

Republic of Indonesia

Coastal Community Development Project

Joint Review Mission Report

Volume I

Main report and appendices

Mission Dates: 28 April – 13 May 2016
Document Date: 15-Jun 2016
Project No. 1621
Report No: 4105-ID

Asia and the Pacific Division
Programme Management Department

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Abbreviations and acronyms

AOS	Annual Outcome Survey
APBD	Local government budget
APBN	National government budget
AWPB	Annual Work Programme and Budget
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah</i> (Regional Development Planning Agency)
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> (National Development Planning Agency)
BLM	<i>Bantuan Langsung Masyarakat</i>
BUMD	<i>Badan Usaha Milik Daerah</i> (Local Government Owned Enterprise)
BUMN	<i>Badan Usaha Milik Negara</i> (State Owned Enterprise)
Bupati	Administrative head of a district
CBCRM	Community Based Coastal Resource Management (Group)
CCDP	Coast Community Development project (including small islands)
CPUE	Catch Per Unit of Effort
Desa	An administrative village
Dinas	District agency
DIPA	National annual budget
DKP	<i>Dinas Kelautan Dan Perikanan</i>
DOB	District Oversight Board
EA	Extension Agent
FY	Financial Year
GAP	Gender Action Plan
GoI	Government of Indonesia
HH	household
HP	Horse Power
IDR	Indonesian Ruppee
IFAD	International Fund for Agricultural Development
JRM	Joint Review Mission
KKP	<i>Kementerian Kelautan Dan Perikanan</i> (Ministry of Marine Affairs and Fisheries)
KM	Knowledge Management
M&E	Monitoring and Evaluation
MIS	Management Information System
MMAF	Ministry of Marine Affairs and Fisheries
MoU	Memorandum of Understanding
MTR	Mid Term Review
MWECF	Ministry of Women Empowerment and Child Protection
NGO	Non-governmental organization
NOL	No Objection Letter
NSC	National Steering Committee
Pedum	<i>Pedoman Umum</i> , or general guidelines
PEMP	<i>Programme Nasional Pemberdayaan Masyarakat</i>
P-IRT	<i>Pangan-Industri Rumah Tangga</i> (Food - Home Industry)
PIU	Project Implementation Unit
PMO	Project Management Office
PNPM Madiri KP	Coastal Community Economic Empowerment Programme
Pokmaswas	Community resources monitoring and enforcement group
Posyandu	<i>Pos Pelayanan Terpadu</i> or integrated health service post
ToT	Training of Trainers
TPD	<i>Tenaga Pendamping Desa</i> / Community facilitator
RIMS	Results and Impact Management System
SME	Small and Medium Enterprise
VIC	Village Information Centre
VWG	Village CCDP Working Group
WA	Withdrawal Application

Indonesia

Coastal Community Development Project

Design report



10-11-2011



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

Map compiled by IFAD

A. Introduction¹

1. The Coastal Community Development Project (CCDP) was approved at IFAD's Executive Board in September 2012. The total project financing is US\$43.2 million which consists of: an IFAD loan (No. I-880-ID) of US\$24.2 million; an IFAD grant (No. I-C-1392-ID) of US\$2.0 million; a EUR 6.288 million loan from the Spanish Food Security Trust Fund (No. E-16-ID); government contributions of US\$7.1 million; and beneficiary contributions of US\$2.1 million. The Project became effective on the 23 October 2012 and the project completion date is 31 December 2017. The goal of the CCDP is reduction in poverty and enhanced, sustainable and replicable economic growth among the active poor in coastal and small island communities. The Project's development objective is increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities. The Project has three investment components: (i) Community Empowerment, Development and Resource Management; (ii) District Support for Marine-Based Economic Development, with two Sub-Components: District-Level Investment and Capacity Building; and Market and Value Chain Support; and (iii) Project Management.

2. A Joint Review Mission (JRM) by IFAD, *Kementerian Kelautan Dan Perikanan (KKP/Ministry of Marine Affairs and Fisheries)* and the Ministry of National Development Planning/BAPPENAS was undertaken from 28 April to 13 May 2016 to review the performance and implementation progress of the CCDP. The JRM's objectives were to review the project's performance 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 progress made, and made recommendations to support improvements in project performance.

3. The JRM was conducted in close consultation with key stakeholders (Government, community and enterprise group beneficiaries, civil society, private sector parties, and development partners). The mission consulted with various project stakeholders at the national, provincial, district, sub-district and village levels, and undertook field visits to Makassar (Sulawesi Selatan Province), Bitung (Sulawesi Utara Province), and Maluku Tenggara (Maluku Province). Well-attended pre-wrap up and wrap-up meetings were held on the 11 and 13 May 2016, and the Aide Memoire reflected the main discussion and decisions made at the wrap-up meeting.

B. Overall assessment of project implementation

4. The overall assessment of project implementation is rated as satisfactory and the likelihood of achieving development objectives is considered as satisfactory according to IFAD's performance assessment methodology².

5. Assessment of impacts are documented in the Annual Outcome Survey (AOS) and RIMS survey completed in 2015, formally published by the Project Management Office (PMO) since the Mid Term Review (MTR), both of which show that the Project has already contributed to poverty reduction (for example as demonstrated by movement between poverty quintiles, increased asset ownership and savings, increased food security, an improved natural resource base, and reduced vulnerability). The MTR agreed a number of actions to be completed, all of which have been either completed or partially completed.

6. From project commencement up to 31 March 2016, the cumulative disbursement rate based on IFAD's data was 59.89% for the IFAD loan, 56.35% for the IFAD grant, and 66.86% for the Spanish

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

² IFAD performance ratings are: highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Trust Fund loan. The government contribution up to 30 March 2016 was 62.8% of the total amount planned over the lifespan of the Project. Beneficiary contributions have been significant through the provision of land, labour and materials, have been quantified in broad terms, and exceed project design expectations. In 2015, the most recent full year of implementation, the Project achieved 87.6% of its Annual Work Plan and Budget (AWPB) target, and project implementation and progress of both component 1 and 2 since the MTR in September/October 2015 has been impressive.

7. Under component 1, since the MTR the Project has successfully scaled up activities into 72 'new' (i.e. additional) project villages so that the Project is now active in 180 villages, in 56 sub-districts, and in 12 Districts/Provinces. This scaling up has followed the established project guidelines to ensure successful targeting of the poor and women, and to sensitise communities about the Project. However, in all new villages, while groups have largely been formed and some work on village-based infrastructure developments supported by the Project has commenced, much work still needs to be urgently completed in the coming months to ensure the distribution of project funds to the groups and to develop their capacities and activities. The Project also continues to support established groups in 'old' project villages. The financial performance of enterprise groups in the old villages remains variable and while over 70% of those recently assessed (555 of 766) are considered as 'succeeding', component 2 activities may prove critical for their ultimate success (as envisaged in the project design). Many infrastructure groups in old villages have ceased to function now that project funds have been spent, but the village working groups (VWGs) largely continue to operate, and many of the Community Based Coastal Resource Management (CBCRM) groups are combining resource management activities with income-generating activities from eco-tourism. Critical will be a high retention rate of TPDs at the end of 2016 into the final year of the Project.

8. Under component 2, all 38 planned District-level investments have now been completed. Since the MTR 12 business plans for priority District infrastructure have been developed and operational plans for the rest will be prepared this year. The Project continues to finalise a range of different modalities for their operation and management by identified third party partners (private sector, cooperatives, state enterprises, and small and medium enterprises [SMEs]), and while not all investments are yet in full use, Memorandum of Understanding (MoUs) have been signed, and many have come on-stream since the MTR and are beginning to link well with village-based enterprise groups, even if only at a small scale. Third-party operators will in many cases require considerable support from the Project to build their capacities. Market and value-chain support has been well planned to reflect the different development opportunities and resource bases in different Districts, and to link with and support enterprise group activity under component 1. A number of new marketing arrangements and outlets have already been realised, and the Project has supported many enterprise partnerships and food safety certificates (Pangan-Industri Rumah Tangga (P-IRT)), both of which support market linkages. Halal certification for selected products, which will also be important for expanding marketing links by village groups at a national level, still needs to be completed.

9. Project management (component 3) remains a particular strength of the project, with a well-designed and implemented project management structure at the PMO and Project Implementation Unit (PIU) levels. Recent institutional changes in KKP have not had any significant negative impact on project management, largely due to: (i) transfer of key staff to the newly assigned directorate; (ii) good hand-over to new staff and mentoring by old staff; and (iii) strong alignment of the objectives of the Project with the policies of the Directorate of Coastal Management, which now houses the Project.

10. Strong partnerships continue to be fostered by the Project with Dinas Kelautan Dan Perikanan (DKP), other Dinas (for example, health, tourism, industry and trade), and Wali Kota and Bupati offices, along with active engagement by the project in an exit strategy (as envisaged by the establishment of an umbrella cooperative in each District in which the Project is active). This offers encouragement about both the sustainability of project activities, and the replicability of successful development approaches being tested by the Project. However, a clearly defined and documented model for replicability, likely to be successful post-project without the human and financial resources being provided by the Project, has not yet been articulated.

11. Implementation of fiduciary processes and controls remains robust within the Project although some improvements can still be made. Analysis of known and anticipated expenditure under the IFAD loan and grant and the Spanish Food Security Trust Fund, highlights the need for a revision in the cost categories as specified in Schedule 2 of the Financing Agreement, and finalisation of the project COSTAB files which have been under review by the Project since the MTR with support from IFAD. The Government of Indonesia needs to propose an amendment to the Financing Agreement for consideration by IFAD.

C. Outputs and outcomes

12. **Component 1. Community Empowerment, Development and Resource Management** is considered to be *satisfactory*. The intended outcome from the component is: *target households implementing profitable marine-based economic activities with no detrimental effect on marine resources*.

13. Sub-Component 1.1 – Community Facilitation, Planning and Monitoring. This sub-component is rated as satisfactory. The expected output is: marine and fisheries households' development priorities identified, agreed and documented. The sub-component facilitates a village participatory planning approach and provides the basis for implementation of all project activities within the community.

14. Progress since the MTR has included an impressive scaling up of project activities as planned through: (i) the recruitment of 175 TPDs in January/February on annual contracts, 110 of which are new to the Project and which have been trained both by the PIUs and at a TPD training event in Makassar in April 2016. Some TPDs retained by the Project have moved to new villages; (ii) a reduction in the number of Extension Agents (EAs) to 10, reflecting the increase in TPDs; (iii) recruitment of two new marketing consultants to increase the number to 12; (iv) identification of 72 new project villages based on poverty targeting criteria; and (v) initial sensitisation of communities in the new villages about the project, and the creation of 70 new VWGs, 69 new infrastructure groups, and 58 new CBCRM groups³. The Project is now active in 180 villages, and enterprise groups number 1,380, an increase of 336 since the MTR. Many new village and enterprise groups have submitted funding proposals which are being considered by District Oversight Boards (DOBs), and some village-based infrastructure in the new villages is already under construction. The important agreed action of the MTR to recruit one TPD for each village has been implemented in all but a very few villages.

15. Key issues include: (i) the need to implement the planned training activities for groups in the new villages and the formation of some groups in different villages and agreement over their activities; (ii) the need to continue to adequately support old villages despite the focus on scaling up to new villages – something which the field visits suggest is being achieved; and (iii) the large number of TPDs which are new to the project (63% of the total) – not just due to the scaling up process but also due to implementation of the MTR recommendation to have one TPD per village, and the loss of some experienced TPDs particularly in some PIUs (such as Makassar). Field visits revealed that while training of new TPDs and their introduction to the villages was generally good, some PIUs could have prepared TPDs better, and the PMO needs to continue to explore with TPDs additional capacity development requirements. The PIUs should promote cross-exchange learning visits for TPDs. It is also recommended that technical information be made available on CD-ROM and distributed to TPDs, given the poor internet access for many TPDs which means it is difficult for them to obtain materials available on the CCDP website. Furthermore, it will be critically important at the end of 2016 to retain a high proportion of TPDs into the last year of the project in 2017 so that project momentum is not lost; as the Project has already tried to increase pay incentives for TPDs other forms of incentives, such as additional trainings and better transportation and other allowances, should be identified.

16. The creation of new enterprise groups since the MTR has not been actively informed by data that the Project is collecting on the economic performance of different enterprise group types, and

³ By 8 May 2016 based on data from the weekly dashboard

56% of the new groups are capture fishing groups as opposed to processing, marketing, and aquaculture groups. This has little perceived risk for any detrimental environmental impacts as there is no evidence of the activities of capture fishing groups leading to overfishing, but impacts on gender participation in the Project given that fishing is predominantly a male activity. The large number of capture fishing groups reflects both the difficulty for the PIUs in encouraging the creation of non-capture fishing groups given the demand-driven nature of the groups formed and the significant improvements in incomes for poor people being given fishing assets such as engines and boats. Furthermore *TPDs* find it easier to form and manage fishing groups since the group members are readily identified (most have prior fishing experience), no coaching is necessary, and it is easy to target the project support in terms of boats, engines and/or fishing gear. Understanding of the economic performance of different types of enterprise groups is an ongoing process and will be useful on completion of the Project for replication by the government.

17. The mission observed that VWGs (now numbering 178) are playing a meaningful role in the coordination of enterprise groups and liaison with PIUs despite the lack of income to members from such activities. This is largely due to members of the groups being village heads, local government representatives and other leading village figures, although the field visits to Maluku Tenggara observed that VWG members were all members of enterprise groups. Despite the VWGs having a good understanding of the Project, it would be useful if the PMO/PIUs were to provide VWGs in old villages with more details about their specific roles and duties during the remainder of the Project in terms of continuing to support established groups and to be an integral part of the exit strategy. While the Project has created 177 infrastructure groups, in the old villages these were found to be largely dormant, although ready to be re-activated if infrastructure funds become available from other sources. There appears to have been an improvement in the performance of CBCRM groups compared to earlier missions as discussed in more detail below.

18. **Sub-Component 1.2 – Coastal Resource Assessment, Planning and Co-Management.** This sub-component is rated as *satisfactory*. The expected output is: *community-based marine resource management areas being managed effectively*.

19. All of the old 108 villages had successfully constructed a Village Information Centre (VIC) prior to the MTR. The field visits confirmed the findings of earlier missions that: (i) community contributions to the VICs in the form of land, materials and labour have been significant, (ii) site selection and construction quality is generally good; (iii) the VICs are being used as a location for discussions, socialisation, and empowerment, for meetings and the sharing of project and natural resource information, and more widely as venues for a broad range of additional community activities; and (iv) operational and maintenance costs are minimal and being provided for by the communities. Progress since the MTR in new villages has not yet been significant, but the mission observed ongoing construction of some VICs in new villages.

