

REPUBLIC OF INDONESIA

**SMALLHOLDER LIVELIHOOD DEVELOPMENT PROJECT
IN EASTERN INDONESIA (SOLID)**

SUPERVISION REPORT

JULY 2012

**Loan No. 835-ID
Project No. 1509
Report No. 2681-ID**

REPUBLIC OF INDONESIA

Smallholder Livelihood Development Project in Eastern Indonesia (SOLID)

Loan No. L-I-835, Grant No. G-I-C-835-ID

Implementation Support and Supervision Mission

25 April – 12 May 2012

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A. Introduction¹

1. The Smallholder Livelihood Development Project in Eastern Indonesia (SOLID) was approved at IFAD Executive Board in May 2011 and the associated loan and grant entered into force on 5 July 2011. In order to support an effective start to implementation GoI and IFAD had agreed to explore potential synergies between the implementation of various project elements and activities (for example linkages between community development, productivity enhancement and value chain activities) and to strengthen sustainability issues through addressing the key constraints to promote sustainable agricultural development. It was also agreed that a critical element was to clarify the strategy and the key “drivers” for project implementation with key provincial and district level staff and to develop appropriate phasing of project activities to ensure coherence during implementation.
2. Through this process a jointly agreed strategy/plan for the early project implementation period and phasing of project activities was developed. This process also identified necessary support from IFAD to facilitate the start of successful implementation.
3. This, the first full Implementation Support and Supervision Mission had the objective to review the project’s early performance towards the achieving the agreed objectives and results. In undertaking

1/ Ron Hartman, CPM, IFAD, David Rendall, Team Leader and Agricultural Economist/Implementation Specialist, Iketut Budastra, Sociologist/Community Development Specialist, Mohamed Abdou Bousselham, Loan and Grants Officer, IFAD, Sean Kennedy, Technical Adviser, IFAD, Anwar Hidayat, Project Coordinator, Djadi Purnomo, Project Adviser, Yuko Suciandari, M & E Officer, Anissa Lucky, CPO, IFAD provided the necessary logistic and institutional support and attended the Wrap-Up Meeting on 10 May.

this assessment, the mission reviewed the quality, efficiency and effectiveness of project implementation and the overall progress made since start-up in October 2011. As the project is still in the very early stages of implementation, the mission was tasked with providing support and guidance to expedite project implementation and the achievement of project objectives. The Wrap-Up meeting that endorsed the Mission Aide Memoire was held under the Chari of Secretary Hemanto on Thursday 10 May 2012.

4. The Mission wishes to express its appreciation to all the stake-holders, project staff and farmers who willingly cooperated with it and who contributed to the agreed key actions in a positive and collaborative manner.

B. Overall Assessment of Project Implementation Progress

5. The SOLID project is making positive progress with regard to the establishment of Self-Help groups with well-focused targeting being applied. In the absence of qualified community facilitators there are however concerns about the quality of the processes and hence the maturity of the groups being formed. Similarly progress on the improved productivity and farming systems and the value chain components is limited through a lack of understanding about key concepts and how significant both components are to improving the productivity of small holdings and the associated economic benefits for these poor households.
6. The key priorities that have been identified and agree on include:
 - a. The continuing need for strong leadership by the national steering committee and the executing agency and
 - b. The on-going need to develop project management capability within the Ministry of Agriculture
 - c. The need to process the procurement of key service contracts for community mobilisation, value chain studies and productive infrastructure guidelines
 - d. Positive management of the Special Account and timely submission of withdrawal applications
 - e. The importance of establishing results based monitoring and evaluation system's the timely undertaking of the baseline survey
 - f. The adoption of a bottom up participatory AWPB process for 2013

C. Outputs and Outcomes, by Component

Component 1: Community Empowerment. *The output of this component is that communities are mobilised and Self-help Groups (SHGs) and Federations established. The project will adopt a Sustainable Village Development Approach which will include the following elements: establishing and capacity building of the smallholders' institutions (SHGs and Federations), mainstreaming the use of local social capital, improving smallholder competitiveness and farming systems, value chain management, and environmentally sound resource management.*

7. The SOLID is making sound progress with respect to Component 1 in realizing the social mobilization targets and outputs. More attention is urgently required to ensure the quality of social mobilization and community empowerment if the Project is to achieve its intended impact. The recruitment of the NGO to assist must be expedited to assist the project achieve improvements in quality. Furthermore, attention should be given to how the mobilized groups are able effectively integrate with production and value chain activities provided under other project components.
8. To facilitate social mobilization² the Project has used participatory rapid appraisal (PRA), beneficiary selection using a participatory wealth ranking methodology, self-help groups (SHGs) and federation formation, and capacity building for the beneficiaries in each of the target villages. The project has performed well in terms of number of SHGs formed. It is noted that the actual population of the target villages is often less than that needed to support the selection of sufficient poor households to meet the general project guide of 10 SHGs per village. In such cases the situation needs to be recognised and once the willing target population has been satisfied the focus should move to other identified poor villages. Care should be taken to ensure the productive infrastructure investments are provided (budget wise) in reasonable relation to the number of SHGs in any one village. In some villages, federations have been established despite there being a lack of guidelines.

² as stated in the SOLID 2011 Annual Report

Table 1: Self-help Group Formation and Participation³

		Villages	SHGs	Members		Village Pop	% of Village
				H/Hs	Pop		
Maluku							
1	Maluku Tengah	5	15	225	968	1,175	82.3
2	West Seram	4	12	180	774	764	101.3
3	East Seram	4	12	180	774	2,131	36.3
4	Buru	4	12	180	774	1,678	46.1
5	Buru Selatan	3	9	135	581	451	128.7
	Maluku	20	60	900	3,870	6,199	62.4
North Maluku							
1	North Halmahera	4	12	180	774	464	166.8
2	East Halmahera	4	12	180	774	525	147.4
3	Central Halmahera	4	12	180	774	1,105	70.0
4	West Halmahera	4	12	180	774	785	98.6
5	Sula	4	12	180	774	964	80.3
6	South Halmahera	4	12	180	774	454	170.5
	North Maluku	24	73	1,080	4,644	4,297	108.1
	Total	44	132	1,980	8,514	10,496	81.1

Source: SOLID Annual Report 2011

9. The formation and capacity building of the SHGs and federations was done by government agriculture extension field staff, as the contract for the NGO facilitators (community development) was not, and still has not been established. The NGO facilitators are essential for building socio economic capacity of the SHGs as the core competency of the field extension staff is to provide agriculture extension services not group formation and facilitation services.
10. Field observations during the Mission indicated in several SHGs a low level of effective beneficiary participation, and capacity improvement. If this is replicated across the wider project villages then there are serious concerns about the viability and sustainability of the SHGs and federations. Among these indications are (a) a couple persons dominating the group proceedings (b) only a few of the beneficiaries were present in some of the villages visited; (c) some of the training subjects given were inappropriate to the needs of the beneficiaries; (d) feasible options for the beneficiaries along the value chains have not been identified; (e) low level of financial literacy in individuals and groups; (f) poor book-keeping capacity in the SHGs and (g) limited adoption of improved agriculture technologies introduced through the demonstration plots.
11. These suggest that participatory decision making processes has not been fully adopted by the beneficiaries and that there may be a mismatch between what is needed by the beneficiaries and what is provided to them. The Mission observed limited understanding among the project management staff concerning the links between social mobilization, the project approach (value chain), and project objectives. This disappointing considering they have been given capacity building facilitation for more than 1 year and raises issues about the quality of training being provided.
12. The observed weakness in building the capacity of the beneficiaries indicates the need to improve and intensify capacity building for the SHGs and federations as they are formed. Appointment of the NGOs to carry out this task needs to be expedited. It will also be useful to further review the ToR to ensure that the need to work with already established groups is recognised and accounted for as well as ensuring the involvement of the extension staff.
13. With some limitations, the project has been performing well in promoting saving mobilization in the SHGs. All SHGs visited during this mission has initiated saving mobilization of the members. Their saving policies vary - all of them adopt three types of saving practices: membership instalment (tabungan pokok), compulsory saving (tabungan wajib), and voluntary saving (tabungan sukarela). There is some variation in the required amount for the first two saving types. The required amount for the membership instalment ranges from IDR 10,000 to IDR 100,000; and the required amount

³H/H size estimated to be 4.3 people. In order to maximise participation in group activities additional participants from contiguous villages have been included in some groups leading to a participation rate of above 100%

for the compulsory saving ranges from IDR 1,000 to IDR 10,000. The amount for the voluntary saving is flexible depending on the member. Some SHGs have also disbursed loans to the members. However, a review of their bookkeeping by the mission found these records to be of poor quality. Member accounts were not separated so that it is difficult to trace back individual transactions whilst transactions are not recorded immediately.

