



Investing in rural people
Investir dans les populations rurales
Invertir en la población rural
الاستثمار في السكان الريفيين

Republic of Indonesia

Coastal Community Development Project (CCDP)

Supervision report

Main report and appendices

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Abbreviations and acronyms

APBD	Local government budget
AWPB	Annual Work Programme and Budget
BPKP	Project auditor
<i>Bupati</i>	Administrative head of a district
CBCRM	Community Based Coastal Resource Management (Group)
CCDP	Coast Community Development project (including small islands)
COSOP	Country Strategic Opportunities Programme
<i>Desa</i>	An administrative village
DG FPPM	Directorate General Fisheries Product Processing and Marketing
DG MCSI	Directorate General Marine, Coasts and Small Islands, MMAF
<i>Dinas</i>	District fisheries agency
DIPA	National annual budget
DMED	District Market and Enterprise Development (Specialist)
DOB	District Oversight Board
<i>Dusun</i>	A sub-village or hamlet
EA	Extension Agent
GOI	Government of Indonesia
HH	household
IDR	Indonesian Ruppee
IFAD	International Fund for Agricultural Development
KKP	Ministry of Marine Affairs and Fisheries
M&E	Monitoring and evaluation
MMAF	Ministry of Marine Affairs and Fisheries
MoU	Memorandum of Understanding
NGO	Non-governmental organization
NSC	National Steering Committee
PEMP	<i>Programme Nasional Pemberdayaan Masyarakat</i>
PIU	Project Implementation Unit
PMO	Project Management Office
PNPM Madiri KP	Coastal Community Economic Empowerment Programme
<i>Pokmaswas</i>	Community resources monitoring and enforcement group
PPP	Private Public Partnership
PRSP	Poverty Reduction Strategy Paper
PY	Project year
TPD	Community facilitator
RIMS	Results and Impact Management System
USAID	United States A
VIC	Village Information Centre
VWG	Village CCDP Working Group
WA	Withdrawal Application
WWF	World Wildlife Fund

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 of US\$24.2 million; an IFAD grant of US\$2.0 million; a US\$7.8 million loan from a Spanish Trust Fund; government contribution of US\$7.1 million; and beneficiary contribution of US\$2.1 million. The Project became effective on the 23 October 2012, with a Mid-Term Review due 2015, 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 second joint review mission was undertaken from 28 April to 12 May 2014 to review the performance and implementation progress of the CCDP. In undertaking this assessment, the mission reviewed the quality, efficiency and effectiveness of project implementation and the overall progress made since the last joint review mission in September 2013. The mission was tasked with providing support and guidance to expedite project implementation and the achievement of project objectives. The mission consulted with various project stakeholders at the national, provincial, district, sub-district and village levels and undertook field visits to Lombok Barat District in West Nusa Tenggara and to Kota Kupang in Nusa Tenggara Timor. The mission also visited the CCDP learning centre established in Badung, Bali.
3. Well-attended pre-wrap up and wrap-up meetings was held on the 7 and 8 May 2014 respectively, and this Aide Memoire reflects the main discussion and decisions made at this 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 moderately satisfactory according to IFAD's performance assessment methodology. Since the previous joint review mission in September 2013, the CCDP has made good progress in strengthening project management, building implementation momentum and delivering project outputs. Importantly, the Project has been able to generate lessons from its first full year of implementation which has enabled it to strengthen its approach and engagement with communities and successfully manage a significant expansion of activities in its second full year of implementation. In 2013 the Project achieved over 70% of its Annual Work Plan and Budget (AWPB) targets and has followed up on all of the recommendations from the previous review mission.
5. The mission acknowledges the high level of ownership of the Project by the Government of Indonesia, and particularly by the local governments involved in the Project. There is evident motivation and commitment to ensure that the Project remains on track and is implemented according to the project design and financing agreements. The Project is guided by strong leadership from a Project Management Office (PMO) within the Ministry of Marine Affairs and Fisheries (KKP) and Project Implementation Units (PIUs) in each of the thirteen PIUs. They are well supported by a cadre of consultants who provide important technical inputs and guidance to project implementation. The Project has also begun to institute an effective monitoring and

¹ Mission composition: Ron Hartman, Country Programme Manager; Anissa Pratiwi, Country Programme Facilitator; Graeme Macfadyen, Marketing/Fisheries Specialist; Pari Bauman, Sociologist; Sumaryo Soemardjo, Financial Management, Procurement and Audit. The 35 representatives of the Government of Indonesia who participated in the field visits are appended to this report.

evaluation system and is already beginning to generate and capture valuable lessons learned from working in different areas with very different geographical characteristics and access to market, which as intended, can be useful for wider replicability and scaling up of the project model in Indonesia. There is also initial evidence of the Project's potential to facilitate access to markets and engaging in mutually beneficial partnerships with the private sector.

6. While the Project has made sound progress, there are opportunities to improve the quality of implementation, further develop the linkages between village and district project investments, and to more intensively focus on the quality of project implementation. The role and function of the various groups at the village levels and their relationships requires attention as does the process for communicating the purpose and levels of fund availability. At the village level it is particularly important to explore the possibilities for adding value and assisting the communities to develop new technical approaches and sustainable market opportunities rather than replicating activities that have been traditionally taking place in the villages. There is also an urgent need to ensure more rigorous assessments of the economic, financial, social and environmental viability of village and district investment proposals.