20. Progress since the MTR has also included the creation of 58 new CBCRM groups (so that the total number is now 163), the collection and analysis on an ongoing basis of catch per unit of effort (CPUE) data by capture fishing groups, and coaching clinics in eco-tourism development and integrated coastal management (ICM). As observed by the field visits, groups in old villages are actively engaged with: (i) patrolling/observing sea protection areas; (ii) institutionalising traditional use rights into local decrees; (iii) resource enhancement through mangrove replanting; and (iv) eco-tourism activities. Of particular interest is the strong policy support for eco-tourism from national and local government, translating into increased support for the groups (and in some cases additional funding from local government and *Dinas* for investments), and a real increase in activity based around eco-tourism activities, which in many cases enables funds to be generated which helps to maintain group cohesion. The mission was impressed with the potential and emerging operations of the eco-tourism sites seen, which are already being visited by tourists.

21. Key issues relate to: (i) the need for CBCRM groups to engage with local enforcement groups and administrations on sea and coastal protection areas; and (ii) for eco-tourism activities, the ability to generate funds from visitors could result in considerable amounts of income accruing to the groups.

At present the management of such funds, and agreement over how they should be used (e.g. for maintenance, for allocation to members, to the community, etc.), is not formalised, and the mission recommends that the groups be treated more like the enterprise groups in terms of support and training provided for opening bank accounts, planning savings, managing the use of funds, etc. Continuing, and increased emphasis on linkages with *Dinas* tourism, should also be promoted by the Project to better train group members (for example in guiding, client interactions, environmental information, and marketing) and to attract additional funds, and IFAD could provide technical assistance to further strengthen the Project's engagement with eco-tourism and ensure that any activities promoted by CCDP are socially and environmentally responsible. Terms of Reference for such support are provided in Annex 4 of this report.

22. The Project will also need to work hard in all the new villages to finalise the remaining groups that have not yet been formed, to undertake resource inventories (with the groups being actively involved), and to review proposals for funding and related activities prior to their implementation. In all villages, a particular challenge during 2016 will be to operationalise and integrate the activities of the CBCRM groups and their ICM plans into the government's ICM processes, and the recruitment of an ICM expert to the PMO is recommended to assist with this process.

23. Sub-Component 1.3 – Market Focused Village Development. This sub-component is rated as satisfactory. There are two expected outputs of this sub-component: (i) financially sustainable community enterprises created under the Project, and (ii) community infrastructure implemented under the Project supporting marine-based economic activities in project villages.

24. Savings Groups and Group Savings. The number of savings groups (21) remains the same as at the MTR. Yapen has 7 savings groups; Makassar has 4 groups; Ambon, Maltera, Bitung and Parepare Districts have 2 groups; Ternate and Kubu Raya have 1 group; and other project Districts have no savings groups. The savings groups met during this mission are working well, maintain very good records of borrowing, repayment and saving, and repayment rates for all groups met with were 100%. Groups lend to their members and others within the same village as long as borrowers have productive enterprises (such as kiosks, fuel sales, bakery goods, fish trading etc.). The Project could consider expanding the use of savings groups so they lend money to processing groups. However for this to happen smoothly, rules would have to be developed to ensure that loan takers respect repayment arrangements. While it is no longer a requirement that all villages form a savings group, the good results to date suggest that their formation in new villages should be encouraged if the correct enabling conditions are in place.

25. There has also been considerable progress in the savings functions of the enterprise groups. About 60% of the enterprise groups have set up savings and loan mechanisms (i.e., *simpan pinjam*) from which members can borrow funds and pay back loan amounts to the group, representing an increase of 6% since the MTR. At the end of December 2015, the groups had total savings of approximately IDR 974 million, up from IDR 796 million at the MTR, representing an increase of 22%, and have also been lending out funds. It would be helpful for future missions to be provided with data on funds lent out to members from the savings made. It is noted that because of the challenge for groups to make savings that are sufficient to re-invest in expanding their businesses, the cooperatives formed by the Project as part of the exit strategy (see later text) will be critical for groups to access additional sources of micro-finance.

26. Enterprise Groups. The momentum for formation of enterprise groups has been maintained since the MTR. Progress has meant that there are now⁴ a total of 1,380 enterprise groups, an increase of 336 groups (32%) since MTR. The groups comprise of: (i) capture fishing groups (742, 54% of the total, and an increase of 189/34% since the MTR); (ii) processing groups (282, 20% of the total, and an increase of 71/34% since the MTR) (iii) aquaculture groups (200, 14% of the total, and an increase of 43/28% since the MTR) and (ii) marketing groups i.e. fish traders (156, 11% of the total, and an increase of 31/25% since the MTR). Most members of fishing, aquaculture and marketing groups have had some experience in their respective activities prior to the CCDP, although

⁴ As at 8 May 2016 based on weekly dashboard data

processing groups in old villages are engaged in new (and in some cases innovative) products with which they were not previously involved. The Project continues to support group activities in all old villages, and since the MTR coaching clinics on technical issues of relevance to the groups have been completed in development of marine fish culture, polyculture in brackish water fish ponds, and quality improvements in processed products. Progress since the MTR also includes the ongoing revision and updating of economic models for different enterprise group activities to assess profitability. 72% of enterprise group activities have recently been assessed as viable, up from 67% at the MTR.

27. Key issues for all group types include the fact that in new villages the proposals for funding have not yet been fully reviewed by DOBs and few funds have been disbursed to the selected group proposals, so while the groups have been formed, activities have not yet commenced. Village-level infrastructure investments in support of the groups (and the villagers more generally) in new villages under this sub-component are understandably largely to be completed, although the mission noted in some villages that some construction work has started, but only on the VICs. There are also plans for a second tranche to be given to 216 existing enterprise groups in old project villages meeting certain criteria to expand their operations.

28. For capture fishing groups, because fishing is largely an individual activity, the existence of group savings made by capture fishing groups is likely to be the basis on which at project completion they are assessed in terms of the logframe indicator of groups continuing to function in a sustainable manner. Given the large number of capture fishing groups, PIUs should place a particular emphasis on ensuring that groups are making and recording savings. The mission was informed by many members of capture fishing groups in old villages about significant increases in incomes and livelihoods from the investments made, which have largely been in small 3m canoes (katinting), outboard engines, and fishing gear (mainly nets, handlines and traps). The mission notes that the project design focussed on post-harvest groups rather than capture fishing groups. Another issue identified during the field visits in Maluku Tenggara is the lack of ice which is a major constraint resulting in post-harvest losses. While the provision of an ice plant may not be advisable due to unreliable electricity supply in the area, freezers operated by marketing groups at strategic landing locations could provide a temporary solution.

29. Issues for the processing activities in old villages include low profitability, and low frequency of operations for some groups that are working only once a week on average with group members involved in other income generating activities (not supported by the project) or household activities. This means that processing facilities and equipment provided by the Project can be under-utilized. A key reason for the low level of processing activity where this is the case, is the speed of payment for products sold especially through supermarket outlets which results in cashflow constraints, and the time needed to build the capacity of these groups as the activities for many of the members are new. PIUs should explore if savings groups could lend to processing groups to close cashflow gaps. Now that the component 2 investments are beginning to be utilised, processing group activities in old and new villages alike, and resulting profitability, may be expected to increase.

30. Aquaculture groups have been formed in all project Districts. The increase in this group type represents a positive response to the MTR recommendation to enhance aquaculture in the project. More than half of the groups are in three Districts (Maluku Tenggara, Lombok Barat, Makassar) largely due to the feasibility of aquaculture in different locations. Aquaculture activities include farming of freshwater catfish and tilapia, marine fish cage culture (e.g. milkfish, lobsters, shrimp, golden trevally), ornamental fish, and seaweed culture. Aquaculture groups visited during the mission indicated that their production has increased since receiving project support. However aquaculture producers face a number of challenges. For fish aquaculture, the high cost of fish feed means feed costs account for up to 60% of production costs. Efforts should be made to promote local formulation of fish feed, for instance some of the processing groups could focus on fish feed production (one group in Makassar is already piloting such an approach), and assistance could be provided by *KKP* Directorate General Aquaculture. The field visits also revealed that aquaculture groups in Makassar and Bitung face problems in sourcing fish seed (catfish and trevally respectively) for stocking. For seaweed aquaculture the main concerns relate to the marketing arrangements with prices fluctuating

highly, and *ice-ice* disease, a bacterial condition which affects seaweed in certain months (usually October-December). The groups may achieve better prices if they were organized through a co-operative doing collective bargaining and establish new sales links, while the impacts of disease could be reduced by using disease-free seed material, and increased inspection/husbandry to remove affected plants.

31. Marketing groups in old villages continue to perform well, supporting the observations of earlier missions, and are generally viable and innovative in their operations. The groups typically buy fish from auction markets (generally not from the CCDP processing groups), which they take to markets outside their villages. Marketing groups could help to sell products from CCDP processing groups using their linkages and the handling and transport equipment provided by the project.

32. Component 2. District Support for Marine-Based Economic Development. The performance in implementing this component is rated as moderately satisfactory, as while implementation progress of component 2 is good, this component has still generated more outputs than outcomes. The expected outcome is: the expansion of economic opportunities in project Districts for sustainable, market-based, small-scale fisheries/marine operations. The component comprises two sub-components as discussed below, which are aimed at supporting the Project's village-level interventions with complementary investments at the District-level.

33. Sub-Component 2.1 – District-Level Investment and Capacity Building. This sub-component is rated as moderately satisfactory. The expected output is: improved infrastructure and services supporting small scale fishing and marine activities established in the project Districts.

34. Since the MTR 19 additional District infrastructure facilities supporting marine-based economic activities in project villages have been established, bringing the total to 62. They include 30 buildings (e.g. production houses, packaging house, shop outlets/restaurants, ice-plants, etc.) and 32 sets of equipment (e.g. for processing, labelling, packaging, ice-making equipment, fish cages, marketing vans and 3-wheel motorcycles etc.). All construction work that had been tendered in 2015 has been completed and relevant equipment has been procured for all the infrastructure. All investments have MoUs in place as per the MTR recommendation, however only just over half of the infrastructure is already being used to support production and marketing activities. Those that are however, include some of the priority/major investments such as packaging houses which were not in use during the MTR. For example this Mission visited a labelling/packaging house in Makassar which is now fully operational at 100% capacity and in very high demand from both CCDP groups and non-CCDP clients.

35. A total of 12 business plans have been prepared for the District infrastructure (there were none at the time of MTR). Efforts should be made to produce operational plans for the remaining 40 infrastructure facilities, monitor their implementation and provide support where there are difficulties. Third party operators/partners have been identified for all the District infrastructure facilities, up from 70% at MTR, with 40% of these third party operators being community groups, 25% from the private sector, 21% cooperatives, and 14% DKP. These partners play an important role to enable CCDP groups to access markets, capacity development, new technologies, and financial services, and in many cases their capacities need developing. Most of the business plans for infrastructure facilities have been developed by PIU staff and consultants, with some input from the operators. Emphasis should be placed on good participation of all parties when preparing the operational plans.

36. Significant progress has been made to put in place District-level cooperatives to support the village groups and their linkages with District-level investments beyond the project. There is now one umbrella cooperative established in each of the project Districts (9 newly formed and 3 existing) with all having prepared a profile. Since the MTR, and in line with recommendations, the PMO has recruited a national level cooperative consultant to assist the PIUs and the District-level cooperatives. Field visits suggest that cooperative capacities are variable, and that support may be needed depending on their status with some or all of the following: (i) agreeing on rates of profit retention from enterprise group sales made on behalf of groups, (ii) arrangements for the use and distribution of profit to members, (iii) a formal management structure, and (iv) operational rules. A national level

cooperative workshop/training has been planned by the PMO for May 2016, which should help to further articulate the role of cooperatives in the project's exit strategy, their capacity development needs (which remain considerable), and therefore project activities. The national level consultant will need to spend considerable amounts of time in the field, and all PIUs should ensure appropriate linkages with the *Dinas* Cooperatives. The Project should develop appropriate indicators of cooperative performance and be ready to provide information on progress to the next mission.

37. Other important issues are the need to support the full use of investments, and this should be a priority given their importance for village enterprise groups. In addition, many third party operators require support/upskilling by the Project.

38. Sub-Component 2.2 – Market and value chain support. This sub-component is rated satisfactory. The expected output from the sub-component is: increased participation and earnings by small scale fishers and marine producers from prioritized high potential products in each project District.

39. This sub-component lays the knowledge foundation for linking village activities to District and national markets, and for the selection of the District level investments. Project implementation and most of the key activities were already accomplished by the MTR, including: preparing manuals and technical guidelines; conducting and validating market studies and opportunities; identifying primary commodities; refining the value chain description; identifying priority PIU infrastructure investments; and developing market intervention strategies and business plans (which were updated in 2015 and finalized in the first quarter of 2016). Other recent progress has been towards capacity building, developing business partnerships and creating an enabling market environment for the products of enterprise groups. The project continues to provide capacity building to enterprise groups in the areas of business development as well as market promotion and strategy etc. A general observation by this mission is that processing groups in particular, have acquired good skills to produce safe and quality food products which should help with increased market penetration.

40. The mission noted improvements since the MTR in packaging and labelling (increased products with more attractive labels), and a number of new marketing arrangements have already been realised, and the Project has now supported 82 enterprise partnerships (around half of which are operational) and 201 P-IRT certificates for food safety, an increase from 121 at the time of MTR. Halal certification, which will be important for expanding marketing links by village groups at a national level, remains to be completed for some products. Progress has also been made in marketing partnership agreements since the MTR, with 12 MOUs signed between the PIUs and identified partners, up from five at MTR. In addition 48 MoUs were signed (four in each District) between village level enterprise groups and third party buyers.

41. A new business planning and investment consultant has been hired by the PMO since the MTR to work alongside the national level market and value chain consultant. Two new marketing consultants have also been recruited at the District level since the MTR, ensuring that all 12 PIUs now have a focal person for value chain development. The PIUs continue to pilot various innovative marketing approaches. For example this mission visited an innovative "floating market" idea being piloted by the Makassar PIU, which comprises a shop outlet selling processed fish products, cage aquaculture producing live fish, both linked to a seafood restaurant, and all housed on a large floating structure a few yards from the shoreline.

42. A key issue which the Project should actively engage with is the issue of fair pricing for the village-based enterprise groups' products. This should be a priority for the Project given its poverty alleviation focus, and while the Project should not interfere too strongly with the market, it should ensure that third party operators of District-level investments do not capture all the benefits of improved market linkages and that those benefits are distributed throughout the value chain.

43. Component 3 Project Management. The implementation of this component is considered to be *satisfactory*. The expected outputs are: *(i) PMO and 12 PIUs established and operating effectively*

along with the Badung Learning Centre PIU; and (ii) replication and scaling up of the Project facilitated. Project Management is reviewed under Section D below.

Agreed action	Responsibility	Agreed date
1. Technical information and support to be provided to TPDs on CD-ROM, and through other measures	PMO	31 July 2016
2. Active facilitation for the creation of non-capture fishing groups for groups to be created	PMO/PIU	Before next mission (August/September 2016)
3. Technical support and guidance provided on the project's engagement with eco-tourism activities	IFAD	30 September 2016
4. PMO to recruit Integrated Coastal Management and Knowledge Management consultants	PMO	15 June 2016

D. Project implementation progress

44. Project Management is found to be satisfactory. The project management structure consists of a national PMO; 12 PIUs and DOBs; and a Learning Centre in Badung, Bali (which is also a PIU). The Project is nationally coordinated, but implemented primarily at the District and village levels with KKP as the Project's Executing Agency. At the District-level CCDP is implemented through the DKP. Provincial and District oversight is provided through representatives of DOBs.