14. Records for assets of individual members are mixed with collective assets. Similarly, for those operating lending services, their bookkeeping systems were also poor in quality. Some of them are not applying appropriate microfinance regulations, e.g. (a) all members borrowed the same amount of loans, (b) loans of borrowers that paid interest only (without payments of loan principal as scheduled) were not regarded as non performing. Thus, the project management, particularly at the district level, should take serious initiatives to improve the quality of the SHGs' bookkeeping and this requirement should be clearly included in the job descriptions of the NGO facilitators.
15. Using the direct transfer mechanism (as directed by the decree from the MoF), the project management has disbursed the matching funds to the bank/post office account of most of the SHGs that have been operating 6 months or more. The mechanism and the requirements for the disbursement of the funds are described in the project technical guidance book for social assistance (Buku Petunjuk Teknis Bansos). It is required that the SHGs should meet a certain standard for eligibility to receive the funds. These criteria need to be clearly stated and objective – they should include regular SHG meetings, regular savings that are at a minimum level of e.g. Rps 500,000 and the SHG should have a valid plan for the use of the matching fund. Additionally, the amount of funds they are eligible for should be determined by the levels of their maturity and may as needed be released in two or three tranches. This status should be assessed by the village assessment team composed of village facilitator, a relevant project staff member, a community leader, and a representative of a nearby SHG.
16. The same team should be responsible for on-going maturity assessment. This is currently based on 18 indicators that measure 6 aspects including: vision and mission, organizational management, financial management, organizational accountability, networking, and group learning and evaluation. Although, this instrument is justifiable from the perspective of academic works, it is too complex and impractical from the perspective of project implementation. As discussed during the Start-Up support mission last December the NPMO needs to fine tune and simplify the instrument to have a maximum of 6 indicators and incorporate the findings into the M&E system.
17. Although, the funds have been disbursed to the SHGs' bank accounts, they have not been used, yet. The project staff met during this mission explained that they disbursed the funds to hinder administrative difficulties which might arise due to rigidities in the government financial management regulation. The project staff seem to have good understanding of the use of the funds. It should be decided in participative manner involving the beneficiaries (with effective facilitation by the village facilitators); and for the benefits of the beneficiaries and the achievement of project' objectives. As they are aware that they have insufficient capacity to effectively implement the associated activities (in the time being) due to their failure to on-timely recruit the NGO facilitators, the project do not allow /promote withdrawals of the funds by the SHGs. Thus, this mission accepts this explanation, but the project needs speed up its capacity strengthening for implementing the activities associated with the use of the matching funds. Obviously, one of these steps is the deployment the NGO facilitators.

	Agreed action	Responsibility	Agreed date
A1	Expedite the appointment of the 2 provincial NGOs for Community Development	NPMO/PPMO	30/9/12
A2	Review job descriptions of NGO facilitators	NPMO/PPMO	immediate
A3	Simplify and apply eligibility criteria for matching funds	NPMO	30/6/12

Component 2: Productivity Improvement and Integrated Farming Systems. *The output of this component is that the extension services are improved to facilitate increased agricultural productivity by smallholders. The project will offer smallholders a menu of options, based on market research, and a facilitated decision-making process to aid the selection of sound enterprise opportunities. The focus will be on productivity and quality improvement in the production of agriculture and livestock products in which the provinces enjoy a natural comparative advantage.*

18. As expected at this early stage of project implementation, limited progress have been made under Component 2. All activities under this key component needs to be based and driven by the

outcomes of the various value chain studies and within the context of the relevant farming system. However most of the work carried out to date has been based on the production potential of common crops in the selected villages. As such this component which is based on technical husbandry training and enterprise demonstrations, many of them that may be relevant once the necessary value chain studies have been undertaken. All project districts report active crop demonstration activities with farmer training provided as part of the enterprise demonstration establishment (refer to the SOLID 2011 Annual Report for lists of the enterprises (crops and chicken)).

19. There is no reported data on the number of demonstrations established nor is there any effort being made to document the outputs produced from these initiatives. This is unfortunate as the demonstrations observed by the mission were generally well established and maintained and clearly involved the active participation of members of the SHGs. This means that it is not possible assess the potential benefit of the application of improved crop husbandry practices. As yet no extension materials have been developed for use by village extension workers and distribution to the SHGs.
20. Clearly it will be necessary to review the programme as the VCAs become available and to integrate these potentially useful activities within the prevailing farming system(s).
- 21.

	Agreed action	Responsibility	Agreed date
B.1	Describe and map the district farming systems	Prov. and district Agric. assistants	30/9/12
B.2	Establish gross margins for existing crop practices and improved husbandries	Prov & District agric. & VC assistants	30/9/12
B.3	Continue to maintain and regularly up-date key input and output data	Prov & District agric. & VC assistants	On-going
B.4	Prepare relevant extension brochures and charts (in durable material) using common standards set by the NPMO	Whole agriculture team with technical support from MoA	From 1/10/12
B.5	Review training methods and up-grade training knowledge and skills of extension workers	NPMO and prov Agric. assistants	30/6/12

Component 3: Value Chain Development and Marketing. *The output of this component is the availability of services to improve market returns by the SHGs and Federations. Prior to the start of any project of support for a value chain, the project will carry out surveys of demand both in the local markets and for export. There are opportunities for developing the value chains for e.g. cacao, nutmeg and mace in ways that will benefit poor rural producers while making the value chain more efficient.*

22. Component 3 is the critical Component for SOLID in terms of driving investment decision making under the other project components. However, at this stage limited progress has been made due to delays in procuring technical inputs and services. The Value Chain work carried out to date has included the identification of potential commodities by district and village (see the SOLID 2011 Annual Report), the provision of TOT for provincial and district value chain assistants and the preparation and approval of the ToR for the recruitment of an international value chain consultant and an Indonesian company to carry out the district level value chain studies.
23. Unfortunately the TOT was provided by a training specialist with no background in value chain – as a result the training emphasised production aspects and did not highlight the critical importance of understanding market demands and standards. From discussions with the provincial and district value chain assistants during the mission it is clear (see also SOLID 2011 AWPB page 46) that there remains a lack of understanding by project implementers with regard to Value Chain analysis, its role a planning tool and how to support the needed value chain studies.
24. The IFAD “no objections” to the ToR were issued on 27 January 2012 but the advertising of the tenders has not yet been carried out. Whilst this is disappointing it has given the NPMO and the Mission an opportunity to review the approaches envisaged and to modify the ToR to reflect the current state of Value chain capacity in Indonesia and also the involvement of district level staff in carrying out the value chain analysis.
25. With regard to the international consultancy it has been agreed that given the significant recent experience of undertaking value chains in Indonesia it will be more productive to increase the length of the assignment, to advertise it internally (rather than internationally) and to incorporate a quality assurance responsibility on behalf of the NPMO for the approach and methodology used across the project area. This person should be recruited as an individual and will guide the development of the SOLID value chain methodology, staff capacity building and technical oversight and review of the district based value chain studies and action plans.
26. With regard to the company that will carry out the actual studies the ToR should be amended to reflect the importance of developing and having reviewed the methodology to be used, to incorporate the full participation of the district value chain assistants and the village extension workers (their training will be much enhanced by “learning by doing”) and to be clear that the outputs include at least three representative/priority value chain studies for each district.

