Productivity Improvement and Integrated Farming Systems

47. Whilst SOLID's demplots and FFSs are reasonably on track in terms of achieving targets, there is little quantified evidence that the component is resulting in increased farm productivity and more sustainable farming systems at individual HH level - see Table 3. This could be because SOLID has not been able to collect the data to prove impact, or because there has been very limited impact *per se*. There is some anecdotal evidence from field observations and sporadic and simple case studies that some HHs are beginning to adopt new farming technologies which should result in increased production and incomes, but the MTR cannot be certain about this tentative conclusion. In addition, the intended inclusion of livestock-focused activities in SOLID has not occurred because of problems with animal health services, particularly for poultry.⁴ Some small fish trading groups have been established by women's groups but these are only local and have been formed simply because of access to working funds from SHG's matching funds. Unfortunately the AOS is very basic and does not do justice to the impressive work completed by the agriculture extension staff (PPLs and PTLs) on

⁴ Newcastle disease.

this component. Conclusion – some progress with limited impact to-date, but it is not unreasonable to assume that the basis for some delayed impact has been prepared and therefore is a foundation on which to build SOLID post MTR.

Table 3: Summary of Component 2 Progress

District	Demonstration Plot			Farmer Field Schools			Skills Training			Exposure Study			Field Visit		
	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
West Halmahera	36	4	11%	12	2	17%	8	7	88%	1	1	100%	1	1	100%
Central Halmahera	24	24	100%	12	12	100%									
East Halmahera	95	94	99%	30	30	100%	107	107	100%	1	1	100%			
North Halmahera	72	66	92%	16	16	100%	66	66	100%	1	1	100%	8	8	100%
South Halmahera	12	10	83%	4	2	50%	11	6	55%	1	1	100%	8	8	100%
Sula Island	10	10	100%	10	10	100%	10	10	100%						
Total - North Maluka	249	208	84%	84	72	86%	202	196	97%	4	4	100%	17	17	100%
Central Maluku	95	95	100%	26	26	100%	20	20	100%	2	2	100%			
West Seram a/	93	93	100%	30	30	100%	1,200	1,200	100%	20	20	100%			
East Seram	96	51	53%	21	5	24%	75	4	5%	10	10	100%			
Buru	29	8	28%	18	8	44%	11	6	55%	2		0%			
South Buru	17	17	100%	12	12	100%	21	21	100%	1	1	100%			
Total - Maluku	330	264	80%	107	81	76%	1327	1251	94%	35	33	94%	0	0	
Total - SOLID	579	472	82%	191	153	80%	1529	1447	95%	39	37	95%	17	17	100%

a/ Unit is not standard for skills training.

Source: derived from 2013 SOLID Annual Report, Tables 9 and 10, pages 20 and 21.

Red figures high-light poor performance in terms of target achievement, and in some cases under-sized programs.

Component 3: Value Chain Development and Marketing

48. Component 3 is the “weakest” component in SOLID’s portfolio of activities. This is not surprising given that staff and target farmers are still reporting that “they do not understand the component, and do not know how to implement it”. Good progress has been made in the form of the district value chain plans (DVCPs) but these are yet to be transcribed into action plans which are supported by feasibility studies. On a more positive note, it is apparent that many some-what informal and short value chains (SVCs)⁵ are operational at the village level, but there has been no progress and therefore no impact in terms of developing the more commercial and long value chains (LVCs)⁶ based on the three major estate crops (copra, cacao and nutmeg). In summary there has been some scattered and limited progress resulting in very limited impact from SVCs in some communities but these are probably not wide-spread or necessarily financially viable in the longer-term. There has been very little progress and even less impact from LVCs and this is an area which will require substantial revision for post MTR. Table 4 summarizes the targeted value chain commodities for SOLID’s target districts and shows: (i) coconut is the most important tree crop in the project area, followed by cacao and nutmeg; and (ii) the wide range of “secondary” products which is being targeted by the Project’s Value Chain Specialists. The later it leading to confusion, misallocation of resources and a scattered approach to value chain development.

⁵ For SOLID, defined as VCs for products which are value-added in villages, and then sold in village or district markets. Markets for such products are usually defined by the high cost of sea-freight in the Maluku which makes importation into districts very expensive compared with other parts of Indonesia

⁶ For SOLID, these VCs are defined as those which are based on products which are financially viable (for farmers and traders) which can be exported from districts to provinces, other regions of Indonesia or into international markets

Table 4: Value Chain Commodity Priority Crops for Provinces and Districts

North Maluku						Maluku					Rank		
South Halmahera	West Halmahera	East Halmahera	Central Halmahera	North Halmahera	Sula Island	Central Maluku	West Seram	East Seram	Buru	South Buru	Key Estate Crop		
Main Commodities with Value Chain Potential											Coconut	Cacao	Nutmeg
Cassava	Coconut	Coconut	Nutmeg	Banana	Coconut	Cacao	Coconut	Coconut	Cacao	Coconut	6	2	1
Banana	Banana	Cassava	Coconut	Maize	Cacao	Clove	Banana	Cacao	Coconut	Cassava	2	2	
Coconut	Cassava	Peanut	Maize	Coconut	Cashew	Nutmeg	Peanut	Nutmeg	Peanut	Banana	2		2
Minor Commodities with some Value Chain Potential											10	4	3
Maize		Maize		Cassava	Clove	Vegies	Long bean	Clove	Vegies	Cacao	first	second	third
Nutmeg		Clove		Nutmeg	Nutmeg	Root crops	Cacao	Sago	Mel oil	Clove			
Cabbage		Paddy		Clove	Coffee		Sago			Hotong			
Clove		Nutmeg		Cabbage	Sago		Coconut			Root crops			
		Soya bean		Sago	Banana					Campada			
		Banana		Peanut	Cassava					Nutmeg			
		Cabbage		Paddy	Vegies					Peanut			
		S. potato			Cassava					Long bean			
		Sago			Red onion					Tomato			

Coloured cells indicate the three key estate crops - coconut, cacao and nutmeg

Source: Table 11, page 25, SOLID's 2013 Annual Report.

Component 4: Rural Infrastructure Development

49. Component 4 has made the most implementation progress and had the greatest short-term impact on SOLID's beneficiaries in that substantial quantities of equipment have been distributed and some key infrastructure rehabilitated - see Table 5. Farmers are obviously using this equipment and some would therefore be generating incremental benefits. However, once again it is impossible to link this achievement with quantified impact/s, other than for anecdotal evidence and limited observations. In addition, there is no 'hard' evidence of formalized operations and maintenance (O&M) plans to maintain and operate this infrastructure, so sustainability is questionable. **Conclusion:** it is reasonable to conclude that component 4 has had some direct impact on agriculture production.

Table 5: Summary of Component 3 Activities

Item	Unit	Central Maluku		West Seram		East Seram		Buru		South Buru		Total Maluku		
		Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Target	Actual	%
Access road	km	1.012	1.012	2.000	2.000	2.400	1.900	2.000	1.600			7.412	6.512	88%
Field huts	unit	4	2			2						6	2	33%
Dug wells	unit	4	4	9	9	9	4			5	5	27	22	81%
Water piping	metre					500	450					500	450	90%
Rainwater storage	unit	2	1									2	1	50%
Drying floor	unit	2	1	2	2	10	3	5	3	18	18	37	27	73%
Drying hut	unit	13	5									13	5	38%
Food storage	unit		6	2	2	8	7	2		3	3	15	18	120%
Village market	unit	3										3	0	0%
Small bridge	unit					1	1					1	1	100%
Simple drainage	metre		20									0	20	
Drainage ditch	metre	55	55									55	55	100%
Well pump	unit			9	9							9	9	100%
Fermentation hut	unit					1	1					1	1	100%
Mills	unit	1										1	0	0%
Sago processing	unit					1						1	0	0%
Ag product process	unit					5	4					5	4	80%

Source: derived from Table 16 in SOLID 2013 Annual Report, page 37. Similar figures for North Maluku are in Table 15 on page 36.

Red figures high-light priority infrastructure and agricultural equipment.

Monitoring and Evaluation.

50. Pre MTR, the implementation progress of monitoring and evaluation has been disappointing. The MTR rates M&E performance as *unsatisfactory*. Project managers have received little, if any M&E information of value with which to re-orient or re-direct project implementation approaches. Data gathering has become a burden for SHG members and has contributed in no small part to the loss of interest in, and commitment to SOLID and its objectives. Pre MTR, data gathering was scheduled to be undertaken on a monthly basis which was much too frequent. The failure to recruit village facilitation support has meant PPLs have undertaken the data gathering task, but at the expense of spending time on their main role of providing technical support. When data was gathered, there was no capacity in place to analyse and interpret it into meaningful management messages. Given the

technical support resources (both national and international) that were provided to address M&E issues, this unsatisfactory situation is regrettable.

51. Project staff have suggested that communications difficulties have exacerbated the poor performance of M&E. The MTR regards the failure to address this challenge as a reflection on weaknesses in the SOLID management structure and processes rather than a communications issue. However, the MTR does acknowledge the availability of Information and Communication Technology (ICT), e.g. the 'What's Up' application for cell phones, which is already functioning within the IFAD-funded Coastal Community Development Programme in the same region of Indonesia.

Innovation and Learning

52. **Innovation and Learning** is rated as *moderately unsatisfactory* (3). While the project does offer potential for innovation and learning, up until the MTR, it did not succeed in producing successful innovations or learnings. This is also due to the lack of a system to identify, document and disseminate such innovations and learnings.

53. Going forward, the project management on all levels need to strengthen the effort to develop and test innovative solutions, particularly in the areas of linkage between federations and SHGs, the agricultural revolving funds and value chain development. In terms of learning, processes for knowledge gathering and sharing need to be established. On the field level, the Farmer's Hut is a good basis a farmer based and farmer-to-farmer extension system in the Project.

Climate and Environment Focus

54. Climate and Environment Focus is considered as *moderately satisfactory* (4). The Project does not have an explicit focus on climate change mitigation or adaptation, although there is an environmental assessment in the project design which rated the Project in category B. Yet, the project is contributing to sustainable use of agricultural and natural resources. Through demonstration plots, farmers learn new methodologies and good agricultural practices, for instance effective use of fertilizer and pesticides, mixed cropping. In some cases precision and organic agricultural practices are being promoted. The risk of environmental degradation through project activities is very low.

E. Fiduciary Aspects.

55. **Financial management** is rated *moderately satisfactory* (4). The financial reporting following Government of Indonesia (GOI) procedures is general satisfactory. However, there are still issues in some remote districts where the GOI treasury office (KPPN) opens only for a few days per week meaning that Project staff have to travel to other KPPNs to process transactions. This results in delays in reporting to central NPMO. In addition, Project staff at all levels have difficulties coding Withdrawal Applications (WAs) to match IFAD's requirements for documentation of expenditure by component and categories. This contributes to a delay in preparation of WAs, which in turn contributes to low disbursement levels.

56. During visits to the villages, the Mission noted that each SHG has to keep about five to six books, namely visitor book, membership book, minutes of SHG meetings, saving and lending, and/or repayment books. Generally, this task is being undertaken well although the number of books makes the process somewhat onerous and excessive.

57. **Disbursement** is rated *moderately unsatisfactory* (3) The actual loan fund disbursed by IFAD as of 19 May 2014 was SDR 4,959,417 (USD 7,563.097 equivalent, including the initial deposit of USD 1.0 million) and the grant fund disbursed was SDR 51,216 (USD 110,000 equivalent, as an initial deposit) - see Table 6.

Table 6: Loan/Grant Disbursement as of 19 May 2014.

	Allocation (in '000 SDR)	Disbursed (in '000 SDR) ⁷	%	Balance (in '000 SDR)
Loan	30,300	4,959.42	16.4	25,340.58
Grant	675	51.2	7.6	623.8

58. To date there have been 19 WAs submitted to IFAD for loan funds of which 18 WAs have been disbursed. WA No. 19 amounting to US\$437,197 equivalent which was submitted in April 2014 but has not been disbursed by IFAD. The Project has utilized grant funds of IDR 221,000,000 (USD 22,100 equivalent) but this is yet to be claimed from IFAD.

59. Total Project expenditures using loan funds in the Special Account is US\$8.52 million, while the actual amount of loan fund disbursed by IFAD is US\$7.36 million, so there are expenditures that are ready to be processed for reimbursement. The original initial deposit in 2011 was US\$1.0 million and this is already used up through replenishments based on WAs submitted. It means that the balance in the special account is low and may not be sufficient to cover new expenditures in the next few months, or for the remaining period of this 2014 year.

60. **Counterpart funds.** The provision of counterpart funds is considered as *moderately satisfactory* (4). GOI counterpart funds that have been provided in the annual budget (APBN) to date are about USD 4.64 million. The MTR notes that the approved annual counterpart funds were lower than the originally planned/agreed, due to; (i) the limited counterpart budget to match the available loan and grant funds; and (ii) poor performance of SOLID during pre MTR phase. However, in addition to APBN, the local governments (both provinces and districts) also provide support budgets from their local government budgets (APBDs). The total supporting budget as of end of 2013 from the local governments was IDR 6.37 billion (USD 0.64 million). Therefore the total GOI counterpart fund contribution at MTR is USD 5.28 million, or about 35.75 % of the total commitment of USD 14.8 million for the whole Project period as outlined in the Financing Agreement.

61. **Compliance with loan covenants.** Compliance with loan covenants in general has been *satisfactory* (5). There have been major delays in procurement, particularly for recruitment of NGOs as Village Facilitators, recruitment of consultants, and procurement of vehicles which are crucial for effective Project implementation. The other issue is with regard to the Value Added Tax (VAT) in which some contracts financed by the IFAD loan include 10% VAT. It is necessary to clearly identify these and to submit the WAs for the net amount, excluding VAT.

62. **Procurement.** Procurement progress has been *moderately unsatisfactory* (3) and Project performance has been seriously and negatively affected by procurement delays. There are various reasons for this underperformance including poor procurement planning and management by the Project management, insufficient knowledge and experience of the procurement committee of procurement procedures, lack of interests from consultant firms after the requests for expression of interest (REOs) were published/announced, and the late decision (May 2013) to recruit provincial NGOs rather than a national NGO.

63. **Audit.** Compliance with audit requirements is rated *moderately satisfactory* (4). The audit reports for the 2011 and 2012 Project expenditures have been submitted to IFAD and in general these reports comply with IFAD's audit reporting requirements. However, the reports specified an issue related to insufficient internal controls and some improper payments that need to be followed up. This unsatisfactory situation was confirmed by the 2013 Audit Report in which the auditor noted that the financial statement present fairly in all material respects the position of IFAD loan and grant as of 31 Dec 2013. However, the auditor found 50 cases of expenditures at a total amount of IDR 2,001,320,150 (US\$174,000) that are not in accordance with the guidelines or procedures and with insufficient supporting documents mainly due to weak internal control, lack of full understanding of the guidelines or procedures and lack of good supervision. The reports also only provide limited opinion

⁷ The disbursements include the initial deposits of SDR 640,197 and SDR 51,276 for the loan and grant respectively.

about the fixed asset register, and there was no assessment of the very slow disbursement rate. The Mission was informed by the provincial Project coordinators that most of the audit recommendations included in the 2011-2012 audit report have been followed up. These will be reflected in the 2013 audit report.

F. Sustainability

64. **Institutional Sustainability** is rated *moderately unsatisfactory* (3) The SOLID approach to agricultural development involves formation of SHGs comprised of 15 persons. The sustainability of this approach is very much linked to the quality and quantity of social preparation provided to the SHGs provided in component 1. In fact, the MTR regards this process as strength of the SOLID implementation. There is a base of well trained SHGs who are sufficiently cohesive to engage with the proposed post MTR set of activities and inputs offered in component 2. However, the MTR acknowledges that some groups are losing interest because of the inability of the Project to offer meaningful technical and financial support for income generating opportunities. The proposed Federation development in component 3 will be supported by the Federation and Business Development staff within the provincial teams. This support will include provision of guidelines for Federation operations and management, roles and responsibilities of Federations and their role in market development for the benefit of farmer shareholders. But institutional sustainability will be dependent on the preparation and implementation of clear guidelines and protocols for SHGs, revolving funds (APRFs) and Federations.

65. **Social Sustainability.** The social sustainability prospects of the Project are considered to be *moderately unsatisfactory* (3). The provincial teams are fully aware that the quality of SHGs and Federations formed to date is of considerable concern and that without linking these to economic activities that will sustain their existence these are unlikely to exist beyond the project period. The fact that the older SHGs that have received their matching grants are losing members is an early indication of this likelihood. There are a number of SHGs that do however have some prospects for sustainability as savings groups, providing an alternative source of credit that is secured through social collateral and also contributes to social solidarity. This is particularly true for women's groups and as these savings have an important function as part of a wider livelihood strategy it is likely that these will be socially and institutionally sustainable for many of the SHGs. The poor monitoring and evaluation in the Project and the near absence of any knowledge management means it is hard to draw lessons about cause, effect and scale in assessing the sustainability of project interventions.

66. **Economic and financial sustainability.** The total number of beneficiaries has been modified from the original target with the objective of releasing the necessary resources to enable more focused and effective project interventions. In order to guarantee the long-term sustainability of S&L and APLs – beyond project completion -, detailed protocols and guidelines for the management and operation of the funds will be prepared, and completion of fund management training by beneficiaries will be set as pre-condition for fund disbursement. Results from a household vulnerability test show that, in order to mitigate risks associated with input and output price fluctuations, households should select a diversified mix of crops with a balanced dependence on estate, cash and food crops and moderate fertilizer/pesticide utilization intensity. The economic sustainability of post-harvest equipment and facilities and for productive infrastructure has been modelled, and results from the switching values method applied prove that the very satisfactory EIRRs obtained (ranging from 41% to 67%) are relatively insensitive to decreases in expected benefits or increases in investment or recurrent costs.

67. **Technical Sustainability.** The MTR believes that long-term capacity building of farmers to understand and adopt new technologies will result in sustainable improvements to household incomes and livelihoods. For example, teaching women vegetable cultivation techniques and funding them to invest in such technology via revolving funds is likely to be a far more sustainable investment if it establishes a lasting understanding of technology opportunities and their benefits as well the required skills to implement such technologies. The introduction of VITs to provide technical back up, offering

in-service training to PPLs and PTLs, and investment in quality extension materials which will be developed specifically for an audience of poorly educated farmers are all strategies which will directly underpin technical sustainability. As discussed, pre MTR technical sustainability has been severely undermined by failure to establish the VITs and to recruit NGO VFs.

68. Similarly, the market linkage arrangements which are likely to be the most sustainable are the links that will be made in sub component 2.2 and component 3. There are opportunities for SHGs to strengthen linkages with relevant private sector agencies that can enhance and strengthen technical skills, especially based on market feedback.

69. **Environmental Sustainability.** Current project activities are environmentally sustainable. In areas where conversion of forests may be required, such as for vegetable plots, the area is still small compared to total forest area.

Part II: Revision of SOLID Design and Implementation Plan

G. Mid-Term Review Recommendations

Proposed Strategy and Approach for future Implementation.

70. **Overview:** A re-design of the SOLID Project is considered necessary to improve its likelihood of achieving its goal and objectives. The key change in post MTR SOLID will be the move away from a Value Chain driven strategy towards a straight forward and efficient progression from SHG socialization via S&Ls to food production to local markets and finally provincial markets. The MTR has made a number of recommendations that will: (i) simplify the structure of the Project; (ii) clarify what is required to implement the major activities being funded; and (iii) revise the staffing structure (management and technical) by focusing more resources at the district and village levels. It is proposed that post MTR, the Project: (i) relax the targeting guidelines to ensure that a greater number of “near poor” have access to the Project; and (ii) engage with all beneficiaries in a deeper, more meaningful manner, especially in regard to food production and agriculture product marketing. While this will initially involve slowing down progress towards the number of target PDR villages, SHGs and beneficiary targets, it is regarded as a justified and necessary strategy to ensure some much-needed poverty reduction, food and cash crop production, and market linkage outcomes are achieved. In short, the strategy will be a deeper engagement with beneficiaries that will enhance prospects of sustainable impacts.

71. Food production remains a critical issue in both North Maluku and Maluku. Both provinces are net food importers with food insecurity amongst poor families being a constant reality. Against this backdrop, the revised component 2 will address food production for home use and local sales. The MTR is firmly of the view that value chain activities will be undermined unless food security is first addressed. Component 3 will focus on the three predominant estate crops (coconut, cacao and nutmeg). Based on a quality value chain study for each crop, component 3 will aim to improve volume and quality of products and to establish market links with selected district and provincial traders and processors. Federations will be assisted to re-focus their role and remaining resources towards building an institution that will provide meaningful support to sustaining market linkages.

72. Project management will be revised to include reallocation of staff resources to district and village levels, and making the M&E system more relevant and more functional with data analysis for management reporting being completed at district level. The Project Implementation Manual (PIM) will be revised to ensure it addresses all aspects of implementation in sufficient detail. Further, procurement processes will have to become functional and timely and financial controls will need to be strengthened to address the very real issues raised in the 2013 Audit Report. Finally, there is a dearth of data on the current status of existing SHGs and Federations – their activities, savings and loan fund balances, actual membership by gender, quality, etc. An immediate task is to establish a data base of this information which will be an important tool for NPMO staff to plan post MTR activities.

Table 7: Summary of Agreed Actions

	Action Agreed	Whom	Date
1	Revise the current design, staffing arrangements, and provide guidance on PIM, M&E system, and procurement arrangements.	MTR Team	1 st August, 2014
2	NPMO Director and his Management Adviser establish a national working group to plan a strategy for implementing the proposed MTR changes to SOLID design, management and budgets.	NPMO	1 st August, 2014
3	Review and build database of all SHGs & Federations – including activity, membership, MF funds balance, quality, etc.	NPMO	1 st September, 2014
4	Revise existing NGO contracts to address issues raised in Appendix 9, and appoint Village facilitation NGOs as matter of urgency – funded from IFAD Grant Funds.	IFAD & GOI with NPMO	1 st October, 2014
5	Revise consultant contract to address issues raised in Appendix 9, and appoint appropriate technical consultants urgently and funded from IFAD Grant Funds.	IFAD & GOI with NPMO	1 st November, 2014
6	Prepare revised PIM, including Guidelines for Matching Grant disbursement and Guidelines for Federations and the disbursement of Federation Grants.	IFAD/NPMO	1 st December, 2014
7	NPMO work with PPCO to ensure PPLs are responsible for no more than 2 villages each – outcome is an MOU signed between NPMO and each of 11 District <i>Dinas Pertanian</i> (Agriculture Office).	NPMO with District Food Security staff	1 st December, 2014
8	NPMO work with DPIU SOLID district staff commit 50% of their staff time to SOLID activities post MTR - – outcome is an MOU signed between NPMO and each of 11 District Mayors.	NPMO with District Mayors.	1 st December, 2014
9	Review the M&E system (to ensure less demanding, more relevant data collection needs at SHG level).	NPMO/IFAD	31 st December, 2014
10	Initiate learning and knowledge documentation for SHGs with NPMO to support knowledge sharing between districts with the help of ICT	DPIU with ICT Consultant	31 st December, 2014
11	Provide additional training to financial staff to ensure future WAS meeting IFAD required formats.	IFAD/NPMO	31 st December, 2014
12	Recruit international Value Chain Specialist to undertake feasibility studies of copra, cacao and nutmeg value chains.	NPMO	31 st July, 2015

Programme Components and Activities

Component 1 – Community Development and Gender

73. **Overview of proposed strategy and approach for Component 1.** Post MTR SOLID will build on achievements to-date, particularly the community capacity which is inherent in the SHGs, the fledgling improvements in farmers' understanding of improved farming practices, the start made by focusing on short value chains, and the infrastructure/ equipment which was improved and/or distributed pre MTR. This foundation will provide a platform for a simpler and more-clearly defined project, components and associated sets of activities. The strategy will be to extract complementarities from linked components and sub-components and to focus field-level activities on fewer food and cash crop commodities with the objective of creating critical mass for market development and greater impact on household food security and income generation.

74. Drawing lessons from pre MTR SOLID, the approach for the next phase of component 1 will aim to ensure that: (i) project technical and facilitation inputs are logically sequenced; (ii) SHG formation and development is linked to agricultural production and economic investment opportunities; (iii) a

protocol for Savings and Loans (S&L) is established that will promote group cohesion and sustainability; and (iv) project management is provided with simple implementation guidelines. Post MTR, the matching grant will function as an S&L fund for reasons that are explained further below.

75. **Project targeting in post MTR SOLID.** After MTR the Project will continue to support the 952 SHGs (with membership of 14,280 persons) established prior to 2014. In addition to the planned 812 new groups to be established in 2015 and beyond, the 476 SHGs formed in 2014 will be trained and funded as new groups (with 15 members per SHG). Thus, SOLID component 2 now has targets of 2,240 SHGs and 33,600 beneficiaries. In addition, there will be a number of non-SHG members, including some non-poor beneficiaries in component 3 - estimated to be 6,750HHs from 20% of existing villages. Thus, total target beneficiaries are estimated at 40,350HHs (or 81% of the original design target). The average number of SHGs per village is currently 6.2 in Maluku and 6.3 in North Maluku suggesting that with an average poverty rate of 58% in the project villages it will be possible to create additional SHGs in existing villages, following the original design intentions of 10 SHGs per village and 15 households per SHG.

76. The number of target group villages and SHGs for post MTR SOLID have been reduced for the following reasons: (i) given poor progress to mid-term the MTR mission considered a consolidation of progress in existing villages/SHGs and the provision of technical inputs important to justify the costs already sunk in community capacity building; (ii) the logistical challenges of scaling-up to the 106 planned new villages, many of them remote and some further complicated by pending district division plans, was considered too risky; (iii) a re-evaluation of the technical packages and inputs required to support and demonstrate sustainable agricultural production has significantly increased the budget per SHG; (iv) the successful application of improved agricultural production practices has important demonstration effects and so implications for successful replication and finally; (v) the inclusion of a few less poor households with more resources will support the initiative of the groups without any anticipated risk of elite or benefit capture, given the overall sub-district poverty rates.

77. After MTR the Project will challenge village implementers with three distinct sets of SHGs: (i) the 2011-2013 SHGs of which there are 952, the majority of which have received their full S&L allocation; (ii) the 2014 villages where most of the SHGs have received one round of S&L and (iii) 812 SHGs that remain to be identified and supported between 2015-2018. Post MTR SOLID will provide all SHGs with the same overall allocation of funds and technical support. The SHG production grants in component 2 have been calculated per household and based on the assumption that there will be 15 households per SHG. Post MTR will ensure that all SHG households receive an S&L allocation with a subsequent provision of component 2 production grants on terms to be outlined further below.