45. At the end of 2015, CCDP's institutional home within KKP changed from the Directorate of Marine Services to the Directorate of Coastal Management (remaining in the same Directorate General). The policies of the new Directorate, such as on eco-tourism, support for coastal communities, and integrated coastal management, are fully aligned with the Project. The Project Director and two staff members remained in place, but all other positions changed. To keep the impact on project implementation at a minimum, former staff keep supporting new staff members. Given that they all have new full time jobs, this will not be a long term solution. The familiarity of staff, consultants, and project partners at all levels with the details of the Project and their ability to implement it as per the design was one key factor for the strong project performance, along with the high motivation among all implementing partners. It will be important for new staff to reach this level of familiarity as soon as possible and to keep the motivation levels high to ensure successful completion.

46. Coordination within the PMO, as well as between the PMO and PIUs is running smoothly. The PMO (staff, national consultants and strategically invited guests from KKP and other institutions) meet on a weekly basis and travel regularly to the field for meetings with the PIUs and beneficiaries. In addition, workshops and trainings bring different experts from all PIUs together. Communication on a variety of issues is held on a daily basis through a WhatsApp group and the PMO continues to maintain innovative tools to ensure information transparency despite the diverse and extensive project area such as: (i) a weekly dashboard showing progress towards key project indicators for all PIUs; (ii) a comprehensive Management Information System (MIS) (www.ccdp-ifad.org/MIS2) providing access to all project data and documents; and (iii) WhatsApp groups at both national and District level allowing project staff to obtain instant information and updates.

47. PIU performance is variable but improving, as shown through the reward and punishment system, which is based on a matrix of different performance criteria (such as disbursement against AWBPs and timeliness of reporting data to the PMO). In 2015, two PIUs were ranked in the third (lower) cluster. Due to performance improvements, these have now graduated to cluster 2, resulting in 9 PIUs in cluster 1 (each receiving IDR 7.2 million for 2016) and 3 in cluster 2 (each receiving IDR 6.5 million for 2016), with none in cluster 3. This supports the finding of the MTR, that the reward and punishment system should be continued due to the positive results. This performance management approach is extended to consultants in both the PMO and PIUs: Contracts are extended based on satisfactory performance (two consultants were not extended at the end of 2015 and have been

replaced by two new consultants) and strong performers receive a salary raise as an incentive and reward.

48. Coherence between AWPB and Implementation is rated as satisfactory. During 2013, 2014 and 2015 the Project expended IDR 48,360 million, IDR 84,857 million and IDR 98,180 million or 79.9%, 88.9% and 87.6% of the 2013, 2014 and 2015 budgets respectively. Full coherence was not achieved because of budget revision processes and the changing government policy on the disbursement mechanisms and procedures to provide funds directly (BLM or Bantuan Langsung Masyarakat) to communities. For the financial year 2016 up to 31 March 2016, the Project had expended only IDR 3,966 million or 3.7% of the 2016 budget. It is quite usual that expenditures are low at the beginning of the year and they are expected to increase during the rest of the year. The low expenditures to date in 2016 compared to the 2016 AWPB have also been caused by changes in senior officers and treasurers in some PIUs. For example, in Maluku Tenggara expenditures only started in April 2016, so during the first quarter of 2016, there was no expenditure at all. In Yapen, the expenditures were only 0.4%, while in other PIUs, they vary from 1.9% to 8.69% for the first quarter of 2016.

49. Monitoring and Evaluation (M&E) is found to be highly satisfactory. Since the MTR, the Project has been maintaining the M&E system which allows robust quarterly reporting on financial and physical progress. Project information is being presented in a weekly dashboard which is available to all stakeholders. The weekly dashboard, which provides real-time data, allows a constant review of performance and the early identification of necessary follow-up actions. As per the MTR recommendation, the project has reorganised/restructured the Project MIS to reflect the new logframe indicators. The MIS is used mainly to facilitate the distribution and dissemination of reports and project results, and is also meeting some of the reporting requirements by both Government and IFAD, and thus helps to avoid inconsistencies in reporting. The Project completed an Annual Outcome Survey (AOS) and a mid-term RIMS survey in 2015. The project has also used AOS and RIMS results as a reference in preparing the project activities and AWPB. The project has generated a number of lessons learned during its implementation and awareness of the project's key success factors is being raised among other IFAD-supported projects in Indonesia and globally. M&E outputs should be used to inform the exit strategy, replication, and policy impact as discussed later in this Aide Memoire.

50. Gender Focus is assessed as satisfactory. Mainstreaming gender into the Project has generally been good through a range of actions reported in the MTR, including preparation of a gender strategy which has since been published and distributed. The participation of women at 32% has increased slightly since the MTR and is above the project target of 30%, despite the fact that many new groups are capture fishing groups that are dominated by men. Women are widely represented throughout the Project structure, in many cases holding important positions and constituting over 30% of the PMO, 34% of PIU staff, 30% of DOB members, and 35% of TPDs and EAs. At the village level women make up 33% of VWG members, 5% of Infrastructure Group members, 14% of CBCRM group members, 90% of Savings Group members, 6% of capture fishing groups, 22% of aquaculture groups, 86% of processing groups and 54% of marketing groups. Recommendations by the MTR for further enhancing the gender focus of the project, especially for the groups that remain to be formed in new project villages, should be kept in mind by the Project. In addition, the mission recommends that a strong focus on non-capture fishing groups should be encouraged for groups still to be formed in 2016 and 2017. This could be achieved by including a gender component to the weighting criteria used to assess group proposals so as to favour proposals benefitting women.

51. Poverty focus is satisfactory. The Project has continued to select villages below the national poverty line during the scaling up process since the MTR, and to target the poor within the villages. The activities of the enterprise groups are relevant and accessible to the poorest households, and the mission heard many moving testimonials from villagers during the field visits about the very real impacts the project is having in reducing poverty. Increased incomes as reported during the field visits are being used for a range of purposes, including investments in additional productive assets, improvements in housing, and to pay for education. The MTR made a number of recommendations to further sharpen the poverty focus of the project, which should be followed, and it would be useful for the Project to collect data on how increased incomes are being spent.

52. Effectiveness of targeting approach is assessed as satisfactory. The Project has a thorough and effective targeting strategy, and the screening matrix for village selection, which has six variables to identify poor and vulnerable communities with the potential to benefit, has been followed in the scaling up process. During the field visits the PIUs confirmed that they, and the TPDs, had targeted poor fishing and marine-based households within the selected communities when forming village-based groups (although the mission was not able to verify this). At a project level, the targeting of resources between PIUs through the performance and reward system, as well as the allocation of funds between villages and groups, continues to work well.

53. The project appraisal target is for the Project to reach 70,000 households by the end of the project, representing 319,000 people (with an average of 4.57 people per household), of which 19,800 households will be direct beneficiaries through the groups established at village-level. The appraisal also specified a target of 30% of beneficiaries to be women. The mission found that the Project has already reached 16,713 households or 76,381 people in terms of the direct beneficiaries that are part of the village-based groups (representing 84.4% of the appraisal target), and that out of these 16,713 households, 4,946 households have a women being the group member (83.2% of the appraisal target). Performance is thus impressive at this stage of the project, although it is noted that this information is based on the project's weekly dashboard, and not all households that have been reached by the project have been impacted by it as they include members of groups that have been formed but which have not yet received project funds

54. Innovation and learning is assessed as satisfactory. During the MTR, it was noted that the project has displayed a number of innovations in terms of developing village products, models of partnerships, and the use of technology by the PMO and PIUs for communication and project management. The project continues to demonstrate innovation, for example through product certificates enabling the processing groups to expand their market scope. In addition, the mission noted innovation related to the activities of the CBCRM groups, such as: (i) the project is building upon the traditional rules protecting mangroves (ratchap in Maltera), which are being institutionalized into village (perdes) and hopefully later District (perda) laws. The local village head and CBCRM Groups also follow the same rules and delineated areas; (ii) with the support from PMO, the CBCRM groups are producing seaweed starter stock (bibit rumput laut), and are able to support numerous farmers; and (iii) groups have increasingly engaged with ecotourism activities to manage resources and generate income. Other innovation in the Project includes incentive-based finance through the PIU 'reward and punishment system', which allocates funds based on performance, and the level of close coordination and collaboration between the PMO and PIUs and the development of shared national and local government responsibilities. The result shows a mutual level of responsibility at all levels and the impact is shown through the quality of the reporting which is professional and distributed in a timely manner throughout the project. This learning could be used not only by IFAD projects in Indonesia, but also for consideration by Government in developing an approach for any new investment projects in the future. PIUs also have a dedicated budget line for innovation and its demonstration. This has been used for example to fund the expansion of seaweed tissue culture, the floating market in Makassar already referred to, and the production of katsuobushi and fish powder for flavouring in Bitung.

55. Climate and environment focus is considered as satisfactory. The Project does not have an explicit focus on climate change mitigation or adaptation, but the project has supported mangrove replanting and other environmental activities such as establishment and surveillance of sea protection areas and rubbish clean up, and the production of seaweed being enabled by the Project will result in carbon sequestration. While some project activities (such as the provision of fishing engines and wood-smoking of fish) may increase carbon emissions any negative project impacts in terms of climate change are negligible given the types and scale of inputs being provided to beneficiaries. The potential for the Project to increase the incomes of beneficiaries will also serve to increase their adaptation to the impacts of climate change.

56. **Partnerships** are rated as *satisfactory*. The mission observed the continuation of strong partnerships by the Project with the government sector partners such as *KKP* at all levels, other

Dinas, offices of *Bupati* and *Wali Kota*, *BAPPEDA*, Bank of Indonesia, and the Ministry of Cooperatives and SMEs. Partnership with the *Dinas* Health includes formal arrangements (for example, the P-IRT certification of processed products). Particularly noticeable during the field visits was the extent to which national and local government and city funds have been used to make investments alongside those made by the Project under component 2, increasing the likelihood of good project outcomes. Partnerships have in many cases been built around good alignment of the project objectives with priorities at national and local levels for ICM, eco-tourism, and sea protection areas. Given the increasing importance of eco-tourism activities, the Project should take special care to further foster improved partnerships with *Dinas* Tourism. Partnerships have also been created with non-government parties such as universities, NGOs and other development partners. Partnerships with the third party buyers and operators of District-level investments continue to be improved over time, as already discussed under component 2.

57. Knowledge Management (KM) is highly satisfactory. The Project is applying a creative and extensive mix of tools and channels (WhatsApp, twitter, project website, publications, etc.) to ensure transparent access to and sharing of knowledge and information. At the national level since the MTR the PMO: (i) produced an experience and lessons learned booklet showing best practices and stories of project achievement during implementation; (ii) compiled and published the 2015 AOS and RIMS survey and distributed them to stakeholders to promote the project's achievements; and (iii) produced a product catalogue booklet, showcasing the 3 main products from each District which featured the product's ingredients and product price, useful to support product promotion and market linkages. At a District-level each PIU has developed their own documentary video, telling stories from the field. Aside from this, the PIUs have been actively engaged in media outreach through local television, radio, and newspapers, which facilitates partnership building.

58. At the national level, the PMO is also active has been actively promoting the project success to all project stakeholders. Early in 2016 the PMO developed a partnership MoU with one of the largest news TV stations in Indonesia. Through this partnership, the Project is entitled to upload the documentary videos online at metrotvnews.com. This has certainly created more opportunities for the CCDP to share project experiences with a wider audience within the country. Additional participation in national-level events is planned for later in 2016. The Project is recognised by the President's office as a pilot project that should be used to inform best practise for approaches to village development. Meanwhile, internationally the CCDP has gained interest from a number of countries, such as Ghana, Eritrea and the Philippines, that would like to learn from the project's experience and which have requested study visits. This will provide an opportunity for the project to share its lessons and best practices, and to support South-South Cooperation that the project and Government of Indonesia could also benefit from.

E. Fiduciary aspects

59. **Project expenditure and use of remaining funds.** As mentioned in the Project Design Report, the total amount of funds from IFAD in SDR and Euro is equivalent to US\$34.0 million. Due to changes in exchange rates with the value of US\$ having strengthened against IFAD funds in SDR and Euro currencies, the actual amount in US\$ over the whole of the Project may be reduced, unless the US\$ weakens. Based on exchange rates to date, a final figure of around US\$ 33.05 million may finally be available. However, with the quite significant weakening of the IDR against the US\$ since design, while most, if not all of the expenditures are in IDR, the amount of IFAD funds in IDR may increase. As a follow-up of the MTR recommendation, IFAD together with PMO have conducted further in-depth analysis to estimate project costs based on current expenditures and planned use of remaining IFAD funds. The results of the analysis show that to achieve the project goals and objectives: (i) all funds are expected to be utilised by project completion; and (ii) that some re-allocation of funding between cost categories will be necessary given the need by the Project to move financial resources from some cost categories (e.g., vehicles, materials, consultants, unallocated) to those which more directly help coastal communities (e.g., training, community enterprises and supporting District investments). As a result, changes to the current Financing Agreement will need to be proposed by the Government

of Indonesia and approved by IFAD, and the project COSTAB files revised. The mission together with PMO has made estimates for the necessary re-allocations (which will be included in the full JRM report) and suggest that they be discussed by *KKP*, *Bappenas* and the Ministry of Finance, first to agree and finalize the figures, and then to make a formal request to IFAD with an appropriate justification for the proposed changes.

60. Financial management is satisfactory, based on an assessment at PMO, PIU and village level. At the national level, improvements have been made by the PMO in the consolidation and reconciliation of expenditures by cost category, but further improvements are still possible. The mission visited PIUs and villages in Makassar, Bitung and Maluku Tenggara Districts, and based on a sample review of documents and discussions, the mission noted that in general the financial filing system in PIUs and submission of monthly financial reports to PMO have improved since the MTR. However, in PIU Bitung and perhaps in other PIUs not visited, the filing system still needs further improvement since some supporting documents were put in separate files/folders. The mission also noted that in 2016, there have been changes of DKP senior management staff (in Maluku Tenggara, Yapen and North Gorontalo) and changes of treasurers (in Bitung, Yapen and Merauke) resulting in some delays in project implementation and also in submission of monthly financial reports to PMO.

61. Field visits revealed that in general the book keeping of village-based groups is satisfactory however some groups still need to improve their book keeping as there were errors and/or incomplete records in their cash books. The mission noted that in Makassar, the format of cash books in Lakkang village was different to other villages visited where standard forms were used. The mission also noted that surprisingly, the book keeping in new villages is typically better compared to older villages; they have followed the new Minister of Finance regulation (PMK No.168/05/2015) where all transactions are supported with complete supporting documents such as receipts, photographs, etc. The mission reminds the PIUs that villages that will receive government funds (Bantuan Pemerintah) in 2016 and 2017 will have to follow the new procedures strictly, to avoid problems at the end of fiscal year. The TPDs should provide continuous support and guidance to the community group's treasurers, and monitor their book keeping regularly. It would be useful to standardize the record keeping systems used for community groups throughout the Project. Financial records of the enterprise groups are important for the RIMS survey and in estimating the economic/financial rate of return after the Project closes. The mission also notes that some loan-saving groups are performing well, where transactions are recorded accordingly and repayment rate is 100%.