	Agreed action	Responsibility	Agreed date
C1	Review TOT training curricula for project staff and SHGs and up-grade to ensure correct approaches are provided	NPMO	30/6/12
C2	Review ToR for value chain contracts and advertise urgently	NPMO	31/5/12

Component 4: Productive Rural Infrastructure. *The output of this component is that small-scale rural infrastructure improved. The project will finance investments in small-scale productive rural infrastructure through the provision of community grants, in response to proposals submitted by the villages. There will be no fixed allocation of funds per village for infrastructure investment. These investments in infrastructure will complement the project’s support for agricultural productivity*

improvement and as well finance the costs associated with preparation of proposals, supervision of implementation and TA.

27. As intended limited progress has been made in the past 5 months under component 4. Physical implementation of this component will, correctly, be initiated during 2012. Initial assessment of the perceived productive physical infrastructure was carried out during 2011 (see SOLID Annual Report 2012 pages 48 - 50) with common priorities identified including domestic and horticulture water supply/storage, market sanitation facilities, access to farming areas and markets, pest and water safe crop storage and drying facilities. These priorities need of course to be reviewed in light of the value chain studies that should be completed during 2012.
28. In some districts very useful GIS based maps have been produced – the use of this capability should be encouraged for both village and district level planning and monitoring purposes.
29. The capacity and skills of the district engineers should be encouraged and more fully used. Rather than waiting for the recruitment of the Infrastructure Engineer to undertake the design of these simple schemes the provincial team should hold a workshop for the district engineers and their Department of Civil Works colleagues during which three key areas should be addressed. The first is to review the guidelines⁴ for the selection and approval of productive rural infrastructure investments. These should also indicate a suitable level of investment in relation to the number of SHGs in any one village. The second is to review and confirm the applicable community contracting procedures. Both these first two areas should be reviewed and agreed with IFAD before they are promulgated. The third area is to initiate the preparation of the costed designs of the key types of scheme anticipated.
30. It was rewarding to observe the use, in some districts of GIS mapping for planning village level investments. This should be widely encouraged and the capacity used for mapping district level investments including farming systems and the value chain maps.

	Agreed action	Responsibility	Agreed date
D1	Establish user friendly guidelines for productive rural investments	NPMO, PPMO & district engineers	31/7/12
D2	Review and promulgate community contracting procedures	NPMO	30/8/12
D3	Prepare relevant costed designs	District engineers	31/12/12
D4	Review & approve designs	NPMO	31/12/12

Component 5: Institutional Strengthening and Project Management. *The output of this component is efficient project management and coordination. This component is financing the costs of project management at national, provincial and district levels and support the development of the staff capacity of key participating agencies to provide the services required by the rural community in the target villages.*

31. The Project Management Team has been fully in place since before project approval. This has enabled to project to start-up and gain momentum quickly. The GoI decision to also retain many staff with experience in implementing another IFAD financed project, PIDRA, has delivered benefits in ensuring a satisfactory launch of project implementation. There remain some challenges with ensuring that adequate staff attention is provided to more effectively manage and deliver project support in a timely manner. For instance, the project faces some significant early risk as a result of delays in completing procurement processes. This requires the full attention of project management staff.
32. **Monitoring and evaluation.** M&E has been recognized as an area in need of significant improvement across the Indonesia Country Programme (COSOP MTR paras. 24, 26, 43, 46, Appendix 5). The same observation applies to the current level of functioning of M&E in the SOLID project. However, the project is still in the early stages of implementation and the main issues can be resolved with urgent corrective action.
33. At present, M&E functions are mostly limited to monitoring SHG-related developments. There is little evidence of planning for strategic M&E, such as addressing COSOP MTR recommendations regarding better alignment with the IFAD results and impact management system (RIMS) and improving the engagement of staff and project partners for more responsive M&E.

⁴ The investments should provide productive improvements, direct benefits to the wider community, use simple low-cost technology, be easy to maintain and incorporate community contributions.

34. During the supervision exercise most project staff showed only partial awareness of the key elements of an M&E system, the expected standards, or the resources already available for guidance. The M&E plan is in the process of being finalized. The annual outputs for 2011 have not been reported according to IFAD guidelines. The baseline survey is well overdue. A planned “baseline survey” actually refers to the recruitment of a “Community Empowerment and Training Consultant” for various diagnostic and support functions, which may be needed but is not a substitute for a baseline survey. There is some confusion as to whether “Annual Impact Surveys” were required and it was clarified that the project should only complete annual outcome surveys for which IFAD is able to provide some technical guidance.
35. Also of note, the National M&E Officer is due to transfer out of the project (for family reasons), and it is unclear when or how this position would be filled. A partial solution toward filling the gap is not sufficient at this time. Given the situation, hiring a fulltime National M&E Officer on an urgent basis is imperative.
36. Priority issues can be summarized as follows: (i) collecting and reporting annual outputs according to minimum standards, (ii) conducting an appropriate baseline survey, and (iii) ensuring effective coordination with an immediate focus on filling the National M&E Officer position. References for guidance on the points (i) and (ii) will be provided in an Annex to the full Report. Less time sensitive priorities, such as outcome monitoring, can be dealt with at a later date.

	Agreed action	Responsibility	Agreed date
E1	Prepare 2013 AWPB on a participatory and inclusive basis	NPMO/PPMO	31/10/12
E2	Confirm appointment of the Management Adviser	NSC	a.s.a.p.
E3	Establish output reporting formats and practice	NPMO/M & E Officer	30/9/2012
E4	Conduct baseline survey	NPMO	15/11/12
E5	Recruit/appoint a new M & E officer	NSC	30/6/12
E6	Finalisation and circulation of the PIM	NPMO/IFAD	30/6/12
E7	Prepare a revised programme for the IFAD grant	NPMO	30/10/12
E8	Prepare and submit the 2012 RIMS report	NPMO	30/6/12

D. Project Implementation Performance

37. **Project Management.** The **management team** is currently fully staffed although for family reasons the M & E officer will be transferring out of the NPMO. Together with the retirement of the inaugural Project Director late last year this will mean that two new people will be holding key leadership and management roles for SOLID. Given the challenging nature and widely dispersed geography of the Project it is important that both the Ministry and IFAD provide timely and adequate support to the “new” team including moving positively to confirm the appointment of the management adviser. It is also necessary for the wider NPMO and both PPMOs to be provided with opportunities to participate in established capacity and skill building training courses that focus on development project management and leadership skills – hence developing the project management capability that is envisaged in the GoI/IFAD COSOP MTR. Finalisation of the PIM and its wide circulation to all SOLID stakeholders is now urgent.
38. For both 2011 and 2012 the **Annual Work Plan and Budgets** were prepared based largely on the estimates contained in the Project design budgets. In 2011 63% of the approved AWPB used utilised. For 2012 the approved AWPB amounts to Rps 65 billion that is the equivalent of USD 7.1m. It is important that the 2013 AWPB be prepared in a fully participatory and transparent manner and that it be initiated from the district level to ensure there is ownership and empowerment of the district staff that is essential for SOLID to become firmly established and a truly relevant mechanism that is owned by the participating administrations and their immediate communities.
39. The mission did observe that the SOLID budget at the district level is merged with the district Food Security Agency one – it is important that the AWPB and the related expenditure be clearly distinguished, for both planning and accountability purposes. The NPMO will collaborate with IFAD to develop a revised programme to effectively use the SOLID grant funds
40. **Poverty and targeting** is being well attended to through diligent following of the villages selected and criteria established during project design. The project has implemented the targeting strategy that is in line with that agreed in the Financing Agreement. The beneficiaries to date are poor

smallholders living in 44 poor villages more than 60 % of whom are indigenous with many of them having 10 -15% of woman headed households. There are some instances where the village headman is proving too autocratic in the selection of members of the SHGs and the leaders of these groups. This challenge is recognised by the project teams at the provincial and district levels and efforts are made to “educate” the traditional leaders in the poverty focus of SOLID. This is a delicate process as the endorsement of the village heads is necessary for the project to operate successfully in their area of authority. These elected headmen (they are predominately men) have distinct roles and responsibilities that the project needs to recognise and work with.