78. By 2015, Federations will generally be a reality in most villages but a reality that lacks relevance and synergy with the balance of the Project. The MTR regards the main challenges for Federations as clarification and reorientation of role, improving transparency, and clarifying protocols, equipment ownership and mandates. Post MTR, the 224 Federations that will have been formed will be reconstituted in component 3 with dual roles of managing existing and future SOLD funded community infrastructure and of providing market institutional support for market linkages.

79. Due to resource constraints and geographic realities, it is unlikely that any new villages and beneficiaries will be added after MTR unless and until the Project's performance improves. However, should this performance improvement be achieved (and the MTR firmly believes this will happen), the MTR has planned and costed an alternative scenario (Option B) which would ensure SOLID exceeds the original Appraisal target of 49,500 beneficiaries. This will involve engagement with an additional 67 villages who will receive the same programme of Project support. Village selection and SHG formation activities would begin in 2016 with other component activities beginning in 2017 with implementation completion at 31st December, 2018. Option B will require additional funding from IFAD (US\$8.63m) and GOI (US\$2.22m) - see Table 8 below.

Table 8: Post MTR Scenarios - With and Without Funding Increases

	Option A: No funds increase	Option B: With funds increase	% change	% change v Appraisal target
IFAD Loan	\$28.89m	\$37.52m	30%	na
GOI	\$14.84m	\$17.06m	15%	na
Total costs*	\$46.39m	\$57.73m		
Villages	224	291	30%	-12%
SHGs	2,240	2,910	30%	-12%
Beneficiaries	40,350	50,400	25%	+2%
<i>US\$ cost per:</i>				
Village	207,142	198,390	-4.2%	
SHG	20,714	19,839	-4.2%	
Beneficiary	1,150	1,145	0%	

***note:** Including Grant Funds and Beneficiary Contributions

80. **Project target group.** The target group for post MTR will be drawn from the existing 224 villages and as such already includes an above average poverty profile at sub-district level, high food insecurity, potential for enhanced impact on local agricultural development and rural poverty reduction. The main post MTR change is that the poverty targeting objectives will be changed to enable those who constitute the near poor in projects to participate. This is considered justified given the average poverty rate of 58% in pre MTR. In addition, including resourced and more dynamic farmers will support overall project uptake and engagement by very poor households.

81. The gender targeting criteria will remain the same: 50% overall participation of women and at least 30% of leadership positions held by women. This is a realistic target and one that has already largely been achieved. It is proposed however that the targets for group composition (1 men, 1 women and 1 mixed) are removed to enable greater flexibility in how SHGs are formed, i.e. as long as 50% of beneficiaries are women it does not matter if they are in all women's or mixed groups.

82. **Transition towards post MTR SOLID and phasing of project activities.** The challenge moving forward will be to ensure that progress made in Phase I SHG formation is consolidated whilst new SHGs are phased into the project with the overarching objective of providing all SHGs with the same financial and technical packages. Table 3 provides an overview of the anticipated phasing of component 1 activities for the different types of SHGs. The mission recommends that 2014 be considered a transition year in which the AWPB is completed whilst the institutional support mechanisms required post MTR are mobilised. Table 9 provides an overview of the phasing of key activities in component 1.

Table 9: SHG Investment and Savings and Loan Funds

SHG Type	2014 Activities	2015-2018 Activities
952 SHGs (2011-2013) that have already received two tranches of S&L loans.	Continued support in the management of S&L funds.	Support with planning for C-2 technical and financial packages. The SHGs retrained and operational by October, 2015.

476 SHGs (2014) that have received one or two tranches of S&L loans.	Disbursement of remaining of S&L funds Continued support in the management of S&L funds.	Support with planning for C-2 technical and financial packages. The SHGs retrained and operational by October, 2015.
812 SHG (2015-2018) that remain to be formed.	Initial identification of villages in which new SHGs will be formed and proposed distribution of the 812 SHGs over the 224 project villages.	The formation of 812 SHGs with an average of 15 members per group and provision of S&L funds by August, 2016. Support with planning for C-2 technical and financial packages.

83. There are a number of activities, outlined below, that have to take place during the transition year of 2014 to ensure that the Project is ready for post MTR implementation.

Progress Review

84. The transition to post MTR SOLID and implementation of the new project strategy will require a situation analysis of current progress. The data requirements listed below should be available from project monitoring and evaluation records but are highlighted below for immediate attention. The Progress Review will be the responsibility of the NPMO.

(i) Profile of Project Villages. The compilation of a village database that provides information on population/household size, incidence of poverty, number of women-headed and indigenous population households, average private land area per household, community land assets, distance from District centre, main access route (boat, road), number of households included in the Project 2011-2014 and number of households fulfilling target group criteria that could be included in post MTR SOLID. This database exists for the 2011 project villages but not for those villages included in 2012 and 2014. This basic information is important for monitoring and evaluation as well as for the planned expansion of post MTR activities.

(ii) Profile of SHG status. A profile of the SHGs formed between 2011-2014 including the date formed, current sex disaggregated membership, main economic activity, matching grant and training received and a simple assessment of group capacity and readiness for post MTR, on a 1-3 scale; a sample format is given in appendix 2. This information is critical to planning future project facilitation and technical inputs. The criteria for ranking SHGs on the 1-3 scale should indicate whether the groups are:

- Able to engage in Phase II minimal capacity building;
- Able to engage in Phase II with some membership reformation/re-socialisation;
- No longer viable due to loss of members and interest.

The profiling of SHGs and the analysis of group readiness are an absolute precondition for starting post MTR activities. The profile will enable the Project to examine group readiness by type (men, women's, mixed), to understand the current preferred activities of different types of groups and which activities support group cohesion. It will also be possible to pinpoint areas and villages in which the Project is performing poorly and thereby plan for effective resource mobilisation, especially of District technical staff.

(iii) Federation status. A review of the current status of Federations including the date formed, current sex-disaggregated membership, use of funds, key activities, governance structures and a simple assessment of their capacity on a 1-3 scale. The objective is for project management to get an overview of the main activities undertaken by the Federations, the areas in which they are weak and those Federations that are effectively no longer viable and will need reformation. The overview will provide an important insight into what aspects of Federations can be retained and transferred to component 3, as well as the S&L resources and activities that are still available. A sample format for

Federation assessment is provided in appendix 3; the capacity ranking should indicate the following with exact criteria to be adjusted as relevant:

- Able to engage in post MTR SOLID with minimal capacity building;
- Able to engage in post MTR SOLID with some membership reformation/re-socialisation;
- No longer viable due to loss of members and interest.

(iv) S&L status. A review of the status of S&L funds (former matching grant) including total amount disbursed, size of disbursements, overview of SHG group assessment and maturity scores and breakdown of the fund profile (production, saving, interest, fine etc.) including as much as possible the economic activities which have been funded. A sample format for S&L status assessment is provided in appendix 4. The collection of the data will be the responsibility of the NPMO whilst the analysis, review and development of guidelines for fund management will be the responsibility of the Federation consultant.

Post MTR Component 1 Description

85. **Overview.** This component will provide communities with an enhanced capacity for household food security and agricultural income planning, as well as the implementation of activities planned in component 2 by focusing on the following outputs: (i) building SHG capacity to plan and implement agricultural production and post-harvest activities to secure food security and increase production; (ii) building the capacity of new and existing groups of poor farmers to manage group savings and loans and (iii) developing a federated structure for SHGs able to support the production and commercial activities of SHG members. The gender targets established in the first phase of the Project still apply and it will be considered the responsibility of the NGO coordinators to ensure that these are effectively mainstreamed.

86. **Output 1: Developing group capacity to plan and implement agricultural production activities.** The activities towards this output will be appropriately sequenced and integrated to ensure that financial and technical inputs are not provided before group capacity to manage and implement these have been established. These activities will be facilitated by the NGO VF in coordination with the PPL and the other Village Implementation Team (VIT) members, which includes the Village Commercial Officer (VCO) and two Farmer Facilitators. At least one member of the VIT should be a woman. The mobilisation and support for a Village Implementation Team (VIT) is a key part of the strategy to strengthen technical support at the village level. The District and Provincial Community Development Gender Officers and their assistants will provide technical guidance. The following are the key activities towards this output:

(i) **SHG Assessment.** The assessment of all SHGs developed since inception according to their commodity focus, group cohesion and economic sustainability by PPLs and NGO facilitators; given the fragmented progress and variation in SHG quality this is critical to planning technical support. The technical, production and S&L packages have been and will continue to be calculated for a 15 member SHG. Whilst the production funds can be calculated and distributed per household the SHGs should have a recommended minimum of 10 members to enable economies of scale and effective implementation. The assessment of SHGs will enable the Project to identify which SHGs require further capacity building to be able to benefit from Phase II activities. Output: SHG assessment and an SHG expansion plan.

(ii) **Village level socialisation.** The Project has provided for village level socialisation for all SHGs to be managed by the NGO facilitators with support from the VIT and district technical staff. The purpose of this socialisation is to explain the objectives and benefits of post MTR SOLID and support the constitution of new SHGs as well as the strengthening of SHGs formed between 2011-2014 that have disbanded or become dormant due to the lack of activities. The socialisation will be a one-day village event and will be key to launching the new strategy as the current expectations of many SHGs is that the Project has no new activities in the pipe-line. The socialisation will have presentations on: (i) the objective of the second phase of the Project; (ii) the roles and responsibilities of the SHG and Federations; (iii) the role of the S&L funds; (iv) the purpose and potential of the production funds and

component 2 activities. The SHG members will be provided with production scenarios for different crops that enable them to engage practically with the options being offered and to provide initial feedback on constraints and priorities that can subsequently be used to develop training and technical support. Project beneficiaries will also be provided with a 'road-map' that provides a schematic outline of project benefits and simple milestone requirements to access each benefit. Output: Short summary of feedback to be used for PRA planning and SHG mobilisation.

(iii) **SHG mobilisation.** The mobilisation of 812 new SHGs and reformation when required of 2011-2014 SHGs will be enabled using the same methods that have already been successfully used pre MTR. In fact as there are no new villages in post MTR SOLID, the Project will be able to draw on the same participatory poverty assessments to identify project beneficiaries. The SHG members self-select themselves based on potential for cohesion around S&L activities and some collective action (even if on private land for private gain). In contrast to pre MTR there is no requirement to choose a focus or activity at this stage and before a full understanding of technical options and opportunities is presented. Another change from pre MTR is that the near poor will be eligible for inclusion in SHGs for the reasons outlined above. The time frame is for the 1428 SHGs created between 2011-2014 to be retrained and mobilised by October, 2015 and a further 812 SHGs to be mobilised and trained by August 2016. The budget provides for one village open day to mobilise self-help groups, one open day for the explanation of the community development and gender objectives of the Project and funds for the eventual legalisation of SHGs. Output: SHGs reformulated and mobilised for Phase II.

(iv) **Participatory Rural Appraisal (PRA).** Post MTR SOLID will use participatory rural appraisal as a tool for planning inclusive agricultural production. The NGO facilitators will facilitate the PRA with support from the VIT and the district technical staff. Most of the 224 villages have already undertaken a PRA to assess poverty and identify the target group, however with limited application of the planning tools provided in the extensive PRA Guidelines used by the Project. These Guidelines include tools to assess poverty and related production constraints; agricultural production characteristics including access to water, soil type, cropping patterns; livelihood patterns including main sources of income, vulnerability and risk management; market access for inputs and outputs; formal and informal institutional structures that influence decision-making.

It is proposed that post MTR, the PRA is repeated once the SHG mobilisation and planning process has been completed with at least three representatives from each SHG, three from the Federation and any village resource persons considered important (village head, teachers, dynamic farmers etc.). Budgetary provisions have been made for one day of PRA planning in each village. The objective will be to identify the main opportunities and constraints for component 2 and component 3 activities, provide a framework for individual SHG production plans and identify areas in which collective action could support production objectives. The PRA will also provide an opportunity to consider infrastructure requirements and how these might best be planned for the greatest mutual benefit. The Project will have an opportunity to clarify what support can be expected from the NGO facilitators and PPLs and what roles the Federation and SHGs can play in developing the opportunities identified. Output: village level agricultural production plans.

(v) **SHG Production Plans.** A key activity is the identification of production assets, priorities and constraints of SHG members and the development of production plans based on these, as well as the identification and phasing of services (financial, technical and training) in component 2 to support these plans. This activity represents a significant departure from pre MTR and will require close mentoring from the NGO facilitator and the PPL. The production options would be considered in the context of wider livelihood constraints and an assessment of member priorities exploring the balance of food and commercial crops, nutrition objectives and potential income generation potential. These production plans will be further and finally reviewed by SHG members prior to committing to APLs under component 2. It is important to note the post MTR SOLID will not no longer support livestock or fishery related activities⁸. Following an agreement on options, a training and extension schedule will

⁸ Although existing SHGs undertaking such activities will continue to be given technical support, they will not be eligible for APLs in component 2.

be agreed with the NGO facilitator and PPL. The outputs from this activity should be an agreed detailed production plan that outlines inputs (technical, financial), expected gross margins and a schedule for loan repayments. Budgetary provisions have been made for one village open day SHG management and organisation in support of this output. Output: SHG production plan as a milestone and condition for accessing component 2 production funds.

87. Training and Capacity building in support of Output 1. In addition to the village open-days on Phase II socialisation, social mobilisation and PRA planning, Post MTR SOLID provides for several capacity building and training activities in support of output 1. These include refresher trainings (one-day workshops) to project staff at the provincial, district and village level on Phase II guidelines and community and gender analysis, more specifically:

(i) Post MTR training guidelines will present the results of the assessments prepared in the transition phase (village profiles, SHG/Federation assessment and S&L status) to the project staff along with the objectives, targets and guidelines that will be used for component I post MTR implementation. The Provincial training will be the task of the National NGO Coordinator in coordination with the National Community Development and Gender Officer. Thereafter the district level and village level training will be organised by the Provincial NGO coordinator and District NGO coordinators respectively, in coordination with the Community Development and Gender Officers.

(ii) Training on PRA and social mobilisation will present the new guidelines and procedures for social mobilisation and PRA. The existing PRA guidelines will be shortened and focused on exploring agricultural and livelihood production constraints. The training will focus on the procedures and methods for undertaking the PRA and social mobilisation village open-days, the issues that should be explored and how the information gathered can be used to develop a village agricultural production plan. The Provincial training will be the task of the National NGO Coordinator in coordination with the National Community Development and Gender Officer. Thereafter the district level and village level training will be organised by the Provincial NGO coordinator and District NGO coordinators respectively, in coordination with NGO VF and the Community Development and Gender Officers.

88. Output 2: Capacity of new and existing groups of poor farmers to manage group S&L established. The pre MTR 'matching grants' will operate as S&L funds in the post MTR phase. The name has been changed from matching grants to S&L because this designation is closer to their actual pre MTR role and their intended post MTR purpose and function. In addition, they are already called S&L (*simpan pinjam*) in Bahasa Indonesian. The objective of this post MTR S&L fund differs from pre MTR in that the objective is specifically focused on building group cohesion and supporting the establishment of sustainable S&L practices. The loans themselves can be used to meet a range of household food security and consumption purposes – according to the list of allowable items to be defined - that reduce household vulnerability. This activity will prepare SHG members for the agriculture production loans provided in component 2 by building their capacity to manage funds as well as providing security against the potential risk of taking production loans (crop failure etc.) by reducing vulnerability.

89. The activities towards this output will be differentiated depending on the existing allocation of the IDR 18 million S&L funds to SHGs as explained in table 3. The following are the main activities towards the main output of developing SHG capacity to manage S&L funds.

(i) **Review of S&L fund status.** A review of the status of S&L funds including total amount disbursed, size of disbursements, remaining un-spent S&L funds, group assessment and maturity scores and breakdown of the fund profile (production, saving, interest, fine etc.) including as much as possible the economic activities which have been funded. Output: a situation analysis that outlines the current status of S&L funds.

(ii) **Development of S&L regulations.** To manage the risk of continued confusion and unsustainable outcomes from S&L activities, the mission proposes that the NGO provincial and district facilitators be tasked to work with provincial Federation staff to review the S&L fund processes and prepare the

appropriate guidelines. These regulations should include a Charter of Operating Rules and Guidelines that specifies *inter alia*:

- The purpose of the group;
- Allowable uses of loans (e.g., production, health, food security);
- Minimum interest rates;
- Maximum terms;
- Penalties for late payment;
- Reinvestment of loan interest payments;
- Rules for transfer of ownership and;
- Rules for inclusion of new members.

90. All SHGs should be provided with training on how to manage S&L funds according to the new guidelines. The NGO coordinators and VFs, with support from the DPIU team, will be responsible for training SHG members and facilitating the adoption of the new guidelines. The 812 new SHGs will only receive their S&L funds after a thorough group preparation and training process (social facilitation and financial management) has been completed. Before the funds are disbursed to each new SHG the NGO facilitator and PPL have to verify that each member clearly understands their rights, role and responsibility within the group and to the group.

(iii) **SHGs comply with charter of operating rules and guidelines.** Pre MTR, the disbursement of S&L funds was dependent on criteria that assessed group readiness according to their internal cohesion. Post MTR SOLID will use the same broad criteria but will formalise these by assessing SHG capacity to agree to and adhere to the charter of operating rules and guidelines. SHG capacity to manage funds according to these guidelines will be a precondition for accessing both S&L funds and component 2 production funds post MTR. There will be an open-day in each village on S&L management according to the new Charter of Operating Rules and Guidelines. Guidance on how to manage S&L funds will also be a core task of the NGO facilitator.

91. The Project has to initiate the review of S&L funds in 2014 as the first pre-condition to enable the institutionalisation of the new guidelines in existing and new SHGs. The timely sequencing of activities is critical as all SHGs should be trained in S&L management and capacitated to receive production funds by 2016/2017.

92. The provincial NGO supervisor will be accountable responsible for conducting the training courses for the PPCO and DPIU staff on S&L fund management according to the new Charter of Operating Rules and Guidelines in 2015. In 2017 a further workshop will be held for the PPCO and DPIU staff to take stock of progress with the S&L funds and integrate best practice into fund management.

Post MTR action plan

93. The progress review will define a post MTR action plan for component 1, the purpose of which is: (i) to identify how the 812 new SHGs will be spread over the existing 224 villages to best support project objectives and (ii) to identify SHGs created between 2011-2014 that have lost members and that require support to qualify for post MTR activities. The action plan will also support an identification of the areas in which the SHGs most require facilitation and elaborate a time-plan for providing this support in preparation for post MTR SOLID. The preparation of the action plan will be the responsibility of the NPMO. Community Development and Gender Officers will take the main responsibility for gathering the data. Whilst the responsibility for the action plan will be the responsibility of the NPMO, the NGOs will incorporate the execution of the various tasks as soon as they have been recruited as these will fall into the terms of reference of the NGOs.

Component 2: Support for Agriculture Production and Marketing

94. **Overview of proposed strategy and approach for Component 2:** The strategy for the new component 2 will be much the same as for the pre MTR component 2, but with a much tighter focus

on the constraints which are currently limiting food and cash crop production. These are: (i) under-staffed VITs, insufficient numbers of, and under-trained and -skilled extension staff, the latter in terms for their practical knowledge and ability to impart this knowledge to farmers; (ii) lack of working capital to “kick-start” the development of agricultural incomes; and (iii) a mixed focus on different types and lengths of value chains. The core strategy of component 2 will be to address these fundamental constraints by providing: (i) intensive training support for target HHs and larger and more diverse VITs; (ii) Agriculture Production Loans (APLs) delivered through Agriculture Production Revolving Funds (APRFs); and (iii) contestable grants for small-scale agriculture infrastructure, production and processing. These three sets of activities will be supported with in-depth and targeted support for VITs and farmers in the form of more and improved technical and financial management training.

95. Overview village plans for the development of villages’ agriculture sectors will be generated through community-based natural resource planning activities under component 1 (based on PRAs). The outcome will be HHs with more food and cash crops available for both home consumption and/or sale. The outputs will be: (i) HHs food secure for a minimum of 80% of the season; and (ii) increase in HH incomes as a result of increased sales of agricultural products. In short, component 1 will prepare SHG members to actively engage with component 2.

96. Component 2 will target a total of 2,240 SHGs. All will be entitled to receive support from component 2 but it should be recognized that SHGs formed earlier in pre MTR (during 2011 - 2013) will be eligible for APLs before the SHGs which are formed later (in 2014, and 2015 - 2018). It is expected that the first batch of agriculture development plans will be generated through component 1’s community development activities in time for the first round of APLs in early 2016. This means that during 2015, the pre MTR and the 2014 SHGs will need to be supported with more intensive and better-focussed demplots and FFSs in preparation for component 2 “kick-off” in early 2015. The post MTR component 2’s budget and timing reflect this intensive period of VIT and farmer training during 2014.

Post MTR Component 2 Description

97. Component 2 will focus on increasing village food and cash crop production, followed by the marketing of all types of cash crops (food and estate), sometimes after simple local processing. There will be an important distinction between the value chain activities proposed under component 2 (in sub-component 2.2) and component 3. Sub component 2.2 will focus on the wide range of products which can be sold in village, or at best in nearby district markets (such as roasted peanuts and local virgin coconut oil)⁹, whilst component 3 will specifically target the three priority commercial estate crops (coconut, cacao and nutmeg) which are considered to have market potential in provincial, regional or even international markets but with SOLID activities still focused at village and district levels.

98. Component 2 will have two sub-components: (i) support for food crop production with a focus on over-coming local food deficiencies, thereby contributing indirectly to improved nutrition; and (ii) support to build local market linkages for a wide range of cash crops which includes surplus food crops from component 2.1, and estate crops which can be processed and sold locally. A key feature of component 2 will be the provision of APLs as revolving funds to encourage farmers to sustainably increase the production of all types of food and cash crops.

99. Component 2 (and component 3) will require implementation support and guidance in the form of a series of **protocols, guidelines, and terms of reference (PGTOR)**¹⁰. Annex 1 contains a framework of these requirements, and outlines the key points which will need to be considered when

⁹ By building on local market opportunities which result from very high transport costs to “import” food, e.g. onions which can be grown competitively in Buru to replace imports from other provinces.

¹⁰ When the acronym PGTOR is inserted in the text, this means that a set of protocols and/or guidelines and terms of reference will be prepared to assist with the implementation of this aspect SOLID post MTR. A number after the acronym, e.g. PGTOR (1) shows the order in which the protocols and/or guidelines and terms of reference are presented in the Working Paper and in Annex 1.

the documents are prepared¹¹. The framework also: (i) lists staff responsibilities for activity implementation (for components 2 and 3); (ii) indicates which level of Project management is responsible for training and back-up support; and (iii) for the latter, which staff members are required to fulfil these duties.

100. **Sub-component 2.1 (Food Production)** will concentrate on food crop production and consists of two main groups of activities: (i) improving farming systems through intensive and repetitive food crop production training; and (ii) the provision of production packages in the form of APLs which will be managed through separate APRF accounts by SHG members. The first group of activities will focus on training in: (i) food crop production; (ii) food crop post-harvest management; and (iii) machinery operations and maintenance (O&M) for equipment which is used for food crop production and basic processing.

101. **Food Crop Production:** Training in food crop production (with a focus on the five main food crops¹²) will be based on demplots, with one demplot (of about 0.25 ha in area) for each of the five main food crops in each village, for two sequential years. Associated FFSs (one per main food crop per village) will use these demplots as the basis for farmer training. It is expected that there will be five FFSs for the annual crop demplots. It is imperative that the quality of post MTR's demplots and FFSs improve and therefore considerable budget has been allocated to these complementary activities.

102. In addition, allowance has been made for one-off field days to be run by PPLs when they become aware of topics of interest during the cropping calendar¹³. Both these important farmer training activities (FFSs and field days) will be planned, organized and run by the PPLs/PTLs with assistance from the FFs. In addition, the two Technical Consultants (one for food crops and one for estate crops) and the GOI Technical Officers based in the District Project Implementation Units (DPIUs) will assist with these training programs as subject matter specialists (SMSs), as required. The PPLs will prepare annual village food crop training plans based on demplots, FFSs, and the technical support required from the DPIUs, so that staff can schedule their time and travel budgets accordingly. Such planning should allow attendance at sequential training events over a period of a few weeks, rather than one-off events which are expensive to attend because of high travel costs.

103. The PPLs and PTLs will be supported with refresher training as most of these "front-line" field staff has not had the opportunity to improve their knowledge base since they completed their training. These courses will be planned and implemented by the Technical Officers and Consultants from the DPIUs. Once complete, the PPLs will then train the newly-appointed FFs in basic topics such as how to design and run a demplot, and how to organize and run FFSs. The FFs (who can and should be leading women farmers with local expertise in one or more agriculture products) will require considerable support and mentoring at the beginning of post MTR as they will have only just been appointed. Component 2.1 will be supported with a wide range of training and extension materials which are noticeably deficient at present. Farmers need access to such materials if they are to learn from demplots, and PPLs and PTLs need such materials as the basis of training programs which use demplots as the point of farmer learning.

104. Component 2.1 contains a small budget to allow careful controlled testing (on demplots) of the use of *glyphosate* ("Round-up") to control grass weeds in food crops. This includes the provision of small knapsack sprayers which can be shared amongst HHs who are willing to test the use of this chemical on their farms. The area of food crops grown by a family is usually governed by the amount of family labour (usually female) available for land preparation and in-crop weeding activities, and is therefore labour availability is one of the main constraints to increasing food production. Astute use of "Round-up" for weed control has the potential to over-come this family labour constraint, thereby increasing crop areas and yields. This chemical is used for grass weed control throughout the world

¹¹ Note: it should be possible for whoever prepares these documents (in the form of a revised PIM) to use existing protocols, guidelines and terms of reference, rather than starting all over again. This means that the person should be fluent in Bahasa.

¹² Upland and paddy rice, maize, roots and tubers (cassava, sweet potato, etc.) and legumes.

