

Republic of Indonesia

Smallholder Livelihood Development Project in Eastern Indonesia

Supervision report

Main report and appendices

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Abbreviations and acronyms

<i>APBDI</i>	<i>Anggaran Pendapatan dan Belanja Daerah</i> (Provincial Annual Budget)
<i>AFBDII</i>	<i>Anggaran Pendapatan dan Belanja Daerah</i> (District Annual Budget)
<i>APBN</i>	<i>Anggaran Pendapatan dan Belanja Negara</i> (National/State Annual Budget)
AFS	Agency for Food Security (MOA)
AFSE	Agency for Food Security and Extension
AHW	Animal health Worker
AIATS	Assessment Institute for Agricultural Technology
AsDB	Asian Development Bank
BIC	Bureau of International Cooperation (MOA)
AWPB	Annual Work Plan and Budget
<i>Bappeda</i>	<i>Badan Perencanaan Pembangunan Daerah</i> - Regional Development Planning Agency
<i>Bappenas</i>	<i>Badan Perencanaan Pembangunan Nasional</i> - National Development Planning Agency
<i>BPKP</i>	State Finance and Development Supervisory Board
<i>BPD</i>	Elected village representative body
<i>BPP</i>	Sub-district Extension Office
<i>Bupati</i>	District Mayor
CBS	Central Bureau of Statistics
COSOP	Country Strategic and Opportunities Programme
CVO	Commercial Village Officer
<i>DEMAPAN</i>	Village Self Help Food Reliance Programme
DTEC	District technical and Extension Committee
<i>Dinas</i>	Department
<i>DIPA</i>	Annual Budget Document
DPIO	District Project Implementation Office
DTEC	District Technology and Extension Committee
EIRR	Economic Internal Rate of Return
FF	Farmer Facilitator
FSEA	Food Security and Extension Agency
<i>Gapoktan</i>	Federation of Farmers' Groups at Village Level
<i>GERNAS- Kakao</i>	Cacao Development Programme
GDI	Gender Related Development Index
GDP	Gross Domestic Product
GNI	Gross National Income
GRDP	Gross Regional Domestic Product
GRF	Group Revolving Fund
HDI	Human Development Index
HPI	Human Poverty Index
IAARD	Indonesian Agency for Agricultural Research and Development
ICATAD	Indonesian Centre for Agricultural Technology Assessment and Development
IDR	Indonesian Rupiah
IRR	Internal Rate of Return
<i>KADIN</i>	<i>Kamar Dagang dan Industri</i> – Indonesian Chamber of Commerce and Industry
<i>KPPN</i>	Ministry of Finance Treasury Office
<i>LPM</i>	Committee for developing community programmes (village level)
MCDC	Mars Cocoa Development Centre
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MIS	Management Information System
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOHA	Ministry of Home Affairs

MTDP	Medium-Term Development Plan (2010-2014)
MTR	Mid-Term Review
NGO	Non-Government Organisation
NSC	National Steering Committee
O&M	Operation and Maintenance
NPMO	National Project Management Office
PCR	Project Completion Review
PDR	Project Design Report
PIDRA	Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas
PM&E	Participatory Monitoring and Evaluation
<i>PNPM-Mandiri</i>	National Programme for Community Empowerment
<i>PMD</i>	Directorate General of Village and Community Empowerment (MOHA)
<i>PPL</i>	<i>Penyuluh Pertanian Lapangan</i> - Government village extension workers
PPCO	Provincial Project Coordination Office
PTEC	Provincial Technology and Extension Committee
<i>PUAP</i>	Village Agribusiness Development Programme
R&D	Research and Development
READ	Rural Empowerment and Agricultural Development Programme
RIMS	Results Impact Management System
DA	Designated Account
SDR	Special Drawing Rights
SHG	Self-help Group
SOLID	Smallholder Livelihood Development Project in Maluku and North Maluku
SPADA	Support for Poor and Disadvantaged Areas
SVA	Sustainable Village Approach
TA	Technical Assistance
<i>THL</i>	Contracted government extension staff
TNA	Training Needs Assessment
TOR	Terms of Reference
UNDP	United Nations Development Programme
USD	United States Dollar
VC	Value Chain
WA	Withdrawal Application
WFP	World Food Programme
WSSLIC	Water Supply and Sanitation for Low Income Communities

A. Introduction¹

1. The Smallholder Livelihood Development Project in Eastern Indonesia (SOLID) was approved at the IFAD Executive Board in May 2011. The project became effective in July 2011 and will close in July 2019. 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 in Maluku and North Maluku.
2. A 3rd IFAD Joint Review Mission for the SOLID was undertaken between the 22nd April and the 7th May 2013 to review the Project's progress towards achieving the agreed objectives and results. In undertaking this assessment, the Mission reviewed the quality, efficiency and effectiveness of Project implementation and the overall performance since the last joint review Mission in November 2012. As the Project has now been under implementation for two years, the Mission was tasked with providing support and guidance for a potential early mid-term review, which may be undertaken in November 2013.
3. The Mission undertook initial consultations in Jakarta before moving to the Project areas to undertake field visits to review activities on the ground and to consult with local stakeholders including provincial and district governments, target beneficiaries and other partners. The Mission spent five days (22 – 27 April) in North Maluku Province (Halmahera Barat) and five days (28 April – 2 April) in Maluku Province (Seram Bagian Timur). The target districts visited were selected based on the supervision sampling frame developed by IFAD. Key staff from all districts attended a half day review workshops held at the completion of the field work in each of the project provinces. A wrap-up meeting was held on Tuesday 7 May 2013 chaired by the Secretary of the Food Security Agency of the Ministry of Agriculture and was attended by all Provincial and District Heads of Food Security/Agricultural Agencies, all provincial and district coordinators, M & E and Community Development and Gender staff. The Government of Indonesia was represented by the Ministry of Agriculture (MoA), BAPPENAS and the Ministry of Finance (MoF).
4. The Mission expresses its appreciation to all the stakeholders, Project staff and beneficiaries for their cooperation, assistance, and contribution to the agreed key actions in a positive and collaborative manner.

B. Overall assessment of SOLID implementation

5. The overall assessment of the Project remains **moderately satisfactory**. The Project remains “potentially at risk” applying IFAD’s performance assessment criteria.
6. 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 good 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 is urgently required related to the integrated nature of the project activities and particularly the value chain approach proposed under the project. Currently all project activities are implemented in parallel rather than being driven by a coordinated planning process focussed on identified market-based opportunities. The activities of both the Farming Systems and Infrastructure Components should be seen as inputs to achievement of the value chain component outputs and the SOLID objectives.

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Table 1: Summary Implementation Progress of SOLID

Component	Progress	As percentage of Annual Plan	As percentage of Appraisal	Remarks
Empowerment and Gender				
	417 SHG formed	91	13	High annual achievement
	99 community workers trained	92	30	
	4963 SHG members	73	10	
	117 groups are with women in leadership position,	69	14	
	1985 people received training in community management topics	29	4	Low annual achievement
Productivity Improvement and Integrated Farming Systems				
	5130 people received facilitated advisory services from the Project	86	12	
	4484 people trained in crop production and technology	66	9	
	3731 people were trained in livestock production and technology	55	8	
Value Chain Development and Marketing				
	1,463 people were trained in business and entrepreneurship skills	21	3	There are No NGO facilitators
	25 processing facilities constructed	83	25	
	13 storage facilities were constructed	43	9	
	4584 people trained in post-harvest processing and marketing	67	9	
Infrastructure				
	5 KM of roads constructed	15	3	Low annual achievement.
	24 Drinking water systems constructed/rehabilitate	36	24	

7. The Project performance has been constrained by management and coordination issues. There have been critical delays in executing priority procurement processes such as the recruitment of the NGO for community empowerment, which if not resolved, has the potential to negatively impact on the quality and sustainability of project activities. There are also issues of communication and decision making between the various project institutional levels which are creating frustration, particularly at the district levels. There needs to be better improved proactive leadership in managing project activities and addressing issues as they arise.

8. The Project has the opportunity to significantly improve the performance, pace, and quality of implementation by focussing on four key strategic areas: (i) strengthening the timeliness and quality of management and coordination; (ii) effecting the procurement of the community mobilisation NGOs, TA and key vehicle and equipment needs; (iii) focus more clearly on adopting the value chain approach envisaged in the project design; and (iv) ensuring effective and timely use of allocated budgets. Based on this four priority actions have been identified to assist the project in gaining momentum.

Priority Agreed Actions	Responsibility	Agreed date
I Recruit provincial NGOs for community mobilisation	NPMO/PPMO & IFAD	31 July 2013
II Mobilise Value Chain Teams at district levels	NPMO/PPMO/DPMO & IFAD	Start 1 June 2013
III Establish timely and accurate reporting practices for improved management	All Project offices	From 30 June 2013
IV Ensure regular management and coordination visits to build trust and address key implementation issues	NPMO/PPMO/DPMO	Immediate

C. Outputs and outcomes

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.*

9. The performance of the Community Empowerment and Gender Component is considered to be moderately satisfactory. The overall progress in terms of SHGs formed for this component is 80.3% of the cumulative targets to December 2012 (or 13 per cent of the PDR target) in terms of SHGs formed has been achieved. The Project has generally performed well in targeting poor villages. In accordance with the project design and more than 60 % of the population are indigenous, typically around 40% of the households are poor and more than 10% are woman headed. The Project outputs achieved under component 1 are summarized in in Table 2.