41. The project generally performed quite well in **gender mainstreaming, gender equality and participation**. This has been emphasized in its targeting. Woman headed households together with indigenous population were prioritized in the beneficiary selection. The group formation was also mainstreaming gender equality where woman group, men group, and mixed group were proportionally formed in each of the target villages. This in turn provides equal opportunity for women to participate in the project activities; and allows women to be included in the associated decision making processes, and in sharing the benefits resulting from the project activities. The mission noticed that the 2011 annual report recorded a gender gap in the number of the beneficiaries (897 women vs.1033 men) noting that this considerably exceeds the agreed target of 30%. Effectively the project is aiming for 50% participation but as explained by the project staff met during this mission, in some of the villages, the target beneficiaries preferred to form mixed groups (e.g. Halmahera) whereas in other situations e.g. Serum, mixed groups have not been formed as it is considered to be against the local customs.
42. **Knowledge management** is currently largely inward as the NPMO draws on the experience of especially the PIDRA project – this is largely positive however there is a tendency to rely heavily on it processes and procedures that are not completely in tune with the market oriented SOLID investments.
43. **Partnerships** are expected to develop based on the value chain studies and the initiatives that will be developed across the chain with processors, traders, input stockists and transporters.

	Agreed action	Responsibility	Agreed date
F6	Develop an orientation package(s) for village leaders	NPMO	30/8/12
F7	Continue the commendable gender strategy	All levels	On-going

E. Fiduciary Aspects

42. The **Financial Management** system of SOLID is necessarily rather complex due to fact that it is implemented in 11 districts of two provinces that are mostly in remote locations that are difficult to access (either by boat or road). The Mission visited both provinces (North Maluku and Central Maluku) and 4 districts and conducted an assessment of the project's financial management procedures.
43. **Financial Systems** - the project at National, Provincial and district levels report financial transactions including the allocation of expenditures by components / categories of expenditures, sources and uses of funds on a monthly basis through Excel spreadsheet. The financial reports prepared by the District Finance officer and cleared by the District Treasurer are consolidated at the Province level for further and final consolidation by the Implementing Agency at National level. To avoid some the identified inconsistencies and inaccuracy of the figures of the data base, the appropriate approach will be in the near future to procure appropriate accounting software. This will of course complement the Government's own system and will enable the SOLID financial reports to be reported in an accurate and timely manner in support of the requirements agreed to in the project financing agreement. The mission provided some suggestions regarding the technical specifications of such an accounting software. Some of these are:
 - the availability of national language, multicurrency reporting,
 - capacity to track and report on the (i) planned expenditures, (ii) actual expenditures, (iii) cumulative expenditures and (iv) forecast of expenditures.
 - ability to export data (e.g.to excel)
 - inclusion of a fixed asset /inventory management registry
 - ability to track and report expenditures by category and project component.

- capacity to customize reports
 - ability to generate formats with a clear audit trail.
 - adequate security features including password protection to prevent delete a posted transaction and to control access.
44. Financial reports are produced on a monthly and quarterly basis and record the incurred expenditures against the approved AWPB. Districts need to ensure that the monthly financial reports are made available promptly to the Provinces for consolidation purposes and to facilitate monitoring and assessment of expenditures for the implementation of the Project at province and district levels.
45. Flow of Funds/Disbursement arrangements: The Project opened two special accounts respectively for the loan and grant financing. A project account is operated by each province and district. During the mission, the flow of funds arrangements/controls were reviewed. The mission noted that the supporting documents for disbursement are in order at National, Provincial and District levels. It is agreed to consider the request to increase the initial advance from USD 1 million to USD 2 million at the time of the mid-term review. However the Project is recommended to proactively manage the designated account by requesting monthly replenishment on the basis of minimum expenditures of USD 200,000. The Project should actively manage the Special Account and normally not allow unclaimed expenditures to exceed USD300,000 equivalent, as this will increase the risk of it facing liquidity issues.
46. It is agreed to increase the level of SOE from USD 30,000 to USD 50,000. This will speed up the disbursements without jeopardizing the fiduciary requirements. The mission reviewed sample withdrawal applications at National level of the project and supporting documents at district levels. The adequacy of the documentation including the appropriate contracts for each expenditure is in order.
47. Reconciliation of Province and Districts Bank accounts: Each province and District maintain a bank account for receipts of funds from State Treasury. The supervision mission reviewed the Bank statements of the visited Provinces and Districts. The reconciliation of the Bank accounts of the Bank statements against expenditures undertaken on monthly basis is satisfactory.
48. Segregation of duties: The mission noted that good controls are in place for the preparation and approval of disbursements. The supporting documents are prepared by the Finance Officer of each District and Province. All requests for disbursements are proposed by the Coordinator of the Province or the manager of the District. They are approved by the budget holder being the representative of Food Security and Agency at the Province and District levels against the approved AWPB for presentation to PPK final approval. On this basis the State Treasury or the Agriculture services disburse funds at the Bank account of the Province or District. This process confirms the segregation of duties and controls between the offices approving a transaction, the disbursing agency, the requestor for the payment and the book-keeper recording the transaction.
49. Staff: Each Province or Districts has a five member team for the Finance Unit. They have well defined job responsibilities but limited financial qualifications and experience with IFAD procedures. The Project should develop a training program and undertake regular financial training workshops for the personnel involved in financial matters and procurement. It is the intention of the NPMO to proceed with this recommendation commencing on June 2012 by a workshop in Ternate. It would be useful if an IFAD Finance officer could participate in this training along with a well experienced GoI procurement trainer.
50. **Counterparts funds**: The Government contribution to the project is requested through AWPBs and release directly from the Food Security Agency at the MOA. Counterparts funds: The Government contribution to the project is requested through AWPBs and released directly from the Food Security Agency of MOA. In 2011 The Government counterpart contribution was budgeted at IDR 5.3 m of which 90.94% was disbursed. The expenditures were mostly allocated to vehicles, equipment and materials, capacity building, studies and workshops.
51. It is important that the district administrations honour the commitments they made at the start of the Project especially with regard to local travel funds. Another aspect that requires attention is the need to ensure that district staff assigned to SOLID duties are given compatible assignments to their regular assignments. For instance in Halmahera Utara the Procurement Officer has been assigned

the duties of the SOLID M & E Officer – a position for which he has no relevant training nor is it compatible with his regular procurement duties.