¹³ Note: these field days are not intended to replace FFSs, but rather to complement them. An example of an appropriate field day might be a gathering of farmers to inspect the impact of fertilizer on yields at the time of harvest.

and there are signs that some farmers are just beginning to use this production input in the Maluku (areas of desiccated weeds under estate crop trees, and sprayed bunds in paddy fields¹⁴). Before implementing “Round-up” based demplots, PTLs and FFs would be trained in how to use the chemical, and how to demonstrate its weed control effectiveness. **PGTOR (1).**

105. Training in post-harvest crop management will be provided by PPLs under sub-component 2.1. Topics will include: (i) crop drying and storage; and (ii) crop marketing and simple farm business management analysis. The latter will focus on comparing predicted crop gross margins (see para. 109) with the actual results achieved. In addition, farmers will be trained in simple crop production M&E as they will be required to collect this basic data for compilation by the PPLs. In order to strengthen this aspect of sub-component 2.1, the PPLs will receive refresher training from the same group of SMSs referred to in para. 90. This activity will also be supported with improved extension and training materials. **PGTOR (2).**

106. Training in machinery O&M will be an important addition to sub-component 2.1 as this aspect of sustainability was under-resourced during pre MTR. However, pre MTR distributed considerable quantities of different types of farm production and post-harvest equipment and built infrastructure, but did not twin these activities with support for recipients to establish and operate simple fee-for-service systems with the objective of attempting to ensure that ongoing O&M could be funded. Therefore post MTR includes budget allocation for SHG training in machinery O&M, with a focus on harvesting, drying and processing machinery. This will be provided by the district level SMSs, the PPLs, and if required the Civil Engineer who will be based in the DPIU. In addition, a condition of equipment procurement packages will be the provision of start-up and O&M training, particularly for larger units such as small tractors and grain threshers. **PGTOR (3).**

107. **Provision of Crop Production Inputs and Farm Equipment:** At present poor farmers are unable to access working capital to fund the purchase of food crop production inputs, and their shares of the remaining matching funds (which in fact were rarely matched during pre MTR) are probably small¹⁵.

108. Therefore post MTR will fund two rounds of APLs for beneficiary food crop farmers in the form of cash grants to be managed through new accounts (APRFs) to purchase improved seeds, tools, fertilizers, and pesticides and herbicides, etc. (the latter subject to due diligence). These accounts will operate independently from the component 1 S&L accounts. The first round of APLs will be available to qualified individual SHG members once they have “graduated” from: (i) the refresher training to be provided under component 1 (including S&L and financial management courses); and (ii) from the intensive food crop production training under sub-component 2.1. This is expected to be in time for the 2016 agriculture production season, which means that 2015 will be training, capacity building and transition year for existing SHGs and their members before they are entitled to apply for individual APLs for use in 2016.

109. The APL applications will be based on the village agriculture development plans which are outputs from component 1, and include simple gross margin budgets to demonstrate the financial viability of the production systems which are the basis of the APL applications. SHG members had considerable training and support in this type of community planning under component 1 in pre MTR and therefore it is logical to build on this platform in post MTR by offering APLs to qualified SHGs and their members, and to stipulate that these loans must be repaid into the APRFs for future re-allocation to SHG members to fund agriculture production activities

110. The individual APLs will be managed by SHGs in separate “agriculture development” accounts for the APRFs which are completely independent from existing SHG-managed accounts - the latter will be used for residual matching funds which are the Savings and Loans (S&L) accounts managed under component 1. Note that sub-component 2.2 will also provide APLs to support efforts to increase local market linkages for cash crops (surplus food crops and estate crops). Therefore APLs for sub-

¹⁴ As sighted by the MTR during field work in Eastern Halmahera.

¹⁵ Unfortunately SOLID did not have this vital information available at the time of the MTR.

components 2.1 and 2.2 will be managed through the one account in the interest of financial efficiency. The SHGs will be required to establish their own APRF account management rules and regulations (including setting interest rates, repayment conditions, emergency withdrawal conditions, audit requirements and timing, etc.) which are agreed to by all members. This will build on SHGs' pre MTR experience with the management of matching funds, but must be within the parameters of the APRF guidelines, which are yet to be established.

111. APLs will be worth about IDR 1.7 million for sub-component 2.1, which is sufficient to plant about 0.5 ha of an improved food crop variety, and to purchase fertilizer and other production inputs. It is not expected that loan applicants will risk planting larger areas of food crops, at least until they have confidence in the improved technical packages and are therefore ready to expand into more commercial agriculture ventures. As reported in Working Paper 2 in the PDR for pre MTR, there are many opportunities to increase crop production, improve gross margins and therefore increase HH incomes in the SOLID project areas. This was confirmed by the MTR. It is not unreasonable to assume that yields of most crops can be doubled with the use of better-quality seed (and improved varieties) coupled with appropriate fertilizer application, and improved post-harvest management practices. This bundle of improved crop production technology usually translates into at least a 30% increase in gross margins after allowing for the cost of incremental inputs. Such a result should allow recipients of APLs to repay their loans within one year in normal seasons and over time result in an increase in the capital value of the APRF accounts. However, crop losses due to a number of uncontrollable factors are inevitable and therefore guidelines for the management and operation of the APLs and the APRFs will need to reflect this reality. The following two paragraphs provide more guidance on this important point.

112. APL recipients will be expected to repay their loans within one month of crop harvest or product sale (not all products will be sold - some will be retained for home consumption). In the event of crop failure (due to drought, flood or pest attack, etc.) APL applicants should be granted a loan repayment "grace" period of 12 months. Furthermore, in the event of a crop failure, it is not unreasonable to expect APL recipients to repay at least a portion of their APL from their S&L accounts, as this is why these accounts have been established - to reduce vulnerability to one-off unforeseen expenses. SOLID's base-line RIMS revealed that target HHs generally have annual incomes (value of production sold and consumed) of about IDR 11.7 million so repayment of IDR 1.7 million over two years in the event of crop failure is not considered to be an "unfair" burden on the post MTR target HHs (this is about 15% of annual income).

113. The APRFs will be managed by a committee of three who will also be signatories to the account - the PPL, the SHG chair-person and NGOVF. One committee member will be the designated treasurer and will receive training accordingly. Once an SHG's agriculture development plan/s has been approved by the NGOVF and the PPL (and an APRF account has been opened) funds requested in the form of APLs will be deposited in the APRFs by the Project. This is much the same arrangement as for the management of the pre-MTR matching funds under component 1. Three signatures will be required to withdraw funds from the APRF accounts which will then be passed onto individual SHG members to enable purchase of the inputs required to increase food production. Note that APLs can be taken out by individual members of an SHG or by the SHG itself, depending on members' preferences. In practice it is likely that all members of an SHG will elect to grow the same food crop - and to learn together from the demplots and FFSs. However this joint approach to increasing food crop production may not always be the preferred choice hence individual farming HHs will be allowed to take out individual APLs. The intention is to keep the "rules and regulations" to a minimum, and to allow SHG members to decide how to operate their APRF within the protocols and guidelines prepared by SOLID post MTR. Individual SHG member's rights to APLs which operate through the APRFs must be protected - it is their money once they (and their SHG) qualify for the APLs, and it must be invested with the objective of increasing crop production. These funds cannot be used for any other purpose or by any other party, including Federations. **PGTOR (4).**

114. Farmers will be supported with small-scale production equipment under sub-component 2.1 (such as two-wheel tractors and grain threshers). This equipment will be "awarded" to SHGs (on a

group, not an individual basis) and on a contestable basis, as was the case in the original design with the DPIUs evaluating bids. Note that the items mentioned above are only examples as specific choices will be the prerogative of the SHGs, once they have decided which food crops to concentrate on. Therefore costing has been allocated on a lump sum basis. **PGTOR (5).**

115. This crop production support will be complemented with the provision of small-scale post-harvest facilities and equipment, such as 200 litre used fuel drums for use as air-tight storage vessels (10 drums per SHG), moisture meters (1 per village) and sets of commercial scales (one set per five SHGs). **PGTOR (6).**

116. These packages of crop production and farm equipment support will be further complemented with improved extension and training materials for use by PPLs and district-level technical staff. Table details responsibility for operating and maintaining this equipment. **PGTOR (7).**

Table 10: Allocation of Component 2 Infrastructure and Equipment O&M Responsibilities

Type of Infrastructure and Equipment	Receipt of Infra. and Equip.	Infra. & Equip. Manag't and O&M
Wells - back-yard gardens	HHs	HHs
Access roads - farms to village	SHGs	SHGs
Small irrigation and drainage schemes	SHGs	SHGs
Agriculture production equipment	SHGs	SHGs
Small hand tools	HHs	HHs
Small stores	SHGs	SHGs
Communal stores	Federations	Federations
Crop drying equipment	SHGs	SHGs
Field huts	SHGs	SHGs
Village markets	Federations	Federations
Food mills	Federations	Federations
Small agro-processing equipment	SHGs	SHGs

117. **Farm Access Roads and Supply of Irrigation Water:** Further support for food crop production will be in the form of the provision of funds to cover the cost of construction and/or refurbishment of village access roads (between farmers' houses and their fields), and water supply infrastructure such as back-yard wells and small-scale irrigation systems. Post MTR will not fund the very diverse range of small-scale infrastructure which was previously funded. The intention is to focus the infrastructure (and equipment supply) activities on food production. Funds to cover these focussed infrastructure development activities will come from the farmer and now closed pre MTR component 4, and will be "awarded" on a contestable basis to SHGs and/or Federations, depending on who is responsible for O&M. Table 10 shows that infrastructure management responsibilities will be allocated as follows: (i) communal stores, village markets and food mills by Federations (under component 3); (ii) household wells by individual HHs; and (iii) all other items by SHGs. Where appropriate, all village-level infrastructure and shared equipment will be subject to fees-for-service in order to ensure sufficient funds for O&M and to allow for depreciation. Table 5 the most popular types of infrastructure and small equipment during pre MTR were small wells for individual HH use, drying floors, drying huts and food storage facilities. It is expected that this preferential pattern of small-scale investment will continue during post MTR.

118. Providing infrastructure and equipment grants under sub-component 2.1 will be supported by the publication and distribution of a range of training and extension materials. **PGTOR (8).**

119. **Sub-component 2.2 (Local Market Linkages)** will deliver the same package of support activities as that outlined above for sub-component 2.1, but with a focus on cash crops (including surplus food crops) for sale and/or local value-adding. The difference between sub-components 2.1 and 2.2 is that the later has been designed to support the former as some farmers reach food self-sufficiency and therefore need to identify opportunities to sell surpluses into local and perhaps district markets, after, in some cases simple value adding by improved drying and grading, and storing when

prices are low and selling when supplies are limited and prices are high¹⁶. A feature of sub-component 2.2 is that it includes the same extensive range of support packages as for component 2.1 (see above for details) with the objective of encouraging local value adding of all cash crops (surplus food and estate tree crops), again with the objective of selling into local and district markets through short value chains. SOLID reports numerous examples of farmers (particularly women farmers) manufacturing virgin coconut oil for village and district sale. This very simple and short value chain is a good example of what sub-component 2.2 is aiming to achieve, which is distinctly different from the longer and considerable more complicated (and commercial) longer value chains which will be supported under component 3.

120. The activities to be funded under sub-component 2.2 under the heading of “cash crop production training” are the same as those outlined in paras 101 to 106 for sub-component 2.2 and therefore are not repeated in this section of the Working Paper. APLs will also be available under sub-component 2.2 but farmers will only be eligible for one round of APLs as tree crops are not as vulnerable to seasonal variation as annual food crops. All other APL conditions will be same as for sub-component 2.1 with the loans being used to plant improved tree crop varieties, purchase small pruning tools, and to buy fertilizer and pesticides and herbicides (if required)

121. The crop production equipment to be funded under sub-component 2.2 will depend on the crops selected by the SHGs and/or their members. Note that this can include equipment to process and add value to surplus food crops produced under sub-component 2.1 as well as tree crop products. Therefore this crop production equipment has not been specified and has been costed as a lump sum. Similarly, the provision of post-harvest facilities (e.g. small storage sheds) and equipment has not been detailed, as the decision as to what to apply for through contested grants will be made by SHGs once they have completed their agriculture development plans under component 1. Selection of this post-harvest equipment will depend on which crops are prioritized, but it is expected that moisture meters and scales will be included. Note however that at the component 1 stage of planning, villagers will be still understanding concepts and processes. Therefore once farmers “graduate” to component 2 they may express a desire to review and possibly change their mind in terms of pre-selected infrastructure and equipment, particularly once they better-understand the options available. Therefore before proceeding to purchase this crop production equipment there will be a “review and reconsider point”, at the time when farmers are ready to take out APLs to fund their component 2 activities.

Post MTR action plan

122. There are some important and urgent actions required to “kick-start” component 2. These are: (i) preparation/ revision of sets of guidelines which are required to assist Project staff to clearly understand their roles and responsibilities, and the activities (and how to implement these activities) which will be implemented during post MTR - these are the PGTORs referred to above; (ii) the appointment and induction of FFs and VCOs; and (iii) mobilization and induction of the NGOVs. These tasks must be completed during the remainder of 2014 in preparation for the commencement of post MTR in January 2015. In addition, post MTR would benefit from early completion of some refresher training for PPLs and PTLs, and the revision/preparation of the numerous training and extension materials which will be required for components 2.1 and 2.2 as soon as post MTR SOLID commences.

123. Another productive preparatory activity could be the introduction to farming communities of the concept, responsibilities and processes of repayable agriculture production loans - these are the APLs which operate through the APRFs. Early (in 2015) cross-visits to READ and other projects which are using this form of farmer production funding would introduce SOLID’s staff to how small production loans operate, and also to various sets of “rules and regulations” which have been decided and set by recipient groups of farmers. Finally, it would be useful if the PPLs/PTLs and the FFs could begin to identify sources of crop production inputs (seed, fertilizer, etc.) for use in demplots in early 2014.

¹⁶ The MTR inspected a maize storage shed which had been built for this purpose in Silalayang village. This simple approach to value adding is expected to result in a 50% increase in maize prices - before operational costs are deducted.

124. It is important to note that post MTR SOLID will be implemented within a more limited timeframe, and that there will be three different groups of SHGs “graduating” from component 1 to component 2 at different times during the next four years. The first will be the pre-2014 SHGs (those formed during the period 2011 to 2013) and it is expected that this group will qualify for APLs in late 2015 after intensive reorientation and technical training during 2015. The second group will be the SHGs formed in 2014 and these will move into component 2 in 2016. The third group of SHG’s (to be formed in 2015) will qualify for APLs in 2017. This is a tight and crowded schedule and therefore it would be productive for the various levels of Project management to use some time in 2014 to understand, and plan for, this important phasing.

Component 3: Support for Estate Crops Value Chains

125. **Overview of proposed strategy and approach for Component 3:** The component 3 strategy for post MTR will be much more -focused (on only three key estate crops - coconut, cacao and nutmeg) and deliberately target active involvement of the private sector as genuine partners in commercial value chains. The core objective will be to assist estate crop famers to increase their incomes as a result of linking with commercially-viable value chains, and supplying product to these chains which are operated by the private sector. As shown in Table , the pre MTR value chain activities attempted to target far too many commodities. This resulted in management confusion, dilution of effort and failure to engage in any commercial LVCs. Furthermore SOLID pre MTR was not able to demonstrate that any targeted agriculture commodities (estate crop or otherwise) would generate increased farm-level incomes if SOLID was able to facilitate such linkages. This deficiency led to the erroneous conclusion that farmers would automatically form links with commercial value chains if “encouraged by SOLID to do so”. The outcome of this approach was virtually no demonstrable progress by pre MTR component 3.

126. The component 3 strategy for post MTR will address the pre MTR short-comings by: (i) undertaking an international feasibility study to test the “hypothesis” that commercially-viable value chains do exist in both the Malukus (from the point of view of commodity on growers and private sector value chain investors); (ii) if there are such opportunities, only focusing a maximum of three commodities - see Table X for the priorities; and (iii) actively supporting commercial engagement with private sector partners who trade in all (or some) segments of identified viable value chains. There is evidence from the DVCPs that there might be opportunities in the Malukus for SOLID to support its target farmers to join such commercially viable value chains¹⁷, but this needs to be quantified and then included in business plans before promotion to the private sector.

127. The target of component 3 will be wider than just SOLID’s SHGs and their member farmers, with the objective of maximizing the supplies of value chain raw materials available in the village. Whilst some of SOLID’s target farmers for sub-component 2.2 are obvious targets for component 3, the total number of SHG HHs in a village (and their annual production of the preferred commodities) may not be sufficient to entice a private trader to enter into a commercial agreement to purchase commodities from just these HHs. Therefore under component 3, Federations and their VCOs will be supported to include any farmer (including non SHG and non-poor farmers) who is interested in supply raw materials to traders under a Federation-sponsored value chain business arrangement.

128. Component 3’s outputs are expected to be: (i) up to three value chains assessed as feasible for sustainable increases in HH incomes; (ii) farmers with improved market linkages and understanding of market requirements; and (iii) Federations established as sustainable business units with capacity to represent farmers’ interests in the market place, add value to any or all of the three targeted products and manage the market related community infrastructure. The outcome is expected to be increased farmer incomes from sales of the three selected estate crops (coconut, cacao and nutmeg)¹⁸.

129. It is expected that about 6,750 HHs will be involved in component 3 activities, calculated as follows. Assuming that 20% of Federations are successful in component 3, this equates to 45

¹⁷ And from anecdotal field-level evidence, such as the sale of coconut briquettes from Ternate to Germany.

¹⁸ Note: the terminology “expected” is used here as component 3 will not proceed if the feasibility study concludes that there are no commercially viable opportunities (defined as increased farm incomes) for the three target estate crops in the Malukus.

Federations out of a total of 224. If there are five lead farmers per crop and there are three crops, this means that there will be 675 lead farmers, and assuming 10 follow-on HHs per lead farmer, this equates to 6,750 HHs¹⁹.

Post MTR Component 3 Description

130. Component 3 will focus on selected key estate crop products (coconut, cacao and nutmeg) - depending on the outcomes from an international feasibility study (see below). Village-level value chain plans for commercially-viable commodities (expected to one or more of three key estate crops) will be prepared by Federations working with private sector partners, provided that the Value Chain Feasibility Study produces positive outcomes and SOLID is able to engage with private sector partners. Such plans are expected to focus on farm-level commodity production with the objective of improving commodity quality, quantity and regularity of supply. The intention will be to focus Project support at the “farm-gate entry point” in viable value chains as this is where a Project such as SOLID can have the greatest impact in terms of assisting its target farmers to link into LVCs. Initially (and assuming that commercially-viable value chains are available for linking with SOLID’s farmers) it is expected that value chain target farmers will benefit from a “volume effect” - by being able to sell increased tonnages of raw products. These volume benefits will then be complemented by additional benefits in the form of quality price premiums, and bonuses for improved regularity of raw material supplies²⁰.

131. SOLID post MTR will provide support to longer value chains at four levels: (i) by funding an international Value Chain Feasibility Study which is expected to identify financially-viable value chain business models which are attractive to both the private sector and SOLID’s farmers; (ii) for the private sector to engage productively and profitably with estate crop farmers; (iii) support for Federations to assist farmers to enter the “bottom-end” of longer value chains²¹; and (iv) support for informal product-specific groups of farmers to engage directly with traders. The intention will be to identify and build commercial relationships with one or more private sector commodity trader/s in each district that are prepared to work with and assist farmers with training activities which focus on farm-level production, and quality and quantity issue and constraints. This in effect will be the “win-win” outcomes which are essential for profitable and sustainable value chains of any length.

132. The first step in this process will be the appointment of an international Estates Crops Value Chain Consultant (for a three-month mission) as soon as possible post-MTR, with the objective of having the feasibility study and (assuming positive results) associated business plan, in a format ready for presentation and promotion to potential private sector partners by the end of 2014²². The study will commence with a compilation and review of available and relevant literature on the target commodity value chains in Indonesia and other countries, including the completed DVCPs²³. This will be followed by field trips to SOLID’s target provinces with the objective of collecting commodity price, quantity and quality information required to design and test the financial viability of the targeted commercial value chains.

133. Once these models have been constructed (and note that it may be possible to build on previous studies) and assuming positive outcomes, the Consultant will prepare commodity-based value chain business plan/s for promotion to and discussion with interested private sector commodity value chain investors. SOLID pre MTR identified some of these essential value chain players and therefore it should be possible to use this list as a starting point. Once the exercise has been completed, the NPMO will organize an independent appraisal of the Value Chain and Business Plan

¹⁹ Note: these numbers are intentionally very conservative as there is no information available on the current status of SOLID’s Federations in terms of their financial viability (or on the current value of their matching grants) or the robustness of their internal management systems.

²⁰ The MTR met a copra trader in Buli who expressed strong interest in only incremental and regularity of supplies. The trader was of the opinion that this link in the copra value chain (from Buli to Manado) was the weakest and therefore should be the first point of intervention by a Project such as SOLID.

²¹ This will be the Federations main responsibility in post MTR.

²² The Terms of Reference for this feasibility study are detailed in Annex 1.

²³ Such as the Solomon Islands which is currently designing a national coconut value chain with support from IFAD.

report with the objective of checking the financial integrity of the reportedly viable value chains and business models. This desk-based work will take about two weeks

134. Post MTR will fund the translation and printing of the business plans expected to be the main outcome from the Value Chain Feasibility Study. In addition there is sufficient budget in component 2 to cover the cost of promoting these plans to potential value chain partners - for promotional travel by NPMO staff to target provinces and regions, and to cover the cost of promotional presentations, workshops and meetings.

135. The importance of this step in the process of identifying and building commercial value chains which have the potential to benefit SOLID's target farmers should not be under-estimated. If SOLID cannot "prove" that there are viable commercial value chains for one or more of the three target commodities, and then form sound business agreements with key private sector players, component 3 will fail. However, experience from READ and the Programme's commercial agreement with PT Mars Indonesia which focuses on improved cacao production in Sulawesi, is a good example of how commodity-based business relations can be formed between private and public sectors.

136. Assuming positive outcome/s from the Value Chain Feasibility Study, followed by the finalization of commodity-based business agreements between SOLID and its new business partners, post MTR will fund ongoing support for these agreements in the form of: (i) organizing and funding periodic coordination meetings between SOLID and its business partners; (ii) building and operating a commodity market information system (based on a database for all three major estate crops if required); (iii) formalizing the agreed business arrangements in the form of Memoranda of Understanding (MoUs) which are acceptable under Indonesian law; and (iv) funding the cost of any legal support and advice which might be required to facilitate the former. **PGTOR (9).**

137. In the event of success with the forgoing activities, SOLID will support Federations to reorient and refocus themselves so that they are able to represent district farmers in terms of providing advice and support on market opportunities, commodity prices, etc. In this regard, SOLID will: (i) train VCOs who are likely to be Federation members with some business experience; (ii) train Federation members to orientate their thinking more towards a commercial focus on LVCs; (iii) establish and operate small Federation offices out of which the VCOs will operate with support in the form of transport, office equipment, etc. and (iv) train and support Federation members to operate and maintain communal infrastructure and equipment to ensure investment sustainability. Post MTR, Federations will be strongly encouraged to re-deploy any unspent pre MTR S&L funds into the component 3 Federations. The Federation Business Development Officers, and Assistants based in the PPCOs will assist with these important capacity building activities. **PGTOR (10).**

138. Training for the VCOs will include (i) understanding LVC linkages and commodity entry points; (ii) understanding how sales and commission arrangements work; (iii) learning how to work with private sector partners; (iv) identifying how to assist commodity-producing farmers to work collectively to accumulate product for trader collection and therefore reduced traders' variable costs; and (v) how to plan and conduct workshops and meetings with cooperating traders, recognizing that supposedly binding agreements are in place between registered value chain businesses and SOLID. **PGTOR (11).**

139. Training for Federation members will be pitched at increasing their commercial and business management skills and understanding "best practise". This will build on pre MTR support in the form of matching funds and extensive capacity building programs which focused on how to manage small communal bank accounts, and how to assist account holders to set their own operational protocols and guidelines. The training programs for about 20% of all Federations²⁴ (45) will concentrate on: (i) understanding the outcomes and recommendations from the commissioned Value Chain Feasibility Study; (ii) building awareness of how to "retain the customer" - what needs to be done to cement working business relationships and agreements, and what levels (and frequency) of engagement and

²⁴ Not all Federations have the inherent capacity to warrant this level and type of training, and therefore those more advanced in terms of business acumen will be targeted first.

communication are required to keep both value chain partners satisfied that they and their constituents are benefiting from the commercial agreements; (iii) understanding commodity trading codes and practices (as required in Indonesia); and (iv) developing skills in quality, quantity and supply negotiations.

140. Post MTR, the Federations' main role (apart from taking responsibility for the specific infrastructure and equipment management roles - see Table X) will be the provision of support under component 3 for estate crops farmers to enable them to link with commercial value chains. Specific activities will be determined by the types of business arrangements entered into between Federations and the private sector. However, Federations' main tasks are expected to include: (i) assisting target farmers to accumulate their products for collection by traders (including the provision of communal storage if required by trader/s); and (ii) operating the medium through which target farmers can gain information on commodity prices and quality requirements. Federations will not be permitted to become commodity traders in their own right (this is the role of the private sector), and nor will they be permitted to access funds from farmers and SHGs' APLs with the objective of bulk procurement and distribution of production inputs - this too is the role of the private sector.

141. Other topics in this training and capacity-building package will include: (i) understanding the importance of district-level commodity aggregation with the objective of reducing traders' local transport costs²⁵; and (ii) linking and working with local banks as potential sources of working capital and longer-term investment loans. Selected Federation members will be funded to attend cross-visits to inspect and understand successful provincial and national value chains, and to participate in regular meetings and information exchange workshops with their business partners. PGTOR (12).

142. SOLID will support and fund the establishment and operation of small Federation offices in the targeted districts, with the objective of building a base from which Federations can grow and progressively improve their agriculture commodity marketing advice (but not trading in their own right) to SHG members and to broader rural communities who are not members of SHGs but who want to benefit from commercial linkages with value chains which are based on one or more of the priority estate crop commodities.

143. SOLID will also provide direct support for leading value chain commodity farmers who elect to improve the production, quality and timeliness of supply of their raw products. This will be in the form of: (i) training for lead estate crop-growing farmers, based on the selection of five such farmers for each commodity in every engaged district - about 15 lead farmers per Federation, assuming that value chains for all three key tree crop commodities are financially viable. PGTOR (13).