62. In accordance with IFAD procedures, the mission conducted a Fiduciary Risk Assessment, including the organisational structure, qualification of project staff in their respective positions, disbursement, budgeting, reporting, internal control and transactions reviews. While progress is being made, the mission noted the following issues: (i) the need to further improve the filing system in some PIUs for both finance and procurement/contract documents to ensure easy retrieval of certain documents when required; (ii) in Makassar, lack of standardization in the formats used for community group bookkeeping; and (iii) low capacity of some community groups in financial management and book keeping. Good book keeping at village level will become very important, especially for the villages that will receive funds in 2016 and 2017, as they have to follow the new Minister of Finance regulation.

63. 2016 AWPB. The PMO submitted the 2016 AWPB with a total amount of IDR107.8 billion (approximately US\$8.0 million equivalent) to IFAD for a no objection letter (NOL) after the annual budget (*DIPA*) was approved, and a NOL was issued by IFAD with some notes that (i) the AWPB should be consistent with the post MTR COSTAB; (ii) the Project should ensure that reallocation between cost categories after MTR are reflected in the COSTAB file; (iii) the procurement plan should be consistent with the AWPB; and (iv) the need to ensure procedures and fund flow mechanism to communities are clarified with the Ministry of Finance. The mission noted that the Ministry of Finance had conducted a workshop with IFAD project implementing agencies on the new Minister of Finance regulation (PMK No. 168/05/2015) on 11 February 2016 to clarify the new procedures and fund flow mechanism.

64. **Disbursement** is rated as *moderately satisfactory*. Based on IFAD data, the level of cumulative disbursement from the funding sources as of 31 March 2016 is summarized in the following table, with a total disbursement rate of about 61%, whereas IFAD project disbursement profiles would suggest a typical disbursement rate of 75% at this stage i.e. the actual disbursement rate is around 80% of the expected disbursement rate. The changes in personnel in some PIUs mentioned above meant that, expenditures were low for some PIUs, and in Maluku Tenggara expenditures only started in late April 2016 and hence no expenditures were made up to 30 March 2016. In Yapen, the expenditures up to March 2016 were only 0.40% of the annual budget, while in other PIUs the expenditures vary from 1.91% to 8.69%. The low expenditures at the beginning of year is quite normal and will accelerate during the rest of the year.

Table 1: Loan and Grant Disbursement to 31 March 2016

Source of Funds	Allocated amount	Disbursed	%	Balance
IFAD Loan	SDR 15,870,000	SDR 9,504,493	59.9%	SDR 6,365,507
IFAD Grant	SDR 1,186,000	SDR 668,296	56.4%	SDR 517,704
Spanish Trust Loan	EUR 6,288,000	EUR 4,204,226	66.9%	EUR 2,083,774

65. **Counterpart funds** are rated as *satisfactory*. Counterpart funds are provided from national and local government budgets (APBN and APBDs) and in the form of government recurrent costs that are not budgeted in the project annual budgets. In addition to the government contributions, beneficiaries also provide contributions to the project, particularly for the village infrastructure (in kind, in the form of land, labour and materials). Based on the available data up to 31 March 2016, government and beneficiary contributions are 62.8% and 153.4% respectively of those expected over the duration of the Project, as shown below.

Table 2: Cumulative government and beneficiary contributions (2013 – 30 March, 2016)

Government contributions (in US\$)						
Expected contributions (5 years)*	APBN (actual 3 years)	APBD (actual 3 years)	APBN + APBD (actual 3 years)	Recurrent costs (actual 3 years)**	Total govt. contributions (actual 3 years)	% (against 5 years contributions)
7,100,000	1,268,827	541,622	1,810,449	2,645,940	4,456,389	62.8%
Beneficiary contributions (in US\$)						
Expected contributions (5 years)					Actual (3 years)	% (against 5 years contributions)
2,100,000					3,219,890	153.3% ***

Notes:

* Total government contributions of US\$7,100,000 include government recurrent costs (government staff salaries and operations and maintenance of government facilities) of US\$4,409,900 for 5 years.

** Government recurrent costs for 3 years are estimated at 60% of 5 year recurrent costs.

*** Beneficiary contributions are higher than expected and will increase further as more village infrastructure is constructed in new villages.

66. **New Withdraw Application procedures (Smart SOE and/or “One Day Procedure”)**. On 4 April 2016, IFAD Senior Finance Officer and Disbursement Officer organized a discussion using Skype with representatives of the Ministry of Finance and the PMO to discuss new IFAD WA procedures for SOE (Smart SOE). The mission discussed the new procedures with the PMO Financial Officer responsible for the preparation of WAs, and noted that there are challenges in using the new procedures in the Project for the following reasons: (i) the need to identify transfer codes in Special Accounts issued by Bank of Indonesia to be used for SP2D⁵ numbers, IDR values, dates and exchange rates from three different data sources/documents which takes time since there are hundreds of SP2D numbers; (ii) the current WA procedures require information on activity, category

⁵ Surat Perintah Pencairan Dana or letter issued by the State Treasury Office (KPPN) authorising the disbursement of funds

and source of funds that depend on the reports from PIUs in the Districts which are not always easy to obtain on time or without any errors; (iii) the new SOE form (Smart SOE) require additional detailed information such as date and contract number, name of contractors/suppliers, value of contracts etc. that have to be requested to PIUs while the officers responsible for procurement are different with officers responsible for SP2D. The PMO Financial Officer suggested the following: (i) direct support (workshops, field visits) provided to each PIU treasurer; (ii) the need to have a transitional period to implement the new Smart SOE procedure, for example for the next three WAs as a trial period before applying the “One Day Procedure”; (iii) evaluation of the trial period and whether the new procedures can be implemented or not. The mission understands that the new SOE model applies mandatorily to all IFAD projects. It is intended to provide a full audit trail of expenditure and importantly its adoption is in preparation of IFAD’s move to e-disbursement, starting in 2017. As discussed during the 4 April Skype meeting between IFAD and the CCDP, there is some scope for flexibility in applying the model. An approach that could be suitable for CCDP specifics was agreed during that session, as documented in minutes shared with the Project. IFAD is waiting to receive the first WA using the new model with the agreed adjustments and fully agrees to a transitional period spanning three WAs to test this approach, following which an official communication will be sent by IFAD requiring the adoption of this adjusted model. IFAD strongly encourages the project to contact the Disbursement Officer for any specific clarifications needed, and the Finance Officer will be available to provide further support during a visit in July 2016. IFAD agrees that the project should support the PIUs by developing a template financial reporting model with the required information and by providing training to PIUs on a needs basis.

67. **Compliance with loan covenants⁶** is *satisfactory*. As stated in Section A para 2 of the Financing Agreement, the Fund’s General Conditions for Agricultural Development Financing are annexed to the Financing Agreement, and all provisions thereof shall apply to the Financing Agreement. Most of the conditions have been met, and the non-compliance, for example delays in submission of AWPB, annual financial statements and audit reports, are minor and do not significantly affect project implementation or achievement of the development objectives, or violate IFAD’s statutory requirements.

68. **Procurement is satisfactory.** The mission conducted post-procurement reviews of eight contract documents, seven for infrastructure construction and one for procurement of goods (vehicles and equipment) in the Makassar and Bitung PIUs. The mission found that the procurement followed the agreed procedures based on the documents reviewed. The mission also notes that the contract registers and asset registers are now complete and that most assets have been marked with inventory identification code stickers, in line with earlier mission recommendations.

69. **Audit is rated as satisfactory with both 2013 and 2014 audit reports having unqualified opinions (Wajar Tanpa Pengecualian), where the financial statements were deemed to present fairly all material respects.** The mission noted that regional *BPKP* has completed the 2015 expenditures audit in PIUs and the Central *BPKP* is now conducting the audit in the PMO. It is expected that the audit will be completed in June 2016. The PMO informed the mission that all recommendations from the 2014 audit report have been followed up and reported to *BPKP*. The PMO should continue to record a summary of the annual auditor’s findings and recommendations each year, and monitor the follow-up actions taken in a log book, to ensure that all previous years’ recommendations are followed up.

⁶ Assessment is made of compliance with the general conditions of the Financing Agreement.

Agreed action	Responsibility	Agreed date
5. Letter prepared by <i>KKP</i> and sent to <i>Bappenas</i> and Ministry of Finance requesting changes to cost category allocations in Schedule 2 of the Financing Agreement	<i>KKP</i>	15 June 2016
6. Request made to IFAD for amendment to Schedule 2 of the Financing Agreement	Ministry of Finance	15 July 2016
7. Project COSTAB files revised	IFAD/PMO	15 August 2016
8. Submit 2015 Audit Report to IFAD	PMO, <i>BPKP</i>	30 June 2016
9. Project to seek further information from IFAD, if needed, on the application of the new SOE model	PMO	31 May 2016

F. Sustainability

70. **Institutional Sustainability** is considered *moderately satisfactory*. *KKP* has clear ownership of the Project and the PMO is working towards building institutional sustainability through: (i) capacity building on all levels; and (ii) strengthening of village level institutions. With the completion coming up next year, it will be important to integrate project activities into wider *KKP/DKP* and local government programmes and processes. There is a strong interest at District-level to continue activities and the exit strategy should provide concrete guidance on how to sustain the institutional capacities built by the project with local resources and explore possibilities to maintain capacities. A self-evaluation conducted among the PIUs with regards to the sustainability of the groups showed that 70% are estimated to be sustainable. To ensure full sustainability before project completion, the Project will need to: (i) continue providing strong support to the groups with particular attention on groups in the new project villages to ensure a maturity level before project completion; (ii) incorporate the CBCRM into evolving ICM processes; (iii) continue developing successful modalities for savings groups and enterprise group savings; (iv) incorporate CCDP activities and funding requirements into village planning and budgeting processes now in place under the Village Law and; and (v) further strengthen linkages between enterprise groups and the private sector and cooperatives.

71. **Empowerment and social sustainability** is rated as *satisfactory*. The community empowerment and planning processes have supported household empowerment and social cohesion, and encouraged women to reconsider their capacities, and these positive changes should continue post-Project even if not all groups do. The sustainability of community empowerment is an active concern at all levels of the Project, including amongst project stakeholders. Consequently, considerable work has been directed towards the creation of a 'sustainability path' for community empowerment. PIUs have developed a road map for Component 1 that includes 30 different steps towards supporting the sustainability of progress in empowerment, and project groups are regularly assessed and ranked to evaluate their progress, with sustainability based on six different criteria being the final objective.

72. **Economic/Financial, Technical, and Environmental Sustainability**. Economic/Financial sustainability of the groups supported by the project is currently estimated at just over 70%, and the commencement of component 2 investments, the well thought out District-level marketing strategies, and continued support at the village and District-levels with market linkages may help to increase this figure over the remainder of the project. Risks to economic/financial sustainability are being mitigated by the preparation of economic models for enterprise groups, the preparation of business and/or operational plans for component 2 District-level investments, and the creation and strengthening of cooperatives at the District-level which will support viable enterprise group activities and District-level investments after the Project. Many of the groups, and especially the aquaculture groups, face specific challenges (such as affordable fish feed, sources of seed for stocking, good husbandry practices, and disease outbreaks) which may threaten their technical sustainability but the project is working actively to mitigate these risks through training, coaching clinics and the preparation of knowledge management products covering technical issues. The increasing strength of the CBCRM

groups compared to the last mission, offers increasing hope for environmental sustainability, and the project is now monitoring the key risk of over-fishing through the collection of catch per unit of effort data and ensuring sustainability through the integration of CBCRM group activities into ICM developments.

73. **Quality of beneficiary participation** is assessed as *satisfactory*. The quality of participation in community level groups has improved significantly over the course of the project, as demonstrated by data in the 2015 AOS. Beneficiaries have a good understanding of the objectives of the Project and their role within it, and participation is supported because of the very significant social and economic benefits that are resulting from project activities and the satisfaction of beneficiaries with the Project (again reported in the 2015 AOS as having increased since 2013). Some *TPDs* commented during the field visits that in some groups not all 10 members play an active role in group activities.

74. **Responsiveness of service providers** is rated as *satisfactory*. The Project uses a wide range of service providers, especially in the form of the recruitment of private sector consultants and companies at both PMO and PIU levels, which are closely monitored for satisfactory performance. Out of all consultants recruited in the project, only two were not extended, and consultants working for the Project appear well-skilled, and being locally recruited, represent good value for money. Other short-term expertise is utilised by the project on a needs-basis, for example to conduct coaching clinics, specific studies, specific activities in the field, or to produce knowledge management outputs, with overall good or high quality.

75. **Exit Strategy** is rated as *moderately satisfactory*. The Project is active in engaging with and articulating an exit strategy. This awareness extends to institutional partners already engaged with the Project. Key aspects of the exit strategy relate to: (i) incorporation of CCDP activities into *DKP*, other *Dinas*, *Wali Kota* and *Bupati* offices, and village heads; (ii) attempts to merge CCDP activities and priorities into village planning and budgeting processes under village law; (iii) engagement with ICM developments in the country; (iv) articulation of the sustainability road maps by the PIUs; (v) engagement with a wide range of private sector partners; and (iv) the development and use of cooperatives formed from, and intended to benefit, CCDP group members. However, many of the details of the exit strategy on all of these aspects remain to be finalised, and earlier comment has been provided on cooperative needs as a key part of the exit strategy.

76. **Replication**⁷ is rated as *moderately satisfactory*. Replication is mentioned as part of the overall goal of the CCDP. While the Project plans to engage in an evidenced-based dialogue with national and District-level stakeholders to ensure mainstreaming of good practices and replication into regular operations of *KKP* and *Dinas* as well as other development projects, there is as yet no clear articulation or documentation of how CCDP activities could, or will be replicated once the Project finishes. For example, it may be more effective to replicate project activities in existing villages rather than expand to new villages, and in existing Districts in which the project is active than in new ones. However, it appears the most common understanding of replication is limited to expansion to new Districts. Given the success of the Project, that many stakeholders speak of it as the most successful project they have been involved with, and that there is currently no plan to have a second phase, the need for a clearly articulated model of replication is essential. Field visits revealed concerns by local government representatives that they don't know how exactly they could replicate project activities, but would like to do so. Knowledge management products and established project guidelines (for example on selection of villages and target beneficiaries, allocating and managing the provision of funds to community-level groups, etc.) will be useful to support replication. The Project also plans to pilot replication in Berau District in East Kalimantan over the remainder of the Project, with some project support.