52. **Filing and Records Management:** The project at National, Province and district levels needs to ensure that all project records including supporting documents, original contracts are filed in a secure place. Procedures for records management need to be developed.
53. **Registers of Assets and Contracts:** The project has as required set up a Fixed asset Register and a Contracts Register at the national level but these have not been established at the provincial and/or district level. This needs to be done.
54. **Disbursement.** Overall, as of 30th December, 2011 the total cumulative expenditure to be charged to IFAD loan was about IDR 12.2m. The expenditures were mostly allocated to vehicles, equipment and materials, capacity building, studies and workshops.
55. Based on IFAD's records, the total disbursement, as of April 30th 2012 was SDR 1.5m including the initial deposit of SDR .64m). There has been no disbursement from the IFAD grant.
56. **Compliance with loan covenants.** Key covenants have been satisfactorily attended too with the exception of the delay in formally appointing the external auditor – this needs to be remedied urgently.
57. **Procurement.** The overriding challenge with regard to procurement remains the inordinate delays in completing procurement actions– given that the procurement methods are essentially those outlined in Government decree 54 of 2010 the improved processing rests with timely preparation of specifications, prompt review and issuance of "NOS" by IFAD and SOLID procurement actions being given fair priority by the relevant procurement review committee (national, provincial and district. At all levels but especially at the districts care must be given to ensure that a minimum of 3 quotations are obtained for any procurement made using local shopping methods.
58. There are two cases that need resolution. With regard to the vehicles procured with increased specifications the matter should be settled by agreement that eligible expenditure for these vehicles amounts to the approved costs for the original specifications (additional costs should rest with the office that amended the specifications post their clearance). For the request to amend the procurement plan for purchase of a vehicle for Halmahera Selatan to a boat and vehicle – it is agreed that firm specifications and cost estimates (including operating costs) should be submitted to the NPMO and IFAD – these will be reviewed sympathetically if the option is financially sensible.
59. **Audit.** The first project audit is not due until 30 June 2012. The standard audit ToR were been shared with the project and the Auditor Generals Department during the Start-Up workshop and more formally during the current mission. The consolidated audits for 2011 and 12 need to be submitted to IFAD latest on June 2013 as the first disbursement from IFAD was only on made in November 2011.

	Agreed action	Responsibility	Agreed date
G1	Procure a data based accounting system (with guidance from IFAD)	NPMO	30/8/12
G2	Increase the SOE threshold to USD50,000 equiv.	MoF & IFAD	30/6/12
G3	Hold next Financial mgt. training course in Ternate	NPMO & PPMOs	30/6/12
G4	Establish robust filing systems for financial reporting	All offices	30/9/12
G5	Establish provincial and district asset and contract registers	PPMO	31/5/12
G6	Issue formal assignment note to external auditor	NPMO	31/5/12

F. Sustainability

60. **Institutional sustainability.** SOLID has a focus on building local institutions that can better represent the views and interests of the wider communities, especially the poor in a sustainable manner. This includes strengthening village groups with capital, technical training and capacity building; enhancing village-based/community-led village development; and identifying institutional arrangements to sustainably manage and maintain the infrastructure facilities supported by the Project. The organization of villages into groups is also intended to facilitate their access to markets and ability to improve productivity.
61. To date, some progress has been made to develop a comprehensive approach towards institutional strengthening and community empowerment, however, more specialized support is urgently required

from a NGO. This presents a major risk, as institutional building processes take a long time and require considerable investments in software dimensions to change mindsets. Furthermore, these are processes that cannot be built in isolation, but require integration of all components, which is critical to the successful implementation of SOLID.

62. **Social sustainability (empowerment).** The Mission notes that there is considerable social capital within the communities that has a great potential to bring change and be effectively empowered to best direct people's aspirations and objectives. This potential, however, the communities and their organizations require support to change into empowered institutions and people.
63. **Economic and financial sustainability.** According to the financial analysis completed during design, SOLID's impacts would fall into three main areas: (i) farmers taking up new or modified crop enterprises or combinations of crops; (ii) villagers starting and/or expanding off-farm enterprises; and (iii) users of infrastructure facilities.
64. Expected benefits from improved farming systems were measured in terms of net farm incomes and returns to family labour, with very positive results expected for farmers shifting from low to high input systems, better integrating in target value chains, and users of irrigation facilities.

G. Impact

65. The project goal is to empower rural women and man in the targeted villages in Maluku and Maluku Utara provinces to achieve enhanced food security and increased incomes and the development objective is to improve the livelihoods (incomes and food security) and reduce incidence of poverty in the targeted villages in the two provinces. While it is too early to comment on project impact after only 5 months implementation, it is critical that the project urgently perform a baseline survey and make other preparations to ensure that the project is able to effectively monitor and evaluate its performance in achieving its goal and objectives. The main concern in this regard is inadequate planning for impact assessment. As noted previously, conducting an appropriate baseline survey is a priority.

H. Conclusion

66. The SOLID is still in the very early stages of project implementation having only officially started activities in October 2011. Significant progress has been achieved in establishing project institutional structures, ensuring the project management at all levels are in place and function, building awareness and ownerships of the project, and in undertaking initial community mobilization activities. However, there are a number of critical strategic issues which require urgent follow up and attention to ensure that the projects good start continues on into full implementation. This specifically relates to the effective integration of all project components driven by investment decisions based value chain analysis and activities under component 3. The project has experienced some delays in executing key procurements such as the baseline survey and the recruitment of technical inputs such as the NGO and value chain expertise. This required immediate attention and rectification.
67. SOLID is making positive progress with regard to the establishment of Self-Help groups with well-focused targeting being applied. In the absence of qualified community facilitators there are however concerns about the quality of the processes and hence the maturity of the groups being formed. Similarly progress on the improved productivity and farming systems and the value chain components is limited through a lack of understanding about key concepts and how significant both components are to improving the productivity of small holdings and the associated economic benefits for these poor households.
68. The key priorities that have been identified and agree on include:
 - a. The continuing need for strong leadership by the national steering committee and the executing agency and
 - b. The on-going need to develop project management capability within the Ministry of Agriculture

- c. The need to process the procurement of key service contracts for community mobilisation, value chain studies and productive infrastructure guidelines
 - d. Positive management of the Special Account and timely submission of withdrawal applications
 - e. The importance of establishing results based monitoring and evaluation system's the timely undertaking of the baseline survey
 - f. The adoption of a bottom up participatory AWPB process for 2013
69. The implementation of SOLID at this early stage of its life should be able to respond to the range of challenges outlined in this aide memoire – if it does and pays particular attention to establishing a an effective M & E system then it has the exciting potential to become flagship for changing the dynamics of rural life in the eastern sphere of Indonesia.
70. It is agreed that the next Mission will be fielded in mid-November 2012.

Appendices

Appendix 1	Summary of Project Status and Ratings
Appendix 2	Status of Previous Mission Agreed Action Plans and Agreed Action Plan in May 2012
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Appendix 1: Summary of Project Status and Ratings

Basic Facts

Country	Indonesia	Project ID		Loan/DSF Grant No.	835
Project	Smallholder Livelihood Development Project in Eastern Indonesia			Financing terms	HC
Date of Update	11 May 2012	No. of Supervisions	1		
Supervising Inst.	IFAD/IFAD	Last Supervision	May 2012		

					USD million	Disb. rate %
Approval	11 May 2011			Total costs	65	
Agreement	05 July 2011	Effectiveness lag	0	IFAD Total	50.1	
Effectiveness	05 July 2011	PAR value		IFAD loan	49.1	5
MTR				DSF grant		
Current completion	31 Jan 2019	Last Amendment	na	IFAD grant	1	7.6
Current closing	31 July 2019	Last Audit	na	Domestic Total	14.8	
No. of extensions	0			Beneficiaries		
				Government (National)	14.8	
				Co-financing Total		

Project Performance Ratings

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

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1. Community Empowerment	4	1. Institution building (organizations, etc.)	3
2. Productivity Improvement and Integrated Farming Systems.	3	2. Empowerment	4
3. Value Chain Development and Marketing.	3	3. Quality of beneficiary participation	4
4. Productive Rural Infrastructure.	4	4. Responsiveness of service providers	3
5. Institutional Strengthening and Project Management	4	5. Exit strategy (readiness and quality)	4
		6. Potential for scaling up and replication	4

B.5 Justification of ratings

It is recognised that this project entered into force in July 2011 and only actually started in October 2011 – as such the ratings are somewhat tentative. The rating of 5 for B1.3 is assigned as the GoI met its obligations on time and in full in the 1st year. For procurement the rating of 3 is assigned because of the slowness of the process – when done the actions have met the required standards. The rating of 3 for audit is due to the delay in appointing the external auditor.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets		4
C.2 Food security		4
C.3 Overall implementation progress (Sections B1 and B2)		4

Rationale for implementation progress rating

C.4	Likelihood of achieving the development objectives (section B3 and B4)	4
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Rationale for development objectives rating

C.3 – The major concern here is that the M & E system is as yet only capturing establishment data for SHGs formed and that there is only anecdotal evidence that the demonstration plots are proving to be useful.