144. These lead value chain farmers will be trained in: (i) farmers' and traders' roles in commercial value chains; (ii) the importance of product quality, quantity and timing of supply; (iii) source of financial and technical information and support - particularly the private sector; (iv) how to work with VCOs and Federations recognizing their roles as intermediaries between commodity farmers and private traders; and (v) how to collect, collate and record crop production and sales figures to be used for simple financial analysis and Project-related M&E. **PGTOR (14).**

145. The other important activity will be SOLID-funded provision of commodity-specific district-level storage facilities based on the construction and/or rehabilitation and maintenance of appropriate buildings - in terms of capacity, ventilation, and weather- and vermin-proofing. These stores will enable the VCOs to work with farmers to accumulate stocks of raw or semi-value-added commodities for subsequent collection by the Federations' trading partners. Such facilities will be able to use equipment such as moisture meters and scales which will be funded through component 2.2 - see para. 119. **(PGTOR (15)).**

²⁵ During the MTR a copra trader in Buli advised that his biggest cost (apart from the copra itself) was inefficient local transport, with his trucks often returning with a few bags of copra rather than tonnes. This trader offered to construct copra storages in SOLID's districts if this would increase the volume of his regular connections. Interestingly, the trader was not aware of the SOLID Project.

Post MTR action plan

146. The most urgent activity for component 3 is the immediate appointment of an international consultant to under-take the Value Chain Feasibility Study. Ideally the study and subsequent engagement and arrangements with identified private sector partners should be completed by the end of 2014, with the objective of commencing specific value chain support activities in early 2015. In the interim it will be important to appoint and commence the training of the VCOs, and selected Federation members - if the latter activities can be funded through the approved 2014 AWPB. Component 3 will need support and guidance in the form of numerous types of operational and procedural manuals. Preparation of these documents should commence (perhaps under a local contract) in 2014. Check lists to guide the contents of these manuals, etc. are detailed in Annex 1.

147. Another important step, given the proposed new role for Federations would be for the NPMO to determine if existing Federation funds (they have been advanced IDR 33.0 million pre MTR) can be “frozen”, at least until component 3 is operational. These funds could be used effectively to build and manage market related infrastructure such as bulk commodity stores for estate crop products, with the objective of reducing traders’ collection costs and thereby “enticing” these value chain partner/s to support SOLID’s tree crop farmers. In addition, at least some of the remaining funds could be used as Federations’ contributions to the cost of setting up small Federation offices - see paragraph 135.

Proposed Institutional and Implementation Arrangements

148. The MTR proposes to more or less engage the institutional arrangements as were proposed in the original PDR but not fully developed during pre MTR SOLID. However, some change will be required - see the revised staffing and consultant schedule in Appendix 8. At national level, where unreasonable expectations and responsibilities were placed on the NPD, a Project Management Team will be established to support the NPD. At village delivery level, pre MTR SOLID failed to recruit the NGO facilitators and to establish the VITs (with 5 members) as proposed²⁶. Post MTR SOLID will establish these positions as originally planned. But in addition linkages between NPMO and DPIUs will be streamlined with more direct lines of communications (that inform the provinces without actually going through them). Provincial staff will continue to be important, but will not play a direct role in actual management of service delivery. Instead, provincial teams will play a vital supporting role to DPIUs as required by both NPMO and DPIUs. (This is further discussed in paras 172-175 below).

149. The proposed post MTR management team will be comprised of 5 persons: (i) the National Project Director as chairman; (ii) the proposed Project Management Adviser; (iii) the proposed Project Manager; (iv) a proposed International Implementation Support consultant; and (v) a representative of the consulting firm. The team will be able to co-opt other temporary members as required, and will meet at least weekly, and more frequently if needed. The Team will also liaise closely with the 2 NGOs contracted at the provincial level. The team will be tasked with orienting all SOLID staff on the post MTR changes, ensuring the key transition areas from pre to post MTR are identified and addressed by 31st December, 2014. Important and urgent amongst these areas will be:

- PIM revision
- Clarification of all revised SOLID staff scope of work and TORs
- Re-design of M&E systems
- Revision of financial management systems to address shortcomings identified in 2013 audit report
- Negotiation and signing of an MOU with District Mayors (*Bupati*) for 50% of district staff time commitment to SOLID.
- Negotiation and signing of an MOU with Director of District Agriculture (*Pertanian*) office for 1 PPL per 2 SOLID villages.
- Formation of VITs
- Mobilization of NGOs
- Formal closure of technical committees (due to non performance).

²⁶ VIT team comprised of: 1. NGO VF, 2. PPL/PTL, 3. VCO, 4. Farmer facilitator #1, 5. Farmer facilitator # 2.

150. The post MTR management team will also begin immediate planning for implementation of 2015 activities for post MTR SOLID. The team will not undertake all of these tasks but rather will identify persons who will be held accountable for their achievement, establishing reporting mechanisms, deadlines for performance and where necessary establishing sanctions for non-performance. These sanctions can include cessation of funding to non-performing villages and/or districts, formal reprimands to non-performing GOI staff and removal of non-performing consultants. The Team will also provide input and monitor performance of the 2 NGOs. Senior staff in the Food Security Division will need to ensure they are kept informed, and more importantly, that they provide the National Director and his management team with their full support.

151. It will be important for these implementation plans to be openly discussed with NPMO staff, Provincial and District Directors with a view to ensuring full commitment to their achievement. This will include: (i) understanding of and support for any proposed sanctions; and (ii) feedback from provincial and district staff being promptly assessed and acted upon.

152. Details of specific aspects of implementation by component are as follows:

Component 1 – Community Development and Gender

153. The appointment of the NGO in 2014 is expected to radically improve project implementation performance. There will be two SOLID staff responsible for NGO management at national level, while NGO staff will include a coordinator in each of the Provinces, 11 District Coordinators and facilitators in each of the 224 villages. Their core responsibility will be to work with the Project Community Development and Gender Officers at every level of project management to implement the component 1 activities with special emphasis on building for the technical and financial activities of components 2 and 3, especially development of the social and institutional frameworks and the required capacity building and training to ensure successful progression from component 1 to components 2 and 3. The fact that there will now be a comprehensive NGO presence with a mandate for component 1 will enable the PPLs to focus on agricultural production and the delivery of project impacts.

154. The MTR proposes to revise the post MTR SOLID organisational structure and implementation arrangements. Village and District levels are the “coal face” of Project implementation but they have been arguably the weakest aspects of pre MTR implementation arrangements – certainly they have received inadequate support. The major changes to address these weaknesses are: (i) the establishment of a Village Implementation Team (VIT); (ii) the strengthening of the technical support capacity in each DPIU: and (iii) MOU agreements with relevant district authorities that (a) commit 50% of DPIU staff time to post MTR SOLID activities and (b) ensure PPLs are assigned to no more than 2 SOLID villages per PPL. The expected outcome from these 3 changes is broader and deeper support to SOLID activities and beneficiaries in the village while expected outputs are: (i) effective M&E of the project activities; (ii) enhanced group cohesion and engagement; (iii) improved food security; and (iv) profitable engagement with markets and value chains.

155. The post MTR implementation arrangements for component 1 are led by the VIT under the overall supervision of one NGO facilitator per village. Apart from the NGO facilitator, the VIT includes the PPL, a Village Commercial Officer and two Farmer Facilitators. The NGO facilitator will work closely with the PPL who will be responsible for 2 villages, not the approximately 6 villages as was the case pre MTR. The NGO Facilitator and PPL, with the support of the Village Commercial Officer and two Farmer Facilitators recruited from the local community, will coordinate the capacity building and technical activities for the SHGs. All members of the VIT will be accountable to the SHGs (measured by a client satisfaction questions in M&E).

156. Revisions to the District Project Implementation Unit (DPIU) staff structure are also intended to strengthen support to the VIT and the implementation of component 1. The village level NGO Facilitator will report to the NGO District Coordinator but will work with the District Community Development and Gender staff. It is also proposed that the 5 technical officers in the DPIU be allocated a set of SOLID villages for which they will be the lead DPIU staff member, under the overall

authority of the DPM. The lead officers will be responsible for overall Project implementation supervision and performance in their assigned villages. They would provide crosscutting support as generalists while leveraging the expertise of other DPIU technical team members as required and providing the DPM with a staff member with in-depth understanding of issues in each village.

157. The role of the Provincial Project Coordination Office (PPCO) will be to coordinate support to the respective DPIUs – including project progress and knowledge sharing between DPIUs. A Community Development and Gender Officer (each with an assistant), will work closely with the NGO provincial coordinators to provide overall guidance for component 1 activities.

158. The National Project Management Office (NPMO) will function as a Secretariat for the Project as well as provide overall management and implementation guidance to the DPM and his DPIU staff. There will be one Community Development and Gender Officer whose responsibility will be to provide the relevant technical guidance, integrate lessons from M&E into component 1 activities and ensure the overall timely coordination and delivery of planned activities.

159. Capacity building for SOLID staff. Whilst most of component 1 activities are within the NGO and Project Management budget lines, post MTR SOLID will provide a series of training of trainer and refresher workshops to build the capacity of SOLID staff. The following workshops will be held at provincial, district and village level: (i) Post MTR guidelines and procedures; (ii) Participatory Rural Appraisal refresher; and (iii) S&L Management and Organisation. The purpose of these is to orient SOLID staff around post MTR objectives and provide them with the guidelines and tools required to complete their tasks. More detailed summaries of these courses have been provided above and are summarised in appendix 1.

Component 2 - Support for Agriculture Production and Marketing

160. The “focal point” for the implementation of sub-components 2.1 and 2.2 will be SOLID’s target villages (224 villages will be carried over from pre MTR SOLID). Strengthened and trained VITs (which will include NGO VFs, PPLs/PTLs [one per two villages], FFs (2) and VCOs) will be responsible for planning and implementing village agriculture production plans. This represents a change from pre MTR which concentrated on building district and provincial capacity rather than “driving” the development of local agriculture economies in the pre MTR target villages. Terms of reference will be prepared/ revised for these staff and included in the new Project Implementation Manual (PIM). In addition post MTR, NPMO will negotiate a signed MoU with the District Dinas Agriculture Head for the essential “one PPL/PTL per two villages” agreement

161. As the PPLs/PTLs have worked in virtual “isolation” for the past 3.5 years (and with no support from NGO VFs or FFs) it will be important at the commencement of post MTR to carefully define roles and responsibilities for these staff who will be required to work as member of cohesive teams. This should be supported with induction and “get-to-know-you” courses, particularly for the NGO VFs and the PPLs/PTLs. This is because the PPLs/PTLs’ current dual role of facilitating the formation of SHGs and Federations (and then providing ongoing support) and providing some technical advice on agriculture production, will change to a much greater focus on the latter and virtually no involvement with the former. The NGO VFs will take-over the component 1 role played by the PPLs/PTLs in the past. Such a change could potentially lead to some tension within the VITs and this will have to be handled with a degree of sensitivity by the District Project Managers²⁷. Community Development staff from the DPIUs will be responsible for this important transitional training, along with the district-based NGO Coordinators (see staffing schedule in Appendix 8) and may need assistance from the Gender and Community Development Officer and the NGO Coordinator at the provincial level.

162. The importance of this “transition and induction” training should not be under-estimated and therefore warrants special attention by all levels of project management, with the NPMO taking the lead with the objective of ensuring that by the end of 2014, the new VITs have been formed and are

²⁷ Note: there is good and relevant experience from the IFAD-funded Rural Empowerment and Agriculture Development Program (READ) in Central Sulawesi Province faced the same situation after its MTR. Therefore cross visits by SOLID’s staff would provide valuable experience in terms of how to develop unified and cohesion VITs.

ready for the commencement of post MTR in early 2015. Key personal at the NPMO level will be the NGO Coordinator, and the Community Development and Gender Consultant who will need to liaise closely with their counterpart staff at the provincial level to design and implement the required “transition and induction” courses and workshops at the district level.

163. In addition to this transition support for the PPLs/PTLs and induction of the NGO VFs, it will be important for post MTR to support the newly-appointed FFs and VCOs with induction training and discipline-specific training which relates to their areas of responsibility. This will be responsibility of the technical staff (food crops and estate crops) based in the DPIUs. In addition, the FFs and the VCOs will need to become familiar with how to organize community events such as FFSs. This level of training will be the responsibility of the PPLs and NGO VFs.

164. The aim is to develop well-trained and cohesive VITs which are capable of providing the wide range of support and guidance for successful implementation of component 2. Given the very slow start (in terms of village agriculture development) in pre MTR, this enormity of this task should not be under-estimated by senior Project management. Quite simply, if operational VITs cannot be formed by the end of 2014, post MTR will be in jeopardy.

165. Implementation of post MTR's village agriculture development programs by strengthened VITs will not be possible without increased, improved quality and more timely support of all types from staff based in the DPIUs. As with the VITs, the DPIU's resource base in the form of skilled and experienced technical and community development staff (who are mentored and supported by district-level NGO Coordinators) will be strengthened under post MTR, with greater focus on increased agriculture production rather than community development and project M&E. As mentioned above, village development was “squeezed” between these two groups of activities during pre MTR - this will change during post MTR as outlined above for component 2.

166. Note however, that district staff will be no more effective in post MTR than in pre MTR unless their travel and operational budgets are increased substantially. It will be pointless building and capacitating VITs if the support require for their success is constrained by DPIU staff's inability to travel and to provide support when required. In response, post MTR, the district level technical staff will operate as small teams of generalists rather than specialists, so that the range of topics covered and issues addressed during a village visit can be broadened-out to cover all project disciplines. This would mean (for example) that the Crops Technical Officers would inform the Community Development Officers of any issues related to component 1 activities; and in turn, the latter would inform the former of technical issues in visited villages. This cross-sharing of information will make more efficient use of travel time, and with improved communications, should result in the resolution of some issues without DPIU staff having to visit the villages in question. Further, as discussed in paragraph 149, each DPIU technical staff member would be assigned a set of villages for which they would in turn be the assigned team member responsible for overall coordination and support to those villages.

167. The foregoing indicates that it will be essential for the DPIUs to be able to support the new VITs, which in turn means that DPIU staff with technical and/or community development roles (supporting the VITs) will need access to up-to-date information in terms of how to grow targeted crops and how to work with poor and isolated rural communities. The Provincial Project Coordination Office (PPCO) teams will include Gender and Community Development Officers and therefore there is logical link for this discipline between provinces and districts. However, this is not the case for technical staff - the newly structured PPCOs do not contain any technical consultant staff with the exception of a Value Chain Specialist and a Civil Engineer.

168. This means that technical support for the DPIU's technical staff will have to be sourced outside of SOLID post MTR. This can only come from the Provincial and District Agriculture *Dinas* and therefore it will be important for post MTR's DPIUs to establish formal linkages with this organization in order to source relevant technical information which in turn can be cascaded down to the VIT-level. Post MTR, it is proposed that these linkages be formalized through an MOU signed by the National Project Director on behalf of NPMO and the Director of the District Food Security Division.

169. In addition, it will be important for the PPLs/PTLs and FFs to be in contact with their neighbouring counterparts and to organize periodic attendance at each other's demplots and field days. Such sharing of practical information on how to grow and process crops can be spread a number of ways and cross visits by PPLs/PTLs and FFs is an efficient and effective way for isolated rural communities to become exposed to new technology, noting that good quality and relevant demplots are the key.

Component 3 - Support for Estate Crops Value Chains

170. Subject to positive results, the Value Chain Feasibility Study and the subsequent formation of business partnerships will be managed by the NPMO with specific responsibility assigned to the Value Chain Officer. Terms of Reference for the Study are detailed in Annex 11. Once this first step has been completed the two Provincial Value Chain Specialists (with ongoing assistance from the national Value Chain Officer) will be responsible for engaging with potential business partners, outlining SOLID's business plans, promoting the Project's ability to assist the private sector to accumulate reliable supplies of raw materials at the village levels, and finalizing formal MoUs (if possible). These provincial level staff will also be responsible for: (i) preparing and running periodic coordination meetings between SOLID and its commercial partners; (ii) operating the commodity information database and the market information system (both of which will be built by professionals under contract); and (iii) if required, facilitating appropriate legal advice to enable SOLID to engage in commercial activities on behalf of its constituent farmers.

171. Post MTR's Provincial Value Chain Specialists will also be responsible for planning and running the VCO- and Federation-focussed training programs referred to in paras 137 and 139 which aim to increase knowledge of how commercial value chains are structured and operate, and how they can result in increased farm incomes. The PPLs/PTLs and FFs will assist by organizing groups of Federation members across more than one village with the objective of increased training efficiency - it would be too expensive to run such courses on a village-by-village basis.

172. Establishment and operation of the small Federation offices will be the responsibility of district-level staff. The VCOs will take the lead with support from the Federation chair-persons and backup from provincial Federation staff, District Value Chain Officers and District Value Chain Consultants, as required. The training of lead estate crop farmers will also be the responsibility of these two DPIU-based staff, with the PPLs/PTLs being responsible for organizing appropriate groups of estate crops farmers.

173. Operation of the communal commodity stores will be the responsibility of the VCOs with on-site support from the PPLs/PTLs, and technical advice (in terms of store specifications and supervision of construction quality) from the District Value Chain Officers and District Value Chain Consultants

Project Management

174. A number of major aspects of programme management are discussed in paras 146 – 149. However, other important management aspects include: (i) accountability for performance of staff, TA consultants and NGOs; (ii) staff commitment; and (iii) staff mobility. As discussed, the focus for post MTR management will be at district level. This is reflected in Table 11 which shows 78% of total staff numbers and 61% of total salary and consultant costs are targeted at District level.

Table 11: Staff and Consultant numbers and cost by management level²⁸.

	National		Provincial		District		Total	
	No	Cost (\$)	No	Cost (\$)	No.	Cost (\$)	No.	Cost (\$)
GOI Staff	8	118,422	12	107,270	99	890,813	119	1,116,505
Contract staff	10	531,038	14	111,518	66	408,903	90	1,051,459

²⁸ Excludes international consultant(s).

National consultants	5	265,519	2	74,345	22	584,144	29	924,008
Total:	23	914,978	28	293,133	187	1,883,860	238	3,091,971
% of total staff costs:	10	30	12	9	78	61		

175. *Performance objectives and monthly work plans for individual staff activities:* The Project Director will, with the help of the management consultant, develop a performance assessment tool for all SOLID staff and consultants. This will entail setting yearly performance objectives and goals to be achieved by each officer based on their terms of reference/job description and the AWPB of the year. Based on the performance objectives the respective officers and assistants will also plan out the activities to be completed and milestones to be achieved during the year. Provincial and District Directors will conduct half-yearly performance reviews based on the agreed objectives and planned activities. At these reviews, staff will receive formal guidance for improving performance. Consistently non performing staff will be formally sanctioned and, if required, removed from SOLID implementation teams.

176. *Staff commitment and availability:* As already discussed, an important output from the transition period (i.e. before December 31st, 2014) will be the signing of MOUs between the NPMO Director and the 11 District Mayors to ensure DPIU staff commit at least 50% of their time to SOLID implementation activities. Further, MOUs will be agreed and signed between the NPMO Director and the 11 District Dinas Heads to obtain commitment to allocating 1 PPL/PTL per 2 SOLID villages.

177. *Increase in Staff Travel Budget:* The MTR has increased both the number of trips and the cost per trip for staff at all levels (see Table 12). In addition, DPIU staff will be allocated lead responsibility for a specific set of villages - as discussed in paras 154 and 164. One important outcome of this approach will be the rationalization of several task specific trips from district to village. Instead, the assigned lead officer would undertake as many tasks on behalf of other DPIU team members as possible.

Table 12: Staff & Consultant travel by Management Level

Total Trips 2015 - 2018			
1. National	GOI Staff	Consultants	Total
National to Province (2)	500	132	632
National to Districts (via Province) (11)	500	132	632
2. Each Province			
Province to Jakarta	48	16	64
Province to District (5/6)	480	120	600
Province to Target Villages (say 110)	480	120	600
3. Each District			
District to Jakarta	60	24	84
District to Province	60	24	84
District to Target Villages (20)	1440	240	1680
Village to District	600	-	600

Monitoring and Evaluation

178. Unfortunately the baseline survey for SOLID was not undertaken which makes any kind of meaningful comparisons more difficult. In an effort to at least partially address this shortcoming, it was planned to undertake a mid-term survey but at the time of the MTR, this was also not completed. However, given the very limited progress of both technical agriculture and value chain activities, it

would still be relevant to complete this task and hence provide post MTR SOLID with a base from which to measure progress in production and incomes.

179. Much has already been written about the issues associated with data collection and analysis. The national M&E staff and consultant need to make some effort to un-clutter the M&E process as a matter of urgency. The first and very important steps in this process will be: (i) to identify the VIT member responsible for data gathering (probably the NGO VF); and (ii) simplify the data that is gathered i.e. less but more relevant indicators; and (iii) reduced frequency of data collection times. In this respect, the MTR has revised the Project Log frame (see Appendix 2) has 4 outcomes, 10 outputs and 20 key performance indicators (KPI). Further, of the 20 KPIs, only 12 require data gathering at SHG level. The key to successful M&E for component 2 will be farm- and HH-level records of food and cash crop production, consumption and sale while the key to successful M&E for component 3 will be farm-, HH- and village-level records of estate crop production and sale; as well as analysis of this data to determine changed HH incomes.

180. But there will also be data on service delivery and service quality which is intended to measure client satisfaction. In addition, data will be gathered on a quarterly basis and not monthly as was the case pre MTR. Understanding the data needs and developing simple, concise SHG questionnaires is the first and major M&E task. This cannot be undertaken from the comfort of the NPMO in Jakarta.

181. Once village data has been gathered and forwarded to the DPIU from all villages, data collation and analysis are the next key tasks. These will be the responsibility of the District M&E data analyst – a new GOI staff position in post MTR SOLID (see Appendix 11 for the M&E analyst TOR). The MTR suggests a maximum time to complete these primary M&E tasks (gathering, collation and analysis) should be set as 3 weeks from the end of the relevant quarter – this will be relevant assessment criteria for all M&E staff. Once the analysis has been completed and checked by the DPM, it will be emailed directly to the NPMO, copied to PPCO. It will be the M&E staff at NPMO level's responsibility to review the M&E reports and then use them to prepare a concise management report for senior NPMO staff. Again, this report should reasonably be expected to be completed within 4 weeks of the end of the relevant quarter. Like their counterparts at the village level, timely and accurate submission of quarterly and annual reports will be key relevant performance criteria for district and national M&E government staff and consultants.

182. A final important step in making the M&E fully functional will be to ensure that important M&E messages are responded to by management. These responses may be in real time, but they must also be used in production of the following year's implementation guidelines document.

183. But once the M&E revision has been planned, the next important steps are to ensure M&E staff at all levels, including village, are fully aware of the changes and of their roles and responsibilities in implementing these changes.

Revised Project Costs and Benefits

184. Total project costs have been re-estimated in USD for the post MTR project period (2015 to 2018). The cost revision takes account of revised targets (number of villages and SHGs), the re-design of Components 2 and 3 (Support for Agriculture Production and Marketing and Support for Estate Crops Value Chains), removal of Productive Rural Infrastructure as a stand-alone component and the new staffing and technical assistance requirements for Project Management and Institutional Strengthening. Operating costs financed by GOI, including travel budget, have also been re-calculated to more accurately reflect the amount of counterpart funds required for a successful implementation of the technical components in both the Maluku's.

185. Based on expenditure to date and taking account of 2014 AWPB commitments, the MTR estimates that the remaining funds available for the implementation of the post MTR SOLID activities are approx. US\$29.8 million (US\$29 million from the Loan and about US\$800,000 from the Grant).

186. The Loan will cover all budget items in Components One to Three (excluding taxes), in addition to Monitoring and Evaluation and Knowledge Management activities in Component Four. The Grant

funds will be used to finance the costs of a long-term international consultant in support of project implementation under Component Four - Institutional Strengthening and Project Management.

187. Counterpart funds required for the implementation of Post MTR SOLID are estimated at approximately USD 15 million or 32% of the total project costs. GOI will continue to waive taxes and finance recurrent expenses, including seconded and contracted staff and duty travel at national, provincial and district levels.

188. Beneficiaries are expected to contribute in kind (labour and/or materials) 30% of the value of all infrastructure works, and 20% of production and post harvest tools and equipment provided under Component 2. The costs of establishment and operation of Federation offices (Component 3) will be co-shared by IFAD and federation members on a 20%-80% basis. Total beneficiary contributions are estimated at USD 1.86 million or 4% of total project costs.

189. Total project costs are around USD 46.4 million over a four-year implementation period and include USD 6 million of physical and price contingencies. Foreign exchange accounts for USD 3.8 million or 8% of the total costs. Duties and taxes make up approximately USD 3.7 million. The proposed allocation of funds among components is presented in Table 1 below. Additional summary tables and detailed costs tables are provided in excel format.

Table 13: SOLID Post MTR Costs by Components and Financiers.

Components by Financiers	IFAD Grant		IFAD Loan		Beneficiary		The Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Community Dev't & Gender	-	-	3,309,997	96.8	-	-	110,687	3.2	3,420,684	5.9
Support for Ag. Production & Marketing	-	-	24,589,173	87.5	1,366,837	4.9	2,135,899	7.6	28,091,909	48.7
Support for Estate Crops Value Chains	-	-	2,348,773	60.3	986,387	25.3	562,841	14.4	3,898,001	6.8
Institutional Strengthening and Project Management	797,415	3.6	7,274,462	32.6	-	-	14,249,037	63.8	22,320,914	38.7
Total PROJECT COSTS	797,415	1.4	37,522,406	65.0	2,353,225	4.1	17,058,463	29.5	57,731,509	100.0

190. The costs presented above assume a scenario without geographical expansion where 952 old SHGs continue to be supported and new 812 SHGs are create in existing villages. An alternative scenario with expansion to 67 new villages and creation of extra 670 SHGs and 67 federations has also been calculated. This option would require additional funding form IFAD (USD 8.6 million), GOI (USD 2.2 million) and Beneficiaries (USD 0.5 million).

Risks

191. Any discussion about risk must take account of the fact that risk management is not about being risk averse. A risk is some event or activity which can undermine potential outcomes. But all activities involve risk to some greater or lesser extent. The post MTR aspirations to achieve significant implementation progress, and as a result, to make an impact on food insecurity and low HH incomes, involve seizing opportunities which in turn involves some risk. Backing away from opportunity is not risk management. The key to good risk management is risk recognition, risk measurement, and then development of appropriate responses. By adopting a good risk management strategy, SOLID management will be better able to determine what the risks to success are, what expertise is needed to address those risks and how SOLID staff should focus their efforts to the greatest effect. Risk management is not the sole responsibility of the NPMO (and especially the NPD) but rather, it is a

task for all levels of Project staff. The responsibility of the NPMO is to ensure all parties understand their roles and responsibilities.