Table 2. Cumulative Project Output for Community Development Component, 2012

Indicator	AWPB	Actual	%	Appraisal	Actual	%
SHGs	456	417	91	3300	417	13
Federations *)	108	99	92	330	99	30
SHG members	6840	5888	86	49500	5888	12

Source: Project RIMS 2012. Note: *) The number of federations/villages is the same as the number of village plans which is recorded in the RIMS

10. Whilst the physical achievements are satisfactory there are some concerns over the quality of social mobilization. As a result of the delayed recruitment of NGO service providers in each of the two provinces the community empowerment activities have been undertaken by the Ministry of Agriculture. The formation of SHGs by already overly-burdened village extension workers (PPLs) who are not trained in group formation and dynamics means that the quality and sustainability of many groups may be of concern.

11. Due to central government budget restrictions the project has not formed any new SHGs or Federations since June 2012. The Project now plans to form an additional 3 SHGs in each of the 2011 villages and 5 SHGs in each of the 2012 villages by the end of 2013. The mission recommends that the project should suspend forming any new SHGs until the NGO has been mobilized and is fully operational. Furthermore, the creation of federations should also be deferred, pending the establishment of clear roles and responsibilities in support of value chain development and the appropriate guidelines developed for them. This will need to emphasise that the main focus of federations should be where SHGs elect to combine actions for improving market access and performance. The federation activities and budget will be re-oriented to more completely support value chain development initiatives.

12. 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. Considering the Project goal which is to improve the livelihoods of the smallholders, the village selection criteria can be simplified by focusing on poor villages where smallholders are the majority of the residents (in the selected target districts and sub-districts). Similarly, the selection criteria for the beneficiaries can also be simplified by focusing on poor smallholders in the selected villages. This modification will help the Project to effectively integrate its community development component and the other components to improve the livelihoods of the smallholders (beneficiaries). The Project also needs to adjust its definition of the poor 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 (Tim Nasional Percepatan Penanggulangan Kemiskinan, TNP2K). In undertaking this process, the Project should apply a transparent and participatory approach that involves the poorer sections of the village population and the community leaders.

13. With respect to savings and credit and revolving funds, the mission notes that all SHGs have initiated saving activities and are applying varying policies with respect to interest and repayment terms for credit. There are generally 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 for the compulsory saving ranges from IDR 1,000 to IDR 10,000 per month. The amount for the voluntary saving is flexible depending on the member. The mission recommends that there needs to be consistent guidelines developed to improve funds management and that there needs to be an improved focus on using matching funds and savings to support value chain based initiatives. The Project needs to improve the quality of its facilitation and capacity building for credit and micro-lending activities.

Agreed action	Responsibility	Agreed date
1. Modify the village selection criteria	PPMO/DPMOs	30 June 2013
2. Include literacy training for members of the SHGs as one of the NGOs' responsibilities in the TOR	PPMOs/NGOs	From 1 Sept 2013
3. Hold orientation workshops for NGO staff on SOLID and its methodology	PPMOs, NPMO and IFAD	15 August 2013
4. Provide follow-up training for village extension workers on SOLID socialisation	DPMOs, PPMOs and NGOs	On-going
5. Implement for new SHG formation and for all SHGs development activities in accordance to the guidelines	DPMOs/NGO	From 1 Sept 2013
6. Amend the SHG and federation eligibility indicators for matching funds and apply the assessment instrument	DPMOs/IFAD	30 June 2013
7. Improve capacity building facilitation for the SHG micro-lending and saving activities	DPMOs/NGO	From 1 Oct 2013
8. Improve capacity building facilitation for financial literacy and saving behaviour of the individual beneficiaries	DPMOs/NGO	From 1 Oct 2013

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.*

14. The performance of the Productivity Improvement and Integrated Farming Systems Component is considered to be moderately satisfactory.

15. Overall, while there has been sound progress in undertaking activities and achieving outputs, the effective implementation of this component is constrained by the limited understanding related to incorporating market demand in the decision making related to the selection of types of activity to be demonstrated and also by a lack of documentation of the outputs of the demonstration plots that form the core of SOLID Farming systems development.

16. The project has made good progress in implementing a number of demonstration plots (demplots) within each SHG. However, while this has been undertaken with enthusiasm, there appears to be no consistent approach to demplots or clear strategy to promote adoption. Firstly, there is a lack of clarity around the role and purpose of a demplot. For example, they are not intended to be self-contained income generating or household (HH) food production enterprises but rather should demonstrate the advantages of particular improvements or changes to a farming system – generally around introduction of new or improved varieties (genetics), plant nutrition and pest control, for instance new or improved production techniques that can enhance market returns. There is a slowly emerging realisation that under a value chain approach, farming systems can be adjusted based on market signals. Secondly, SHGs have adopted a wide range of demplot crops and enterprises which

are, causing additional workload for already overburdened village extension workers. For example on Silohan Village of Seram Bagian Timor District, Maluku, there are a total of 60 households in the village; there are 6 demplots covering six different enterprises. Thirdly, there is an assumption that all demplots must have a farming systems focus. However there are significant opportunities to enhance value chain development by demonstrating post-harvest systems improvements as well, for example by improving the drying of products such as nutmeg or cloves. Traders also reported that many farmers had an urgent need of instant cash that takes precedence over product quality in many instances. Finally, there is a general lack of objective measurement of physical results and subsequent financial analysis associated with demplots. Village Extension Workers and SOLID staff both seem to miss the critical point that if there is no measurement, both physical and financial, there is little or no learning. As a result, many SHG decisions around demplots are being made without adequate objective information.

17. The inevitable results of this situation are that: (i) the primary objective of any demplot – the adoption of the improved technologies by individual SHG members– is not being achieved; and (ii) there is considerable wastage and inefficient application of demplot budgets.

18. With respect to Farmer Field Schools (FFS), despite some attempts in individual districts, they are basically not being delivered as envisaged in the project design. Where there has been FFS delivery, the approach has been to spend around 4 days preparing for one day of classroom and one day of field teaching. Clearly, this is not an FFS in the intended fashion. A properly planned and implemented FFS will span a significant period time, covering at least the full production cycle from seed bed preparation to harvest. In the context of SOLID, an FFS should extend into post-harvest teaching as well. As a result, the FFS budget is either not being spent or not being used optimally.

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.*

19. The performance of the Project implementation of the Value Chain Development and Marketing Component is considered to be moderately unsatisfactory.

20. The role and function of the Value Chain Component is still not adequately understood by project stakeholders. As a result staff, at all levels, and farmers are struggling to understand how other components can contribute to the achievement of meaningful value chain enhancements that will ultimately be reflected in improved incomes for individual SHG members.

21. However, there are some significant achievements. One SHG is adding value to coconuts by extracting coconut oil for sale to a processor who further processes the oil into coconut cooking oil while another SHG is processing and packaging peanuts for sale. This SHG has established value chain links with other SHGs which produce peanuts for sale. However, what is needed is a methodical approach for all SHGs to identify market opportunities and link to value chain opportunities. At the moment there are no clear value chain entry points for this to happen on a broad scale. The implementation of the district village value chain plan (see below) will be a key factor in overcoming this understanding challenge.

22. While there are the beginnings of a broader level of understanding that successful value chain outcomes revolve around three things - quantity of output, quality of output (and hence product price) and value chain efficiency, there is no comprehensive strategy available to SHGs to ensure improved outcomes. Rather, because of the current focus on farming systems and greater product output, many SHGs simply see the value chain component as the way to dispose of additional opportunistic crop surpluses.

23. There is general lack of market related information available to SHGs. A large part of the reason for this is the failure by SOLID staff to engage traders as stakeholders in the Project. While traders are business people and as such will act in their own best interests, those interests will frequently overlap with farmer interests. Traders must be seen as part of the solution, not part of the problem. There is no formal process to link with traders to obtain market feedback, nor is there any strategy to link with traders for them to offer advice on structuring and running post-harvest

“demplots”. However, some traders are using crop advance payments as a strategy to “capture” suppliers before harvest, often at a discount price. Indebtedness amongst small farmers is undoubtedly something that significantly increases their vulnerability to traders, and in addition, can encourage farmers to sell at sub-optimal quality levels. But there has been no structured attempt to use SHG Matching Funds to counter this situation.

24. To capture value chain opportunities, not only must there be a Project strategy to do so, but there needs to be a strong capacity to analyze value chain opportunities such as extending participation further along the value chain – beyond the village, calculating and understanding the margins of various value chain players. Just as with demplot outcomes, potential efficiency options, for instance, SHGs dealing directly with retailers rather than via an intermediary trader must be analyzed for risks and potential financial benefits. Taking opportunities at higher points in the value chain, according to the relative risks and returns, may be an option for some SHGs while not for others. But the important issue is that the calculations and decisions are made on the basis of full knowledge. As with farming systems analysis, without this capacity and discipline, SHGs will be making value chain related decisions without adequate information.