C.5 **Risks** *Short description of major risks for each section and their impact on achievement of development objectives and sustainability*

Fiduciary aspects	4
Project implementation progress	4
Outputs and outcomes	4
Sustainability	not applicable

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
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M & E – Follow-Up attention needs to continue with the focus on establishing a skeletal output capturing system

Audit - Appointment letter to be issued asap

Staff - M & E Officer (who is transferring for family reasons) needs to be replaced promptly through a competitive process with the MoA, performance of the NPMO needs to be monitored closely to ensure they are operating effectively

Procurement – management attention needs to focus on ensuring that procurement (especially for service contracts) is carried out in a timely manner

Additional observations

Appendix 2: Status of Previous Missions Agreed Action Plans and Agreed Action Plan in May 2012

	Agreed action	Current Status and Mission Observations	Agreed
A	Community Empowerment		
1	Monitor initial period of NGO for community mobilisation (District Coord, as needed)	Provincial NGOs not yet appointed	Procurement act (PPMOs, 30/9/2012)
2	Review and establish agreed procedures for matching grants (NPCO/PPCO, 31/12/11) (AM A3)	Not yet completed	To be completed (see Annex 1)
3	Develop methodology for federation formation (NPCO/PPCO/NGOs, 31/3/12)	Not yet completed	As above
4	Review job descriptions of NGO facilitators (AM A2)		
B	Productivity Improvement and Integrated Farming Systems		
1	Describe and map district farming systems (prov & district Agric assistants, 30/9/12)	new	
2	Establish gross margins for existing crop 7 livestock activities (prov & district Agric assistants, 30/9/12)	new	
3	Continue to maintain and regularly up-date key input and output price data (prov & district Agric assistants, 30/9/12)	new	
4	Prepare relevant extension brochures and charts (whole agric team with technical support from MoA, from 1/10/12)	new	
5	Review training materials and up-grade training skills of extension workers (NPMO & Prov Agric assistants, 30/6/12)	new	
C	Value Chain Development and Marketing		
1	Recruit Value Chain consultant (NPMO, 30/6/12)	Not completed – amend to recruit nationally	urgent
2	Establish productive infrastructure procedures (NPCO, 28/2/12)	Not done – moved to D2	
3	Review ToT training curricula and up-grade (NPMO, 30/6/12)	new	
D	Productive Rural Infrastructure Investment		
1	Review GoI regulations for community contracting and develop guidelines and training packages (NPCO/PPCO, 28/2/12)	Not Completed	NPCO, 30/8/12 r Mission report
2	Prepare relevant costed designs (District Engineers, 31/12/12)	New	
3	Review & Approved Designs (NPMO 31/12/12)	New	
E	Institutional Strengthening and Project Management		
1	Develop Institution Strengthening packages for national and provincial organisations (NPCO/Training Consultant, 31/12/11)	Completed	
2	Finalise draft 2012 AWPB and share with IFAD (NPCO, 30/11/11)	Completed but delays by NPMP & IFAD	Participatory Appraisal NPMO, 31/12/12
3	Finalise revised PIM (NPCO, 31/12/11)	Draft still to be finalised	NPMO & IFAD 30/12/12
4	Prepare M & E approach and workplan (draft) (NPCO, 15/12/11)	Not complied	NPMO & M & E o
5	Revise results based Logframe (NPCO, 28/2/12)	Complied	
6	Prepare poverty/target Group guidelines for VEWs and NGO	Complied	
7	Confirm Appointment of Management Advisers (NSC, asap)	New	
8	Conduct baseline survey (NPMO, 15/11/12)	New	
9	Recruit replacement M & E Officer (NSC, 30/6/12)	New	
10	Prepare revised programme for IFAD grant (NPMO/IFAD, 30/10/12)	New	
11	Prepare and submit 2011 RIMs Report (NPMO, 30/6/12)	New	
12	Develop an orientation package(s) for village leaders (NPMO, 30/8/12) report F6	New	
F	Fiduciary Matters		
1	Continue to monitor districts financial reports – timing and quality (Fin Assts in NPCO & PPCOs, On-going)	Reasonable quality reports being made	
2	Establish W/A monitoring sheet (NPCO, on-going)	Not Complied	NPMO, immediat
3	Procure a data based accounting system (NPMO, 30/8/12)	New	
4	Increase SOE threshold to USD50,000 (MoF & IFAD, 30/6/12)	New	
5	Nest Fin Mgt Training to be in Ternate (NPMO & PPMOs, 30/6/12)	New	
6	Establish robust filing systems (all offices, 30/9/12)	New	
7	Establish provincial & district asset & contract registers (PPMO & DPMOs, 31/5/12)	New	
8	Issue formal appointment letter to external auditor (NPMO, 31/5/12)	New	

Appendix 3: Financial: Actual Financial Performance by Financier; by Component and Disbursements by Category

Table 3A: Financial performance by financier

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Financier	Approval (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	49 112	2 532	5%
IFAD Grant			
Co-financier			
Government	14 811	577	4%
Total	63 923	3 109	5%

Table 3B: Financial performance by financier by component (USD '000)

Component	IFAD Loan			IFAD Grant			Cofinancier			Approval
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	
1 – Community Empowerment	349	314	90							34
2 – Productivity Improvement & Integrated Farming Systems	918	565	62							8
3 – Value Chain Development & Marketing	56	44	77							0
4 – Productive Rural Infrastructure	28	14	51							2
5 – Institutional Strengthening & Project Management	1 181	460	39							53

Table 3C: IFAD loan disbursements (SDR, as at 30 April 2011)

Loan	Alloc	Disb	Bal	%	Pending		Total pending	Total Disb & Exp	
					submitted W/A	exp not yet submitted			
Works	4 620 000	0	4 620 000	0.0	0	0	0	0	4 620 000
Equipment & Materials	7 770 000	321 555	7 448 445	4.1	0	0	0	321 555	7 770 000
Building, Studies and Workshops	8 530 000	483 650	8 046 350	5.7	0	0	0	483 650	8 530 000
Grants	4 360 000	58 565	4 301 435	1.3	0	0	0	58 565	4 360 000
Consultants	0	0	0		0	0	0	0	0
Consultants and NGOs	1 990 000	6 354	1 983 646	0.3	0	0	0	6 354	1 990 000
Interest	3 030 000	0	3 030 000	0.0	0	0	0	0	3 030 000
Deposit	0	640 197	-640 197						
Advance									
	30 300 000	1 510 321	28 789 679	5.0	0	0	0	1 510 321	28 789 679
Grant	Alloc	Disb	Bal	%	Pending		Total pending	Total Disb & Exp	
					submitted W/A	exp not yet sub-mitted			
Works	0	0	0		0	0	0	0	0
Equipment & Materials	0	0	0		0	0	0	0	0
Building, Studies and Workshops	175 000	0	175 000	0.0	0	0	0	0	175 000
Grants	0	0	0		0	0	0	0	0
Consultants	60 000	0	60 000	0.0	0	0	0	0	60 000
Consultants and NGOs	375 000	0	375 000	0.0	0	0	0	0	375 000
Interest	65 000	0	65 000	0.0	0	0	0	0	65 000
Deposit									
Advance	0	51 216	-51 216					51 216	0
	675 000	51 216	623 784	7.6	0	0	0	51 216	623 784