192. Perhaps the key risks for post MTR SOLID are the diminished time frames available for implementation (On 1st January, 2015, 83% of IFAD loan will remain undisbursed in the 57% of remaining implementation period), inadequate management strategies and plans to introduce and implement the post MTR SOLID and the lack of time commitment of key staff at district and village level. Major risks, their rating and proposed risk management strategies are outlined in Table 13.

Table 14: Post MTR SOLID Major Risks and Mitigation Measures

	Risk	Risk Assessment	Proposed Mitigation Measures
1.	Diminished implementation timeframe.	H	<p>Significant revision of post MTR design with objective of simplification and focus on major tasks required.</p> <p>Formation of senior management team to oversee 2014 transition tasks and 2015 start-up activities.</p> <p>Review & strengthen procurement processes to ensure quality & timely documentation is planned and prepared well in advance.</p>
2.	Management strategies not sufficiently planned and pro-actively managed to meet post MTR implementation timetables.	H	<p>Streamline direct reporting from NPMO to DPIUs</p> <p>Revise SOLID staffing structure to focus resources, incl. travel resources closer to villages</p> <p>Revise M&E to ensure useful management outputs</p> <p>Revision of PIM</p> <p>Establish VITs</p> <p>Establish & operate staff performance review systems</p> <p>Ensure NPD receives full support from his superior officers.</p> <p>Introduce sanctions for non-performing districts, villages, staff, consultants and NGO staff.</p>
3.	Lack of commitment of provincial and district staff.	H	<p>Recognize the key, front line role of DPIUs</p> <p>Strengthen DPIU teams with relevant staff & consultants.</p> <p>Negotiation of MOUs with District Mayors for 50% of DPIU staff time</p> <p>Negotiation of MOUs with District Ag. Director for 1 PPL/PTL per 2 villages.</p>
4.	Post MTR interventions lack sustainability	M	<p>Focus management of infrastructure on the major users – incl. O&M plans</p> <p>Introduction of VITs to ensure closer monitoring of technical interventions incl. demplots.</p> <p>Ensure Component 1 focused strongly on preparation for engagement with Component 2 – incl. SHG socialisation, S&L fund operations, and preparation of agriculture plans.</p> <p>Adoption of Revolving Fund skills & experience from other Projects – especially READ</p>

5.	Village farmer risk aversion to post MTR SOLID opportunities	M	<p>Ensure Component 1 socialization processes are thorough and repetitive.</p> <p>Ensure PPL/PTL staff well equipped with extension materials and refresher training.</p> <p>Ensure PPLs equipped to calculate & explain financial benefits to low literacy farmers.</p> <p>Recruit VITs with trusted lead farmers to support SHGs</p> <p>Relax poverty targeting criteria to ensure some more innovative farmers engaged post MTR</p> <p>Provide concessionary repayment schedules in event of seasonal failure or personal tragedy.</p>
6.	Failure of private sector to engage with post MTR SOLID value chain opportunities	M	<p>Ensure Value Chain Feasibility Studies have credibility with private sector by using quality international consultants.</p> <p>Allow VCOs to be employed directly by private sector</p> <p>Repeated farmer training & awareness building of the long-term benefits of firm and equitable commodity supply contracts, and of the financial benefits from commercial under-takings.</p>

Proposed Changes to Financing Agreement.

193. With the proposed changes in the design, the current Financing Agreement may need to be amended accordingly, in particular with regards to the Project components; roles and responsibilities of Project management at national, provincial and district levels; and allocation of the loan and grant proceeds (Schedule 2). More details of the proposed amendment are described in Annex 3.

H. Conclusion

194. The MTR concludes that the SOLID Project has made progress in some areas but has been negatively affected by a number of critical issues. The Mission concludes that with a redesign and refocusing of activities, together with an improvement in the quality of, and commitment to implementation the Project has a strong likelihood of achieving its development objectives. But, there are a number of key issues that need to be addressed as a matter of priority before the implementation of the post-MTR design of SOLID can be approached with any degree of confidence for successful outcomes, including: (i) a change the conceptual model of SOLID from being value chain centered to being a progression from community empowerment, to food security, to establishing local market linkages, to finally engaging with provincial markets for copra, cacao and nutmeg; (ii) establish a national level task force of skilled and committed senior staff and advisers to plan and drive the transition to and implementation of post MTR SOLID; (iii) review implementation and management arrangements and practices to focus on providing meaningful and timely support to district and village staff; (iv) the NGO facilitation contracts for Maluku and North Maluku be reviewed to address the issues raised in Appendix 9 and then operationalised by October 2014; (v) general procurement processes should reviewed and improved as a matter of urgency; and (vi) district staff should commit 50% of their time to SOLID implementation; and (vii) PPLs should be deployed on a ratio of one officer per two villages. Finally, IFAD agrees to address the post-MTR “funding gap” by increasing funds available if implementation progress improves.

Appendix 1: Summary of project status and ratings

Project 1509 [835] Smallholder Livelihood Development Project in Eastern Indonesia

Basic Facts

Country	Indonesia			Project ID	1509	Loan/DSF Grant No.	835
Project	Smallholder Livelihood Development Project in Eastern Indonesia					Top-up Loan/DSF Grant	
Date of Update	1-Jul-2014						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	2				
Last Supervision	7 May 2013	Last Implementation Support/Follow-up mission	30 September 2013				

					USD million	Disb. rate %
Approval	11-May-2011			Total financing	65.00	
Agreement	05-Jul-2011	Effectiveness lag	1.8	IFAD Total	50.19	
Entry into force	05-Jul-2011	PAR value	Not at risk	IFAD loan	49.11	16.4%
First disbursement				DSF grant		
MTR	1 – 20 June 2014	Last amendment		IFAD grant	1.08	7.6%
Original completion	31-Jan-2019	Last audit	30 June 2014	Domestic Total	14.81	
Current completion	31-Jan-2019			Government (National)	14.81	33.4%
Original closing	31-Jul-2019			External Co-financing Total		
Current closing	31-Jul-2019					
No. of extensions	0					

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	3	3
2. Acceptable disbursement rate	3	3	2. Performance of M&E	3	3

3. Counterpart funds	5	4	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	5	4. Gender focus	5	5
5. Compliance with procurement	3	3	5. Poverty focus	5	5
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	3
			7. Innovation and learning	4	3
			8. Climate and environment focus		4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Community Empowerment	4	4	1. Institution building (organizations, etc.)	3	3
2. Productivity Improvement and Integrated farming system	4	3	2. Empowerment	4	4
3. Value Chain	3	3	3. Quality of beneficiary participation	4	4
4. Rural Infrastructure	4	4	4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	4	4

B.5 Justification of ratings

The rating of 4 for B1.3 is assigned as the Gol has limited annual counterpart budgets, and consequently is not able to optimally utilize the available IFAD loan and grant funds. For procurement the rating of 3 is assigned because of the slowness of the process. The rating of 3 for disbursement rate is because low disbursement rate (slow submission of W/As). The rating of 4 for the audit is due to the timeliness while quality is not yet rated (due for submission to IFAD by 30 June 2013). Overall there has been little discernible response to key areas since the previous mission – this is to some extent due to the lack of identified strong management support that was anticipated through the establishment of the IFAD Country Office with both CPM and fiduciary support expected. Arrangements are now in place to provide weekly mentoring to the PMU.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience		4
C.4 Overall implementation progress (Sections B1 and B2)	4	3
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 assessment of the Project remains moderately satisfactory. The Project remains “potentially at risk” applying IFAD’s performance assessment criteria. SOLID has made sound progress in achieving annual targets (see table 1 below) and in undertaking some community empowerment activities such as forming self-help groups (SHGs) and allocating matching funds. There is a clear need and demand for project support and activities at the village levels and there are a number of viable agricultural investment opportunities for these smallholders to engage in with project support. The Project has made some progress in undertaking productivity improvement activities such as preparation and execution of demonstration plots and in establishing the project management structure at all institutional levels. However, an improved understanding by all Project stakeholders will be required if the revised and simplified component structure related to the

progression from food production to local market linkages to longer value chains proposed by the MTR.

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

Fiduciary aspects	Quality of financial reporting required. Strengthening financial literacy training for groups.
Project implementation progress	Quality of project management, including procurement and M&E systems
Outputs and outcomes	The post MTR prospects for achieving outcomes and outputs are favourable, subject to staff commitment at all 3 levels of government.
Sustainability	Main risks relate to quality of social mobilization and adequacy of training for revolving fund operations.

Proposed Follow-up

Issue / Problem		Recommended Action	Timing	Status
Procurement		Recruitment of provincial NGOs and national TA consulting team as revised by MTR.	30 September 2014	Ongoing
Village implementation capacity		Recruitment of village implementation teams.	31 December 2014	Ongoing
Project reporting		Establish timely and accurate reporting based on functional & timely M&E.	31 December 2014	Ongoing
Management and coordination	(i)	Ensure constant management and coordination support is in place for the post MTR transition phase in 2015-2016;	Immediate	Ongoing
	(ii)	Require at least 50% time commitment from District Implementation Unit staff.	31 December 2014	
	(iii)	Revise implementation guidelines (PIM) for post MTR implementation.	31 December 2014	

Additional observations: With adequate and constant support to NPMO management, and a corresponding willingness to accept such support, there are reasonable grounds to expect a significant turnaround in the performance of post MTR SOLID.

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

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
To enhance food security and increase incomes in beneficiary households (HH)	<ul style="list-style-type: none"> By December 2018: (i) 33,600 HHs with improvement in HH assets ownership index and (ii) 40% reduction in the prevalence of child malnutrition 	<ul style="list-style-type: none"> HH surveys M&E reports 	Project Managers at all levels are effective and engaged in SOLID implementation
Project Development Objective:			
To improve livelihoods (both food security and income) and to reduce the incidence of poverty. <i>(by providing poor farmers with sustainable access to appropriate technologies, management skills and commercial linkages).</i>	<ul style="list-style-type: none"> By December 2018: (i) 80% of HHs enjoy at least 10 months food security in 100% of the target villages; and (ii) 75% of HHs enjoy 30% lift in monthly cash income from sale of SOLID related surplus products. 	<ul style="list-style-type: none"> HH surveys M&E reports 	Project Managers at all levels are effective and engaged in SOLID implementation
Outcome 1: Communities with enhanced capacity for HH food security and agriculture income planning.	<ul style="list-style-type: none"> 2240 SHGs re-oriented or trained in PRA, S&L group management. 	<ul style="list-style-type: none"> Annual outcome survey 	
Outputs 1.1 SHGs capable of managing and sustaining group resources (both human & financial). 1.2 SHGs capable of planning & implementing their production and post-harvest activities.	<ul style="list-style-type: none"> 1428 existing SHGs re-trained and operational by August 2015 812 new SHGs trained and operational by August 2016 1428 existing SHGs & 800 new SHGs implementing production & post harvest plans 	<ul style="list-style-type: none"> M&E reports Interviews with SHGs SHG training records Interviews with production group members Group production records 	Facilitation NGO operational by 1.11.14 VFs are respected and effective in facilitating the CD process PPLs and VFs work together effectively
Outcome 2: HHs with more food and cash crops available for both home consumption and/or sale.	<ul style="list-style-type: none"> By December 2018: 80% of households reporting at least 20% increase in food available for home consumption By Dec 2018, 50% of households reporting regular market sales of food and cash crops 	<ul style="list-style-type: none"> Annual Outcome Surveys 	Adequate support provided by NGO, extension staff (PPL), traders and SOLID Project District Staff Favourable seasons & growing conditions (pest, disease, drought)

Outputs: 2.1 Households food secure for 80% of the season 2.2 Increase in HH income as a result of increased sales of agricultural products.	<ul style="list-style-type: none"> By Dec 2018, 75% of HHs is fully food secure 80% of the time. By Dec 2018, 20% reduction in incidence of stunting in SOLID HHs By Dec 2018, 75% of HHs enjoy a 30% lift in annual cash income from sale of food and cash crops. 	<ul style="list-style-type: none"> M&E reports Interviews with production group members Annual Outcome Surveys 	PPLs actively engaged in implementation PPLs equipped with full set of skills Farmers actively engage in activities S&L funds operate transparently for all members with borrowers willing to repay loans in full, on time.
Outcome 3: Increased household incomes from sales of 3 selected estate crops (coconut, cacao & nutmeg)	<ul style="list-style-type: none"> By Dec 2018, 50% of village crop producers enjoy a 20% lift in monthly cash income from sale of estate crop related products. 	<ul style="list-style-type: none"> Annual outcome survey 	Market stability in 3 selected VCs
Outputs 3.1 Up to 3 value chains (VC) assessed as feasible for sustainable increases to HH incomes 3.2 Farmers with improved market linkages & understanding of market requirements 3.3 Federations established as sustainable business units with capacity to represent farmer interests in the market place and/or add value to any or all of the 3 selected products	<ul style="list-style-type: none"> By Dec 2015, 3 quality VC studies completed to international standards. 50% of growers directly engaged in VC with Federation support & responding to market requirements By Dec 2018, 25% of federations actively supporting growers via links to traders and other VC players and/or adding value to the 3 selected estate crops. 	<ul style="list-style-type: none"> Reading VC study doc's M&E reports SHG & federation marketing records. Interviews with SHGs M&E reports Federation accounts & quarterly reports 	Suitable VC team able to be recruited Village Commercial Officers (VCOs) appointed and trained to high standards Federations able & willing to re-orient to new, broader, commercial role
Outcome 4: Effective implementation and monitoring of SOLID	<ul style="list-style-type: none"> Analysis and reporting of M&E data actively used by Project Management to improve outcomes & efficiency. 	<ul style="list-style-type: none"> Quarterly review reports & review meeting minutes. Revised Annual Implementation Guidelines 	Project staff respond to more effective M&E systems and data analysis
Outputs: 4.1 Consistent, transparent and functional Project management arrangements at all levels 4.2 Functional M&E system operating in timely manner, with useful data analysis giving positive changes in management. 4.3 Timely and effective management & implementation support from national & provincial levels.	<ul style="list-style-type: none"> Staff performance review reports. M&E reports being actively used by management 90% of activities implemented as per the AWPB 100% of the Budget utilised as per AWPB 	<ul style="list-style-type: none"> Staff performance plan Staff performance review report M&E reports Management Reports 	Project Managers committed to accountability and transparency. Project Management committed to accountable management practices

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

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	Revise the current design, staffing arrangements, and provide guidance on PIM, M&E system, and procurement arrangements.	MTR Team	1 st August, 2014	
	NPMO and his Management Adviser establish a national working group to plan a strategy for implementing the proposed MTR changes to SOLID design, management and budgets.	NPMO	1 st August, 2014	
	Review and build database of all SHGs & Federations – including activity, membership, MF funds balance, quality, etc.	NPMO	1 st August, 2014	
	Revise existing NGO contracts to address issues raised in Appendix 9, and appoint Village facilitation NGOs as matter of urgency – funded from IFAD Grant Funds.	IFAD & GOI with NPMO	1 st October, 2014	
	Revise consultant contract to address issues raised in Appendix 9, and appoint appropriate technical consultants urgently and funded from IFAD Grant Funds.	IFAD & GOI with NPMO	1 st November, 2014	
	Prepare revised PIM, including Guidelines for Matching Grant disbursement and Guidelines for Federations and the disbursement of Federation Grants.	IFAD/NPMO	1 st December, 2014	
	NPMO work with PPCO to ensure PPLs are responsible for no more than 2 villages each – outcome is an MOU signed between NPMO and each of 11 District <i>Dinas Pertanian</i> (Agriculture Office).	NPMO with District Food Security staff	1 st December, 2014	

	NPMO work with DPIU SOLID district staff commit 50% of their staff time to SOLID activities post MTR - – outcome is an MOU signed between NPMO and each of 11 District Mayors (<i>Bupati</i>).	NPMO with District Mayors.	1 st December, 2014
	Review the M&E system (to ensure less demanding, more relevant data collection needs at SHG level).	NPMO/IFAD	31 st December, 2014
	Initiate learning and knowledge documentation for SHGs with NPMO to support knowledge sharing between districts with the help of ICT	DPIU with ICT Consultant	31 st December, 2014
	Provide additional training to financial staff to ensure future WAs meet IFAD required formats and to ensure 2013 Audit issues are addressed.	IFAD/NPMO	31 st December, 2014
Fiduciary Aspects	Recruit international Value Chain Specialist to undertake feasibility studies of copra, cacao and nutmeg value chains.	NPMO	31 st July, 2015
Other			

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

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2014 to 31-12-2014			Cumulative Actual (2011- 2014)	Appraisal Target	
				AWP&B	Actual (Apr-14)	%			
Component 1 : Community Empowerment									
1.1	NGO Recruitment	Nb. of NGOs recruited	Number	2	0	0			
1.2	TOT Money dan CD Gender	Nb. of TOT conducted by M&E and CD Gender	Number	2	2	100			
1.3	Socialisation of SOLID in Villages	37,125 (75%) households receiving Project services (total Project, m/f.).	Number	116	116	116	224	330	67,87
1.4	Meetings to Form Self-help Groups	330 (one per village) community workers operational	Number	116	116	116	224	330	67,87
1.5	Preparation of Village Plans	Nb. Of village plans prepared	Number	116	-	0	108	330	32,73
1.6	Legalisation of Self-help Groups and Federation	Nb. Of Legalisation of SHGs and Federation	Number	592	476	80,40	929	3.300	28,15
1.7	Monitoring and Evaluation	Nb. Of villages monthly monitoring of activities is done by Kabupaten	Number	224	224	100	224	330	67,87
1.8	Formation of Federations	Nb. Of Federations formed	Number	116	0	0	108	330	32,73
1.9	PRA at Village Level	Nb. Of PRAs undertaken at the village level	Number	106	0	0	95	330	28,79
1.10	SHG Management and Organisation (all aspects)	Nb. SHGs functioning effectively.	Number				456	3.300	13,82
1.11	Matching Funds for Self-help Groups	Nb. Of SHGs receiving matching funds	Number	972	0	0	711	3.300	21,54
1.12	Villages under the Project	Nb. Of villages under the Project	Number	116	116	100	224	330	67,87
1.13	Formation of Federation	Nb. Of federation formed	Number	116	116	100	224	330	67,87
1.14	Formation of SHGs	Nb. Of SHGs formed	Number	476	476	100	1428	3300	43,27
1.15	Households in SHGs	Nb. Of Households members of SHGs	HHS	7140	7140	100	21420	49500	43,27

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2014 to 31-12-2014			Cumulative Actual (2011- 2014)	Appraisal Target	
				AWP&B	Actual (Apr-14)	%			
Component 2 : Productivity Improvement of Integrated Farming Systems									
2.1	Workshop on Integrated farming system	Nb. of workshops conducted	Number	1	1	100			
2.2	Demonstration Plots/Units food crop and livestock	Nb. of demonstration plots/units food crop and livestock	Number				231	306	75
2.3	Farmer Field Schools - Estate crops	Nb. of villages covered by FFS on Estate Crops	Number				37	50	74
2.4	Farmer Field Schools - Pest control management	Nb. of villages covered by FFS on Estate Crops	Number				71	79	90
2.5	Demonstration Plots – Estate crops Nursery	Nb. Of demonstration nurseries formed	Number				157	182	86
2.6	Farmer Field Schools - Integrated farming systems	Nb. Villages covered FFS on Integrated farming systems	Number				85	97	88
2.7	Extension Materials and Manuals	Nb. of extension manuals developed	Number				67	69	97
2.8	Trainings for farmers – Nursery and livestock development	24,750 (50 % of total target HHs) farmers reporting increased production from their plots.	Farmers				196	202	97
		Nb. of trainings conducted	Number						
2.9	Villages where agricultural processing training is provided	Nb. Of receiving processing training on agriculture products	Number	224	0	0			
2.10	Demonstration Plots – Improving Farming System	Nb. Of villages where Demonstration Plots established for improving farming systems.	Number	224	0	0			
2.11	Farmer Field Schools – Useful application of technology	Nb. Of villages with FFS reporting useful application of technologies	Number	224	0	0			

Component/ Sub-component or Output				Period: 01-01-2014 to 31-12-2014			Cumulative Actual (2011- 2014)	Appraisal Target	
		Indicator	Unit	AWP&B	Actual (Apr-14)	%			%
Component 3 : Value Chain Development									
3.1	Recruitment of Agribusiness Value Chain and Marketing (International)	Nb. of staff and consultants recruited	Number	1	0	0	0	1	0
3.2	Recruitment of value chain consultant (1 district 1 consultant)	Nb. of staff and consultants recruited	Number	-	0	0			
3.3	Workshop value chain and marketing	Nb. of value chain workshops held	Number	2	1	50			
3.4	Capacity building for Federation marketing	24 750 (50% of total target HHs) target group households reporting new marketing arrangements (estate and food crop production and fisheries, livestock), type and length of operation.	Package				11	11	100
3.5	Marketing links for federation	330 Federations linked to markets	Package	11	0	0	11	11	100
3.6	Training on value chain for field workers	Nb. of field workers trained in value chains	Number				11	9	81,82
3.7	Marketing and potential identification and business plan preparation	Nb. of Business Plans prepared after feasibility studies	Number	116	0	0	330	108	32,73
3.8	Equipment for value chain development	Nb. of equipment package provided	Number	11	0	0			
Component 4 : Productive Rural Infrastructure Investment									
4.1	Recruitment of infrastructure design consultant (1 district 1 consultant)	Nb. of consultants recruited.	Number	2	0	0	0	2	0
4.2	Workshop - Village infrastructure development	km of road rehabilitated/upgraded	Km	1	1	100			
4.3	Village Infrastructure Investments	330 water harvesting structures constructed.	Number	224	0	0	108	330	32,73

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2014 to 31-12-2014			Cumulative Actual (2011- 2014)	Appraisal Target	%
			AWP&B	Actual (Apr-14)	%			
	12.375 ha (25% of total target HHs) farmers with sustainable access-to water resources	Hectare						
	>330 community Projects functional by type	Number						
Component 5 : Institutional Strengthening and Project Management								
Individual Consulting recruitment-Project Management Adviser and Team Leader	>90% disbursement of the IFAD Loan	Prs	1	1	100	1	1	100
Individual Consulting recruitment - Monitoring and Evaluation		Prs	1	1	100	1	1	100
Individual Consulting recruitment – Procurement Specialist		Prs	1	1	100	1	1	100
Consulting firm recruitment – Project management (both province) - ME Specialist (Prov, District) - VC Specialist (Nat, Prov, District) - Finance Specialist (National) - TI Specialist (National) - Capacity Building and training (Nat) - Agriculture and Infrastructure (Nat)		Prs	33	0	0			
Consulting firm recruitment - Capacity Building and Training		Prs				1		
Consulting firm recruitment -Value chain and marketing at National	Persons signed contracts	Prs				1		
Consulting firm recruitment - Value chain and marketing (both province)	Persons signed contracts	Prs				2		
Consulting firm recruitment - Nutrient specialist at national	Persons signed contracts	Prs				1		
Consulting firm recruitment -Seeds specialist at national	Persons signed contracts	Prs				1		

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2014 to 31-12-2014			Cumulative Actual (2011- 2014)	Appraisal Target	%
			AWP&B	Actual (Apr-14)	%			
International Consultant of Value chain and Marketing (Individual)	Persons signed contracts	Prs			-	-		
Baseline study	Completed report	Package				1	1	100
Mid-Term Impact Study	Completed report	Package	1	0	0	0	1	0
NGO Monitoring	Monitoring reports	Package	1	0	0	0	1	0
Survey & mapping - value chain and marketing	Survey reports completed	Package	1	0	0	0	1	0
Procurment of PC (national)	Nb. of equipment provided	unit				6	6	100
Procurment of Laptop (national)	Nb. of equipment provided	unit				2	2	100
Annual Planning and Review Meeting	Nb. of meetings and plans completed.	Package	3	0	0			
Office building renovation expenses		unit				13	13	100
Workshop Financial and loan management	Nb. of workshops on financial and loan management.	Number	1	0	0	3	3	
Workshop ME and RIMs	Nb. Of trainings on RIMS	Package	3	0	0			
Procurement Vehicles (province level)		unit			50	1	1	
Procurement Motorcycles		unit	148	0	0	186	334	55,69
Procurement Laptop (for district and province level)		unit				26	26	100
Procurement Computer (for district and province level)		unit				26	26	100
Procurement Printer (for district and province level)		unit				26	26	100
Procurement Fax and Scanner (National Level)		Unit	2	2	100	2	2	100
Overseas study/Comparative study		Package	1	0	0			
Consolidation meeting of SOLID		Package	1	1	100	3	7	42,85
Midterm Review Meeting IFAD		Package	1	0	0			
Wrap up meeting Sup Mission IFAD		Package	1	0	0			

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

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	47 329.0	7 160.0	15.13
IFAD grant	1 054.0	80.0	7.59
Co-financier	---	---	---
Government	14 800.0	4 644.0	31.38
Total	63 183.0	11 884.0	18.81

Note: The Government financing is the national government financing (APBN); excluding the supporting from local government budgets (APBDs) at a total amount of USD 636.85 equivalent

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

Component	IFAD loan			IFAD grant			Co-financier			Government			Domestic 1			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Community Empowerment	12 237.6	2 254.6	18.4	--	--					725.3	894.1	123.3				12 962.9	3 148.7	24.3
2. Productivity Improvement	5 897.5	1 539.6	26.1	--	--					611.4	487.1	79.7				6 508.9	2 026.7	31.1
3. Value Chain	15 296.9	635.5	8.6	1 054.0	22.1	2.1				1 344.1	593.7	44.2				17 695.0	1 251.2	7.1
4. Infrastructure	8 069.6	1 309.6	17.6	--	--					837.9	240.1	28.7				8 907.5	1 549.7	17.4
5. Inst. Building Management	5 827.5	1 421.0	24.4	--	--					11 281.3	2 429.0	21.5				17 108.8	3 842.0	22.5
Initial deposit		1 000.0															1 080.0	
Total	47 329	7 160.3	15.1	1 054.0	102.1	9.7				14 800.0	4 644.0	31.4				63 183.0	12 898.1	20.4