25. In addition to SHGs and traders, the SOLID design envisages the establishment of village level Federations (see Component I) – essentially an umbrella group of SHGs which will assist, support and coordinate SHG linkages to the Value Chain. However, this role is not well understood within the Project. As a result, Federations are constrained by a lack of clarity of their role. 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 (in one case using 50% of the village infrastructure to build and stock a village farm supply store), 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. Against this backdrop, the pending disbursement of Federation Self Help Grants is risky and likely to lead to considerable wastage of valuable Project resource.

26. Much greater recognition is needed that the Value Chain Component is the lead component in SOLID. The activities of both the Farming Systems and Infrastructure Components should be seen as inputs to achievement of the value chain component outputs and SOLID objectives.

27. This will require less focus on wholesale formation of SHGs – as agreed (see para 14) the focus pending the mobilization of the NGO should be to consolidate the performance of the approximately 400 SHGs established to date (252 in North Maluku and 143 in Maluku).

28. This will also require consolidation to a priority list of not more than 12 crops or products. Again, until the methodology for a value chain focus is clearly established, and there is clear evidence of sustained value chain enhancement that improves SHG member livelihoods, SOLID staff should encourage focus on good results for important crops and products. A possible list should be established for each district and may for example include: sago, upland rice, cassava, cloves, nutmeg, peanuts, coconuts, cacao, vegetables, rambutan, and bananas. Such a focus will help to reduce the pressure on village extension workers as well. There will be pressure to expand this list to accommodate various personal or local preferences. This should be resisted – the objective here is a simpler, more relevant, understandable set of value chain starting points.

29. Further, it is recommended that in order to bring coherence, each SHG be limited to one product value chain per year. In the interests of clarity and commonality of issues, it is suggested that the 12 crops or products be classified into 3 groups which have a number of common issues or opportunities:

- i. perishable crops with a relatively short value chain – typically fruit and vegetables
- ii. non-perishable crops with longer value chains – typically estate crops
- iii. crops with processing or value adding potential – could include any product according to opportunity and potential e.g. fermentation of wet cocoa beans.

30. Once the list of priority crops or products has been established, and the market research has been undertaken by the Value Chain Team to identify the value chain enhancement opportunities for each crop or product, a DCVCP can be prepared which will provide SOLID staff, Village Extension Workers and SHG members a consistent and agreed a plan for each crop or product. This should greatly enhance efficiency of resource application, outcomes, management and monitoring.

31. Value Chain staff from national, provincial and district levels should form a value chain team (VCT) that will be responsible for preparation of a District Value Chain Plans (DVCP) which, will clearly spell out, for each priority crop the type of issues that need to be addressed. The Value Chain team in each district should undertake discussion with traders, retailers and processors to establish a list of up to (say) five issues or opportunities for improving the market returns for each priority product. This list for each crop will lead directly to the value chain enhancement activities required for each SHG. Again, if required, this list can be reviewed to fit each SHG's specific situation.

32. For each of these priority crops or products listed, how they will be addressed and monitored and what they will cost needs to be developed in the DVCP. These DVCPs will be made available to Village Extension Workers who can fine tune and refine the relevant parts of each plan to adapt it to the specific in that SHG in that village. This will encourage ownership at village level while ensuring consistency of approach across the Project – thus enhancing not only Value Chain performance but ease of management reporting as well. In outline the DVCP includes a rationale, objectives, expected outcomes, activities, planning and budgeting, risks, M & E and the financial analysis.

33. In summary the following steps need to be taken sequentially: i) form the value chain team (ii) prioritise the list of crops, iii) as a learning experience the value chain team should undertake two tasks - market/trader consultations and the preparation of a pilot DVCP in each district (the first of which in each province should include support from an IFAD consultant) iv) review lessons learnt and amend the approach for 2014.

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.*

34. The performance of the Productive Rural Infrastructure Component is considered to be moderately satisfactory.

35. As the project is still in its early phases with respect to community mobilization and empowerment, the productive infrastructure activities, which are to be based on value chain investment opportunities, have not fully commenced. This is in line with the project design. The Project intends to improve small-scale rural infrastructure through the provision of community grants to finance village proposals for productive rural infrastructure. At present however there is some misunderstanding regarding the purpose of the projects infrastructure investment between investments in social infrastructure and productive infrastructure. The mission clarifies that the project design report is clear in that the infrastructure investment is only for productive activities in line with the identified opportunities for agricultural development.

36. Currently, communities may choose from a prescribed list of options that includes meeting rooms, village wells, community drying floors, farm roads, irrigation – tanks, pipes, well, etc. Some of the initial infrastructure inspected in North Maluku (drying floors and village wells) appeared to be well constructed. Infrastructure construction proposals are well presented and generally clear. However, they lack operational and maintenance plans including an O&M funding plan that clearly defines how these funds will be raised. The SOLID design document also stipulates that any land required to build community infrastructure funded by SOLID should have a land grant agreement from the Village Head as part of the proposal presented for approval. This is currently not the case and the project must ensure that infrastructure choices, including the location and access should all be made by the wider community with women and young people presenting their own priorities. Once constructed the SOLID community assets should be passed over to the Village Head for on-going management under his guidance

37. The Mission received several requests for the Project to include processing or post-harvest related equipment under the productive infrastructure component. It was clarified that the project does provide matching funds under the Value Chain and Marketing Component to support investment in equipment and processing. The current village budget allocation is summarised in Table 3:

Table 3: Current Village Budget Allocation for SOLID Activities

	Budget Item	Allocation (IDR million)
1	SHG Matching Fund	9
2	Federation Matching Fund	35
3	FFS	11
4	Demplots	10
5	Infrastructure	75
6	Total Resources Available	140

Agreed action	Responsibility	Agreed date
10. Establish a priority list of crops/products	PPMO & DPMO	30 June 2013
11. Classify crops/products by type of value chain	PPMO & DPMO	30 June 2013
12. Hold structured discussions with traders, retailers and processors	VCT	31 July 2013 31 October 2013
13. Establish one pilot DVCP per district	VCT	2013

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.*

38. The implementation of the Institutional Strengthening and Project Management is considered moderately unsatisfactory.

39. The effectiveness of SOLID implementation has been hampered by less than satisfactory project management and issues of communication between each of the project institutional levels. The SOLID project design with its value chain focus in difficult and remote areas is challenging and necessitates strong management and leadership. So far this has been lacking and a significant improvement is required at all levels for this project to achieve its objectives. Considerable attention has been given to this issue by the IFAD country team and previous missions. For the first time there appears to have been recognition, both institutionally and importantly at the individual level that this situation is negatively affecting the Project. As a consequence a more focused mentoring approach for project management has been agreed that needs to have positive impact over the coming months.

40. Most positively, there is a growing sense of ownership of management responsibilities at the District and Provincial offices where issues, problems and solutions are being identified to improve management of the Project. Necessary staff have all been recruited, and the replacement national officers for M&E, Value Chain and Farming Systems occurred in February, 2013. Despite this progress, there remains a major leadership and coordination vacuum. This is reflected in a lack of progress in addressing the key implementation issues that have been identified by earlier Missions and also in the Provincial progress reports. It is critical that Ministry of Agriculture and IFAD actively support better and timely decision making, management and coordination especially at the national level but also at the provincial level.

41. The District Management teams have been able to implement the Project as per the AWPB and generate outputs, but the value chain component of the Project has not been fully initiated as there is a lack of understanding of the concept and development of value chains across the Project. Value Chain focal points are relatively new, with inadequate capacity and experience and without clear guidelines and clarity they were not in a position to implement this component rather thoroughly.

42. As indicated, there is an urgent need to recruit the two provincial NGOs to facilitate the Project at the village level. The contracting process to recruit NGOs is not yet completed because of unclear lines of communication between the provincial and national offices. This has resulted in SHGs having insufficient Project information and vision to enhance their livelihood and food security.

43. The Project has utilized 44% of the total allocation of Rp.2.56 billion for technical assistance, but this assistance has by and large been ineffective, as the recommendations of the review report prepared by PT Kacindo Danatya in December 2012, have not yet to been disseminated or discussed within the Project. The report is comprehensive but needs to be thoroughly reviewed by all levels of the Project to ascertain how useful and practical are its proposed guidelines and recommendations.

44. These limitations are compounded by the lack of activity with regard to comprehensive institutional development. There has been no coordinated training needs assessment based capacity building. The consequence of this is that whatever training has been provided has been administrative focussed rather than technical. There is a need for a comprehensive curriculum and training methods development in support of value chain and agribusiness by strengthening local regional training capacity for enterprise resource assessment and planning value chain activities at the community level. This could be piloted through the Project to build capacity at different levels of the agricultural production and marketing systems. It was agreed that the Food Security Agency of MoA and IFAD will prepare a revised detailed institutional capacity building programme that will focus initially on the SOLID provinces for value chain planning, enterprise and gross margin analysis and integrated village farming systems analysis and development. In developing this programme to effectively use the available grant financing, consideration will also be given to facilitating post-harvest demonstrations and associated capital grant financing for key value chain commodities. This should form the basis for the revised plan for use of the capacity building grant funding.