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

77. The project needs to use this pilot experience to start work on considering issues such as: (i) what would the different requirements be of replication in new villages, and in new Districts; (ii) which activities and aspects of the current Project would be core/essential ('need to have'), and which optional ('nice to have') and might be removed to save costs given likely pressure on financial resources; (iii) from where would funds be sourced, how would they be managed, and what local financial institutions would be relevant; (iv) what level of village-based community facilitation would be necessary to replicate the activities of the *TPDs*, and from where would such facilitation be provided; and (v) what would be the appropriate balance of national level coordination and mainstreaming of management within KKP as opposed to leaving replication decentralised to the District-level.

G. Other

78. **Impact** is rated overall as *moderately satisfactory*. Additional information on which to assess impact, over and above the 2015 AOS and RIMS studies reported by the MTR, is not yet available. The overall rating from the MTR is thus retained, and is informed by the ratings for specific impact areas which are also assessed as being unchanged from the MTR. The 2015 AOS and RIMS showed that the level of household welfare has increased significantly since 2013 with significant movement between poverty quintiles; a 50% reduction in the poorest (fifth) quintile which has moved to the poor quintile as well as a decline in the average quintiles (third and fourth) which have presumably moved to the first quintile, as this has increased from 15% to 25%. This shows a general trend of increasing incomes as well as a reduction in extreme poverty. Further outcomes show increased asset ownership and savings. The reports also show a trend towards diversified income sources, a lesser dependence on moneylenders, and an increase in beneficiaries providing employment. Following the ratings in the MTR, impact on *physical and financial assets* is rated as *satisfactory*. Impact on *food security* is rated as *moderately satisfactory*. Impact on an *increase in incomes* is found to be *satisfactory*. Impact on the *quality of natural asset improvement and climate resilience* is found to be *moderately satisfactory*.

79. **Policy impact.** The Project is actively trying to influence national fisheries and coastal resource management policy, for example through exposing policy-makers to the project's successes through visits, social media, and knowledge management products, and some policy impact is emerging. However much work still needs to be done at the level of senior policy-makers within and outside *KKP* to market the successes of the project, which would help with generating support for policy approaches based on the CCDP approach and therefore with replication. IFAD and the Project should jointly support an ongoing national level dialogue with government on such issues with representatives of the President's Office, *KKP*, *Bappenas*, *Bupatis* and *Wali Kotas*, and other stakeholders. The implementation of the village law and *KKP* policies offer good opportunity for national level policy impact, as do other planned national level meetings for policy discussion which the Project already plans to participate in.

H. Conclusion

80. The JRM has found continuing good performance since the MTR in 2015. Project management remains strong, and the Project has successfully initiated the scaling-up process to work in new villages under component 1. While there is little physical investment at this stage in these new villages, village and group identification has followed the project's targeting criteria and the sensitisation and mobilisation process is being well handled. The Project also continues to work with community and enterprise groups already established, and while economic performance of the groups is variable, the Project continues to create very real benefits for target beneficiaries.

81. District-level investments under component 2 have now been completed. While some of the operational arrangements with third party operators remain to be clarified and not all investments are yet in full use, the JRM noted how in many cases the component 2 investments are beginning to be linked with the activities and products from the component 1 enterprise groups, creating mutually beneficial impacts between investments at village and District levels. These linkages are being further

supported through the marketing and promotional support provided under component 2 which also benefits the enterprise groups.

82. It is now critical for the Project to identify the differing needs of the 12 cooperatives established in the Districts, nine of which are newly formed, and to support an active programme of activities to build their capacities and agree operational practices. These cooperatives are a key part of the project's exit strategy. While the strategy is well conceived in terms of mechanisms to ensure the *sustainability* of the investments made by the Project, many of the operational details for sustainability remain to be clarified. In addition, mechanisms and details for *replication* as part of the exit strategy have not yet been well articulated. As 2016 is the penultimate year of the Project, defining the requirements and arrangements for replication should now become a priority given the successes of the Project, and its overall goal to support and test models of development which can then be replicated throughout the country.

83. A review of existing expenditure until the end of 2015, agreed expenditure for 2016, and planned expenditure 2017 highlighted that in order to achieve the project objectives, a re-allocation of project funds is necessary from some cost categories (e.g., vehicles materials and equipment, consultants, unallocated) to those which more directly help coastal communities (e.g., community enterprises and supporting District investments). The Government should make a request to IFAD for an amendment to Schedule 2 of the Financing Agreement.

84. The coming months represent a critical phase of the Project, and failure to progress on key issues could jeopardise much of the excellent work that has already been completed. The next mission is thus scheduled for the end of August/early September subject to further agreement. This mission should place a strong focus on reviewing progress and working with the project staff and consultants on the following issues: (i) the scaling up process in new villages and the distribution and use of project investments at the village level; (ii) utilisation of all component 2 investments and clarity over operational arrangements with third party operators; (iii) the programme of cooperative development and strengthening; (iv) the exit strategy in terms of both sustainability of project investments and replication; and (v) any emerging requirements for closing the Project in 2017.

85. IFAD and the Government of Republic of Indonesia endorsed the findings of the mission of the mission at a wrap up meeting on 13 May 2016.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Indonesia			Project ID	1621	Loan.	I-880-ID
Project	Coastal Community Development Project					Grant Trust Loan	I-C-1392 - ID E-16-ID
Date of Update	16 May 2016						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	4				
Last Supervision	October 2016	Last Implementation Support/Follow-up mission	May 2015				

					USD million	Disb. rate %
Approval	21-Sep-2012			Total financing	43.24	60.9
Agreement	23-Oct-2012	Effectiveness lag	1.1	IFAD Total	26.20	52.3
Entry into force	23-Oct-2012	PAR value	Not at risk	IFAD loan	24.20	53.5
First disbursement	14-Feb-2013			DSF grant		
MTR	Sept 2015	Last amendment		IFAD grant	2.00	37.7
Original completion	31-Oct-2017	Last audit	2014	Domestic Total	9.24	48.4
Current completion	31-Dec-2017			Beneficiaries	2.15	153.3
Original closing	30-Apr-2018			Government (National)	7.09	62.8
Current closing	30-Jun-2018			External Co-financing Total	7.80	63.4
No. of extensions	0			Spanish Fund	7.80	63.4

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	5	1. Quality of project management	5	5
2. Acceptable disbursement rate	4	4	2. Performance of M&E	5	6
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	5	5
4. Compliance with financing covenants	5	5	4. Gender focus	5	5
5. Compliance with procurement	5	5	5. Poverty focus	5	5
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	5	5
			8. Climate and environment focus	4	5
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Community empowerment and resource management	5	5	1. Institution building (organizations, etc.)	4	4
2. Support for Marine based economic development	4	4	2. Empowerment	4	5
			3. Quality of beneficiary participation	5	5
			4. Responsiveness of service providers	5	5
			5. Exit strategy (readiness and quality)	4	4

6. Potential for scaling up and replication	4	4
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B.5 Justification of ratings. Project is performing strongly on all activities, mainly due to strong project management, solid support by MMAF, high capacity in project staff. Further attention needs to be placed on sustainability and capacity of groups and to bring up weaker performing groups and districts.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	5
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	5	5
Rationale for implementation progress rating		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	5
Rationale for development objectives rating The overall performance of the project is found to be satisfactory and already at mid-term, promising impact is visible. The project has solid prospects of achieving its DO.		
C.6 Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
Fiduciary aspects – the fiduciary risk assessment is rated low because the Project has a good implementing organizational structure. The project uses the Gol financial management system and government external auditors (BPKP). The 2015 audit report has not yet been submitted but the report for 2014 had unqualified opinion. The main issues are: (i) the need to re-allocate some funds between cost categories in the Financing Agreement, based on agreement with IFAD; (ii) new IFAD requirements for withdrawal applications which are proving problematic for the Project; and (iii) the need to submit the audit report to IFAD once complete		
Project implementation progress – key risks are: (i) a failure to successfully complete the scaling up process in new villages, although there are no indications that this risk will materialise.		
Outputs and outcomes – Key risks are: (i) poor financial viability of component 1 enterprise group activities which threatens their sustainability; (ii) a lack of clarity over the arrangements with third party operators to manage district level investments provided, full utilisation of these investments, and ensuring a fair distribution of benefits between the communities and third parties; (iii) the capacity of many of the third party operators of district level investments, and the challenges in building their capacity sufficiently by project completion.		
Sustainability – key risks to sustainability largely reflect the risks and issues raised under outputs and outcomes above. Sustainability strategies in terms of the project's exit strategy have been identified conceptually, but not yet defined in operational terms. Strategies and arrangements for replication have also not yet been well developed.		

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Need to agree changes to the cost category allocations in Schedule 2 of the Financing Agreement	Immediately post mission, the Government of Indonesia (Ministry of Finance) should request required changes. Once/if agreed, the project COSTAB files should be updated.	30 June 2016	Plans for this underway and the mission provided support for revised figures

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

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

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

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

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

Project Development Objective:

<p>Increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities</p>	<ol style="list-style-type: none"> 1. The value of marine and fisheries products sold by participating households has increased by an average of 30%, compared with the pre-project level of sales. 2. Food security has improved, as measured by a decrease in the level of food shortage in the first period to 17.5% (from 34.2% at baseline) and to 5% in the second period (from 11% at baseline).* 	<ol style="list-style-type: none"> 1. RIMS 2. RIMS and qualitative studies to complement indicators e.g. Annual Outcome Surveys (AOS) 	<ol style="list-style-type: none"> 1. Previous year Annual Sales (RIMS) < IDR 2 million: 2013, 21.81%; 2015; 27.05% IDR 2 - 5 million: 2013 29.66%; 2015 16.73% IDR 5 - 10 million: 2013, 18.52%; 2015, 26.16% > IDR 10 million: 2013 13.01%; 2015 30.07% AOS 2015 showed average increases in income per month of 57.5% for project beneficiaries. 2. Food security: RIMS data show <ul style="list-style-type: none"> • First 'hungry season': 2013 308 HHs (34.2%); 2015, 107 HH (11.8%) (duration 3.5 Month) • Second 'hungry season': 2013 99 HHs (11.0%); 2015, 18 HH (2.0%) (duration 2.5 month) AOS 2015 showed that HH unable to have 3 meals a day decreased from 13.3% in 2013 to 1.9% in 2015
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<p>Outcome 1: Project communities implementing profitable and sustainable marine-based economic activities with no detrimental effect on marine resources</p>	<ol style="list-style-type: none"> 1. 60% of the project-funded enterprise groups operating by the end of the project.* 2. Analysis of enterprise group activities show that >70% are financially viable.* 3. Health of marine resources maintained or improved in 80% of areas managed by project. (as measured in terms of catch per unit of effort (CPUE) data).* 	<ol style="list-style-type: none"> 1. Independent assessment of enterprise groups still working collaboratively. 2. Financial records of project-supported enterprise groups, with financial viability assessed through a random sample of different types of enterprise group activities at project completion using group financial records, and based on positive cash flow. 3. Community perception-based resource inventory and assessment, and data collected at village level from capture fishing group on CPUE (through a small sampling programme based on data provided by fishers). 	<ol style="list-style-type: none"> 1. 1,380 enterprise groups have been formed up to May 2016 JRM. Qualitative assessment of those groups in old villages indicated that more than 70% of groups are considered viable. 2. Viability not yet measured based on real data being collected by enterprise groups 3. CPUE data being collected but time series not yet sufficient to assess health of marine resources
<p>Outputs: 1.1 Marine and fisheries households' development priorities identified agreed and documented</p>	<ol style="list-style-type: none"> 1. 70% of fisheries/marine HHs state village plans represent their priorities. 2. 50% of women state village plans represent their priorities. 	<p>1 and 2. District project quarterly reports; Village impact assessments; Project M&E records; Sample surveys.</p>	<p>Not yet available</p>
<p>1.2 Community-based marine resource management areas being managed effectively</p>	<ol style="list-style-type: none"> 1. 40 community-based marine resource management areas demarcated, declared and ratified (through <i>Perdes</i>, or <i>village ordinance</i>).* 2. All PIUs have Integrated Coastal Management Plan in place in at least 50% of all project villages.* 	<ol style="list-style-type: none"> 1. District project quarterly reports; Project M&E records; <i>Perdes</i>, ordinances. 2. ICM plans 	<ol style="list-style-type: none"> 1. At mid-term 6 new management arrangements ratified through <i>Perdes</i> 2. All PIUs have established ICM plans for old villages. ICM plans for new villages will be carried out during 2016/2017
<p>1.3 Financially viable community enterprises created under the project</p>	<ol style="list-style-type: none"> 1. 1,800 enterprise groups established by the project following submission of proposals, review by DOBs and approval by PIUs.* 	<p>District reports and project M&E records</p>	<p>1,112 of 1,380 enterprise groups have been established with all based on submission of proposals reviewed by DOBs and approved by PIUs. The others are new groups formed in new villages, with various stages of proposal status.</p>

1.4 Community infrastructure implemented under the project supporting marine-based economic activities in project villages	1. Two thirds of project-financed community infrastructure operating, being maintained, and being used by fisher/marine HHs, assessed 1 and 3 years after establishment.	Project M&E records Project impact assessments Survey of enterprise groups to determine effectiveness of the infrastructure Village records of maintenance costs/activities <i>Note: For this indicator project to retain records of number of <u>new</u> (not total) infrastructure developments each year, so that assessment can be made of their use/maintenance 1 and 3 years later</i>	A total of 108 Village Information Centres (VICs) built by end of 2014. 100% utilised and maintained (1 year after completion and up to now). 216 village infrastructure developments constructed by end of 2014. c.a. 100% being used and maintained (1 year after completion and up to now)
Outcome 2: Expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries and marine operations	1. An average of 300 additional households in each project district actively participating in the prioritized high potential product value chains two years after initial involvement and are continuing to do so.* 2. At least 4 third party buyers (e.g. supermarkets, processing companies, souvenirs shops, etc) actively buying products in each district, which were not doing so before the project.*	Project M&E records	1. Not yet available 2. Achieved in most PIUs
Outputs: 2.1 Improved infrastructure and services supporting small scale fishing and marine activities established in the project districts	1. 70% of facilities, services and infrastructure financed by the project operating/available, being maintained, and used by third party operators (private operators, cooperatives, state-own companies, SMEs).	Survey of fishing/marine HHs in project villages Project M&E records Audits of project enterprises and infrastructure	More than 70% (39 out of 47) of those facilities, services and infrastructures are operating.
2.2 Increased participation and earnings by small scale fishers and marine producers from prioritized high potential products in each project district	3. 48 MoUs signed (4 in each district) between village level enterprise groups and third party buyers.*	Project M&E records	Achieved in most PIUs

<p>Outcome 3: Project is managed efficiently and transparently for the benefit of the project's target HHs and communities</p>	<p>1. 80% of project funds are disbursed in a timely manner in line with targets set in AWPBs.</p>	<p>Participatory village evaluation of project performance; Reports from district stakeholder forums on project management ; Project financial records</p>	<p>For the 2013 AWPB 79.9% of budgeted funds were disbursed. For the 2014 AWPB. 87.2% of budgeted funds were disbursed. For the 2015 AWPB. 87.66% of budgeted funds were disbursed.</p>
<p>Outputs: 3.1 PMO and 12 PIUs established and operating effectively</p>	<p>1. PMO and 12 PIUs have SKs and implement AWPBs and procurement plans as accepted by the GOI and IFAD, in a financially responsible and timely manner.* 2. 75% of project consultants and TPDs with contracts up for renewal, or reviews of performance on completion of contract assignments, assessed by PMO and PIUs as satisfactory.* 3. All PIUs (excluding Badung Learning Centre) evaluated by PMO to be either in category 1 (best) or 2 (good) in the project reward and sanction scheme.*</p>	<p>1. SKs, NOL AWPB and procurement plans, Weekly dashboard, audit reports, withdrawal applications and disbursements. 2. Yearly performance evaluation of consultants and TPDs, contracts. 3. 2.PMO annual assessment of PIU performance based on matrix of performance indicators</p>	<p>1. PMO and all PIUs as assessed at JRM 2 PIU consultants were not renewed by the end of 2015, and were already replaced by 2 new consultants. 65 of 72 old TPDs are renewed along with 110 new recruited TPDs (Total: 175 TPDs) PIU performance (by 2015): Cat 1: 9; Cat 2: 3; Cat 3: 0</p>
<p>3.2 Replication and scaling up of the project facilitated</p>	<p>1. At least 12 additional districts have been identified and commenced implementation of CCDP.* 2. The Project has been extended to at least 60 additional villages in the 12 project districts.</p>	<p>Project M&E, audit and supervision records</p>	<p>Not yet applicable Not yet applicable.</p>

Indicators, where relevant, will be disaggregated by gender.