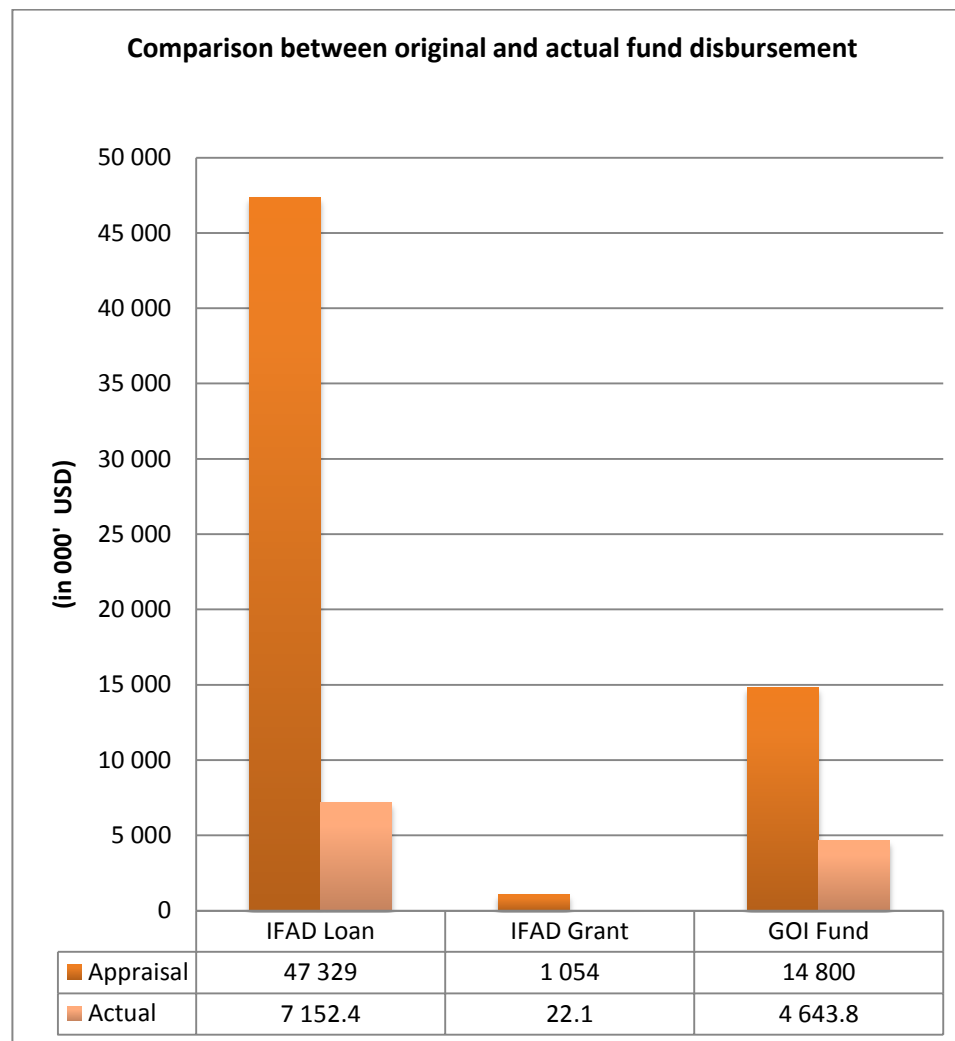
Table 5C: IFAD loan disbursements (SDR, as at 20-5-14)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Percent disbursed
I	Civil works	4 620.0		873.3	144.8	3 601.9	18.9
II	Vehicles & equipment	7 770.0		673.4	160.2	6 936.4	8.7
III	Capacity building, workshops, training	8 530.0		1 819.7	---	6 710.3	21.3
IV	Matching fund	4 360.0		835.7	241.9	3 262.4	19.6
V	International Consultant services	---		---	---	---	---
VI	Local Consultant and NGO services	1 990.0		97.0	11.3	1 881.6	4.9
	Unallocated	3 030.0		---	---	3 030.0	---
	Initial deposit			640.2	---	-640.2	
	Total	30 300.0		4 959.4	558.1	24 787.5	16.4

Table 5D: IFAD grant disbursements (SDR, as at 20-5-14)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Percent disbursed
I	Civil works	---		---	---	---	---
II	Vehicles & equipment	---		---	---	---	---
III	Capacity building, workshops, training	175.0		---	14.1	160.9	---
IV	Matching fund	---		---	---	---	---
V	International Consultant services	60.0		---	---	60.0	---
VI	Local Consultant and NGO services	375.0		---	---	375.0	---
	Unallocated	65.0		---	---	65.0	---
	Initial deposit			51.2	---	-51.2	---
	Total	675.0		51.2	14.1	609.7	7.6

Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement



Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B. 6	There will be two designated Accounts (USD) at the Bank of Indonesia – 1 for the loan and 1 for the grant	Disbursement	Complied	Two Special Accounts have been opened in Bank of Indonesia. However, the loan disbursement is low, while for the Grant, there is no disbursement except for the initial deposit.
Section C. 4	The Project Completion Date shall be 7 years and 6 months from the date of entry into force of this Agreement.			Currently 31 December 2018
Section E. 1	The Agency for Food Security (AFS) shall prepare and issue Project Implementation Manual.	90 days of the date of entry into force of the Agreement	Complied	
Sch. 1 – I .1	Target Population. The Project shall benefit approximately 49,500 farm households in 11 districts in Maluku (5 districts) and North Maluku (6 districts) (the “Project Area”). The target group consists of smallholder farmers engaged in tree and food crop production. The Project will specifically target woman-headed households and poor indigenous and immigrant communities.	On-going	Complied	2011 to 2013 have been targeted following the agreed criteria
Sch. 1 - II .1	a) Establish a NSC b) Establish NPCO c) Establish 2 PTEC d) Establish 2 PPCO e) Establish 11 DTEC f) Establish 11 DPIU	Entry to force	Complied	NSC has not functioned as expected. Provincial and district Technical Committees operating informally.

Sch. 1- II. 3 and GC 7.11	<p>(a) Project staff will be appointed following a transparent competitive process</p> <p>(b) The PCs and Managers shall not be changed without good reason</p> <p>(c) General all Project staff should be maintained in Project positions for at least 3 years unless there are pressing reasons to move them</p>	On-going	Complied	<p>At the district and provincial level</p> <p>Most posts are held concurrently with core assignments – there have been some changes of Project staff.</p> <p>PC at national level was changed.</p>
Sch. 2 (b) 1	Matching Grants will be used for expanding Group Revolving Funds with criteria to be clearly stated in the PIM	Approved PIM	PIM needs to be revised	Because of some changes as recommended during MTR, PIM needs to be revised accordingly.
Sch. 2 (b) 2	Start-Up costs expended from entry into force (4 July 2011) and eligibility for withdrawal (approved AWPB and PIM) shall not exceed USD 500,000 equiv	Approved PIM	Complied	
GC 7.01	The Project will be implemented on the basis of AWPB the draft of which will be submitted to IFAD by 31 October of each year	31 October each year	Some delays have occurred on both GOI and IFAD sides	<p>The approved annual budgets were lower than the Costab.</p> <p>2014 AWPB had been submitted to and approved by IFAD.</p>
GC 7.02	Project Accounts at the Provincial and District levels will be operated in accordance with the relevant laws and rules and regulations of GOI	On-going	Complied	
GC 7.05	Procurement shall be carried out in accordance with GOI regulations to the extent they are consistent with the IFAD Procurement Guidelines	On-going	Complied, IFAD is working with World Bank to ensure a consistent approach	Main issue with procurement is the slow processing by bidding committees who do not fully understand IFAD procurement guideline, and similarly the need to rely on FSA/Dinas procurement units at all levels
GC 7.13	Ensure that the resources and benefits of the Project are allocated amongst the target population using gender disaggregated methods	On-Going	Complied	The gender target of min 30% women participation exceeded.

GC 7.14	The Project will apply best practice with regard to environmental matters and respect the GOI Global warming policies	On-Going		Initial agronomic work appears sensible
GC 8.02	The Project shall establish and maintain an appropriate MIS	31/12/2011	Not yet fully in place	Considerable work needs to be done to have an effective system in place
GC 8.03	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	31/12/2013	MTR conducted during 2-20 June 2014.	Some changes in Project components and activities.
GC 9.02	Detailed financial statements to be submitted to IFAD annually	30/4 each year	Partially complied	During previous Mission it was agreed that the Project should procure a data based accounting package to strengthen reliability of reports, but not yet implemented till now.
GC 9.03	Acceptable annual audit report and management letter	30/6 each year	2013 Audit Report due on 30/6/14	Audit report for 2011-2012 was submitted to and acceptable by IFAD. The management letter mentioned some weakness in internal control. Audit for 2013 is being conducted by BPKP and expected to be completed at the end of June 2014.
GC 11.01	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures	On-going	Partially complied	Some contracts and payments include VAT

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?

- Without systematic support the SHGs and Federations have started group enterprises related to production of agricultural and estate crops as well as set up processing units. This could happen as the groups were motivated as well as the District staff took some initiative to help the groups use the matching grants.
 - The Project has been successfully targeting the right beneficiaries in terms of poverty level.
-

Learning: What has not worked so well? What have been the reasons?

- The M&E system of the Project has not worked very well as it could not collect timely data from the field, aggregate it, analyse it and use it for Project decision-making. The Project could not complete the mid-term RIMS impact evaluation and there was inaccurate aggregation of the progress data of the Project as a result the information could not be used by the MTR. The Project has been collecting data using the M&E tools, but the information gathered has vastly overloaded the staff and it has not been useful to support Project management. The M&E forms were too complicated and did not give the right measure to the Project impact.
 - It is important to form the group cohesively. The Project has experienced decreasing number of group members (members leaving groups) due to trusts issue as well as losing interest with group and Project activity.
 - The SHG savings and credit did not work well. The interest fixed by the group was high in the terms of the loan.
 - Knowledge Management in the Project did not work well, because there was no concrete plan to do KM. In addition, there was no sharing of market information in a systematic manner. There were a number of success stories in the field, which were not documented and shared
-

Innovation: Describe any interesting innovation noted during the MTR

- The Farmer's Hut for information and knowledge exchange could be considered as an innovation in farmer based knowledge management. This would also support a farmer based and farmer-to-farmer extension system in the Project.
-

Innovation: How might this be replicated by others, or upscaled here?

- The Farmer's Hut innovation needs to be implemented as a pilot, monitoring its functioning. Thereafter it needs to be evaluated after a year and on the basis of this the concept needs to be replicated across the Project as well as share the experience with different agencies.
-

Appendix 8: SOLID Revised Staffing Schedule/Positions

Project Team Staff Position	Community	GOI Officers	GOI Assistants	Consultants	NGO	Total
Village Level						
NGO Facilitator					1	1
PPL		1				1
VCO	1					1
Farmer Facilitators	2					2
Village Implementation Team	3	1			1	5
District Implementation Office						
District Project Manager		1				1
Administrative Officer		1				1
Finance Officer		1				1
Finance Assistant			1			1
Treasurer		1				1
Treasury Assistant			1			1
M&E Officer (Data Analyst)		1				1
M&E Assistant			1			1
Technical Officer (Food Crops)		1				1
Food crop Consultant				1		1
Technical Officer (Estate Crops)		1				1
Estate Crop Consultant				1		1
Community Development Officer		1				1
Community Dev't Assistant			1			1
Value Chain Officer		1				1
Value Chain Assistant			1			1
NGO Coordinator					1	1
Driver			1			1
Total for 11 Districts:		99	66	22	11	198
Provincial Project Coordination Office						
Provincial Coordinator		1				1
Finance Officer		1				1
Finance Assistant			1			1
Procurement Assistant			1			1
Treasurer		1				1
Treasury Assistant			1			1
Value Chain Specialist				1		1
Gender & CD Officer		1				1

Gender & CD Assistant			1			1
Monitoring and KM Officer		1				1
M&E Assistant			1			1
Federation Business Dev't Officer		1				1
Federation Assistant			1			1
NGO Coordinator					1	1
3Total for 2 Provinces:		12	12	2	2	28
National Project Management Office						
Project Director		1				1
Project Implementation Support				1		1
Assistant			2			2
International Support Consultant				1		1
Project Implementation Advisor				1		1
Finance & Planning		1				1
Finance Assistant			2			2
Procurement		1				1
Procurement Assistant			2			2
Procurement Consultant				1		1
Treasurer		1				1
Treasury Assistant			2			2
NGO Management Officer		1				1
NGO Management Assistant			1			1
Monitoring and KM Officer		1				1
M&E Assistant			1			1
M&E Consultant				1		1
ICT Consultant				1		1
Value Chain		1				1
Community Development & Gender Consultant		1				1
NPMO Total		8	10	5		23
SOLID Project Total (excl. VITs)		119	88	30	13	250

Note: Staffing for Village teams is only to indicate VIT composition. It is not part of the staffing total as shown above.

Appendix 9: SOLID Maluku NGO Contract Review

Summary of Findings:

Based on a review of the SOLID Maluku NGO Contract and its 6 attachments by the MTR team, further adjustment is required prior to issuance of an IFAD No Objection Letter (NOL). Detailed concerns are listed below, segregated by contract section.

Generally, the Main Contract has missing portions under Section 6, needs to clarify tax issues, and requires revision to the payment modality and a budget revision. The contract should be modified to ensure funds are released on the basis of performance, not just report completion. Receipt of reports at all levels should be only one criterion for release of funds. There are also concerns with the budget. It appears that the contract term is for 16 months, which means if it were signed immediately, it will run into 2015. If so, the number of Village Facilitators may not match the number of villages covered (e.g., 87 Villages Facilitators funded to cover 120 villages). The NGO fee should also be explicitly stated in the contract or its attachments. The NGO will need to also coordinate its work and send copies of key documents based on a detailed schedule to the National PMO.

Attachment A should provide Terms of Reference for the NGO and each position listing duties, responsibilities and reporting protocols. Mention should be made of the Village Facilitators' duty to coordinate, collect data and dispatch copies of reports to PPLs and Consultants. Based on local conditions, it is advisable to add sub district coordinators. Attachment B needs to detail not only the reports required but who prepares reports, to whom they are submitted and the schedule needs clarification and revision. Attachment C would be strengthened by adding a village list with staff assigned. In Attachment D the amount allocated for Village Facilitator remuneration and all travel budgets and workshops appears insufficient. In addition, the Village Facilitators are not provided any funds for communications equipment, communications expenses and supplies, which will clearly be necessary.

Contract Main Text:

1. Tax Responsibility: It appears that the NGO is not responsible for tax. If so, the tax may still be due and therefore, the Government has the responsibility to pay the tax. Confirmation is required that a budget will be made available by the Government for this purpose.
2. Per Mission: 3.7 (c): Should define per Mission is required from the Government (*Pemberi Kerja*).
3. Missing Sections: 6.4 (c and e): These are referred to in the Special Conditions of the Contract but do not appear in the General Conditions of the Contract. Also required are the NGO account details for payment.
4. NGO Payment: First an advance payment is allowed. Thereafter, payment is only based on report submittal. The release of funds is made 8 times over the contract life. Funds release is 10% at time of inception report submittal to the province, 10% each for Quarters 1 and 2, 20% for a Mid Term report; although not yet clear it appears another 10% each for Quarters 3 and 4, 20% for a draft final report and 10% for a Final report.

The payment clause needs a complete revision to provide for either payment after reaching performance targets; or, if release is based on reporting, monthly (or could be quarterly) reporting with payment after only after approval by the district, province and national levels including receipt of Village Coordinator information and evidence that the staff is on site as certified by independently confirmed time sheets.

5. Personnel: There are no Sub District Coordinators provided. Their use may depend on the specifics of the location. However, if needed, TORs and budgets are required.

Attachment A

Attachment A provides a general work description. It does contain any duties or responsibilities for the NGO, Provincial Coordinator, District Supervisors or Village Facilitators (VF). No TORs are available for the NGO or any of the positions. There is very general description of the VF's work, which lacks details. Reporting responsibilities are not covered.

There are no sub district coordinators provided. If needed, TORs and budgets need are required.

For the Village Facilitator (VF) positions:

- (i) VFs should have a university degree (*Sarjana*) in Agriculture or Social Science and have 5 years' experience and be from the target village. If this is not possible, they should be recruited from the local area.
- (ii) VFs are socialized in their duties in a 4 day workshop at the national level (However, the budget does not seem to match that included under the contract. Special attention is needed for travel funding).
- (iii) There is no mention of coordination with PPLs or Consultants.

Attachment B

Attachment B only lists the reports required but does not describe who prepares reports, to whom they are submitted and the schedule needs clarification and revision (e.g., quarterly reports are 15 days after quarter ends, etc.). Also the flow reports are not covered. Copies should be provided to national and district levels as well as consultants.

Attachment C

Attachment C graphic "Struktur Organisasi" needs to be more clearly labelled. In the graphic "Jadual Staf" it is unclear where "Negeri Sendiri" refers to. Assuming it means it means home office then the District Supervisors only spend 13 months at the district.

A list of villages to be covered with Village Facilitators assigned should be included in Attachment C.

Attachments D and E

Attachment D should be for foreign costs. Consequently an Attachment D is probably not needed. If so, an Attachment D should be included with a note there are no foreign costs. The local costs should appear in Attachment E.

However, this protocol was not followed in the NGO Maluku attachments. Attachment D is used for local costs. In fact, there are 2 Attachment D's. Only 1 is cost schedule is needed.

Comments on the existing Attachment D are:

- (i) There is no NGO Management Fee stated. The NGO management fee will need to come from charging the Remuneration Billing Rate. If so, this charge should be made explicit.
- (ii) The contract term is for 16 months which means it will run into 2015. If so, the number of Village Facilitators may not match the number of villages covered. The contract proposes 87 Village Facilitators and yet the SOLID Annual Report lists 120 villages in Maluku.
- (iii) Fasilitator Desa: It appears to allocate Rp 192 million for 48 VFs for 2 months each in 2013. Retroactive finance like this is usually not allowed.
- (iv) District Supervisors are budgeted for 1 trip to the Province over their 16 month term. This should probably be about once every 6 months.
- (v) District Supervisors are only budgeted for 8 trips to villages (+/- once every 2 months)
- (vi) If the Village Facilitators is a university graduate with 5 years' experience the budget at Rp 2 million/month is insufficient.
- (vii) Village Facilitators are only allocated a travel budget. There is no budget for Village Facilitator communications equipment, communications expenses and supplies.
- (viii) The NGO Province's Office Running Expenses at Rp 9 million/month is high; and requires details.

- (ix) Workshop (National) is for a 3 day workshop which does not include travel. The time allocated does not match the Main Contract text (4 days).
- (x) Workshop (Province) is for two 2 day workshops but does not include travel.
- (xi) A budget is included for FGD which probably means focus group discussion but it is unclear how many FGDs.

Attachment F

Attachment F Duties of the Client (i.e., Government) should be made more complete.

Appendix 10: Comments on SOLID National Consultant Request for Proposals (RFP) Review

The proposed Request for Proposals (RFP) conforms to standard formats. Consequently, the general provisions are acceptable.

However, the Terms of Reference (TOR) requires a major revision. The TOR needs to be entirely re-drafted to recruit a different set of consulting expertise covering the following positions:

- A. National
 - i. Project Advisor
 - ii. Procurement
 - iii. Monitoring & Evaluation
 - iv. Information Technology and Communications
- B. Province
 - i. Value Chain Specialists (2)
 - ii. Federation Business Development (2)
 - iii. Civil Engineer (2)
- C. District
 - i. Food Crops (11)
 - ii. Estate Crops (11)
 - iii. Civil Engineers (11)

Based on the revised consulting expertise (see Appendix 8 above), adjustments will need to be made to other sections of the RFP. For example, each consulting position should be accompanied with a new definition of qualifications, duties and outputs. These changes in the TOR will also need to be reflected in other sections of the RFP. In particular, the “Section 2 - Instructions to the Consultant – Data Sheet” will require a re-write especially for the method of evaluating technical proposals.

The availability of budget should be confirmed. Adequacy of the budget will depend on the actual numbers of months of service required. This information was not available at the time of the MTR. However, it is noted that the 2014 budget request was based on recruitment of 33 consultants for 16 months each. The revised number of consultants required is 43, which represents a 30% increase in consultant positions. However, if some of the revised consultants serve for a shorter term, it is possible that the allocated budget is adequate. If this is not the case, additional budget will be required.

Appendix 11 – Protocols and Guidelines and Terms of Reference

Introduction

This annex contains frameworks which list the post MTR activities for components 2 and 3 (under sub-components or simple groupings of activities if a component [such as component 3] has not been split into sub-components) and the post MTR's recommended accompanying sets of protocols and guidelines, plus terms of reference for Project staff and important feasibility studies.

Time did not allow the MTR Agriculture Specialist to complete all these tasks and therefore Table and Table prioritize these lists of protocols, guidelines and term of reference with the objective of initially concentrating on the most important tasks - for example: (i) the Terms of Reference for the component 3 Value Chain Feasibility Study; and (ii) the Protocols and Guidelines for the APLs and APRFs.

Table 11A: Project Framework for Component 2 - Required Protocols, Guidelines and Terms of Reference

Component 2: Support for Agriculture Production and Marketing		Comments on the Need for:			SOLID staff with Specific Activity Implementation Roles f/	SOLID staff with Specific Training Roles g/	SOLID staff with Back-up and Support Roles h/
Sub-Components 2.1 (Food Production) and 2.2 (Local Market Linkages) a/		Working Paper PGTOR No. b/	Protocols c/	General Guidelines d/	Specific TORs e/		
1. Food Crop Production Training							
a. Crop production							
Farmer Field Schools Production technology (demonstrations) Field days Extension officer skills refresher Farm Facilitator training Training & extension materials Trials on use of herbicide		PGTOR 1.	None required	How to plan, implement and monitor these crop production training activities	For VIT and district staff - as part of PM revision (A)	1. VIT members - NGOVs, FFs, PPLs & PTLs	1. DPU technical officers and consultants 1. Provincial and district Dinas staff - the PFCOs do not have back-up technical staff
b. Post harvest							
Crop drying & storage Crop marketing & farm business workshop Crop M&E workshop Extension officer skills refresher Training & extension materials		PGTOR 2.	None required	How to plan, implement and monitor these post-harvest training activities	Ditto (A)	1. VIT members - NGOVs, FFs, PPLs & PTLs	1. DPU technical officers and consultants 1. Provincial and district Dinas staff
c. Machinery O&M training							
Harvesting machinery Processing machinery Drying machinery Training & extension materials		PGTOR 3.	None required	Ditto: machinery O&M training activities	Ditto (A)	1. VIT members - NGOVs, FFs, PPLs & PTLs	1. DPU technical officers and consultants 1. Provincial and district Dinas staff
2. Provision of Crop Production Inputs and Farm Equipment							
a. Agriculture Production Loan - working capital repaid into APRFs							
APL and APRF operations and management. NOTE: PGTOR are provided for this important activity in Annex 1, Section VII B.		PGTOR 4. PRIORITY No. 2	Essential - prepared by Small Farm Loan Specialist	Essential - how to operate and manage APLs and APRFs	TORs for NGOVs, PPLs and SHG chairs - covers responsibilities. See Annex 1, Section C for brief guidelines	NGOVs, PPLs/PTLs and SHG chairs	1. DPU Finance Officer and Finance Assistant 1. PFCO Finance Officer and Finance Assistant, with support from Treasurer
Improved seed Small hand tools Fertilizer Pesticides/herbicides - subject to due diligence			List of acceptable and excluded items (A)		Ditto (A)	1. VIT members - NGOVs, FFs, PPLs & PTLs (C)	1. DPU technical officers and consultants (D)
b. Production equipment							
e.g. Small thresher		PGTOR 5.	Ditto (A)		Ditto (A)	Ditto (C)	Ditto (D)
c. Post Harvest Facilities & Equipment							
Example 200 litre storage drums Moisture meters (shared) Scales (shared)		PGTOR 6.	Ditto (A)		Ditto (A)	Ditto (C)	Ditto (D)
d. Extension materials							
Extension and training materials		PGTOR 7.	Ditto (A)	How to design and publish extension and training materials	Ditto (A)	1. DPMO technical officers and consultants	1. Provincial and district Dinas staff
2. Crop Production Access Roads and Irrigation Water							
a. Contestable grants for access roads and irrigation schemes							
Grants for access roads and irrigation schemes		PGTOR 8.	Essential - prepared by Procurement Officer and Consultant (NPMO) & Prov. Civil Engineer	Essential - how to plan, build, manage and operate, prepared by Prov Civil Engineer	TORs for NPMO Procurement Officer & Assistant, Procurement Consultant & Prov. Civil Eng.	1. VIT members - NGOVs, FFs, PPLs & PTLs	1. Provincial Civil Engineer 1. Relevant Dinas staff at provincial and district levels

a/ Note: the series of activities and therefore the protocols, etc. needed are the same for these two sub-components
 b/ This refers to the Working Paper references to Protocols, Guidelines and Terms of Reference (PGTORs).
 c/ How an aspect of the Project must be run
 d/ How to implement an activity
 e/ Description of staff roles and responsibilities
 f/ Lists which staff have direct responsibilities for activity implementation
 g/ Lists which staff are responsible for training the activity implementation staff.
 h/ Lists which staff have Subject Matter Specialist roles - to support activity implementation and training of staff listed in the previous two columns.