Agreed action	Responsibility	Agreed date
14. Review the TA proposal considering the type of consultant requirement and revise ToRs as per emerging needs.	NPMOs	31 May, 2013
15. The MoA needs to review the Project leadership and project management capability at all levels, provide necessary support and/or make necessary changes	Food Security Agency, MoA and IFAD	Immediate with review 30 Sep 2013
16. Improve staff capacity to manage the Project by orienting them to the Project methodology and Project execution process through learning by doing with VC plans	NPMO , National VC adviser and VC teams with IFAD support	June and July, 2013 31 July 2013
17. Clearly distinguish the roles of Consultants and NGOs.	NPMO & PPMO	
18. Prepare an agricultural business capacity building programme using the grant finance	IFAD & Food Security Agency, MoA	30 June 2013

D. SOLID implementation progress

45. **Planning Process** Since the value chain planning process is in its formative stage, it has become a challenge for the Project to incorporate the value chain activities and integrate the investment outlays of the Project in the current annual planning process. The market driven approach needs to become a part of the annual village plans. These are to be reviewed and consolidated by the District Offices as a critical part of the Project AWPB, which will be prepared by using the Results Oriented AWPB template provided by the National Office. Effort is required to link various streams of available funding to planned Project activities and setting realistic physical and financial targets.

46. **Monitoring and Evaluation.** The implementation of the M&E system is considered to be moderately unsatisfactory. The Project has put in place a monitoring and evaluation system, which has enabled the districts and provinces to establish data sets for monitoring and reporting to Government of Indonesia and IFAD. The Project has reported on the RIMS first level annual monitoring indicators for 2012. It completed the baseline survey in the month of December 2012. Since there are number of commercial production, value addition and marketing activities going on in

the Project, the log frame has been revised to include indicators to collect output data of these activities. All the log frame indicators need to feature in the RO-AWPB.

47. The M&E plan has not been completely implemented so far. There is evidence of inaccurate data being collected, collated, and reported by districts and provincial offices. Reports produced in the districts and in the provinces are not in the same format. Timely reports are not received by the National Office to prepare the Project progress report. Districts and provinces need to check the accuracy and adequacy of data collected and thereafter analyse to produce useful M&E information and reports. Although the reports include lessons, problems and solutions, it does not contain sufficient qualitative information on innovations in the field and benefits accruing to SHG members. Overall, quality of the reports needs to be improved. The Project could not do the annual outcome survey towards the end of last year as the National M&E officer joined the Project only in the month of February, 2013. The recently completed baseline survey has covered the necessary impact indicators of the Project, but did not use the IFAD RIMS questionnaire and the software, and as a result, the malnutrition figures will have to be recalculated to make it RIMS compliant.

Agreed action	Responsibility	Agreed date
19. Recalculate the raw anthropometric data on acute and chronic malnutrition and underweight (Z score analysis) to make it RIMS compliant.	NPMO	30 June,, 2013
20. Develop a method for data quality checks across the Project for accurate analysis and timely reporting and complete annual impact survey	National M&E Officer	1 June, 2013
21. Implement the detailed M&E plan	National M&E Officer	31 May 2013
22. Project to follow one reporting format and improve quality/accuracy of the reports	National M&E Officer	30 June 2013
23. Collect , analyse and report data as per the revised log frame	All M&E Officers	30 June 2013
	National Project Manager	31 July. 2013
24. Use the Results Oriented template to prepare the AWPB		

48. **Coherence between AWPB and implementation:** The coherence between the AWPB and implementation is considered moderately satisfactory. The mission observed that there was adequate coherence between the AWPB and implementation with the 2012 expenditure reaching 75% of the approved budget. The scheduling implementation activities, delegating responsibilities and making focal points accountable in implementing Project activities are the key issues that will need to be addressed to enhance coherence of implementation with the AWPB for achieving more than 90% of the planned annual targets.

49. **Targeting Approach.** The effectiveness of the targeting approach is considered to be satisfactory. The Project targeted 5,888 poor households, 2,693 men and 2716 women to December 2012. These poor and very poor men and women are in mixed gender and single gender SHGs promoted by the Project. A larger number of these households face a hungry season of up to 3-5 months. There are members in the groups who are from the medium category of the poverty profile as well, which is also envisaged in the Project design. There are no better off people as members of the SHGs as of now. There are vulnerable poor members targeted by the Project such as poor elderly women, widows and single headed household mothers.

50. **Gender focus.** The gender focus is considered to be satisfactory. There is an overall positive emphasis on gender in the Project starting with the formation of women's SHGs, mixed gender groups and men's groups. The M&E system is being gender mainstreamed with the collection of sex-disaggregated data, and this is also evident in training and capacity building undertaken by the Project.

Table 4. Cumulative Physical Progress in Gender Development, 2012

Indicators		AWPB	Actual	%	Appraisal	Actual	%
SHG members	Male	4788	2693	56	34650	2693	8
	Female	2052	2716	132	14850	2716	18
SHGs with woman leaders	Female	170	117	69	850	117	14
SHG members trained	Male	4788	1084	23	34650	1084	3
	Female	2052	796	39	14850	796	5

Source: Project RIMS 2012

51. Women's participation in SOLID activities during 2012 is reported as follows: facilitated advisory services - 43% are women; training in crop production and technology - 25% are women; and, livestock production and technology training - 33% are women and for production and marketing activities - 35% of trainees are women. Overall this is an encouraging trend.

52. Women appear to be more vocal in women's only SHGs than in mixed ones, while men's groups appear to be relatively more organised to undertake production and marketing activities than in mixed or women's SHGs. In the mixed SHGs, more women need to be encouraged to take leadership positions and in only men and women groups the relatively poorer individuals need to be encouraged to take up leadership positions. Training of women on business management, technology, quality control, leadership skills and marketing involved in running value chain enterprises promoted by the Project needs to be strengthened as part of the empowerment plan for poor women in the self-help groups.

Agreed action	Responsibility	Agreed date
25. Training of women on business management, technology, quality control, leadership skills and marketing	Gender Focal points at provincial and district level	From 30 June 2013

53. **Poverty focus:** The poverty focus is considered to be satisfactory. Members of the SHGs are from the same habitat and are composed of poor and the poorest. There are also widows and disable men and women receiving Project services. The Project needs to annually assess and review the number of poor households getting financial benefits from the group businesses and value chain activities and the extent to which they are becoming food secure. This information will be available once the Project uses the village monitoring tool prepared by the Project staff.

54. **Innovations and Learning:** Innovation and learning is considered to be moderately satisfactory. There are a few innovations in crop production and marketing observed by the Mission, these will be elaborated in Appendix-7 of the Mission Report. There are major learning challenges for SOLID especially with regard to assessing market opportunities, community resource assessment for value chain development, community based M&E systems, Project Management and enterprise and crop gross margins analysis.

55. **Knowledge Management.** Knowledge management is considered moderately satisfactory. The Project has so far focused on building knowledge of community members and Project staff through various trainings. The SHGs are meeting regularly to discuss and share information with respect to group finance, extension information, and production. With a large number of crop demonstrations converting to commercial cultivation, market knowledge is also being shared among SHG members. There is a growing realisation within the Project that regular market information about different value chains is required by SHGs, and the need for facilitation to acquire such knowledge. This also indicates the need for farmers to be exposed to processing, value addition and quality management technology and marketing through cross visits and through buyer-seller meets as knowledge management activities.

56. A Knowledge Management Plan is yet to be prepared by the Project, which was an agreed action of the previous Mission. The Mission was informed that necessary administrative clearance from the Ministry of Agriculture, Government of Indonesia is required to publish newsletters, which needs to be acquired at the earliest for knowledge documentation and sharing to begin. Regular quarterly meetings for coordination are not yet held to review critical tasks, schedule activities, learn and manage Project operations, and as a result this has disabled the provincial and national teams to provide guidance and specific technical support to strengthen decentralised Project management at the district level.

Agreed action	Responsibility	Agreed date
26. Seek approval from appropriate level of Food Security Agency, MoA for publications	NPMO, PPMO, DPMO	30 June, 2013
27. SHGs to gather and share market information and knowledge about different value chains.	NPMO (VC and Farming System Assistants)	1 June, 2013
28. Organise Knowledge Sharing events at all levels of the Project.	Knowledge Management focal points at the National, Provincial and District levels	1 June, 2013
28. Prepare a SOLID Knowledge Management plan aligned to the IFAD Knowledge Management Strategy paper.	NPMO	30 July, 2013

E. Fiduciary aspects

57. **Financial management.** Financial management is considered to be moderately satisfactory.