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

Action Area	Action Agreed	Date	Whom
Project implementation	1. Technical information and support to be provided to <i>TPDs</i> on CD-ROM, and through other measures	31 July 2016	PMO
	2. PMO to recruit Integrated Coastal Management and Knowledge Management consultants	15 June 2016	PMO
Outputs	3. Active facilitation for the creation of non-capture fishing groups for groups to be created	Before next mission (August/September 2016)	PMO/PIU
	4. Technical support and guidance provided on the project's engagement with eco-tourism activities	30 September 2016	IFAD
Fiduciary	5. Letter prepared by <i>KKP</i> and sent to <i>Bappenas</i> and Ministry of Finance requesting changes to cost category allocations in Schedule 2 of the Financing Agreement	15 June 2016	<i>KKP</i>
	6. Request made to IFAD for amendment to Schedule 2 of the Financing Agreement	15 July 2016	Ministry of Finance
	7. Project COSTAB files revised	15 August 2016	IFAD/PMO
	8. Submit 2015 Audit Report to IFAD	30 June 2016	PMO, <i>BPKP</i>
	9. Project to seek further information from IFAD, if needed, on the application of the new SOE model	31 May 2016	PMO

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

Component / Sub-component or Output		Indicator	Unit	<u>Physical (up to 08.05.16)</u>			<u>Period: 1 Jan to 31 March 2016 (Rupiah)</u>			Cumulative (Rupiah)	Appraisal Target (Rupiah)	%
				Target	Actual	%	AWP&B	Actual as per 31 March 2016	%			
Component 1. Community Empowerment, Development and Resource Management							77 067 656 000	3 246 528 640	4.21			
1.1	Community Facilitation, Planning and Monitoring	RIMS 1st Level										
		Village /community plans formulated	Plans	72	69	95.83						
		Logframe					18 394 580 000	1 220 440 540	6.63			
		1. 70% of fisheries/marine HHs state village plans represent their priorities	Fisher HHs									
		2. 50% of women state village plans represent their priorities	Village Women									
1.2	Coastal Resource, Assessment, Planning & Co-Management	RIMS 1st Level										
		Environmental management plans formulated	Plans									
		CBCRM activities	units	127	0	0.00						
		Logframe					12 121 256 000	171 570 000	1.42			
		1. 40 community-based marine resource management areas demarcated, declared and ratified (through Perdes, or village ordinance).	Marine Management Areas									

		2. All PIUs have Integrated Coastal Management Plan in place in at least 50% of all project villages	ICM Plans	72	0	0.00						
1.3	Market Focused Village Development	RIMS 1st Level										
		Enterprises accessing non-financial services facilitated	Enterprises									
		2nd tranche fund (for enterprise groups)	Groups	216	54	25.00						
		Logframe										
		1,800 enterprise groups established by the project following submission of proposals, review by DOBs and approval by PIUs.	Groups	360	268	74.44						
		RIMS 1st Level					46 551 820 000	1 854 518 100	3.98			
		1. Other productive infrastructure constructed / rehabilitated	Infrastructures	122	0	0.00						
		2. Other social infrastructure constructed / rehabilitated (village information center)	Infrastructures	72	0	0.00						
		Logframe										
		1. Two thirds of project-financed community infrastructure operating, being maintained, and being used by fisher/marine HHs, assessed 1 and 3 years after establishment	Infrastructures									

Component 2. District Support for Marine-based Economic Development							14 809 854 000	134 563 730	0.91			
2.1	District Level Investment & Capacity Building	Logframe										
		70% of facilities, services and infrastructure financed by the project operating/available, being maintained, and used by third party operators (private operators, cooperatives, state-own companies, SMEs)	Facilities and infrastructures	9	0	0.00	8 409 007 000	0	0.00			
2.2	Market and Value Chain Support	Logframe										
		48 MoUs signed (4 in each district) between village level enterprise groups and third party buyers.	MoUs				6 400 847 000	134 563 730	2.10			
Component 3. Project Management							15 708 657 000	578 054 400	3.68			
3.1	Project Management	RIMS 1 st Level										
		Government officials and staff trained	Persons Trained									
		Logframe										
		1. PMO and 13 PIUs have SKs and implement AWPBs and procurement plans as accepted by the GOI and IFAD, in a financially responsible and timely manner.	Management office									
		2. 75% of project consultants and TPDs with contracts up for renewal, or reviews of	Consultant	39	39	100.00						

		performance on completion of contract assignments, assessed by PMO and PIUs as satisfactory.	TPD	180	175	97.22	15 708 657 000	578 054 400	3.68			
		3. All PIUs (excluding Badung Learning Centre) evaluated by PMO to be either in category 1 (best) or 2 (good) in the project reward and sanction scheme.	PIU									
		Logframe										
		1. At least 12 additional districts have been identified and commenced implementation of CCDP.	Additional districts									
		2. The Project has been extended to at least 60 additional villages in the 12 project districts.	Additional villages									
		Total					107 586 167 000	3 959 146 770	3.68			

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

(as of 31 March 2016)

Table 5A: Financial performance by financier

Financier	Approval (US\$ '000)	Disbursements (US\$ '000)	Per cent disbursed
IFAD Loan	24,200	13,755	56.84
IFAD Grant	2,000	968	48.38
Spanish Trust Loan	7,800	5,091	65.26
Beneficiary Contribution	2,100	3,220	153.33
Government	7,100	4,456	62.77
Total	43,200	27,489	63.63

Note:

1. Beneficiaries' contribution is in the form of value of land, materials and labour provided by community for infrastructures
2. Government commitment of \$7.1 million include government staff salaries, allowances and maintenance of govt. facilities of \$4.4 million which are not budgeted in AWPBs.
3. If the government staff salaries are included (for 3 years will be 60% of \$4.1 million or \$2.4 million), the actual GOI contribution is 62.77% which is on schedule.

4. Disbursement of IFAD loan and grant and Spanish Trust loan include initial deposits with the balances in SA are US\$2,410,255, US\$308,579 and EUR516,742

Table 5B: Financial performance by financier by component (US\$ '000)

Component	IFAD Loan			IFAD Grant			Spanish Trust Loan			Beneficiary Contribution			GOI (APBN+APBD)			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1 – Community Empowerment, Development, and Resource Management	16,696	8,085	48.4	2,000	1.9	0.1	5,073	2,748	54.2	2,100	3,220	153.3	1,654	-	-	27,523	14,055	51.1
1.1 – Community Facilitation, Planning, and Monitoring	1,338	248	18.5	-	-	-	4,459	1,821	40.8	-	-	-	105	-	-	5,901	2,068	35.0
1.2 – Coastal Resource Assessment, Planning, and Co-Management	4,254	1,358	31.9	-	-	-	614	502	81.8	-	-	-	512	-	-	5,379	1,861	34.6
1.3 – Market Focused Village Investment	11,104	6,479	58.3	2,000	1.9	0.1	-	425	-	2,100	3,220	153.3	1,038	-	-	16,242	10,126	62.3
2 – District Support for Marine-Based Economic Development	5,236	3,439	65.7	-	-	-	1,989	1,511	75.9	-	-	-	696	99	14.2	7,921	5,049	63.7
2.1 – District Level Investment and Capacity Building	2,409	3,117	129.4	-	-	-	166	197	118.7	-	-	-	177	-	-	2,752	3,315	120.5
2.2 – Market and Value Chain Support	2,827	322	11.4	-	-	-	1,823	197	10.8	-	-	-	519	-	-	5,169	519	10.0
3 – Project Management	2,268	2,230	98.4	-	965.6	-	738	832	112.7	-	-	-	4,750	4,357	92	7,756	8,385	108.1
Total	24,200	13,755	56.8	2,000	968	48.4	7,800	5,091	65.3	2,100	3,220	153.3	7,100	4,456	63	43,200	27,489	63.6

Table 5C-1: IFAD loan disbursements (in SDR, as at 31 March, 2016)

Loan		Alloc	Disb	Balance	%	Pending		Total pending	Total Disb & Exp	Balance	%
						Submitted W/A	Exp. not yet submitted				
I	Vehicles, Materials, and Equipment	2,850,000	851,739	1,998,261	29.89%	-	-	-	851,739	1,998,261	29.89%
II	Training and Workshop	2,570,000	514,394	2,055,606	20.02%	-	-	-	514,394	2,055,606	20.02%
III	Studies and Surveys	-	-	-	-	-	-	-	-	-	-
IV	Technical Assistance	-	-	-	-	-	-	-	-	-	-

V	Consultancy Services	2,400,000	493,636	1,906,364	20.57%	-	-	-	493,636	1,906,364	20.57%
VI	Community Enterprise and Infrastructure Fund	5,350,000	3,592,447	1,757,553	67.15%	-	-	-	3,592,447	1,757,553	67.15%
VII	District Fund for Supporting Small Scale Fisheries	1,100,000	1,349,326	-249,326	122.67%	-	-	-	1,349,326	-249,326	122.67%
VIII	Unallocated	1,600,000	-	1,600,000	-	-	-	-	-	1,600,000	-
	Initial Deposit	-	2,702,952	-2,702,952	-	-	-	-	2,702,952	-2,702,952	-
	Total	15,870,000	9,504,493	6,365,507	59.89%	-	-	-	9,504,493	6,365,507	59.89%

Note: There was a balance in SA = US\$2,410,255

Table 5C-2: IFAD grant disbursements (in SDR, as at 31 March, 2016)

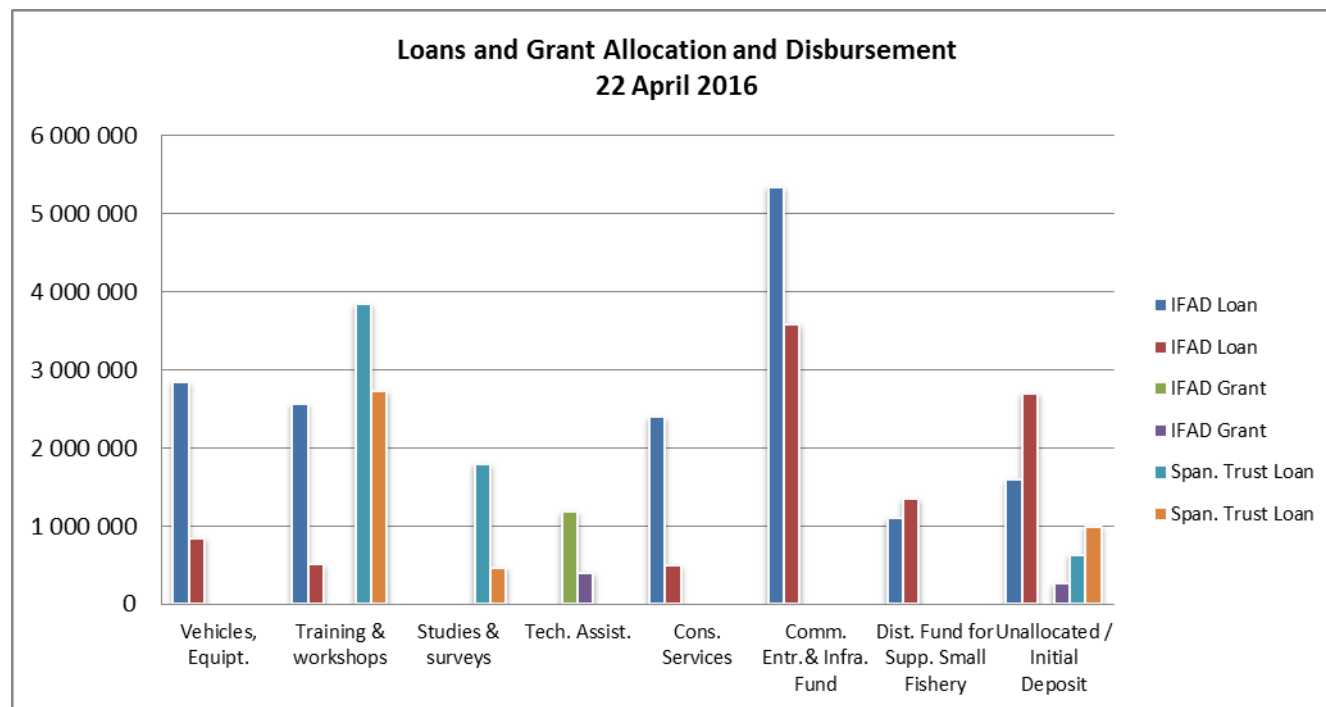
Grant		Alloc	Disb	Bal	%	Pending		Total pending	Total Disb & Exp	Bal	%
						submitted W/A	exp not yet submitted				
I	Vehicles, Materials, and Equipment	-	-	-	-	-	-	-	-	-	-
II	Training and Workshop	-	-	-	-	-	-	-	-	-	-
III	Studies and Surveys	-	-	-	-	-	-	-	-	-	-
IV	Technical Assistance	1,186,000	406,105	779,895	34.24%	-	-	-	406,105	779,895	34.24%
V	Consultancy Services	-	-	-	-	-	-	-	-	-	-
VI	Community Enterprise and Infrastructure Fund	-	-	-	-	-	-	-	-	-	-
VII	District Fund for Supporting Small Scale Fisheries	-	-	-	-	-	-	-	-	-	-
VIII	Unallocated	-	-	-	-	-	-	-	-	-	-
	Initial Deposit	-	262,190	-262,190	-	-	-	-	262,190	-262,190	-
	Total	1,186,000	668,296	517,704	56.35%	-	-	-	668,296	517,704	56.35%