Table 11B: Project Framework for Component 3 - Required Protocols, Guidelines and Terms of Reference

Component 3: Support for Estate Crops Value Chains		Working Paper PGTOR No. a/	Comments on the Need for:			SOLID staff with Specific Activity Implementation Roles e/	SOLID staff with Specific Training Roles f/	SOLID staff with Back- up and Support Roles g/
A. Long Value Chain Feasibility Study and Business Plans			Protocols b/	General Guidelines c/	Specific TORs d/			
International Value Chain Consultancy - see Annex 1, Section VII B Independent appraisal of feasibility study Promotion of plans to private sector (NPMD) printing business plans promotional travel to provinces and regions promotional meetings - provinces and regions		PGTOR 9. PRIORITY No. 1	None required	How to plan and implement an International Value Chain Study	See Annex 1, Section B of this Working Paper for draft TORs for this feasibility	VC Officer NPMD, VC Consultants PPCOs, VC Officers and Consultants DPIUs	not relevant	not relevant
B. SOLID Support to Private Sector for Implementation Periodic coordination meetings - 3 crops Market information system - link Federations & Private Sector - 3 crops Commodity data-base - one for each crop Operations market info system and data-bases - 3 crops Establish MOU's between Private Sector and SOLID - 3 crops Legal support - MOU between Solid and P/Sector - 3 crops		PGTOR 10.	None required	How to develop and maintain professional business relationships with the private sector - PIM	TORs: VC Officer NPMD, VC Consultants PPCOs - PIM	VC Officer NPMD, VC Consultants PPCOs	VC Officer NPMD, VC Consultants PPCOs	Seek this support from the private sector
C. SOLID Support for Federations to assist function of LVCs 1. Training for VCOs - commercial focus, business management, etc. Understanding outcomes from the Feasibility Study LVC linkages and entry points Sales and commissions Working with Private Sector partners Working with farmers to accumulate product Cross visits to successful LVCs - selected staff Meetings/ workshops with cooperating local traders		PGTOR 11.	None required	How to plan for and implement training programs for VCOs so that they understand the basics of business management - PIM	TORs: VC Officers and Consultants, DPIUs - PIM	VC Officers and Consultants, DPIUs	VC Officer NPMD, VC Consultants PPCOs	Seek this support from the private sector
2. Training for Federation members (commercial focus on LVCs) Understanding outcomes from the Feasibility Study "Retaining the customer" training contract structures and obligations maintaining quality and quantity of supply business protocols Commodity trading - codes and practices Preparing LVC business plans Quality, price and supply negotiations Village/s accumulation of LVC products Linking and working with banks Cross visits to successful LVCs - selected staff Meetings/ workshops with cooperating traders		PGTOR 12.	None required	How to plan for and implement training programs for Federation members so they understand how commercial value chains work - PIM	TORs: Federation Business Development Officers and Assistants, PPCOs - PIM	Federation Business Development Officers and Assistants, PPCOs	VC Officer NPMD, VC Consultants PPCOs	Seek this support from the private sector
3. Establishment and operation of Federation offices New / refurbished offices Office equipment and furniture Office operations Motorbikes for transport (2 per office) Legal support for Federations		PGTOR 13.	Budget allocation protocols for these types of expenditure	How to organize and manage office refurbishment, fit out and operations - PIM	TORs: Federation Business Development Officers and Assistants, PPCOs - PIM	Federation Business Development Officers and Assistants, PPCOs	VC Officer NPMD, VC Consultants PPCOs	Seek this support from the private sector
D. SOLID Support for Farmers Engaging with LVC Traders - 3 crops 1. Training for cooperating lead estate crop farmers Farmers' and Traders' roles in LVCs Importance of product quality, quantity and timing Sources of financial & technical information and support Working with VCOs and Federations Production and sales record keeping		PGTOR 14.	None required	How to train estate crop farmers so that they understand value chains and their roles as commodity suppliers - PIM	TORs: VC Officers and Consultants, DPIUs - PIM	VC Officers and Consultants, DPIUs	VC Officer NPMD, VC Consultants PPCOs	Seek this support from the private sector
2. Commodity-specific district level storage Estate tree crops commodity storage sheds Store maintenance Scales - good quality Store guard Record keeping		PGTOR 15.	None required	How to design, cost, build and manage raw commodity stores - PIM	TORs: VC Officers and Consultants, DPIUs - PIM	VC Officers and Consultants, DPIUs	VC Officer NPMD, VC Consultants PPCOs	Seek this support from the private sector

a/ This refers to the Working Paper references to Protocols, Guidelines and Terms of Reference (PGTORs).

b/ How an aspect of the Project must be run

c/ How to implement an activity

d/ Description of staff roles and responsibilities

e/ Lists which staff have direct responsibilities for activity implementation

f/ Lists which staff are responsible for training the activity implementation staff.

g/ Lists which staff have Subject Matter Specialist roles - to support activity implementation and training of staff listed in the previous two columns.

A. Draft Term of Reference for International Value Chain Feasibility Study

Background and Objectives

The Smallholder Livelihood Development Project in Maluku and North Maluku Provinces of Eastern Indonesia (SOLID) was approved by IFAD's Executive Board in May 2011. The objective of the Project is to improve the livelihoods (incomes and food security) and reduce the incidence of poverty for people in the targeted villages. Pre MTR of the Project had five components: (i) community empowerment; (ii) productivity improvement and integrated farming systems; (iii) value chain development and marketing; (iv) productive rural infrastructure investment; and (v) institutional strengthening and Project management.

A Mid-Term Review (MTR) of SOLID was completed during June 2014. The MTR found that Component 3 (Value Chain Development and Marketing) was a weak link in SOLID's portfolio of activities. Some progress has been made in the form of district value chain plans (DVCPs) but these have not been transcribed into action plans which are supported by feasibility studies. The MTR noted that many informal and short value chains (SVCs)²⁹ are operational at the village level, but that there had been no progress and therefore no impact in terms of developing commercial and longer value chains (LVCs)³⁰ based on the two provinces' three major estate crops - coconut, cacao and nutmeg.

The largest constraint impacting on SOLID's component 3 is the lack of detailed financial feasibility studies on estate crop value chains to prove (or disprove) expected positive outcomes in terms of increased farmers' incomes. In addition there is lack of clarity related to how SOLID should interface with and support existing value chains, and attempt to build and support new or strengthened value chains. Another constraint has been the failure to identify key private sector players, and for SOLID to engage proactively with such partners.

The objective of this feasibility study, which will be completed by an International Tree Crops Value Chain Specialist over a period to three months³¹, is to assess the most promising opportunities for increasing the contribution of coconut, cacao and nutmeg products to SOLID's target farmers' livelihoods, and to determine the potential returns from investing in more targeted support for these three value chains. The feasibility study will map value chains for these key products and focus on identifying and describing practical and financially-viable pathways to improve product production and marketing, plus the development of partnerships between producers, SOLID and the private sector/s. The study is expected to guide the preparation of a series of commodity-based business plans which can be promoted by SOLID to potential private sector partners who are currently investing in coconut, cacao and nutmeg value chains in the Malukus, or who may become interested in investing once the results from of this feasibility study are published and promoted.

Tasks

Task 1: Value Chain Selection. The consultant will select the value chains to be developed by:

- Identifying estate crop value chains which offer prospects for increased commodity producer incomes, based on a desk review of available data and reports; and verification of drivers and constraints related to the identified chains, considering competitors and available performance data as well as the production, trade, and competitiveness factors impacting on the performance of the estate crops under study.
- Undertaking a brief market assessment to identify local, national and regional trends, market sizes, supply and demand gaps, imports and exports, distribution networks, etc.
- Reviewing the legal and regulatory environment in which the value chains operate. This review will focus on policies, incentives, available export promotion tools, financing of operational and

²⁹ For SOLID, defined as value chains for products which are value-added in villages, and then sold in village or district markets. Markets for such products are usually defined by the high cost of sea-freight in the Malukus which makes importation into districts very expensive compared with other parts of Indonesia

³⁰ For SOLID, these value chains are defined as those which are based on products which are financially viable (for farmers and traders) which can be exported from districts to provinces, other regions of Indonesia or into international markets

³¹ To be recruited by the NPMO.

capital outlays, training, employment, quality promotion, certification, phytosanitary regulations, standardization, competition, research and development, and partnerships.

- Holding consultations with stakeholders³² to present initial findings and identify which estate crop value chain/s warrant/s further analysis. A ranking score table will be used to facilitate this selection process.

Task 2: Mapping the Value Chains. In consultation with stakeholders, the consultant will complete value chain mapping exercise/s, which includes:

- Describing the structure and flow of the value chains in logical clusters – the various actors in the chain, the links amongst them, and the range of value chain operations from pre-production (supply of raw material inputs) to industrial processing and marketing.
- Quantifying the value chains. This will involve adding detail to the basic maps drawn initially, in terms of value chain structure and flow. Depending on the level of detail, this exercise may focus on elements such as: size and scale of the main actors; production volumes; numbers of jobs; sales and export destinations and concentration; policy and regulatory frameworks; etc.
- Holding workshops with stakeholders, including various actors from the entire estate crops value chains, and presenting findings from the mapping exercise for discussion and agreement, prior to moving on to analyse value chain activity performances.

Task 3: Analysing Value Chain Activities and Performance. The objective of this task is to analyse the performance and competitiveness capabilities of the value chains in the context of provincial, national and global trends in the target estate crops sector. The consultant will:

- Identify key quantitative and qualitative indicators (time, cost, value added and productivity at each stage) for selected value chains.
- Analyse the value chains' external sources of competitiveness, including the financial, social, industrial and technological environment.
- Analyse the value chains' technological capacities, including utilization of inputs, the production systems, and the products manufactured.
- Complete financial assessment analyses, and benchmarking against potential competitors.

Task 4: Identifying Value Chain Performance, Constraints and Development Opportunities. The objective of this task is to define lacking competitiveness drivers (value chain constraints) and to analyse opportunities for value chain development. The consultant will:

- Facilitate the definition of the value chain/s visions and objectives by taking into consideration the findings from the mapping exercises, and from the techno-financial assessments. This will involve:
 - a) Review the constraints in coconut, cacao and nutmeg production and processing including, but not restricted to availability and quality of inputs, local infrastructure including shipping and transport, roads, market and storage facilities, technical support and financial services in each segment of the value chain (production, processing, transport, trading, marketing, etc.)
 - b) Describe the governance of the value chains chain and behaviour of the value chain actors in terms of procurement, pricing, trust-building, risk mitigation, etc.
 - c) Analyse government policies, rules and regulations, and legal frameworks which govern the value chains or might have an impact on them; including taxes, import duties, sanitary and phytosanitary standards, subsidies, land tenure, contract enforcements, trade rules, etc.
 - d) Identify key gaps to be addressed to make the value chains function better, and most importantly to integrate small rural producers into the value chains in cost-effective manners;

³² This will be the staff in the NPMO, with the Value Chain Officer taking the lead, plus the Value Chain Officers and Consultants in selected districts, and groups of SOLID farmers who grow one or more of the targeted commodities.

- e) Determine if small farmers are organized in associations, cooperatives, or other groups which can facilitate their integration into the value chains, reduce their transaction costs, and facilitate their negotiation and bargaining with the private market players. Assess the capacity of any such group/s to interact with value chain actors, and whether SOLID should build their capacity to do so, and how.
- f) Identify and rank potential development opportunities within the chain/s to address these constraints, including improvements or upgrading needed to increase the quality of estate crops products to meet market standards taking into consideration the seasonality of markets as well as the need for certification, packaging, improved sanitary standards, labelling, etc.
- g) Summarize these constraints and rank them by assessing their impact on backward and forward linkages. This activity should be complemented by SWOT analyses

Task 5: Defining Development Interventions. This task will establish value chain development strategies, and includes:

- The formulation of value chain upgrading strategies, including required interventions and related investments and planning of activities. Recommendations on policy measures and support programmes to be undertaken (by SOLID and/or its partners) in order to enhance the competitive performance of the sector will be outlined. The same applies to support services (technology, financing, investment and export promotion, etc.).
- The clarification of roles and responsibilities for the implementation of the value chain/s upgrading strategy - “what will SOLID and its partners do?” This will include reviewing and recommending arrangements for potential partnerships between individuals and organizations participating in the value chains including, what type of business models would be most appropriate (e.g. contract farming, out-grower schemes, etc.)
- Identifying capacity-development training and technology-upgrading needs of the producers or the target groups to meet market requirements and to integrate into the value-chains.
- Providing an outline of costs, revenues and margins for at each stage of the value chains, identifying areas with potential to increase revenues and/or reduce costs in order to generate greater value addition in the estate crops sector as a whole and for poor, isolated and disadvantaged communities in particular.
- Integrate targeting considerations in the analysis: for example, are women involved in the value chains and at which stage (production, processing, etc...), and what are the current and potential future roles for young people?
- A validation workshop with stakeholders to present proposed interventions for agreement, including a monitoring and impact assessment system.

Task 6: Preparation of Business Plan/s for Targeted Estate Crops. Once the feasibility studies have been completed, the next task for the consultant will be the preparation of commodity-specific business plans which reflect the outcomes from the feasibility studies, and can be promoted to interested private sector parties. These plans will:

- Outline the opportunities for current and potential estate crops commodity traders in the Maluku to join with SOLID to improve the efficiency of one or more value chains for the key targeted crops, with the objectives of: (i) increasing smallholder farm incomes from the sale of commodities into the value chain/s; and (ii) improving the efficiency of private traders’ value chain business operations - most probably in terms of the reliability, quality and quantity of value chain raw product commodities.
- Describe SOLID’s and the trader/s’ responsibilities when working together - who does what, who pays for what, how disputes can be resolved, and the possible legal framework under which these agreements are to work.

It is expected that SOLID will assist to organize estate crop farmers through Federations (with assistance from VCOs) to ensure improved supplies of value chain raw materials (this could include the provision of village-level storage facilities with the objective of reducer traders’

collection costs). Traders' contributions could include: (i) training in commodity production, harvesting and pre-delivery basic drying/processing; and (ii) commodity collection systems which result in more timely delivery of raw materials.

- Outline possible legal agreements between SOLID and trader/s, if allowed and applicable under Indonesian law.
- Include cash flow and profit margin budgets for both parties, plans for monthly and annual commodity product flows into the value chains, and monthly trader payment schedules to farmers.

Key Deliverables and Timetable. The first report will cover the selection and prioritization of the value chain/s to be promoted, including map(s) which describe the value chains on the basis of activity analysis and performance, and the key constraints and opportunities. This report will be submitted one month after the commencement of the consultancy.

A second report on the value chain upgrading strategies, will define the short-term targets (one year) and medium-term objectives (three to five years). The upgrading strategy will comprise: (i) plans for tangible and intangible investments (technical assistance, personnel training, production inputs, etc.; (ii) plan details: descriptions, objectives, costs, financing, responsibilities and duration; (iii) planning the three subsequent years, year by year, distinguishing between short-term and medium-term plans; (iv) measurable impacts of each activity (including a means of quantification to measure the situation before, during and at the end of each activity); and (v) a summary of activity programmes outlining the cost and financing of each activity and the programme as a whole.

The value chains strategies will be drafted in the form of business plans which in effect are dossiers which are suitable for presentation to private sector traders. These will include profitability studies for planned investments by both parties. This report will be submitted 2.5 months after the commencement of the consultancy, after being submitted to validation workshops for SOLID's National and Provincial Project Management staff and consultants. Feed-back will be incorporated in a revised and final report to be submitted seven days after holding the validation workshops.

Task 7: Promote Business Plans to Potential Partners. The final task for the consultant (last two weeks of the three month contract) will be to promote the value chain business plans to selected groups of potential SOLID business partners. These traders will have been identified during the course of the consultancy and, in addition it should be possible to use the list of potential partners which has been compiled by SOLID as part of the DVCP work. SOLID will fund a series of meetings and workshops in Ambon and Ternate with the objective of promoting the outcomes from the feasibility study, and with the intention of forming binding business relationship with one of more coconut, cacao and nutmeg trader/s.

B. Terms of Reference of M&E Officer (Data Analyst) at the District Project Implementation Unit

General scope of the job

The DPIU M&E Officer (Data Analyst) is responsible for all monitoring and evaluation activities, including village data collection activities, analysis of village data, survey work, and preparation of management reports based on data analysis. M&E will be undertaken at quarterly intervals.

Accountability:

As part of the District Implementation Office team, the M&E officer will answer to the Manager of the District Project Implementation Office (DPIU) in the first instance. However, the M&E officer will be part of the SOLID M&E team and as such, will collaborate closely with both the M&E and Knowledge Management Officers at national and provincial levels.

In addition, the District M&E officer will be required to work closely with the village implementation teams (VIT) in the villages. In effect, they will rely on the district M&E officer for support and guidance in implementing the revised M&E system.

Responsibilities and key tasks:

The District M&E Officer will:

- Be responsible for supervision and management of data gathering from the villages in the district. This will include training and facilitation (delivered formally at district level and informally in each village), supervising and maintaining the quality of data gathering by the VITs, as well as the timely submission of all forms and reports – within 2 weeks of the close of the relevant reporting quarter.
- Be responsible for obtaining all data directly from SHG members and other primary sources as identified as monitoring indicators in the revised MTR Logical Framework.
- Be responsible for ensuring this village data is gathered and registered in the District MIS database in an accurate and timely manner.
- Be responsible for analyzing the quarterly data for key trends, issues, successes and failures and reporting this analysis of outcomes to the District Manager, copied to the M&E Officers at national and provincial levels. This task should be completed within 1.5 month of the close of the relevant reporting quarter.
- Ensure that VITs are kept well informed about data analysis outcomes in a timely manner.
- Work directly with beneficiaries to carry out outcome survey assignments, in accordance with agreed procedures and standards.

Qualifications and experience required

- Minimum High School Graduate education.
- Ideally, experience in monitoring and evaluation processes, training and facilitation at village level, data processing, data analysis using appropriate software, and ability to write concise reports.
- Ability to work with village technical staff and village beneficiaries – both men and women.

Appendix 12: Draft Protocols for Agriculture Production Loans and Agriculture Production Revolving Funds

Overview

The intention is for SOLID's post MTR component 2 to provide small Agriculture Production Loans (APLs) for SHG members to enable these groups and/or individual HHs to "kick-start" increased food and cash crop production in their villages. These APLs will be channeled through sub-components 2.1 and 2.2, with two rounds of annual loans being available for HHs which elect to focus on food crops (2.1), and one round for HHs which focuses on commercial (estate) crops and local market development (2.2). APLs will have to be repaid into separate agriculture production loan accounts - these are called Agriculture Production Revolving Funds (APRFs)³³.

The APRF accounts are not the same accounts as those used to manage the matching funds under component 1 - these are called Savings and Loans Accounts (S&Ls). However component 1 will provide training in how SHGs and farmers should operate the APRFs and manage their APLs. It is expected that SHGs and individual HHs will use their experience with managing the component 1 S&Ls to improve the efficiency with which they manage and operate their APRF accounts. In addition, many of the protocols and guidelines for the management and operation of the S&Ls can be used to guide operation of the APLs and APRFs.

APLs for component 2 will only be disbursed to SHGs (for use by SHGs and/or individual HHs) after thorough SHG preparation and training (social facilitation, financial management, account control, etc.) under component 1. Before funds are disbursed to an SHG, the NGOVF, the SHG chair and the PPL/PTL will each be required to sign off that: (i) the SHG complies with SOLID's selection criteria (particularly the poverty focus); (ii) SHG members have been trained in how to use APLs and operate APRFs, and the rules and regulations which govern how the APLs are to be repaid into the APRFs; (iii) each member clearly understands their rights, roles and responsibilities within the SHG (and to the SHG); and (iv) appropriate village agriculture development plans and associated crop gross margin budgets have been prepared, and indicate that APLs can be repaid in full and on time. These plans will be prepared under component 1, based on the use of PRA.

Details

To ensure loan access equity, operation of the new APRFs will adhere to the following group borrowing approaches, with all SHG members having access on the basis of group agreement, and with no SHG member being denied access to APLs in any loan cycle. APLs will commence in 2016 for sub-components 2.1 and 2.2, and continue for sub-component 2.1 into 2017. Therefore a Charter of APL and APRF Operating Rules and Guidelines will be prepared and included in the revised post MTR PIM. These will outline:

- the agriculture development objective of an SHG (if the APL is an SHG loan), or the objectives of individual HHs
- names of each individual group member
- permissible uses for individual and SHG APLs (to purchase fertilizer, seed, crop protection chemicals, etc.)
- period of APL use right prior repayment into the APRF account, including loan release and payment due dates
- maximum terms (e.g. two years) for APRF chairman, deputy chairman, treasurer, and secretary - these key positions must be filled before APLs are awarded, plus accounts opened for the APRFs (which are independent of component 1's S&Ls accounts)
- minimum and maximum interest rates on APLs, and for the APRFs
- individual loan terms (months - minimum and maximum)

³³ Full details on how the APLs and APRFs will operate will be included in a revised PIM, once designed, tested and agreed between SOLID staff and its target farmers.

- penalties for late payment of interest and/or principal into the APRF accounts
- re-investment of loan interest payments into the APRF accounts
- rules for transfer of ownership of APRF equity shares, including situations such as the death of a group member, divorce, etc.
- any other regulations agreed to by all SHG members

The above-listed points can cause confusion and tension unless they are made clear from the outset. Therefore it is recommended: (i) each SHG member receive a share ownership certificate which clearly states that they have full membership of, and access rights to the APRF. This certificate should also clarify the member's rights to transfer his/her share/s. This should be restricted to a wife or widow, or immediate family members (i.e. children) only. In the case of divorce, membership of the APRF should not be split - one party or the other will continue as a member of the APRF.

- rules for introducing new and additional members

As the original APRF members mature, there will be a need to invite younger members to join. If/when this happens there needs to be clear rules about what they should be charged to join the APRF, how they can pay for their share.

- rules for payments (capital, interest and savings) to members who leave the APRF

For whatever reason, occasionally some members will want to leave the APRFs. When this happens there needs to be guidelines to manage such a situation. This should include: (i): a member is entitled to be paid all personal savings contributions and the interest that has accrued on these savings; and (ii) all other funds (original APLs and any interest accrued on loans [including loans taken by the departing member] remain part of the APRF's capital. However, no payments should be made to the departing member until he/she has repaid any outstanding loans and associated interest charges.

- rules restricting loans to SHGs and their members only
- dispute resolution guidelines

Generally, these should be settled by the members of the APRFs if at all possible. However, if this is not possible, the NGOVF, the SHG chair and the PPL/PTLs will meet to make a binding decision that cannot be appealed by either party.

- rules for independent auditing of the APRFs within a specified period

While full detailed auditing is unlikely to be feasible, an important reference point for transparent fund management is the APRF bank account. Once per year, all loans and associated interest should be repaid and the APRF treasurer deposits all funds into the APRF bank account. This will provide an annual reference point for fund auditing.

- guidelines for maximum payments to APRF office bearers
- rules for publication of fund transaction details and fund balances (including APRF bank balance) to each member

Given the need for discipline by all members to re-invest in APRFs as much as possible, it is probably simplest if the APRF officer bearers serve in a voluntary capacity. However, this is the decision of each individual SHG. The APRF treasurer will keep a monthly record of the financial balance of the fund, and individual savings, loans and interest payment records of each APRF member. Each member will be provided with the APRF balance, and their own individual balances, on a monthly basis.

Next Steps

It will take some time to design and test these APL and APRF guidelines, perhaps four months during the second half of 2014. Once approved, it is expected that the Charter will be signed by the Village head, the chairs of the SHG, and SHG members who intend to apply for an APL. Only then will funds in the form of APLs be released to SHGs. Any SHG member who has not signed the Charter will not be eligible for APLs. For the first 12 months after the first round of APLs has been disbursed, the

operation of the APRFs will be supervised by the NGOvFs in partnership with the PPLs/PTLs who will have authority to advise (and if necessary revise) SHGs (or individual farmer's) agriculture development plans. Thereafter, the SHGs will operate their APRFs autonomously, but subject to an independent audit by SOLID in the event of perceived miss-use of funds.

Appendix 13: Expanded summary of key actions to be taken for component 1

Action Area	Detailed Description of Key Component 1 Activities	Date	Whom
Progress Review	Profile of project villages (total population, household, poverty rate, total poor households in village, total agricultural land area, average hectare per household) disaggregated by sex when possible.	Aug 2014	DPIU
	Current status of SHGs (specifying date formed, type, original/current membership, key activities and maturity status as outlined in appendix 2)	Sep 2014	DPIU
	Current Status of Federations (specifying date formed, funds received, governance structures, main activities, maturity outlined in appendix 3)	Sep 2014	DPIU
	Current Status of S&L funds (specifying main types, status of funds, maturity of groups, income/expenditure categories, as outlined in appendix 4)	Oct 2014	DPIU
Planning	Action Plan for SHG formation and re-socialisation (in which SHGs in category 2 that require support are targeted, villages in which additional SHGs can be formed are identified and a time-plan for activities is outlined)	Nov 2014	NPMU
Guideline Preparation*	Preparation of Guideline for social mobilisation (simple format for providing information on Phase II and standardising feedback on village social mobilisation open-days)	Nov 2014	NGO with CD&G Officer
	Preparation of Guideline for PRA (review and simplification of the PRA guidelines to focus explicitly on agricultural production constraints and opportunities with a standard reporting format for each session)	Dec 2014	NGO with CD&G Officer
	Preparation of Guideline for SHG Action Plans (simple format that specifies investments, returns, gross margins and risks to qualify for component 2 production funds)	Dec 2014	NGO with CD&G Officer
	Preparation of Guideline for S&L Funds (based on a review of the status report the development of a Charter of Operating Rules in a simple format of principles, rules and procedures accessible to SHG members)	Feb 2015	NGO Provincial Supervisor with CD&G officer
Recruitment	NGO appointment and deployment (main task to execute all component 1 activities and facilitate linkages to C2 and C3)	ASAP	NPMO
Training	Phase II Guidelines and Procedures (overview of the progress report and an introduction to the targets, procedures and guidelines of component 1 in Phase II) to Provincial, District and Village Level Project Staff	Dec 2014	PPCO/NGO
	Community and Gender Analysis (overview of new planning tools and guidelines of the project and reporting formats for PRA, social mobilisation and SHG Action Plans)	Dec 2014	PPCO/NGO
	S&L Fund Guidelines and Procedures (training on principles of S&L fund guidelines, steps in fund establishment and training, monitoring and evaluation) to enable NGO facilitators to provide effective support to the SHGs.	Feb 2015	Fed/SHG consultant
Refreshers/learning	Savings and Loan best practice integration (lessons learnt, knowledge management, integration of best practice)	2017	Fed/SHG consultant

* The revised budget provides for consultant services for the preparation of Project Implementation Guidelines. The PRA and Social Mobilisation Guideline are very specific and do not necessarily need external consultant services, however if necessary these can be added to the task of a contracted consultant.