58. In general is satisfactory although there is still room for improvement. Some financial staff need more training particularly on documenting expenditures financed by loan and grant funds. The number of withdrawal applications (W/As) has increased, hence also has the project disbursement. Although there have been changes in the Project staff in some districts however there has been no change in the financial staff in the districts visited during the mission.

59. **Financial reports.** The Mission continues to note that due to remoteness of some Project areas and inadequate communication facilities (internet), financial reports from some districts to the PPMOs and NPMO are delayed. However, overall, the financial management has improved since the last review Mission in November 2012. This is indicated by better financial reports from the district, province and the national levels, as well as the increased number of W/As submitted to IFAD (from 5 W/As in November 2012 to 13 W/As up to April 2013). Based on the discussions with the financial staff from DPMOs and PPMOs, financial staff need more training and clear guidelines on financial management of the loan and grant funds, and it is agreed that NPMO will conduct such training through a workshop in June/July 2013.

60. **Use and management of matching funds by SHGs.** During the visits to the villages, the Mission had discussions with SHG's committees in several villages, in particular with the Treasurer of the SHGs. The Mission noted that each SHG has to keep about 5 to 6 books, namely visitor book, membership book, minutes of SHG meetings, saving and lending, and /repayment books. The Mission also noted that the book keeping and transaction records of savings and repayments are still weak and need further strengthening.

61. **Register of assets and contracts.** During the visits to the provinces and districts, the Mission noted that contracts are recorded in tables and assets procured using Project budget are registered as inventory. The list of contracts should be updated and submitted regularly to NPMO for compilation, as IFAD may need it from time to time for the purpose of post-procurement reviews.

62. **Project budgets and expenditures.** The annual Project budgets and expenditures since 2011 are shown in the table below. It shows that there has been decrease in the budget of 2013, while it should increase to catch up the activities that could not be implemented in 2012. This is due to the results based management system being applied by the GoI with the poor performance in 2011 (a partial year of implementation) affecting the 2013 allocation. It appears that the system will have a two year lag – i.e. improved performance in 2013 will only be reflected in the 2015 indicative allocation.

63. The Mission was informed that for 2014, the indicative budget ceiling is about IDR 100 billion which may still change during the budget discussions with BAPPENAS and MoF in the next few months.

64. To date, there has been no expenditure yet using the grant fund. A revised plan for the grant needs to be prepared.

65. **Disbursement.** The loan disbursement Table 5 shows the disbursements for both loan and grant as of 10 April, 2013 (including initial deposits of USD 1,000,000 and USD 80,000 from the loan and grant funds respectively) which are still low. To date there have been 13 W/As submitted (excluding initial deposit), as compared to only 5 W/As in November 2012. Out of 13 W/As, 10 W/As have been replenished, and the remaining 3 W/As amounting to about USD 1.31 million have not been replenished by IFAD.

Disbursement Performance is considered to be moderately unsatisfactory.

66. Counterpart funds. Counterpart funds from the Government of Indonesia (GoI) are allocated in the AWPB. In 2011 the amount of GoI's counterpart funds was IDR 5.17 billion, in 2012 it was IDR 17.04 billion and in 2013 it is IDR 28.02 billion, of which 90%, 91.7 % and 5.8 % have been spent respectively. The counterpart funds were available in a timely manner. In addition to the national/central government budget, the district governments also provide supporting budgets through local government budget (APBD). The amount of APBD provided by local governments in 2011 and 2012 was IDR 1.18 billion and IDR 1.37 billion respectively. One district in Maluku did not make any contribution in 2011 and 2012 due to the unwillingness of the local government to make any budget allocation. The Food Security Agency is requested to formally write to the district requesting that it immediately make the required allocation

Provision of counterpart funds has been satisfactory.

67. Compliance with loan covenants in general has been moderately satisfactory. The main issues are delays in procurement, particularly for recruitment of NGOs for provision of village of facilitators, recruitment of consultants and 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 IFAD loan include 10% VAT. It is necessary to clearly identify these and submit the W/A for the net amount.

68. Procurement. Based on the discussions with Project staff at provinces and districts visited, the Mission noted that general they still do not fully understand about the procurement provisions as mentioned in the Financing Agreement (prior review thresholds, procurement method thresholds, appropriate selection of consultant selection methods, and that loan funds should not be used to pay taxes). A workshop to be held in June/July will highlight that the Project should be effectively using GoI procedures.

69. There are three cases that need to be solved soon. These are procurement of vehicles (motor cycles), the selection of NGOs for community facilitators mobilization and selection of consultants for management, engineering design and value chain analysis support. These are all critical for effective Project implementation.

70. The Mission also conducted post procurement review in the provinces and districts visited for samples of contracts which are not subject to prior review, total 8 contracts. The Mission noted that some of minutes for pre-bid meeting, bid opening and bid evaluation report were not signed by all of the procurement committee members. The Mission also noted that the procurement plan has not been updated to monitor the progress for comparing the plan against the actual.

Procurement performance has been moderately unsatisfactory

71. Audit. The first Project audit is not yet due for submission to IFAD until 30 June, 2013. The audit will, as agreed with IFAD, cover in the financial years 2011 and 2012. The Mission met the auditors of Badan Pemeriksa Keuangan dan Pembangunan (BPKP) who are conducting audit at NPMO. Auditing by BPKP has been completed in some districts, and reports are being prepared.

72. In November 2012, the Mission met BPKP in Jakarta explaining the IFAD audit requirements and it was agreed that NPMO would submit the appointment letter to auditor (BPKP) and share the auditor's TORs with IFAD for no objection. However, to date IFAD has not received such documents.

The timeliness of audit is considered to be moderately satisfactory while the quality of the audit is considered not yet rated.

Agreed action	Responsibility	Agreed date
29. Hold fiduciary training for key staff	MoF, SOLID	15 July 2013
30. Clearly identify that W/As are submitted net of VAT	Finance staff	On-going
31. Complete procurement of the technical assistance contract ²	NPMO, PPMO	30 June 2013
32. Seram BB is requested to confirm that the necessary district budgets have been provided	Food Security Agency	30 May 2013

² The NGO contract is referred to under agreed action 1

F. Sustainability

73. There are a number of key factors that the current mission, the provincial Project teams and the 2012 consultant's report identify as being critical for sustainability. These centre on the critical need to ensure that SOLID initiatives are market driven and that the quality of community mobilisation is considerably enhanced. Necessary agreed actions have been identified in the relevant components. Of particular concern is the quality of the SHGs that have been, to date formed without the support of a specialist NGO. Active remedial steps are in place to address this concern.

G. Other

74. The Project needs to pursue partnerships with the private sector operating in the rural areas, such as processors and traders. In North Maluku SHGs have built partnership with Roas Nusantara to market processed virgin coconut oil; such groups should be supported to retain and sustain the partnerships. The Project will benefit from mutual learning to understand the process of building and retaining such partnerships so that similar models could be replicated for other commodities as well.

75. New partnerships will be built with NGOs and consultants. The National Office may conduct an assessment of the performance of the previous TA in relation to the ToR. For a more productive partnership with NGOs and Consultants it may be ensured that the ToR goes beyond listing of activities to measurable outcomes.

The quality of service providers is considered moderately satisfactory

76. **Impacts - Physical and financial assets** - Since the start of the project farmers have become less in debt to trader credit and consumption credit from the informal market as a result of having matching funds for business investment and savings from group members. There are promising trends in SHGs where individual financial asset of members is increasing as result of their participation in group business of products grown in the demonstration plots.

77. **Food security:** It is too early for the Project to impact on the food security of the target population. Coastal villages in certain parts of Maluku face food shortages for 2 to 6 months and this is during the months of May to December when there is reduced fish catch due to limited access to sea during the high tide season. Increased disposable incomes through participation in group business of marketing crops grown in demonstration plots have reported improved food security in the families, particularly poor women who are members of the SHGs.

78. **Increase in incomes** as an impact of the Project is a function of increased earnings from improved livelihood activities and savings in expenditures. No significant impact on increased income is observed at this stage of the Project. Poor women and men have however reported that their income has increased and they have used the money for health, consumption and education of their children. Poor elderly women and widows have reported that they now earn more from participation in SHGs production and marketing activities than they earned from wage labour in the past.

79. **Policy impact:** It is too early at this stage of the Project to have any tangible policy impact. The Project progress in SHGs and Federations managing financial resources to address livelihoods and food security and the participation of the poor rural community in potential value chains to enhance their income and wellbeing will contribute to rural development policy in the future.

H. Conclusion

80. The project has made good progress with undertaking social mobilization and initial productivity enhancement activities. The project has been well received and there is clear demand for the project support from the target beneficiaries. The project has clear opportunities for enhancing social capital, and facilitating food security and livelihoods development through focussing on value chain development and facilitating market linkages in the project areas. The project targeting is sound and there is already evidence of positive impact on gender and women, and vulnerable minority populations in a post conflict environment.