Note: There was a balance in SA = US\$308,579

Table 5C3: Spanish Trust Loan disbursements (in EURO, as at 31 March, 2016)

Spanish Trust Loan		Alloc	Disb	Bal	%	Pending		Total pending	Total Disb & Exp	Bal	%
						submitted W/A	exp not yet submitted				
I	Vehicles, Materials, and Equipment	-	-	-	-	-	-	-	-	-	-
II	Training and Workshop	3,850,000	2,732,404	1,117,596	70.97%	-	-	-	2,732,404	1,117,596	70.97%
III	Studies and Surveys	1,800,000	471,822	1,328,178	26.21%	-	-	-	471,822	1,328,178	26.21%
IV	Technical Assistance	-	-	-	-	-	-	-	-	-	-
V	Consultancy Services	-	-	-	-	-	-	-	-	-	-
VI	Community Enterprise and Infrastructure Fund	-	-	-	-	-	-	-	-	-	-
VII	District Fund for Supporting Small Scale Fisheries	-	-	-	-	-	-	-	-	-	-
VIII	Unallocated	638,000	-	638,000	-	-	-	-	-	638,000	-
	Initial Deposit	-	1,000,000	-1,000,000	-	-	-	-	1,000,000	-1,000,000	-
	Total	6,288,000	4,204,226	2,083,774	66.86%	-	-	-	4,204,226	2,083,774	66.86%

Note: There was a balance in SA = EUR 566,742



Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
FA - Section B.7	Borrower to open three Designated Accounts at Bank of Indonesia for the benefit of the Lead Project Agency, one in USD for the IFAD Loan, one in USD for the IFAD Grant and one in Euro for the Trust Loan.		Complied with.	
FA - Section B.8	The Borrower shall provide counterpart financing for the Project in the amount approximately USD 7.0 million, including taxes and duties estimated at USD 2.8 million.	Start of project and continue during the implementation period	Being complied with	Counterpart budgets are provided in the annual budgets (DIPA) adequately, and will be monitored during the project period.
FA - Section E.2	<ul style="list-style-type: none"> (a) Creation of PMO and PIUs and nomination of key staff to satisfaction of IFAD. (b) Preparation of AWPB for the first year of project implementation and the 18 month procurement plan satisfactory to IFAD (c) Opening of the Designated Accounts and designation of persons authorized to sign withdrawal applications 	Prior to first loan withdrawal	Complied with	
GC - Section 4.08	<ul style="list-style-type: none"> (a) The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements: <ul style="list-style-type: none"> (i) The expenditures shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines (ii) The expenditures shall be incurred during Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date. (iii) The expenditures shall be incurred by a Project Party (iv) If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing the expenditure must relate to a category whose allocation has not been depleted, and shall be eligible only up to the percentage applicable to such category (v) The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement. (b) The Fund may from time to time exclude certain types of expenditure from eligibility (c) Any payment prohibited by a decision of the UN Security Council taken under Chapter VII of the Charter of the UN, shall not be eligible for financing by the Financing. (d) Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive corrupt or fraudulent practice by 	During the project implementation period	Complied with	To date, there has been no finding for ineligibility

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing.			
GC - Section 4.09	If the Fund determines that any amount withdrawn from the Loan and/or Grant Accounts was not used for the purpose indicated or will not be needed thereafter to finance Eligible Expenditures, the Borrower/Recipient shall promptly refund such amount to the Fund upon instruction by the Fund. Except as the Fund shall otherwise agree, such refund shall be made in the currency used by the Fund to disburse such withdrawal. The Fund shall credit the Loan and/or Grant Accounts by the SDR equivalent of the amount so refunded.	During the project implementation period	Complied with	To date there has been no finding for ineligibility
GC - Section 7.01	<p>(a) The Borrower and each of the Project Parties shall carry out the Project:</p> <ul style="list-style-type: none"> (i) With due diligence and efficiency (ii) In conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including rural development practices) and good governance (iii) In accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower/Recipient and the Fund. (iv) In accordance with the provisions of the relevant Agreement, the AWPBs, and the Procurement Plan. (v) In accordance with the policies, criteria and regulations relating to agricultural development financing laid down from time to time by the Governing Council and Executive Board of the Fund (vi) So as to ensure the sustainability of its achievements over time. <p>(b) Project shall be implemented on the basis of AWPB.</p> <ul style="list-style-type: none"> (i) Each draft AWPB shall include, among other things, a detailed description of planned project activities during the coming project year, a Procurement Plan, and the source and use of funds. (ii) Before each Project Year, the Lead Project Agency shall, if required, submit the draft AWPB to the oversight body designated by the Borrower/Recipient for its review. When so reviewed, the Project Lead Agency shall submit the draft AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year; If the Fund does not comment on the draft AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund. (iii) The Lead Project Agency shall adopt the project AWPB in the form accepted by the Fund. (iv) The Lead Project Agency may propose adjustments in the AWPB during the relevant Project Year, which shall become effective after acceptance by the Fund. 	During the project implementation period	Complied with	Delay in submission of AWPB due to government annual budgeting process whereby the budget approval is in December. No significant effect to project implementation.
GC - Section 7.05	Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each procurement plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines. By notice to the Borrower/Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include	During the project implementation period	Complied with	Based on post-procurement review of contract documents, procurement is carried out in accordance with the regulations. This will be reviewed during review

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to: <ul style="list-style-type: none"> Allow full inspection by the Fund of all bid documentation and related records Maintain all documents and records related to the bid or contract for three years after the completion of the bid or contract, and Cooperate with agents or representatives of the Fund carrying out an audit or investigation. 			missions
GC - Section 7.07	The Borrower shall ensure that all facilities and civil works used in connection with the Project shall at all times be properly operated and maintained and that all necessary repairs of such facilities shall be made promptly as needed.	During project implementation period	Complied with	Will be checked during review missions
GC - Section 7.13	The Borrower/Recipient and the Project Parties shall take all reasonable measures to ensure that the project is carried out with due diligence in regard to environmental factors and in conformity with national environmental laws and any international treaties to which the Project Member State may be party. In particular, the Project Parties shall maintain appropriate pest management practices under the project, and shall comply with the principles of the International Code of Conduct on the Distribution and Use of Pesticides of the FAO, and ensure that pesticides procured under the project do not include any pesticide formulation which would be classified as Extremely Hazardous (Class 1a) or Highly Hazardous (Class 1b) according to WHO.	During project implementation period	Complied with	Will be checked during review missions
GC - Section 8.01	The Borrower/Recipient shall ensure that Project Parties maintain records and documents adequate to reflect their operations in implementing the project (including, but not limited to, copies or originals of all correspondences, minutes of meetings and all documents relating to procurement) until the Project Completion Date, and shall retain such records and documents for at least ten (10) years thereafter.	During project implementation period	Complied with	During post-procurement reviews, some supporting documents were not readily available.
GC - Section 8.02	The Project Lead Agency shall: <ul style="list-style-type: none"> (i) Establish and thereafter maintain an appropriate information management system in accordance with the Fund's <i>Guide for Project Monitoring and Evaluation</i> with which it shall continuously monitor the Project. (ii) During the project implementation period, gather all data and other relevant information (including any and all information requested by the Fund) necessary to monitor the progress of the project implementation and the achievement of its objectives; and (iii) During the project implementation period and for at least ten (10) years thereafter, adequately store such information, and, promptly upon request, make such information available to the Fund and its representatives and agents. 	During project implementation period	Complied with	Good M&E system is in place, using weekly dashboard
GC - Section 8.03	(a) The Lead Project Agency or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substances as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the project and achieving its objectives; (ii) problems encountered during the reporting period; (iii) steps taken or proposed to be taken to remedy these problems; and (iv) the proposed programme of activities and the progress expected during the following reporting period. (b) If specified in an Agreement, the Lead Project Agency and the Fund shall jointly carry out	During project implementation period	Complied with.	Reports should include summary of cumulative and the current annual project expenditures based on category and component/sub-component.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	<p>a review of project implementation no later than the midpoint of the project implementation period the “Mid Term Review” or MTR) based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the MTR shall consider the achievement of project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.</p> <p>(c) The Borrower/Recipient shall ensure that the recommendations resulting from the MTR are implemented within the specified time thereafter and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing</p>			
GC - Section 8.04	As promptly as possible after the Project Completion Date but in any event no later than the Financing Closing Date, the Borrower/Recipient shall furnish to the Fund a report on the overall implementation of the Project, in such form and substances as may be specified in the Financing Agreement or as the Fund shall reasonably request. At a minimum, such report shall address (i) the costs and benefits of the project; (ii) the achievement of its objectives; (iii) the performance by the Borrower/Recipient, the Project Parties, the Fund of their respective obligations under the Agreement; and (iv) lessons learned from the foregoing.	Prior to Financing Closing Date	Not yet applicable	
GC - Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.	During project implementation period	Complied with	Will be reviewed during review missions
GC - Section 9.02	The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the project each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.	During project implementation period	Partly complied with	Slight delays in financial statements submission as they are only available in the audit reports.
GC - Section 9.03	The Borrower shall submit to the Fund audit reports within six (6) months of the end of each fiscal year and shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.	By 30 June each year	Complied with	Sometimes slight delays in submission of audit reports.
LTB para 36	As soon as practicable, but no later than 120 days after entry into force of the Agreement, the Borrower shall appoint independent auditors, selected in accordance with the procedures and criteria set forth in the IFAD Guidelines on Project Audits (for Borrowers' Use) as may be amended from time to time, and acceptable to the Fund, to audit the financial statements relating to the Project for the first fiscal period. Thereafter, as soon as practicable, but not later than 120 days after beginning of each succeeding fiscal year, the Borrower shall either confirm the appointment of the same auditor, subject to satisfactory performance, or shall follow the same procedure to appoint new independent auditors for the successive fiscal year.	During project implementation period	Complied with	Delay in the first year due to delay in LTB issuance

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

Appendix 7: Knowledge management: Learning and Innovation

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

1. Coordination and communication is working extremely well, despite the extended and remote project areas. The PMO has been very innovative and is applying ICTs to ensure continuous communication and information transparency.
 2. CCDP has introduced an implementation model using performance-based incentives system approach. This approach has so far worked very well in focussing PIUs on implementation progress, in motivating them and in drawing district authorities' attention to the project and its progress. This system builds on a well-established and comprehensive M&E system and a transparent communication of progress and performance to all PIUs through the weekly dashboard.
 3. Continuously close coordination and collaboration between PMO and PIU has resulted a shared national and local government responsibilities. The project demonstrates a mutual level of responsibility at all levels and the impact is shown through the quality of the reporting which are professionally done and distributed in timely manner throughout the project.
 4. The project has developed a range of knowledge management materials which are being disseminated to increase the project's visibility with policy makers.
-

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

1. Fair pricing for the village-based enterprise groups' products is an issue. This should be a priority for the Project given its poverty alleviation focus, and while the Project should not interfere too strongly with the market, it should ensure that third party operators of District-level investments do not capture all the benefits of improved market linkages and that those benefits are distributed throughout the value chain.
 2. District infrastructure facilities supporting marine-based economic activities in project villages have been established. However, only just over half of the infrastructure is already being used to support production and marketing activities.
-

Innovation: Describe any interesting innovation noted during supervision

1. The project is building upon the traditional rules protecting mangroves (*ratchap* in Maltera), which are being institutionalized into village (*perdes*) and hopefully later District (*perda*) laws. The local village head and CBCRM Groups also follow the same rules and delineated areas;
 2. With the support from PMO, the CBCRM groups are producing seaweed starter stock (bibit rumput laut), and are able to support numerous farmers;
 3. Groups have increasingly engaged with ecotourism activities to manage resources and generate income coaching system from old TPDs to new TPDs.
 4. The project has a dedicated budget line for innovation and its demonstration. This has been used for example to fund the expansion of seaweed tissue culture, the floating market in Makassar already referred to, and the production of katsuobushi and fish powder for flavouring in Bitung.
-

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

1. The project has piloted and introduced a number of innovations that can be replicated and scaled up to development projects not only in Indonesia but throughout the region. This includes particularly innovative project management methods
-

2. Replication is mentioned as part of the overall goal of the CCDP. Given the success of the Project, that many stakeholders speak of it as the most successful project they have been involved with, and that there is currently no plan to have a second phase, the need for a clearly articulated model of replication is essential. Knowledge management products and established project guidelines (for example on selection of villages and target beneficiaries, allocating and managing the provision of funds to community-level groups, etc.) will be useful to support replication. The Project also plans to pilot replication in Berau District in East Kalimantan over the remainder of the Project, with some project support.
-

Appendix 8: Progress Against Previous Mission Recommendations

Action Area	Action Agreed	Date	Whom	Progress
Outputs	1. One TPD to be provided per village in the second phase of the Project	1 February 2016	PMO, PIUs	One TPD or EA provided per village. 175 TPD's already assigned to villages; remaining 5 villages duties covered by EA's.
	2. All third party operators of district level investments to prepare outline operational plans for the investments	31 March 2016	Third party operators, PIUs	Operational plans made together with third party operators in all PIUs for priority investments. Operational plans for remaining investments to be made throughout 2016.
	3. Review, amend as necessary, and finalize the PIU-level marketing strategies and costings	31 January 2016	PIUs, DOBs, PMO	All PIUs have reviewed, amended and updated marketing strategies for 2016. However, this is an ongoing process with marketing strategies updated annually.
	4. Complete tenders and procurement for 2014 and 2015 Component 2 infrastructure investments	31 December 2015	PIUs	Component 2 infrastructure tendering, procurement and construction for 2014 and 2015 investments have been completed.
	5. MoUs to be signed between the project and third party operators of all 2014 and 2015 district level investments	31 March 2016	PIUs	Of the total 74 infrastructure investments, 45% (i.e. 33 partners) have signed MOU's for their operations. MoUs for some of the smaller investments have been deemed as unnecessary.
	6. Institutional housing of the Project given ongoing structural changes in KKP to be finalised and any changes formally notified to IFAD	30 November 2015	PMO, KKP	KKP structural changes completed, and IFAD has been advised.
	7. Adjustments to the project logframe reflected in the project MIS	31 October 2015	PMO	Adjusted logframe has been incorporated into project MIS.
Fiduciary Aspects	8. Further improvement in consolidation of expenditures made based on sub-component/components and loan categories.	Continuous ly	PMO and PIUs	A revised COSTAB has been made segregating costs by subcomponent /component and loan categories, but will need to be finalised once the proposals for re-allocation of cost categories has been submitted by the government to IFAD, and approved. Annually the information is available in AWPB's.
	9. 2016 AWPB should include all sources of funds and their respective uses and be submitted to IFAD as soon as the national budget (DIPA) is approved, given it will not be possible to submit to IFAD within 60 days before the beginning of the 2016 financial year as per the Financing Agreement.	15 January 2016	PMO	2016 AWPB detailing sources and uses of funds has been completed and forwarded to IFAD and received approval.
	10. Timely submission of	28	PMO	2015 FY financial statements

2015 FY financial statements to IFAD and BPKP	February 2016		have been prepared and now under auditor (BPKP) review. After BPKP review completed to be submitted to IFAD.
11. Agreement on the use of the remaining IFAD funds, and allocation by component and cost category (and if necessary Government of Indonesia make request to IFAD for an amendment to the Financing Agreement).	31 December 2015	IFAD, PMO, KKP, Bappenas, MOF	PMO together with IFAD's COSTAB Expert have completed all the necessary studies and documentation. Further steps specified in the Aide Memoire for the April/May 2016 mission.
12. Prepare audit log and follow up the auditor's findings	31 December 2015	PMO and PIUs	Audit log has been completed. Additional follow -up to auditor's findings has been undertaken; and discrepancies largely cleared. Final results will be conveyed to BPKP in June 2016.