Appendix 14: Sample Format for Situation Analysis of SHGs

Province/ District/Village	Women's SHGs				Men's SHGs				Mixed SHGs			
	Name/Date formed /members hip Nb.	Current Members	Maturity (1-3)	Activity Focus	Name/Date formed /members hip Nb.	Current Members	Maturity (1-3)	Activity Focus	Name/Date formed /members hip Nb.	Current Members	Maturity (1-3)	Activity Focus
Maluku Utara												
N. Halmahera	<i>Kelapa/20 11/15 mm</i>	8	2	<i>Coconut oil</i>	<i>Etc</i>							
W. Halmahera												
E. Halmahera												
C. Halmahera												
S. Halmahera												
Sula Island												
Maluku												
West Seram												
East Seram												
Buru												
South Buru												
Central Maluku												

Appendix 15: Sample Format for Situation Analysis of Federations

Province District/Village	Federation Name	Date Formed	Details of Management	Main Activities	Fund Details (fund balance etc)	Infrastructur e activities	SHGs represented by Federation	Governanc e	Federation maturity score (1-3)
Maluku Utara									
N. Halmahera	<i>Jamilu</i>	<i>Jan 2012</i>	<i>1 Head (m) 1 Treasurer (f) 4 SHG member etc</i>	<i>Onion cultivation on collective field, some initial contact with buyer</i>	<i>IDR 35.000 August/20 12 Remaining IDR 11.000</i>	<i>Well construction</i>	<i>8 SHGs in village but only 3 SHGs growing onions</i>	<i>No elections, no inclusive meetings, funds not managed</i>	<i>2</i>
W. Halmahera									
E. Halmahera									
C. Halmahera									
S. Halmahera									
Sula Island									
Maluku									
West Seram									
East Seram									
Buru									
South Buru									
Central Maluku									

Appendix 16: Sample Format for S&L Fund Status Review

Province/ District/Village	SHG/Federation Details				Income				Loans			
	SHG type	Original/Cur rent Members	Project maturity scores	SHG review maturity scores	Funds received (date/amou nt)	Funds remaining	Savings	Interest	Agriculture	Livestock	Processi ng	Livelihood (food, health, other)
Maluku Utara												
N. Halmahera	<i>Men's group</i>	<i>15/7 active</i>	<i>60% (this refers to the two SHG assessment s conducted for fund disburseme nt</i>	<i>2 (cross- tabulate with mid- term review maturity assessmen t as above)</i>	<i>9 million Dec 2011/5 million August 2013</i>	<i>4 million</i>	<i>2 million</i>	<i>180,0 00</i>	<i>1.4 million</i>	<i>600,000</i>	<i>800,00 0</i>	<i>1.2 million</i>
W. Halmahera												
E. Halmahera												
C. Halmahera												
S. Halmahera												
Sula Island												
Maluku												
West Seram												
East Seram												
Buru												
South Buru												
Central Maluku												

Appendix 17: Revised Project Costs and Financing

Main assumptions

1. Costs calculations for SOLID Phase II are based on prices prevailing in Indonesia in June 2014. The exchange rate for this analysis has been set at 11529 IDR/USD, domestic consumer price inflation at 6.4% and international inflation at 2.2%, based on the Economist Intelligence Unit latest estimates on average rates in 2014.
2. Expenditure accounts used for this analysis have not been modified from the original design. Physical and price contingencies, foreign exchange and tax rates applied to each category are shown in Table 2 below. Savings&Loans funds and Production funds are presented separately in the enclosed excel tables under the general heading "Matching grants".

Table 1: Contingencies, foreign exchange and tax assumptions.

	Price Cont.	Physical Cont.	Foreign Exchange	Taxes	Duties
I. Investment Costs					
A. Civil Works	General	0%	10%	10%	0%
B. Vehicles	General	0%	50%	25%	40%
C. Equipment	General	5%	30%	20%	0%
D. Materials	General	5%	10%	10%	0%
E. Local Capacity Building	General	5%	0%	10%	0%
F. Institutional Capacity Building	General	5%	0%	10%	0%
G. Studies	General	5%	0%	10%	0%
H. Workshops	General	5%	0%	10%	0%
I. Matching Grants	Zero	0%	0%	0%	0%
J. International TA	General	0%	100%	0%	0%
K. National TA and NGO Services	General	0%	0%	10%	0%
II. Recurrent Costs					
A. Staff Costs	General	0%	0%	0%	0%
B. O&M Vehicles and Equipment	General	5%	10%	10%	0%
C. Office Operating Costs	General	5%	10%	10%	0%
D. Travel Costs	General	10%	10%	10%	0%

Revised Project Costs and Financing

3. Total project costs have been re-estimated in USD for the post MTR project period (2015 to 2018). The cost revision takes account of revised targets (number of villages and SHGs), the re-design of Components 2 and 3 (Support for Agriculture Production and Marketing and Support for Estate Crops Value Chains), removal of Productive Rural Infrastructure as a stand-alone component and the new staffing and technical assistance requirements for Project Management and Institutional Strengthening. Operating costs financed by GOI, including travel budget, have also been re-calculated to more accurately reflect the amount of counterpart funds required for a successful implementation of the technical components in the Maluku's.
4. Based on expenditure to date and taking account of 2014 AWPB commitments, the MTR estimates that the remaining funds available for the implementation of the post MTR SOLID activities are approx. US\$29.8 million (US\$29 million from the Loan and about US\$800,000 from the Grant).

5. The Loan will cover all budget items in Components One to Three (excluding taxes), in addition to Monitoring and Evaluation and Knowledge Management activities in Component Four. The Grant funds will be used to finance the costs of a long-term international consultant in support of project implementation under Component Four - Institutional Strengthening and Project Management.

6. Counterpart funds required for the implementation of Phase II are estimated at approximately USD 15 million or 32% of the total project costs. GoI will continue to waive taxes and finance recurrent expenses, including seconded and contracted staff and duty travel at national, provincial and district levels.

7. Beneficiaries are expected to contribute in kind (labour and/or materials) 30% of the value of all infrastructure works, and 20% of production and post harvest tools and equipment provided under Component 2. The costs of establishment and operation federation offices (Component 3) will be co-shared by IFAD and federation members on a 20%-80% basis. Total beneficiary contributions are estimated at USD 1.8 million or 4% of total project costs.

8. Total project costs are around USD 46.4 million over a four-year implementation period and include USD 6 million of physical and price contingencies. Foreign exchange accounts for USD 3.8 million or 8% of the total costs. Duties and taxes make up approximately USD 3.7 million. The proposed allocation of funds among components is presented in Table 1 below. Additional summary tables and detailed costs tables are provided in excel format.

Table 2: SOLID Phase II Costs by Components and Financiers.

Components by Financiers	IFAD Grant		IFAD Loan		Beneficiaries		The Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Community Development and Gender	-	-	2,014,921	96.0	-	-	83,018	4.0	2,097,939	4.5
Support for Agriculture Production and Marketing	-	-	18,948,800	87.5	1,044,399	4.8	1,660,884	7.7	21,654,083	46.7
Support for Estate Crops Value Chains	-	-	1,910,867	59.8	819,614	25.7	464,069	14.5	3,194,549	6.9
Institutional Strengthening and Project Management	797,415	4.1	6,019,185	31.0	-	-	12,630,543	64.9	19,447,143	41.9
Total PROJECT COSTS	797,415	1.7	28,893,773	62.3	1,864,013	4.0	14,838,514	32.0	46,393,714	100.0

9. The costs presented above assume a scenario without geographical expansion where 952 old SHGs continue to be supported and new 812 SHGs are create in existing villages. An alternative scenario with expansion to 67 new villages and creation of extra 670 SHGs and 67 federations has also been calculated. This option would require additional funding form IFAD (USD 8.6 million), GOI (USD 2.2 million) and Beneficiaries (USD 0.5 million).

Table 3: Alternative Expansion Scenario – additional 67 villages.

Components by Financiers	IFAD Grant		IFAD Loan		Beneficiary		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Community Development and Gender	-	-	3,309,997	96.8	-	-	110,687	3.2	3,420,684	5.9
Support for Agriculture Production and Marketing	-	-	24,589,173	87.5	1,366,837	4.9	2,135,899	7.6	28,091,909	48.7
Support for Estate Crops Value Chains	-	-	2,348,773	60.3	986,387	25.3	562,841	14.4	3,898,001	6.8
Institutional Strengthening and Project Management	797,415	3.6	7,274,462	32.6	-	-	14,249,037	63.8	22,320,914	38.7
Total PROJECT COSTS	797,415	1.4	37,522,406	65.0	2,353,225	4.1	17,058,463	29.5	57,731,509	100.0

Appendix 18: Economic and Financial Analysis

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Abbreviations and acronyms

APLs	Agriculture Production Loans
Demplots	Agriculture Demonstration Plots
Ha/Has	Hectare/Hectares
HHs	Households
IDR	Indonesian Rupiah
IFAD	International Fund for Agriculture Development
IRR	Internal Rate of Return
MOU	Memorandum of Understanding
MTR	Mid Term Review
NPV	Net Present Value
O&M	Operations and Maintenance
PDR	Project Design Report
SOLID	Smallholder Livelihood Development Project
SHGs	Self-Help Groups
USD	United States Dollar

List of Tables

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Table 2: Incremental benefits for cassava, groundnuts, cabbage and longbean (USD and IDR)

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Table 4: Small Producer Model Vulnerability Analysis (USD and IDR).

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Table 6: Economic Indicators for productive infrastructure (USD).

ASSUMPTIONS AND METHODOLOGY

1. SOLID does not lend itself to a conventional economic and financial analysis. This was acknowledged in the project design document, the underlying reasons being a number of unknown parameter at that stage - such as the exact cropping patterns and farmer's profiles in a project area that was yet to be defined - and demand driven nature of the project. At the time of this MTR, the project areas have already been defined, 952 SHG and 108 federations created and trained, matching grants disbursed and infrastructure constructed. Unfortunately, the impacts of all these activities in farmer's livelihoods remain uncertain, owing to a poorly designed M&E system that does not provide any pertinent data. Firstly, current project databases do not include any classification of groups by commodity/activity. Secondly, outcome indicators, such as technology adoption rates, increases in yields or sales volumes are not being monitored. As a consequence, an ex-post analysis of the project activities to date is not feasible.

2. Rather than attempting to evaluate past interventions with limited information, the approach to this analysis will be to illustrate potential benefits of SOLID Phase II based on the new project design. The demand- driven nature of SOLID still stands: SHG and federations could choose any mix of crops, equipment, post-harvest facilities and infrastructure that suit their individual and collective need.

3. Economic and financial models have been prepared in order to illustrate some of the activities that will be supported from 2015. The models are organized into four categories, as follows:

- **One hectare crop budgets for annual and estate crops** demonstrate potential increases in yields and output value from adopting technology packages offered in the new Component 2: Support for Agriculture Production and Marketing.
- Based on the results from the above, **small producer models** were prepared for two types of households: one with very few resources (very poor/poor household) and one with greater resources (poor/medium poor).
- **Small scale post-harvest facilities and equipment models** were prepared to estimate the incremental benefits of adopting appropriate postharvest management techniques and adding value to farm production.
- Two **infrastructure models** exemplify the types of civil works that would be eligible for financing under SOLID Phase II, i.e. - access roads and water supply infrastructure.

BENEFITS AND BENEFICIARIES

4. Some of the key project benefits envisaged at appraisal would still be relevant to SOLID Phase II, i.e. - (i) enhanced community empowerment, (ii) increased crop yields following the use of improved management techniques, and (iii) higher commodity prices due to better quality of production and some value addition. Thanks to the new emphasis on food crop production, enhanced food security and nutrition benefits can also be expected in Phase II. The introduction of a specific set of activities for estate crops and the establishment of much better-focused strategy to develop effective and inclusive value chains will enable farmers to maximize currently untapped profits from these commodities. Eligible infrastructure would now be village roads and water supply, leading to increased volumes of marketed produce from previously inaccessible areas and increased productivity from the use simple water supply systems, especially for horticulture crops. Overall, the project would improve household's livelihoods, both in terms of incomes and food security, and reduce the incidence of poverty.

5. The total number of beneficiaries has been modified from the appraisal target (29,500 households). More focused project interventions following the new design will require more resources be invested in each of the 108 existing villages plus the additional 106 that will be incorporated in 2014. Therefore, Phase II will consider SHGs expansion within the existing villages but not geographical expansion. SOLID will continue to support 14,280 members of 952 existing SHGs and 476 SHGs included in 2014, and will create 812 additional groups in 2015-2018. These

figures add up to 2,240 SHGs and 33,600 households, that will mainly be supported through components one and two. In addition, there will be a number of non-SHG members and non poor households benefiting directly from component 3 – estimated to be about 6,750 lead farmers. Thus, total target beneficiaries are estimated at 40,350 households.

FINANCIAL MODELS

Annual crops

6. SOLID phase II would provide a more focused support to food production by i) delivering more intensive training on a few selected crops, thought demplots, farmer field schools and exchange visits, ii) addressing farmer's lack of working capital to purchase good quality seed and production inputs by making available Agriculture Production Loans for every SHG, iii) training farmers in post-harvest crop management to minimize post-harvest losses, promote value addition and improve overall quality of produce to obtain better prices. In addition, farmers would be supported with small scale production equipment (such as grain threshers and tractors) and post-harvest facilities. The combination of the above measures would result in increased output value and farmers incomes. These incremental benefits have been calculated and the main results are presented in tables 1 to 3.

7. Seven annual crops were selected for this analysis based on the most predominant crops in the project area and the priority commodities identified at the district level, i.e.: rice (irrigated and non-irrigated), maize, cassava, peanuts, cabbage and longbean. The 'without project' situation reflects the prevailing traditional farming systems: low or no input use and inadequate production and post production management techniques that lead to low productivity and low farm gate prices. The 'with project' situation estimates incremental benefits that would accrue from adopting the project's intended changes in farming practices.

8. Table 1 presents an analysis of the effects of SOLID support in the two main food crops cultivated during the rainy season: rice and maize. Rainfed rice would experience the highest increase in productivity (160%), with gross margins shifting from USD 273 to 533, and providing 15 additional family labour days with incremental returns of 3 USD per day. Although irrigated agriculture is not widespread in Maluku and North Maluku, a small number of simple irrigation schemes have been constructed and rehabilitated under Solid Phase I and will continue to be financed under Phase II. One irrigated rice model and a rainfed to irrigated maize model were made to illustrate the benefits for the farmers practicing these type of agriculture (mainly migrants). These model shows less impressive results in terms of increases in yields (80% in rice and 70% in maize). However, incremental gross margins and return to family labour are remaining very high (17 USD and 13 USD per person per day, respectively).

9. Incremental indicators for root crops (cassava), cash crops (peanuts) and horticulture products (cassava and longbean) are presented in Table 2. Two rounds of Agricultural Production Loans (APLs) worth about 1.7 million will be provided to each SHG, enabling farmers to purchase fertilizers and other production inputs. SHGs will also be supported with small scale production equipment, such as two-wheel tractors. As a result, productivity per ha is expected to increase between 70% and 100%, depending on the crops (see details in table below) and labour requirements would decrease in relative terms (labour costs/output). Incremental gross margins would higher for cassava and longbean (about USD 250 per ha), which will also yield the best returns to family labour (USD 11.5 and USD10, respectively).

Table 1: Incremental benefits for irrigated rice and maize (USD and IDR).

	Unit	Rice 1/			Rice 2/			Maize 3/		
Annual Crops Indicators		WoP	WP	Increment.	WoP	WP	Increment.	WoP	WP	Increment.
Yields main product	kg	500	1,300	160%	1,300	2,340	80%	900	1,710	90%
Price	IDR	8,000	9,200	15%	9,500	10,925	15%	6,500	7,475	15%
Total output value *	000 IDR	4,150	12,350	8,200	12,740	26,267	13,527	5,938	12,949	7,011
Labour costs/output	%	39%	16%	-23%	16%	9%	-7%	24%	14%	-10%
Family labour costs/output	%	30%	14%	-17%	12%	8%	-5%	20%	12%	-7%
Materials/output	%	15%	48%	33%	26%	47%	21%	7%	35%	28%
Gross margin (incl. hired labour)	000 IDR	3,180	6,145	2,965	8,976	13,526	4,550	5,221	8,097	2,876
Gross margin (incl. hired labour)	USD	276	533	257	779	1,173	395	453	702	249
Return to family labour	IDR/p-d	75,714	108,187	32,472	170,971	200,985	30,014	134,916	154,532	19,616
Return to family labour	USD/p-d	7	9	3	15	17	3	12	13	2
Family labour	person/days	42	57	15	53	67	15	39	52	14
Hired Labour	person/days	12	10	-2	14	12	-2	9	9	0

* Including by-products

1/ rainfed

2/ irrigated

3/ from rainfed to irrigated

Source: Author's calculations

Table 2: Incremental benefits for cassava, groundnuts, cabbage and longbean (USD and IDR).

	Unit	Cassava			Groundnuts			Cabbage			Longbean		
Annual Crops Indicators		WoP	WP	Incr.	WoP	WP	Incr.	WoP	WP	Incr.	WoP	WP	Incr.
Yields main product	kg	4,000	7,200	80%	1,200	2,040	70%	1,500	3,000	100%	3,000	5,400	80%
Price	IDR	1,300	1,300	0%	2,500	2,500	0%	1,250	1,250	0%	1,500	1,500	0%
Total output value	000 IDR	5,200	9,360	4,160	3,000	5,100	2,100	1,875	3,750	1,875	4,500	8,100	3,600
Labour costs/output	%	27%	20%	-6%	48%	31%	-17%	43%	26%	-18%	21%	12%	-9%
Family labour costs/output	%	20%	17%	-3%	37%	25%	-12%	34%	21%	-13%	17%	10%	-8%
Materials/output	%	11%	20%	9%	10%	36%	27%	23%	24%	0%	31%	24%	-7%
Gross margin	000 IDR	4,640	7,487	2,848	2,712	3,255	544	1,438	2,868	1,430	3,095	6,170	3,075
Gross margin	USD	402	649	247	235	282	47	125	249	124	268	535	267
Gross margin (incl. hired labour)	000 IDR	4,316	7,199	2,884	2,370	2,940	571	1,258	2,697	1,439	2,915	5,999	3,084
Gross margin (incl. hired labour)	USD	374	624	250	206	255	49	109	234	125	253	520	267
Return to family labour	IDR/p-d	122,599	132,823	10,223	64,740	69,176	4,436	59,881	102,529	42,648	112,115	228,099	115,983
Return to family labour	USD/p-d	10.63	11.52	0.89	5.62	6.00	0.38	5.19	8.89	3.70	9.72	19.78	10.06
Family labour	person/days	35	54	19	37	43	6	21	26	5	26	26	0
Hired Labour	person/days	11	10	-1	11	11	-1	6	6	0	6	6	0

Source: Author's calculations

Estate crops

10. The same extensive range of support packages envisaged for food crop production will be provided for cash crop production, including estate crops, with the objective of increasing quantity and quality of production and encouraging local value addition. Crop budgets have been prepared for cacao and copra to assess the benefits that may be derived from increased production and higher output prices in a one hectare model. Incremental benefits from value addition at the village level are estimated in the next section.

11. The first model assumes a more intensive use of inputs for cacao production that would lift productivity by 120% and farm gate prices by 20%, doubling gross margins. Returns to family labor would decrease but the number of labour days would shift from 10 to 30, increasing farmer's income by UDS 369 per hectare. Similarly, copra production would increase with higher input use, re-planting of old unproductive trees and better spacing (250 to 160 trees per hectare). Premium prices would be received on account of better post harvest practices and USD 282 incremental income may be obtained by hectare.

Table 3: Incremental benefits for cacao and copra (USD and IDR).

Estate Crops Indicators		Cacao			Copra		
		WoP	WP *	Incremental	WoP	WP *	Incremental
Yields main product	kg	400	880	120%	500	960	92%
Price	IDR	11,000	13,200	20%	2,000	2,500	25%
Total output value	IDR	4,400,000	11,616,000	7,216,000	2,000,000	7,200,000	5,200,000
Labour costs/output	%	8%	8%	1%	21%	23%	2%
Family labour costs/output	%	7%	8%	1%	13%	17%	4%
Materials&services/output	%	4%	27%	23%	0%	27%	27%
Gross margin	IDR	4,240,000	8,525,200	4,285,200	2,000,000	5,250,400	3,250,400
Gross margin	USD	368	739	372	173	455	282
Gross margin (incl. hired labour)	IDR	4,204,000	8,457,520	4,253,520	1,850,000	4,818,400	2,968,400
Gross margin (incl. hired labour)	USD	365	734	369	160	418	257
Return to family labour	IDR/p-d	385,455	285,111	-100,344	146,341	119,861	-26,481
Return to family labour	USD/p-d	33	25	-9	13	10	-2
Family labour	person/days	10	30	20	9	40	32
Hired Labour	person/days	1	2	1	5	14	9

* at full development

Source: Author's calculations

SMALL PRODUCER MODELS

12. Three farm models are presented to account for the diversity of cropping systems found in the project area and poverty levels of project beneficiaries. Results are compared with the most recent rural poverty line data³⁴ for Maluku (352,208 IDR/capita/month) and North Maluku (295,787 IDR/capita/month), with the purpose of demonstrating SOLID's effects in terms of poverty reduction.

- *Small producer model 1* presents a very poor/poor household, with 1.5 has of non-irrigated land. Before the project, total annual incomes from copra and cassava cultivation would amount to IDR 8.1 million per year (USD 706). With the support of SOLID, additional USD 412 may be obtained from copra, USD 300 from cassava and USD 302 from horticulture production. Monthly income

³⁴ Badan Pusat Statistik, March 2014.

per person per month (considering an average household size of 5 persons) would be brought closer to the poverty line, from 135,643 to 290,447 IDR/capita/month, moving from very poor to medium-poor.

- *Small producer model 2* illustrates a medium-poor household with 2 has of partially irrigated land, but still below the poverty line, with a USD 24 per capita monthly income. Through full adoption of technology packages offered in Component Two and the same cropping pattern (rice-maize-groundnuts), this smallholder would obtain additional USD 673 per year and be lifted well above the poverty line (411,805 IDR/capita/month).
- *Small producer model 3* presents a medium-poor farmers with 2.5 has and involved in the production of estate crops (copra and cacao) and maize. Under current practices, this household would live in poverty with only USD 835 per year, or USD 14 per person per month. A combination of Component Two and Three activities would lift this household above the poverty line, from 160,505 to 395,119 IDR/capita/month.

13. Calculations and assumption behind these models can be consulted in the enclosed excel files (SPM1,SPM2 and SMP3).

14. Input costs are and estate crops output prices are subject to frequent fluctuations. In order to assess the extent of households' vulnerability to market changes, a 15% increase in fertilizers/pesticides and a similar decrease in cacao and copra output prices have been applied to the farm models. Results show that the three farmers would still be better-off than in the "without project" situation. SPM1 is only slightly affected due to a moderate dependence in fertilizers and pesticides, and SPM2 would withstand these changes without falling back into poverty. On the contrary, SPM3 , with high reliance on estate crops and intensive use of inputs, would suffer important losses in incremental and per capita incomes. The main conclusion drawn from this exercise is that, in order to mitigate risks associated with price fluctuations, households should select a diversified mix of crops with a balanced dependence on estate, cash and food crops and moderate input utilization intensity.

Table 4: Small Producer Model Vulnerability Analysis (USD and IDR).

	Total annual Income		Incremental Income		Income/capita/month	
	IDR	USD	IDR	USD	IDR	USD
SPM 1						
w ithout project	8,138,600	706	-	-	135,643	12
w ith project	17,426,840	1,512	9,288,240	806	290,447	25
+ 15% input costs	15,221,840	1,320			253,697	22
<i>difference</i>	2,205,000	191	9,288,240	806	36,750	3
SPM 2						
w ithout project	16,944,200	1,470	-	-	282,403	24
w ith project	24,708,280	2,143	7,764,080	673	411,805	36
+ 15% input costs and - 15% copra price	23,050,330	1,999	6,106,130	530	384,172	33
<i>difference</i>	1,657,950	144	1,657,950	144	27,633	2
SPM 3						
w ithout project	9,630,313	835	-	-	160,505	14
w ith project	23,707,169	2,056	14,076,856	1,221	395,119	34
+ 15% input costs and - 15 % copra price	17,562,419	1,523	7,932,106	688	292,707	25
<i>difference</i>	6,144,750	533	6,144,750	533	102,413	9

Source: Author's calculations

POST-HARVEST FACILITIES AND EQUIPMENT

15. Economic benefits from investment in post-harvest facilities and equipment were calculated on the basis of price premiums received by farmers for better quality of production as a result of training in post-harvest management techniques and provision of facilities.

16. The first model assumes an IDR 29 million investment (about USD 2,500) in a copra drying facility that would be regularly used by about 70 copra producing households in an area equivalent to 58 hectares. Taking into account productivity parameters from the one ha crop budgets, a price premium of 0.04 USD per kg and O&M costs (estimated at 10% of the total investment), incremental net benefits per year would equal about USD 7,000.

17. The second model illustrates the construction of a concrete drying floor for cacao beans to add value to about 14 tons of cacao produced in 16 has of land by about 45 smallholders. Net incremental benefits at full development would be about USD 2,400 per year, and accrue from a 20% increase in output prices.

18. Both models show very satisfactory rates of return. A sensitivity analysis was conducted to test the robustness of these results, demonstrating that the investments are relatively insensitive to decreases in benefits or increases in investment and O&M costs. Further details can be consulted in table 4 and the enclosed excel files.

Table 5: Economic Indicators for post-harvest facilities and equipment (USD).

Post-harvest facilities	Copra - smoking facility	Cacao - drying floor
NPV @ 12% (USD)	20,762	7,865
IRR	54%	41%
Switching Values (% change)		
Incremental Revenues (inflow s)	-84%	-66%
Incremental Recurrent Costs	1348%	478%
Incremental Investments	893%	317%
Incremental Outflow s	537%	190%

Source: Author's calculations

PRODUCTIVE INFRASTRUCTURE

19. A similar analysis was conducted to assess the benefits of investing in productive infrastructure. As mentioned in previous sections, eligible infrastructure works for Phase II have been narrowed down to farm roads and water supply systems.

20. A simple village road model exemplifies an IDR 60 million (USD 5,000) investment in a 1.125 km farm road that would open the access to 8 has of land cultivated with maize by about 16 households. On account of the improved access, marketed produce of maize would increase from 20% to 100%, or the equivalent to one additional ton per year. Net benefits from the investment after deducting O&M costs amount to USD 6,550 per year.

21. The second model consists of a simple irrigation scheme constructed for 8 ha of rice. Incremental output with irrigation has been estimated at 785 kg per year (from the 1 ha models, excluding the effect of more intensive use of inputs), and overall net benefits at USD 5,200. NPV and IRR indicators for both productive infrastructure models show highly attractive investments. The switching values method applied for sensitivity testing indicate that these results are sound.

Table 6: Economic Indicators for productive infrastructure (USD).

Productive Infrastructure	Farm road	Irrigation scheme
NPV @ 12% (USD)	28,107	21,252
IRR	67%	58%
Switching Values (% change)		
Incremental Revenues (inflow s)	-75%	-70%
Incremental Recurrent Costs	588%	460%
Incremental Investments	584%	457%
Incremental Outflow s	293%	229%

Source: Author's calculations