81. Although some progress has been made, the SOLID faces significant challenges that need to be proactively addressed in order to enhance the prospects for achieving the project objectives. Most of these issues are well within the control of the project management. Most significant are the issues

related to improved project management, ensuring better planning for integration between the various project components and activities, establishing strong linkages with the private sector for key commodities and products, and strengthening communication and reporting within the Project. The expected recruitment of the NGO will significantly improve the quality of community development activities and project support for the mobilized groups which in turn will improve the likelihood of sustainability.

82. Considering the need for clear support and direction from IFAD on orientating the project towards the value chain approach envisaged in the project design, the mission recommends IFAD to consider advancing the mid-term review to November 2013 to simplify the project design and clarify the project implementation approach related to value chain development.

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 Maluku & North Maluku			Financing terms	HC
Date of Update	30 Nov. 2012	No. of Supervisions	3		
Supervising Inst.	IFAD/IFAD	Last Supervision	22 April 2013		

					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	14.4
MTR				DSF grant		
Current completion	31 Jan 2019	Last Amendment	na	IFAD grant	1	7.4
Current closing	31 July 2019	Last Audit	na	Domestic Total	14.8	
No. of extensions	0			Beneficiaries		
				Government (National)	14.8	15.8
				Co-financing Total		

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	4	3	2. Performance of M&E	3	3
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with loan covenants	4	4	4. Gender focus	5	5
5. Compliance with procurement	3	3	5. Poverty focus	4	5
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	5
			7. Innovation and learning	4	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	4	2. Empowerment	4	4
3. Value Chain Development and Marketing	3	3	3. Quality of beneficiary participation	4	4
4. Productive Rural Infrastructure	4	4	4. Responsiveness of service providers	3	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 5 for B1.3 is assigned as the GoI met its obligations on time and in full last year. 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		
C.4 Overall implementation progress (Sections B1 and B2)	4	4
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 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.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.	
Outputs and outcomes	Strengthened integration and synergy between project components is required	
Sustainability	Main risk relates to quality of social mobilization	

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Procurement	Recruitment of provincial NGOs	31 July 2013	
Value Chain Development	Recruitment of district value chain teams	1 June 2013	
Project reporting	Establish timely and accurate reporting.	By October 2012	
Management and coordination	Ensure regular management and coordination visits	Immediate	

Additional observations

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs (revised as on 07-05-2013)

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
Empowered the rural women and man in the targeted villages in Maluku and Maluku Utara provinces to achieve enhanced food security and increased 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%. <i>Increase improvement of household food security for beneficiaries.</i> <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 District legislatures support Programme's approach and strategy.
Project Development Objective: Improved livelihoods (incomes and food security) and reduced incidence of poverty for people in the targeted villages in the two provinces.			

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	Key Performance Indicators	Means of Verification	Assumptions (A)/ Risks (R)
	<ul style="list-style-type: none"> • Target group households³ 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 District legislatures support Programme's approach and strategy.
<p>Component A: Community Empowerment and GENDER</p> <p>Outcome 1:</p> <p>Improved livelihoods (incomes and food security) and reduced incidence of poverty for people in the targeted villages in the two provinces.</p>	<ul style="list-style-type: none"> • % of targeted villages implementing value chain plans. • 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 and functional) • 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 the extent envisaged and adopt the approaches promoted.

³All 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.

** New Indicators in italics.

*** indicators in bold are related to RIMS indicators

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>Outputs:</p> <p>1.1 Communities mobilised and self-help and unions/federations established.</p>	<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, business plan, microfinance, marketing, risk management etc.) 1 or more community workers/volunteers were trained in each of the target villages. <i>Number of SHGs receiving matching funds**</i> <i>Number of federations receiving matching funds</i> Gender activities (gender awareness training and collecting sex disaggregate data) for each of the target village were implemented in a timely manner. 	<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 approaches.
<p>Component B: Productivity Improvement and Integrated Farming Systems</p> <p>Outcome 2: Target group farmers use improved, sustainable production systems and low levels of 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 	<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.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	<p>marketing enterprises.</p> <ul style="list-style-type: none"> 330 villages operating new sustainable community-based natural resource management schemes (type and length of operation). <i>% of farmers reporting increase in production (estate crops, horticulture crop and staple crops)</i> >50% of community common property resources under improved management. 		
<p>Outputs:</p> <p>2.1 Extension services improved to facilitate increased agricultural productivity by smallholders.</p>	<ul style="list-style-type: none"> 37,125 (75%) households accessing technical advisory services facilitated by the project. <i>Number of SHG members adopting demplot technology</i> <i>1,980 (2 per village per year for 3 years) demonstrations held and linked to the market.</i> 49,500 target group hh attending dissemination/extension events 24,750 (50% of total target HHs) farmers using purchased inputs. 49,500 people trained by sector (m/f). 	<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 and environmentally sustainable technology available.
<p>Component C: Value Chain</p> <p>Outcome 3:</p> <p>Self-help groups and unions/ federations operating as successful elements of the value chains for the targeted 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 20 % toward baseline data gain in the first year of project implementation More than 50% of the processing and marketing groups are assessed as mature by Mid-term. 50 % of Federations formed has marketing linkages 	<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 marketing uptake are achieved.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	<ul style="list-style-type: none"> • <i>% of smallholder farmers reporting improved market returns as a result of greater value chain participation.</i> • <i>% of farmers achieving income increases as a result of improved product quality from either improved production, or post-harvest practices.</i> • <i>Number of SHGs reporting increases in price premiums as a result of improved quality and collective marketing.</i> <p>(Targets: number of villages and federations: 330; households: 3,300 groups and 49,500 households).</p>		
<p>Outputs:</p> <p>3.1 Availability of services to improve market returns by the self-help groups and unions/federations.</p>	<ul style="list-style-type: none"> • 330 marketing facilities constructed/rehabilitated. • 330 processing facilities established. • 330 on-farm storage facilities constructed/rehabilitated. • <i>Number of farmers and groups involved in collective marketing</i> • <i>Number of SHGs and federations linked to market agents</i> • <i>Number of value chain business plans developed by sub-sector</i> • <i>Number of SHGs adopting post-harvest technology</i> 	<ul style="list-style-type: none"> • Programme MIS and participatory impact monitoring. • Annual RIMS report. • Supervision reports. 	<ul style="list-style-type: none"> • Appropriate market opportunities available.
<p>Component C: Infrastructure</p> <p>Outcome 4: Improved and developed small-scale agricultural infrastructure available in the target villages with the community organisations undertaking their operation and/or maintenance.</p>	<ul style="list-style-type: none"> • <i>>330 processing facilities functional/operational.</i> • <i>>330 post harvest facilities operational/functional.</i> • 12 375 ha (25% of total target HHs) farmers with sustainable access to water resources. • Km of farm production and access roads being maintained <p>(Targets to be based on the village development plans and included in the district AWPBs).</p>	<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.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Outputs: 4.1 Small-scale rural infrastructure improved.	<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 • <i>Number of post-harvest (drying, grading, and packaging) facilities constructed.</i> • <i>Number equipment and facilities for processing established.</i> • 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 participating with the community participation in procurement procedures.
Component D: Project Management Outcome 5: Project completion on time and within agreed 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 and IFAD funds disbursed on time.
Outputs: 5.1 Efficient project management and coordination.	<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 disbursed on time.

Appendix 3 Agreed Actions

CRITICAL AGREED ACTIONS	Responsibility	Agreed date
I Recruit provincial NGOs for community mobilisation facilitations for SHG quality	NPMO/PPMO & IFAD	31 July 2013
II Mobilise Value Chain Teams at district with IFAD support for building market focus and objective decision making	NPMO/PPMO/DPMO & IFAD	Start 1 June 2013
III Establish timely and accurate reporting practices for improved management	All Project offices	From 30 June 2013
IV Ensure regular management and coordination visits to build trust and identify key implementation issues	NPMO/PPMO/DPMO	Immediate
1. Modify the village selection criteria	PPMO/DPMOs	30 June 2013
2. Secure the services of NGOs to facilitate community development in both provinces	PPMOs, NPMO and IFAD	3 July 2013
3. Include literacy training for members of the SHGs as one of the NGOs' responsibilities in the TOR	PPMOs/NGOs	From 1 Sept 2013
4. Hold orientation workshops for NGO staff on SOLID and its methodology	PPMOs, NPMO and IFAD	15 August 2013
5. Provide follow-up training for village extension workers on SOLID socialisation	DPMOs, PPMOs and NGOs	On-going
6. Implement for new SHG formation and for all SHGs development activities in accordance to the guidelines	DPMOs/NGO	From 1 Sept 2013
7. Amend the SHG and federation eligibility indicators for matching funds and apply the assessment instrument	DPMOs/IFAD	30 June 2013
8. Improve capacity building facilitation for the SHG micro-lending and saving activities	DPMOs/NGO	From 1 Oct 2013
9. Improve capacity building facilitation for financial literacy and saving behaviour of the individual beneficiaries	DPMOs/NGO	From 1 Oct 2013
10. Establish a priority list of crops/products	PPMO & DPMO	30 June 2013
11. Classify crops/products by type of value chain	PPMO & DPMO	30 June 2013
12. Hold structured discussions with traders, retailers and processors	VCT	31 July 2013
13. Establish one pilot DVCP per district	VCT	31 October 2013
14. Make provision for use of some infrastructure funds for VC related equipment	NPMO	30 June 2013
	NPMOs	31 May, 2013
14. Review the TA proposal considering the type of consultant requirement and revise ToRs as per emerging needs.		
15. The MoA needs to review the Project leadership and project management capability at all levels, provide necessary support and/or make necessary changes	Food Security Agency, MoA and IFAD	Immediate with review 30 Sep 2013