Appendix 9: Joint Review Mission Schedule and Persons Met

Mission Schedule and Persons met

Place/date	Activity/persons met
Jakarta	
27 April	Mission arrives in country.
28 April	Kick off meeting with PMO staff and consultants, <i>Bappenas</i> , <i>KKP</i> Bureau of Planning Travel to Makassar
JRM Team Makassar (IFAD, PMO staff and consultants, <i>Bappenas</i>, Sec Gen <i>KKP</i>)	
29 April	Meeting with the <i>Wali Kota</i> , Makassar, and sub-district representatives Briefing by PIU/DKP staff and consultants Meeting with PIU financial staff Visit to Tanjung Merdeka (2013 project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Visit to Barombong (2014 project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Visit to floating market with component 2 investments for processing product sales Meeting with PIU financial staff
30 April	Visit to Parangloe (2016 project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Visit to Bira (2016 project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Visit to production house (labelling and packing) and meeting with private sector third party operator (of <i>Weltisyah</i>) Visit to Untia (2014 project village), inspection of CCDP infrastructure investments, and meeting with all component 1 groups, and inspection of component 2 investments at village level
1 May	Visit to Lakang (2013 project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Meeting with all TPDs Meeting with manager of cooperative <i>Koprasi Wanita Nelayan 'Fatima Azzahra'</i> and DOB member Wrap-up de-briefing with PIU/DKP staff and consultants
JRM Team Bitung (IFAD, PMO staff and consultants, <i>Bappenas</i>, Sec Gen <i>KKP</i>)	
2 May	Travel to Manado and Bitung Meeting with <i>Wali Kota</i> , Bitung Meeting with deputy <i>Wali Kota</i> , PIU, and VWG heads and briefing by PIU/DKP
3 May	Visit to Motto (2013 project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Visit to Pintu Panjang (2014 project village) with meeting attended by head of sub-district, inspection of CCDP infrastructure investments and eco-tourism development, and meeting with component 1 groups Visit to Pasir Panjang (2013 project village), inspection of CCDP infrastructure investments and eco-tourism development, and meeting with component 1 groups
4 May	Visit to Mawali (2014 project village) with meeting attended by head of sub-district, inspection of CCDP infrastructure investments and processing activities, and meeting with component 1 groups Visit to component 2 investment and meeting with third party private sector operator Mr. Joseph Palinggi of <i>Karya Mandiri</i> Meeting with PIU financial staff Meeting with TPDs Wrap up meeting with PIU/DKP
5 May	Preparation of field visit notes and background document review.

Place/date	Activity/persons met
JRM Team Maluku Tenggara (IFAD, PMO staff and consultants, <i>Bappenas</i>, Sec Gen <i>KKP</i>)	
02 May	Travel Makassar – Ambon – Langgur Meeting at PIU to discuss the mission schedule Kick off and briefing meeting with PIU/ <i>DKP</i> staff and consultants, also attended by Deputy <i>Bupati</i>
03 May	Visit Ler Ohoilim (2014 project village), also attended by Deputy <i>Bupati</i> , meeting with component 1 groups, and inspection of Village Information Centre and ecotourism site Visit to Ohoidertutu (2014 project) village, meeting with meeting with component 1 groups, and inspection of Village Information Centre and ecotourism site Meeting with PIU financial staff
04 May	Visit to Evu Village (new project village), inspection of CCDP infrastructure investments, and meeting with component 1 groups Visit to Letvuan (2013 project village), inspection of CCDP infrastructure investments and eco-tourism site, and meeting with component 1 groups Visit to District seaweed processing plant constructed by the <i>Dinas</i> industry division Visit Namar (2014 project village), inspection of CCDP infrastructure investments and eco-tourism site, and meeting with component 1 groups Wrap-up meeting with PIU/ <i>DKP</i> staff and consultants also attended by Deputy <i>Bupati</i>
05 May	Preparation of field visit notes, meeting with PIU staff, and visit to additional eco-tourism sites
Jakarta	
6 May	Field teams travel back to Jakarta
7 May	Team meetings for internal field visit de-briefing, drafting of Aide Memoire, and work on proposed reallocation of cost categories in the Financing Agreement and preparation of a justification for the reallocations
8 May	Drafting of Aide Memoire, and meeting with PMO Secretary for field visit de-briefing and discussions on key issues
9 May	Briefing of IFAD Country Director and discussions on key issues Meeting with individual members of the PMO
10 May	Meeting with <i>Bappenas</i> (Directorates of marine and fisheries, and multilateral foreign funding) Drafting of Aide Memoire
11 May	Meeting with Director General of <i>KKP</i> Directorate General of Marine Spatial Management Detailed pre-wrap up meeting with PMO
12 May	Finalisation of Aide Memoire and preparation of summary presentation for the wrap up meeting
13 May	Wrap up meeting IFAD mission members depart Jakarta

Appendix 10: Audit Log

AUDIT LOG

Name of Project: Coastal Community Development Project (CCDP)

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

2015 Audit is not yet completed

Appendix 11: Summary of implementation support provided by IFAD

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

Missions fielded prior to the JRM include:

1. First Supervision Mission and Start-up Workshop	04.02.2013 - 08.02.2013
2. Implementation Support Mission (in the form of a workshop on the annual outcome survey and the market assessments which were then completed by the Project, and training on RIMS and M&E)	17.02.-24.02.2013
3. Second Supervision Mission	09.09.-19.09.2013
4. Third Supervision Mission	28.04.-12.05.2014
5. Implementation Support Mission (pre-MTR mission to assist project prepare for the MTR)	14.05.-22.05.2015
6. Mid-Term Review Mission	12.09.-1.10.2015
7. Implementation Support Mission to revise the project COSTAB files	08.02.16 – 20.02.16

Additional support since project start-up has included:

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

Appendix 12: Fiduciary risk assessment – data sheet

PROJECT SUPERVISION

Fiduciary Risk Assessment – Data Sheet⁸.

Country: Indonesia		Loan and Grant Number: 880-ID/1392-ID/E-16-ID	
Project Name: Coastal Community Dev. Project			
Executing Agency: DG of Marine, Coast and Small Islands, MMAF		CPM: Ron Hartman	
Reviewing Finance Officer: Sumaryo Soemardjo		Date of This Review: 13 May, 2016	
Date of the last PSR prior to this rating: 01 Oct. 2015	FM rating in the last PSR: 5	Date of the previous FM supervision and rating: 01 Oct. 2015, rating was 5. This review rating: 5	

Topic		Rating H/M/L	Issues / Comments / Recommendations
A. Inherent Risks			
B. Control Risks			
1. Organization and Staffing			
a.	Adequacy of organizational structure to meet functional needs of the project	L	Organizational structure was established prior to loan effectiveness with qualified key personnel.
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Job descriptions are available, following GOI regulations
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	FM staff consists of coordinators for planning/budgeting, FM and procurement, treasurers and FM assistants, and assisted with consultant. Some time staff are changed with new ones
d.	Segregation/ independence of functions for accounting, payments, procurement.	L	Follows GOI regulations
e.	Availability and adequacy of operating manuals and guidelines for staff	L	Manuals available and adequate and need to be revised when regulations are changed
2. Budgeting			
a.	Timely preparation and approval of project budget, issue of	L	Follows the regular annual

⁸ Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

	budget execution warrants.		GOI budgeting process, usually DIPA issued in January
b.	Adequacy of Budget (including loan disbursement categories - schedule 1), including financing plan for all sources, both donors and Govt., both loans and grants.	L	AWPBs preparation refers to Costab in PDR for 2016 onwards refers to post-MTR Costab, and to date, the annual budgets are adequate to cover project activities.
c.	Availability of detailed activity plans, procurement plans, cost estimates and assumptions to support budget requests.	L	AWPBs, including procurement plan were prepared and approved by IFAD
d.	Availability of physical progress indicators where applicable.	L	Provided in the quarterly progress reports, monitored using weekly dash board
3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of Funds disbursed by different sources, including counterpart (set benchmarks and test sample)	M	All sources of funds are included in the national annual budget (APBN). Actual WA preparation and disbursement may be delayed if monthly reports from PIUs are delayed and if there are errors and/or supporting docs are incomplete
b.	Efficiency of the funding channels, e.g. confirmation of funds reaching intended beneficiaries.	L	Community block grants are transferred by Govt. Treasury Office (KPPN) directly to respective community groups' bank accounts. Manual for this is available
c.	Management of project bank accounts other than Special Accounts, if any- reconciliations, idle funds	L	Only use Special Account in Bank of Indonesia
d.	Banking arrangement and controls (reconciliation of bank statements with financial accounts)	L	Bank of Indonesia issues the transactions and the balance of SA weekly
e.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management).	L	Follows govt. regulations and FM manual is available
f.	Special Account(s)/Dedicated Account(s) Management, Disbursements		
	- size of the authorized allocation and adequacy thereof to ensure a smooth flow of funds to project accounts	L	The max. amounts in the SAs and SOE thresholds were increased on 20 Jan 2015 to facilitate loan and grant administration and disbursement efficiencies and to promote best practice.
	- Method and adequacy of disbursement used	L	By replenishment of SAs and adequate budget is provided in the govt.

			annual budget. It will depend on how often WAs will be submitted.
	- Timely preparation and accuracy of Withdrawal Applications	M	Often delays in preparation of WAs due to delays due to delays and/or errors of reports from PIUs, and incomplete supporting documents, resulting in disbursement processing delays.
	- Status on expenditures withdrawn from Special Account but not yet claimed for replenishment, including age analysis	M	See comment above, resulting in low balance in SA. Disbursement from SA was suspended once by MOF due to very low balance in SA.
	- Regularity of Special Account(s) Monitoring and monthly reconciliations (assess the reconciliations)	L	Bank of Indonesia issues the SA balance weekly and reconciled when preparing WAs
	- Disbursements profile - actual vs plans, systemic reasons for differences	L	Actuals are lower than plans at the first quarter of the year and will accelerate during the remaining quarters. Disbursement rate is as rated moderately satisfactory when it is compared to IFAD disbursement profile.
	- Recovery of SA balances by loan closure.	n.a	Not yet due
	- Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments	M	Some payment vouchers without complete supporting docs., no clear information on which components or which categories resulting in delays in disbursement processing.
	- Eligibility of expenditure under Legal Agreements	L	Based on 2014 audit report, so far no significant issue, and will be monitored during review missions.
4. Internal Controls - Expenditure, Assets, Liabilities			
a.	Adherence to Project Management manuals- clarity and adequacy of decision processes and sequence of events for control functions in project implementation.	L	Some additional and improvement of manuals may still be needed, in particular in simple book keeping for community groups. Refresher training is needed, especially when staff are changed
b.	Effectiveness and efficiency of internal controls for revenue/inflows management (review audit reports)	L	Internal control by the Inspectorate General of

			MMAF.
c.	Commitment tracking and control including comparison against allocated amounts by loan disbursement category	L	Some payment vouchers without information on category and/or component. Situation has improved
d.	Effectiveness and efficiency of IC for expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.) (also read SAI and other reports)	M	The Inspectorate General is not rigorous as external auditors (BPKP). The 2014 audit report notes still some weakness in the internal control, although insignificant
e.	Effectiveness and efficiency of IC for assets/liabilities management and maintenance	L	Asset registers and inventory need to be updated regularly
f.	Reliability of documentary evidence of outputs realized in project. Linkages between outputs realized and financial reports.	L	Good M&E system, monitoring by weekly dash board where data on outputs and expenditures are available
g.	Physical controls over cash, documents and records.	L	Filing system has improved but there are still rooms for further improvement
h.	Timely payment to suppliers and consultants (benchmark and test sample)	L	As long as supporting docs are complete, payment can be made within few days
i.	Eligibility of expenditures for Bank funds with respect to PDR, Loan agreements	L	To date, no ineligible expenditure found yet. Internal control needs to be strengthened
j.	Legality/eligibility of advances from project funds	L	Follows GOI regulations
k.	Compliance with Financing agreements – both loans and grants	L	To date most of covenants have been complied with
l.	Adequacy of record keeping for fixed assets and inventories	L	Follows GOI regulations, needs to be updated regularly
5. Accounting Systems, Policies and Procedures			
a.	Adequacy of Accounting standards and practices (as designed/Agreed)	L	Follows GOI accounting system (SAI)
b.	Recordkeeping (including documentation and filing/archiving)	L	Completeness of supporting docs and filing system has improved
c.	Fixed Assets Records maintained and reconciled (sample and physical check)	L	Follows GOI regulations, records are up to date
d.	Adequate documentation and controls for Information Systems, integration of all sub-systems	L	Good M&E system is in place. Using weekly dash board monitoring
e.	Adequacy of chart of accounts for project accounting purposes	L	Follows government regulations/procedures (SAI)
f.	Timeliness of recording transactions, controls on erroneous recordings	L	Monthly financial reports should be prepared 10

			days after the end of every month.
6. Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness	M	Progress reports mainly on physical activities and outputs, but financial data in the progress reports are inadequate
b.	Interim FM reports (FMRs, PMRs as relevant) or progress reports - timely preparation, submission	L	Some time there are delays
c.	Follow up of previous aid-memoirs, FMR/PMR or progress reports	L	Most have been followed up, some with delays
7. Internal Audit			
a.	Is project activity or implementing unit subject to internal audit?	L	Yes, by the Inspectorate General of MMAF
b.	Adequacy of internal audit organization - staff capacity	L	Qualified internal audit staff but inadequate to cover all PIUs
c.	Adequacy of internal audit scope of work and quality of reports	L	Not as rigorous in financial aspects as external audit, more on the technical aspects
d.	Assessment of matters raised in audit reports	M	Focus more on technical aspects
8. External Audit			
a.	Scope of 2015 audit.	L	TOR similar to 2014 audit
b.	Audit report timeliness.	L	2014 audit report was submitted on time. 2015 audit still being conducted and expected to be completed end of May 2016 and submitted on time
c.	Quality of audit.	L	2014 audit report was quite comprehensive, audit on assets needs to be improved

Project Fiduciary Risk Assessment at Supervision

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

Implementing Agency : DG of Marine, Coasts and Small Islands, MMAF

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

Comments:

The project is just beginning in 4th year and a lot of progress has been made, however, financial reporting still needs to be improved