Appendix 4: Compliance with Financing Agreement Covenants: Status of Implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section b p 6	There will be two designated Accounts (USD) at the Bank of Indonesia – 1 for the loan and 1 for the grant	Disbursement	Complied	
Section C p4	The Project Completion Date shall be 7 years and 6 months from the date of entry into force of this Agreement.			Cu
Sch 1 I p 1	<i>Target Population.</i> 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	20
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 DPMO	Entry to force	Complied	Pr Co
Sch 1 II 3 and GC	(a) Project staff will be appointed following a	On-going		At

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Section	Covenant	Target/Action Due Date	Compliance Status/Date	Re
7.11	transparent competitive process (b) The PCs and Managers shall not be changed without good reason (c) General all project staff should be maintained in project positions for at least 3 years unless there are pressing reasons to move them			me co ma sit
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 under revision	Cl re
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	20 pa
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 working with World Bank to ensure a consistent approach	Ma pr sin pr
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	In wo wa
GC 7.14	The project will apply best practice with regard to environmental matters and respect the GoI Global warming policies	On-Going		In
GC 8.02	The project shall establish and maintain an appropriate MIS	31/12/2011	Not yet fully in place	Co ha
GC 8.03	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	31/12/2013	nya	
GC 9.02	Detailed financial statements to be submitted to IFAD annually	30/4 each year	Complied	Du th ac re
GC 9.03	Acceptable annual audit report and management letter	30/6 each year	Due 30/6/13	Ap be
GC 11.01	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures	On-going	Complied	

Appendix 5: Physical Progress Measured against AWP&B and Appraisal Targets, Including RIMS Indicators

Narrative Summary	Verifiable Indicators ⁵	Means of Verification	Assumptions
the rural women and targeted villages in Maluku Utara provinces enhanced food security and incomes	<ul style="list-style-type: none"> Income poverty indicators reduced by 50% in accordance with the CMDG1 target for 2015. 25% increase in the ownership of household assets (average value of the household asset index).* Reduction in child malnutrition* (averages for target villages) by 25%. <p>(Targets: 330 villages; 330 federations: 3,300 groups; and 49,500 households).</p>	<ul style="list-style-type: none"> Monitoring of the MDGs. RIMS impact assessment surveys (baseline, annual, MTR and PCR). WFP Food Insecurity Atlas. 	<ul style="list-style-type: none"> Macro-economic and political stability and continued government support for decentralisation. AFS and Province and legislatures support PR approach and strategy
livelihoods (incomes and y) and reduced poverty for people in villages in the two	<ul style="list-style-type: none"> Target group households⁶ with improved food security (months per year reduced from an average of 6 months to below 3 months). Number of poor people disaggregated by sex Number of HHs with safe water Number of HHs with access road to market Number of pro-poor projects, legislation and regulations are enforced at the local or national level. <p>(Targets: number of villages and federations: 330; households: 3,300 groups and 49,500 households).</p>	<ul style="list-style-type: none"> Monitoring of the MDGs. RIMS impact assessment surveys (baseline, annual, MTR and PCR). WFP Food Insecurity Atlas. 	<ul style="list-style-type: none"> Macro-economic and political stability and continued government support for decentralisation. AFS and Province and legislatures support PR approach and strategy
Part A : Community Empowerment and GENDER			
institutions and self-help federations functioning	<ul style="list-style-type: none"> Each of the target villages has developed a practical plan to achieve the project goal and objectives, using participatory appraisal (PAR) and planning methodology 55% of those participating in planning and decision making at village level to be IPs. 60% of SHGs >2 years old assessed as mature 60 % of the 3,300 SHGs and 330 federations functioning effectively (i.e., providing satisfying support service to the members) and financially healthy (i.e., achieving positive growth in assets) Women membership on management committees of SHGs, and federations > 30%. 25% of the SHGs with women leaders. 330 (one per village) community workers operational. 	<ul style="list-style-type: none"> Programme MIS and participatory impact monitoring. Annual RIMS report. Supervision reports. 	<ul style="list-style-type: none"> Villagers participate to envisaged and adopt the approaches promoted
smallholders mobilised and self-federations	<ul style="list-style-type: none"> Each of the 330 target villages facilitated to conduct a Participatory Appraisal (PAR) and Planning during the initial stage of project implementation 49,500 target households (smallholders) receiving project services. 3,300 SHGs (10 SHGs per village and each with 10-15 members) formed. 330 Federations (one per village) formed. 3,300 SHGs and 330 Federations received appropriate training, support, and facilitation for capacity building (e.g., governance, 	<ul style="list-style-type: none"> Programme MIS and participatory impact monitoring. Annual RIMS report. Supervision reports. 	<ul style="list-style-type: none"> Village administrations and villagers accept participatory development approach

⁵ Indicators in bold are the IFAD RIMS Indicators and those with an * are the “anchor” indicators.

⁶ All household and enterprise data is to be disaggregated by the gender of the household head involved, the socio-economic status of the household and whether or not from an indigenous ethnic group i.e. Indigenous People.

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
	<p>business plan, microfinance, marketing, risk management etc.)</p> <ul style="list-style-type: none"> • 1 or more community workers/volunteers were trained in each of the target villages. • Gender activities (gender awareness training and collecting sex disaggregate data) for each of the target village were implemented in a timely manner. 		
Part B : Productivity Improvement and Integrated Farming Systems			
<p>o farmers use improved, production systems and purchased inputs.</p>	<ul style="list-style-type: none"> • 24,750 (50 % of total target HHs) farmers reporting increased production from their plots. • 24,750 (50% of total target HHs) farmers reporting increased herd sizes • 24,750 (50% of total target HHs) farmers adopting technology recommended by the project (by gender). • 12,375 ha (0.5 ha for 25% of total target HHs) with incremental crops grown by crop. • 330 contracts (minimum 1 2-per target village) between producers (groups) and marketing enterprises. • 330 villages operating new sustainable community-based natural resource management schemes (type and length of operation). • >50% of community common property resources under improved management. 	<ul style="list-style-type: none"> • Programme MIS and participatory impact monitoring. • Annual RIMS report. • Supervision reports. 	<ul style="list-style-type: none"> • Assumed rates of technology uptake are achieved.
<p>services improved to increased agricultural by smallholders.</p>	<ul style="list-style-type: none"> • 37,125 (75%) households accessing technical advisory services facilitated by the project. • 1,980 (2 per village per year for 3 years) demonstrations held on farmers' land. • 49,500 target group hh attending dissemination/extension events • 75% of animals vaccinated, by type. • 24,750 (50% of total target HHs) farmers using purchased inputs. • 49,500 people trained by sector (m/f). • 3 300 community management groups formed/strengthened. • 330 resource management plans enacted. • 15% of village land area improved through soil and water conservation measures. 	<ul style="list-style-type: none"> • Programme MIS and participatory impact monitoring. • Annual RIMS report. • Supervision reports. 	<ul style="list-style-type: none"> • Appropriate low input environmentally sustainable technology available.
Part D	Value Chain		
<p>groups and unions/operating as successful the value chains for the commodities.</p>	<ul style="list-style-type: none"> • 330 functioning marketing, storage and/or processing groups/facilities. • 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. • Marketed production of farm products increased by 25 20 % toward baseline data gain in the first year of project implementation • More than 70 50% of the processing and marketing groups are assessed as mature. • 50 % of Federation formed has marketing linkages (Targets: number of villages and federations: 330; households: 3,300 groups and 49,500 households). 	<ul style="list-style-type: none"> • Programme MIS and participatory impact monitoring. • Annual RIMS report. • Supervision reports. 	<ul style="list-style-type: none"> • Assumed rates of market uptake are achieved.
<p>of services to improve by the self-help unions/federations.</p>	<ul style="list-style-type: none"> • 330marketing facilities constructed/rehabilitated. • 330 processing facilities established. 	<ul style="list-style-type: none"> • Programme MIS and participatory impact monitoring. 	<ul style="list-style-type: none"> • Appropriate market opportunities available.