16. Improve staff capacity to manage the Project by orienting them to the Project methodology and Project execution process through learning by doing with VC plans	NPMO , National VC adviser and VC teams with IFAD support	June and July, 2013
17. Complete the process of contracting NGOs and clearly distinguish the roles of Consultants and NGOs that would be brought on board.		31 July 2013
18. Prepare an agricultural business capacity building programme using the grant finance	NPMO & PPMO IFAD & Food Security Agency, MoA	30 June 2013
19. Recalculate the raw anthropometric data on acute and chronic malnutrition and underweight (Z score analysis) to make it RIMS compliant.	NPMO	30 June,, 2013
20. Develop a method for data quality checks across the Project for accurate analysis and timely reporting and complete annual impact survey	National M&E Officer	1 June, 2013
21. Implement the detailed M&E plan	National M&E Officer	31 May 2013
22. Project to follow one reporting format and improve quality/accuracy of the reports	National M&E Officer	30 June 2013
23. Collect , analyse and report data as per the revised log frame	All M&E Officers	30 June 2013
24. Use the Results Oriented template to prepare the AWPB	National Project Manager	31 July. 2013
25. Training of women on business management, technology, quality control, leadership skills and marketing	Gender Focal points at provincial and district level	From 30 June 2013
26. Seek approval from appropriate level of Food Security Agency, MoA for publications	NPMO, PPMO, DPMO	30 June, 2013
27. SHGs to gather and share market information and knowledge about different value chains.	NPMO (VC and Farming System Assistants)	1 June, 2013
28. Organise Knowledge Sharing events at all levels of the Project.	Knowledge Management focal points at the National, Provincial and District levels	1 June, 2013
28. Prepare a SOLID Knowledge Management plan aligned to the IFAD Knowledge Management Strategy paper.	NPMO	30 July, 2013

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

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2012 to 31-12-2012			Cumulative Actual	Appraisal Target	%
				AWP&B	Actual	%			
Component 1 : Community Empowerment									
1.1	NGO Recruitment	>330 community workers/volunteers trained	Package	2	-	0			
1.2	Participatory self-monitoring and evaluation	850 (25% of total) SHGs and Federations formed with women in leadership positions.	Package	2	2	100			
1.3	Workshop Community empowerment	3,300 SHGs and federations functioning effectively.	Package	2	2	100			
1.4	Socialisation of SOLID in Villages	37,125 (75%) households receiving project services (total project, m/f.).	Villages	64	64	100	108	330	32,73
1.5	Meetings to Form Self-help Groups	330 (one per village) community workers operational	Villages	64	64	100	108	330	32,73
1.6	Preparation of Village Plans		Villages	108	108	100	108	330	32,73
1.7	Legalisation of Self-help Groups		SHGs	456	456	100	456	3.300	13,82
1.8	Monitoring and Evaluation		Villages	108	108	100	108	330	32,73
1.9	Formation of Federations		Feds	108	108	100	108	330	32,73
1.10	PRA at Village Level		Villages	95	95	100	95	330	28,79
1.11	SHG Management and Organisation (all aspects)		SHGs	456	456	100	456	3.300	13,82
1.12	Matching Funds for Self-help Groups		SHGs	456	456	100	456	3.300	13,82
Component 2 : Productivity Improvement of Integrated Farming Systems									
2.1	Workshop Integrated farming system	3 300 community management groups formed/strengthened	Package	2	2	100			

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2012 to 31-12-2012			Cumulative Actual	Appraisal Target	%
				AWP&B	Actual	%			
2.2	Demonstration Plots/Units food crop and livestock	49,500 people trained by sector (m/f).	Villages	88	78	88,63	78	330	23,63
2.3	Farmer Field Schools - Estate crops	49,500 target group hh attending dissemination/extension events	Villages	82	82	100	82	330	24,84
2.4	Farmer Field Schools - Pest control management	1,980 (2 per village per year for 3 years) demonstrations held on farmers' land.	Villages	66	82	124,24	82	330	24,84
2.5	Demonstration Plots – Estate crops Nursery	37,125 (75%) households accessing technical advisory services facilitated by the project.	Villages	104	216	207,70	216	330	65,45
2.6	Demonstration Plots - Intregated farming systems	24,750 (50% of total target HHs) farmers adopting technology recommended by the project (by gender).	Villages	72	30	41,67	72	330	21,82
2.7	Extension Materials and Manuals	24,750 (50% of total target HHs) farmers reporting increased herd sizes	SHGs	456	456	100	456	3.300	13,82
2.8	Trainings for farmers – Nursery and livestock development	24,750 (50 % of total target HHs) farmers reporting increased production from their plots.	Villages	67	30	44,77	30	330	9,09
2.9	Trainings for farmers - Fish product processing		Villages	65	30	46,15	30	330	9,09
2.10	Trainings for farmers - Agriculture product processing		Villages	100	51	51,00	51	330	15,45
2.11	Trainings for farmers – estate product processing		Villages	82	51	62,19	51	330	15,45
Component 3 : Value Chain Development									
3.1	Recruitment of Agribusiness Value Chain and Marketing (International)	330 on-farm storage facilities constructed/rehabilitated.	Package	1	-	0			

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2012 to 31-12-2012			Cumulative Actual	Appraisal Target	%
			AWP&B	Actual	%			
3.2	Recruitment of value chain consultant (1 district 1 consultant)	330 processing facilities established.	Package	11	-	0		
3.3	Workshop value chain and marketing	330 marketing facilities constructed/rehabilitated.	Package	2	2	100		
3.4	Capacity building for Federation	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	7	63,63		
3.5	Marketing links for federation	330 functioning marketing, storage and/or processing groups/facilities.	Package	11	7	63,63		
3.6	Training on value chain for field workers		Package	11	9	81,82		
3.7	Marketing and potential identification and business plan preparation		Villages	108	3	2,78		
Component 4 : Productive Rural Infrastructure Investment								
4.1	Recruitment of infrastructure design consultant (1 district 1 consultant)	330 user groups formed.	Package	11	-	0		
4.2	Workshop - Village infrastructure development	km of road rehabilitated/upgraded	Package	2	2	100		
4.3	Village Infrastructure Investments	330 water harvesting structures constructed.	Village	44	41	93,18	41	330
		12.375 ha (25% of total target HHs) farmers with sustainable access-to water resources						12,42
		>330 community projects functional by type						

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2012 to 31-12-2012			Cumulative Actual	Appraisal Target	%
			AWP&B	Actual	%			
Component 5 : Institutional Strengthening and Project Management								
Consulting firm recruitment- Project Management Adviser and Team Leader	>90% disbursement of the IFAD Loan	Prs	1	1	100			
Consulting firm recruitment-Project Management Adviser (both province)		Prs	2	2	100			
Consulting firm recruitment - Financial Management		Prs	1	1	100			
Consulting firm recruitment - Procurement		Prs	1	1	100			
Consulting firm recruitment - Monitoring and Evaluasi		Prs	1	1	100			
Consulting firm recruitment - Gender Specialist		Prs	1	1	100			
Consulting firm recruitment - Communications and Information		Prs	1	1	100			
Consulting firm recruitment - Capacity Building and Training		Prs	1	1	100			
Consulting firm recruitment -Value chain and marketing at National		Prs	1	1	100			
Consulting firm recruitment - Value chain and marketing (both province)		Prs	2	2	100			
Consulting firm recruitment - Nutrient specialist at national		Prs	1	1	100			
Consulting firm recruitment -Seeds specialist at national		Prs	1	1	100			
Baseline study		Package	1	1	100			
NGO Monitoring		Package	1	-	0			
Survey & mapping - value chain and marketing		Package	1	-	0			
Procurment of PC (national)		unit	6	6	100			
Procurment of Laptop (national)		unit	2	2	100			

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2012 to 31-12-2012			Cumulative Actual	Appraisal Target	%
			AWP&B	Actual	%			
Annual Planning and Review Meeting		Package	1	1	100			
Office building renovation expenses		unit	2	2	100			
Workshop Financial and loan management		Package	3	3	100			
Workshop ME and RIMs		Package	2	2	100			
Procurement Vehicles (for province level)		unit	2	1	50			
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			

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	40 100	5 775	14.4
IFAD grant	1 080	80	7.4
Co-financier	---	---	---
Government	14 820	2 338	15.8
Total	56 000	8 185	14.6

Table 5B: Financial performance by financier by component (USD '000) as 07/05/13

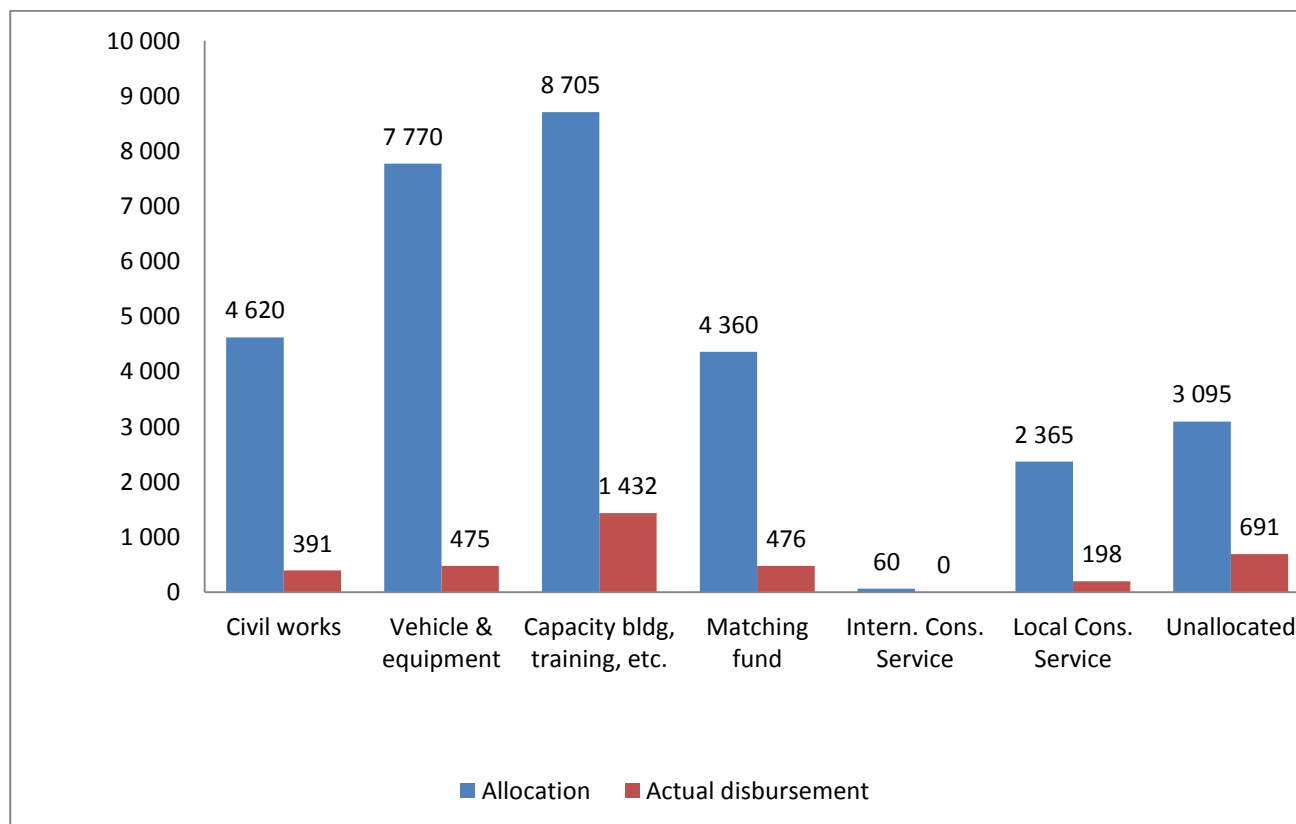
Component	IFAD loan			IFAD grant			Co-financier			Government			Domestic 1			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Community Empowerment	15 435	1 846	12.0	---						4 909	352	7.2				20 344	1 846	9.1
2. Productivity Improvement	6 998	968	13.8	---						4 325	204	4.7				11 323	968	8.6
3. Value Chain	3 142	114	3.6	---						962	64	6.6				4 104	114	2.8
4. Infrastructure	6 451	570	8.8							2 102	282	13.4				8 553	570	6.7
5. Inst. Building Management	8 074	1 277	15.8	1 080						2 522	1 372	54.4				11 676	1 277	10.9
Initial deposit		1 000			80	7.4												
Total	40 100	5 775	14.4	1 080						14 820	2 274	15.3				56 000	4 775	8.5

Table 5C: IFAD loan disbursements (SDR '000), as at 07/05/13

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Civil works	4 620		391	49	4 180	8.5
II	Vehicles & equipment	7 770		475	63	7 232	6.1
III	Capacity building, workshops, training	8 705		1 432	200	7 073	16.5
IV	Matching fund	4 360		476	65	3 819	10.9
V	International Consultant services	60		---		60	---
VI.	Local Consultant and NGO services	2 365		198	30	2 137	8.4
	Unallocated	3 095					
	Initial deposit			691			
	Total	30 300		3 663	407	26 904	11.8

Note: The original allocation and disbursement include both IFAD Loan and IFAD Grant.

Figure 1: IFAD Loan/grant disbursement, comparison between the original allocation and actual disbursement (in SDR '000)



Appendix 6: Compliance with legal 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	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 p 4	The Project Completion Date shall be 7 years and 6 months from the date of entry into force of this Agreement.			Currently 31 January 2019
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	2011 and 2012 villages and SHGs well targeted
Sch. 1 II 1	<ul style="list-style-type: none"> 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	Provincial and district Technical Committees operating informally, but national technical committees has not been formed.
Sch. 1 II 3 and GC 7.11	<ul style="list-style-type: none"> (a) Project staff will be appointed following a 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 	On-going	Complied	At the district and provincial level most posts are held concurrently with core assignments – there is some mismatch of assignments but overall situation is acceptable
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	Guidelines being simplified	Clarity achieved during Mission with regard to clear objective criteria
Sch. 2 (b) 2	Start-Up costs expended from entry into force (4 July	Approved PIM	Complied	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
GC 7.01	2011) and eligibility for withdrawal (approved AWPB and PIM) shall not exceed USD 500,000 equiv 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 Gol and IFAD sides	In 2013 AWPB process was the first to be fully participatory – AWPB was discussed during review mission. The approved budgets are lower than original plan.
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 Gol	On-going	Complied	
GC 7.05	Procurement shall be carried out in accordance with Gol 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	Main issue with procurement is the slow processing by bidding committees and similarly the need to rely on FSA procurement officers 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	In 2011 and 2012 gender target of min 30% women participation exceeded – 2011 -2012 it was 75%
GC 7.14	The project will apply best practice with regard to environmental matters and respect the Gol 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	n.y.a	Scheduled for November 2013
GC 9.02	Detailed financial statements to be submitted to IFAD annually	30/4 each year	Complied	During previous and current Missions it was agreed that the project should procure a data based accounting package to strengthen reliability of reports, but not implemented till now.
GC 9.03	Acceptable annual audit report and management letter	30/6 each year	Due 30/6/13	Request has been sent by formal letter in June 2012 to BPKP. Appointment was made in good time. TORs were shared with IFAD for no-objection. Auditing for 2011 and 2012 being conducted by BPKP.
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

- (a) Various capacity building programmes including workshops and trainings have been conducted by IFAD and National Office of SOLID, which have increased knowledge of project staff, but have not been effective. It is critical for the project to conduct training needs assessment to ensure high quality and effective trainings through training curriculum development, which will address identification of market opportunities, assessment of community resources and value chain development.
 - (b) National level IFAD M&E training is useful for providing the basic understanding and clarity of concepts for setting up an M&E system. However, during the initial years the project M&E staffs require constant mentoring and guidance at all levels for the M&E system to be fully operational to adequately manage the project.
 - (c) Early experience from SOLID shows that inadequate leadership skills of Project Managers at different levels is one of the key challenges, but an equally important challenge is project leaders having adequate know-how to manage the project.
 - (d) The role of resource NGOs in this project is paramount (i) to strengthen mobilisation process of SHGs, provide project information and facilitate institutions building for value chain development; and (ii) allow PPLs to focus on providing intensive technical support.
-

Innovation: Describe any interesting innovation noted during supervision

- (a) The farmers in Dawang incorporated food crops along the perimeter of the cash crop demonstration plots to address food security during the hunger season that usually last from the month of May to December due to non-availability of fish when the sea is inaccessible due to high tide.
- (b) In the province of Maluku, ground nut was cultivated in the fallows by shifting agriculturist, with the introduction of commercialisation of the crop; it is now grown in demonstration plots.

Innovations in marketing and value addition

- (c) Groundnut is the main commodity crop for the farmers of Dawang village and it is cultivated throughout the year. They chose this crop because of better shelf-life and the sorted good quality nuts can be taken to distant markets. In order to have assured sale of the product throughout the year. They have decided to sell the entire groundnut to Silohan village, which is currently involved in processing and bottling the nuts.
 - (d) In North Maluku SHGs in villages have produced banana chips, sago biscuits, rosella juice and sold in local markets. SHGs have also produced Virgin Coconut Oil (VCO) for a company named Roas Nusantara, which markets the oil in the company brand name.
-