Component Summary	Verifiable Indicators	Means of Verification	Assumptions
	<ul style="list-style-type: none"> 330 on-farm storage facilities constructed/rehabilitated. 	<ul style="list-style-type: none"> Annual RIMS report. Supervision reports. 	
Component E			
Developed small-scale agricultural infrastructure in the target villages with community organisations for their operation and/or maintenance.	<ul style="list-style-type: none"> >330 community projects functional by type. 12 375 ha (25% of total target HHs) farmers with sustainable access to water resources Opening access to local market. km of farm production and access roads being maintained. (Targets to be based on the village development plans and included in the district AWPBs).	<ul style="list-style-type: none"> Programme MIS and participatory impact monitoring. Annual RIMS report. Supervision reports. 	<ul style="list-style-type: none"> Communities assume responsibility for O&M
Component E			
Rural infrastructure	<ul style="list-style-type: none"> 330 water harvesting structures constructed. 3 300 farmers working on new/rehabilitated irrigation schemes. 330 irrigation schemes rehabilitated/constructed. km of road rehabilitated/upgraded. 330 user groups formed. 	<ul style="list-style-type: none"> Programme MIS and participatory impact monitoring. Annual RIMS report. Supervision reports. 	<ul style="list-style-type: none"> Villagers agree to be p with the community pa in procurement proced
Component F			
Completion on time and budget.	<ul style="list-style-type: none"> Project implementation is completed within 8 years and all accounts are closed with 8.5 years. Minimum 75% of target smallholders HHs satisfied with the services provided. Involvement of 3 300 SHGs and unions/federations in planning and M&E. 	<ul style="list-style-type: none"> Programme MIS and participatory impact monitoring. Supervision reports. 	<ul style="list-style-type: none"> Government budget a funds disbursed on tim
Component F			
Project management and	<ul style="list-style-type: none"> >90% disbursement of the IFAD Loan. NPMO, PPCOs and DPIOs hire all specialist services required in a timely fashion. M&E activities implemented in a timely and efficient way, starting within six months of loan effectiveness. Adherence to planning and reporting procedures and formats. Complete and accurate financial records prepared and audited annually. 	<ul style="list-style-type: none"> Programme MIS and participatory impact monitoring. Annual RIMS report. Supervision reports. 	<ul style="list-style-type: none"> Government budget d time.

Appendix 6: RIMS Tables

To be included after First RIMS report due in June 2012

Summary Output Monitoring Tables (as of 31/12/2011)

Component/Indicator	Unit	Total Project			Current Year		
		Plan	Actual	%	Plan	Actual	%
A Community Development & Gender							
People Receiving project Services	no	247 500	9 900	4.0			
Federations Formed	no	330	5	1.5			
SHGs Formed	no	3 300	133	4.0			
Members							
- men	no	33 165	1 033				
- women	no	16 335	897				
Total	no	49 500	1 930				
SHGs Operating	no	3 300	133	4.0			
Women headed Federations	no	99					
Women Headed SHGs	no	990					
Community Workers Trained							

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- Women	no	110					
- Men	no	220					
Total	no	330					
Savings							
- Value	Rps (M)						
- per member	Rps						
Loans							
- Value	Rps (M)						
- no	No						
- recovery on time	%						
Matching Grants							
- value	Rps (M)		698				
- SHGs	No		108				
B Productivity/Farming Systems							
Increased crop prod	no	24 750					
	yield inc kg						
	ha	12 375					
Increased herd and flock prod	no	24 750					
	% increase						
	kg						
Crop Demos	no	1 980					
Farmers trained							
- men	no	33 165					
- women	no	16 335					
Total	no	49 500					
Animals vaccinated	no	49 500					
C Value Chain Development							
Marketing Linkages	Grps no	330					
	Farmers no						
Federations Actively Marketing (indicate key crops)	no	330					
Value Chain Assessments complete	no	35					
D Productive Rural Investments							
Marketing Facilities Established	no	110					
Processing Facilities Established	no	110					
On-Farm Storage facilities	no	110					
Water Harvesting structures	no						
irrigation schemes							
New							
Schemes/user groups	no	165					
area	ha	6 200					
farmers	no						
Rehabilitated							
Schemes/user groups	no	165					
area	ha	6 175					
farmers	no						
Access roads	no	330					
	km	2 000					
Community Projects	no	660					

Appendix 7: Learning and Innovation

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

The project has made good use of PIDRA lessons although there is a tendency to apply them literally without adaption to the market orientation of SOLID. For instance, a lesson learned in the Indonesian country programme has been the need to rectify the focus on social mobilization as an end – rather than a means to an end. The understanding of this concept requires reinforcing and support within the MOA.

IFAD's significant investment in facilitating a start-up and providing early implementation support (refer to Appendix 10) is paying dividends and reflected by the high level of ownership at the provenance and district levels. This has been an issue in the past in IFAD project in Indonesia.

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

The project has not fully recognised the importance of establishing a well-founded MIS that can support decision making and reflect on the constrictive use of loan resources. There are a number of reasons for this: capacity, over design on M&E, motivation and incentives for staff, and particularly clarifying and supporting M&E system development.

Innovation: Describe any interesting innovation noted during supervision

The adoption of a draft 'code of practice (COP)' that incorporates delivery standards for both the project and IFAD is progressing. One positive aspect has been the agreement I to incorporate detailed specifications for procurement actions in the AWPB – this is intended to address (at least partially) the chronic delays in procuring goods and services

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

There are good prospects for the other projects in Indonesia to adopt the COP as a means of improving the timeliness of key management practices.

Appendix 8: Audit Log

1. Summary Audit Table

Audit 2011 – due 30 June 2013

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit O	
	Numbers	Value (Rps)	Numbers	Value (Rps)	Numbers	
2011						
2012						
2013						

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2014						
2015						
2016						
2017						
2018						
Total :						

2. Detailed Audit Table

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	To n o
1				.				

Appendix 9: Summary of Implementation Support Provided by IFAD

Date	Purpose	Composition	Output
13 – 19/11/11	Start-Up Workshop & Implementation Support	CPM, Regional Results based Management Officer, Regional KM Officer	Mission Note
20 – 27/11/11	Start-Up Implementation Support Phase 2	Implementation Specialist (consultant)	Aide memoire
1 – 10 February 2012	Procurement and Fiduciary Training and Implementation Support	IFAD Portfolio Advisor/ Procurement Officer	Training of staff
4 – 14 March 2012	M&E Implementation Support Mission	IFAD Results Based Management Officer	Training of staff, revised logframe and M&E Plan
26 April – 12 May 2012	Full IS & S Mission	CPM, Agriculture Econ/Impl Spec, Financial mgt Spec, ComDev Spec, M & E officer , and NCO	Aide memoire & Mission report
<i>November 2012</i>	<i>F/Up IS & S Mission</i>	<i>T/ler Imple & Ag Econ, tbc based on budget available</i>	<i>Aide memoire</i>

Italics indicates planned missions

Travel Times by Province and District					
Code	Province & District	Mode of Travel and Time			
		Road	Sea	Air	Inter-district
1	Maluku	hours			
1.1	Baru	na	9	na	
1.2	Baru Selatan	na	10	na	
1.3	Maluku Tengah	na	2	na	Up to 5
1.4	Seram Bagiam Barat	na	4	na	
1.5	Seram Bagiam Timor	na	4	na	
	Nb - it is only possible to travel from Ambon - inter-district travel is not possible				
2	Maluku Utara	from Ternate to Sofifi - 2 hours by ferry			
2.1	Halmahera Utara	3.5	na		
2.2	Halmahera Timor	2	na		
2.3	Halmahera Tengah	3	na		
2.4	Halmahera Barat	1	2(a)		
2.5	Halmahera Selatan	9	na	1 (b)	
2.6	Sulu	10	na	1 (b)	
	(a) from Jailolo				
	(b) from Ternate				