C. Outputs and outcomes

7. **Component 1. Community Empowerment, Development and Resource Management.** The outcome from the component would be: *target households implementing profitable marine-based economic activities with no detrimental effect on marine resources*. The implementation of this component is considered to be *satisfactory*.
8. **Sub-Component 1.1 – Community Facilitation, Planning and Monitoring.** 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.
9. There has been substantial progress made towards the key objective of this sub-component. The main comment of the joint review mission in September 2013 on this sub-component was that the progress in establishing the organisational infrastructure for sub-component 1.1 had not been sufficiently matched by an understanding of the project approach and objectives by the PIU and participating households, TPD's and Extension Agents (EAs). The PMO has assessed progress towards this objective as 80% and the mission concurs that this is an accurate reflection of the efforts that have been made to clarify the project purpose and internalise the project approach.
10. The key outputs include: (i) the CCDP is now operational in 108 villages with the addition of 72 new villages in the first quarter of 2014; (ii) 36 new TPD's have been recruited and trained bringing the total number of TPD's to 72; (iii) 36 Extension Agents (EAs) have been posted to cover the CCDP sub-districts; (iv) TDPs/EAs have held information and awareness campaigns in all 108 villages; (v) 72 new Village Working Groups (VWGs) have been formed whilst work continues in the existing 36 VWGs; (vi) 457 new enterprise groups have been formed whilst work continues in the existing 238 groups, (vii) 108 infrastructure groups have been established, and; (viii) 103 Community Based Coastal Resource Management (CBCRM) groups have been established. In total, and including the groups discussed under sub-components 1.2 and 1.3, 1,090 community groups have been formed comprising approximately 10,360 community members, all of whom have received initial socialisation and training.
11. The organisational structure of sub-component 1.1 is robust with a solid understanding of project objectives and effective lines of communication between the PMO, Dinas, PIU staff, TPDs and EAs. The KKP clearly has ownership of the Project and the close collaboration between the Dinas and the PIU provides a solid foundation for project activities. With the exception of a module on gender, the training for sub-component 1.1 has been extensive and fully delivered by both the PMO and the Dinas KKP. TPDs demonstrated a comprehensive

understanding of the Pednis CCDP and the project, as recently confirmed in a qualitative evaluation completed by the PMO. The integration of 72 'new' villages and 36 new TPDs into the Project in 2014 has been impressively managed given the organisational challenge this represents and the continuity of work in the 'old' villages.

12. The community level groups visited during the mission demonstrated a fair understanding of the project objectives and the complementary role of the various group activities. This was notably missing during the first supervision mission and therefore represents good progress. Village-level respondents frequently commented that the linkages being established by the Project between the groups as well as the connections to wider public and private systems for service support and markets were empowering.
13. The realisation of the social, economic, environmental and planning objectives of the groups, now that the organisational structures are established, requires some further consideration. One key issue is the linkages between the community level groups that serve the collective good and the enterprise groups. The issue of compensation for working in VWGs and CBCRM groups was raised often, especially in Lombok Barat, and raises an important point of principle as does the related functional issue of how to cover the operational costs of these groups was also frequently raised. Several solutions for building more sustainable linkages are either being tested or have been proposed during field discussions: (i) enterprise group members could be required to contribute a member to the community level groups; (ii) enterprise groups could give a small contribution to the collective; (iii) counterpart contribution from government or other alternative incentives (e.g. training opportunities). These three options should be considered to enable optimal and sustainable group operation.
14. The participatory processes outlined in the design report have not been fully followed. Village profiling, group establishment and annual implementation review are intended to be participatory processes involving 80% of the target population. The PIUs have instead established VWGs through which the other groups have been established and group members identified. This process, more 'top-down' than originally envisaged, has generally been thorough, using check-lists and poverty criteria to identify the target group. Given time pressure to establish the project organisational infrastructure, as well as community pressure for more delivery and less discussion, the process followed has advantages. However moving forward the project will benefit from the introduction of adaptive participatory processes in which one member from each enterprise group is involved in the annual reviews as well as in key project meetings.
15. There remains a high expectancy of further financial support. The PIUs need to create awareness that the funds are seed money intended to catalyse economic activity; the expectation of further funds prevents a strategic use of the available resources. The PIU in Kupang has been fairly effective in this regard and the difference in approach at the group level is notable. Further the PIU has been effective at drawing on wider resources in the public and private sector in support of the Project. Moving forward such networking on behalf of the villages will assume greater importance in making full use of the funds available.
16. A further issue is how to manage regional variations and support regional innovations whilst maintaining operational integrity. The two PIUs visited have both innovated but in the case of Lombok Barat these innovations – such as the soliciting of proposals and deployment of TPDs – have been challenging whilst in Kupang the innovations – networking wider institutional support and compulsory establishment of savings groups for example – have been effective. Balancing innovation with operational integrity across PIUs will require active PMO support as the issues are too diverse to be standardised. The PMO should ensure that learning and innovation across PIUs is made an explicit part of the management agenda.
17. Finally, the quality of outputs from sub-component 1.1, in particular group cohesion and inclusion, should be a large part of the performance and reward system for rolling out the Project in PIUs.

18. Sub-Component 1.2 – Coastal Resource Assessment, Planning and Co-Management.

- The expected output is: community-based marine resource management areas being managed effectively. In many CCDP villages, fisheries resources are already under intense pressure. Given the high dependence in villages on marine resources to support livelihoods, and value chain linkages between the catching sector and downstream marketing and processing activities being supported by the Project, effective coastal resource management and sustainable resource exploitation is essential to ensure the economic and social well-being of the CCDP's beneficiaries. Progress in this sub-component since the last supervision mission has included the establishment of around 100 village information centres (VICs) (32 in 2013 and 65 in the first quarter of 2014). These VICs have been built on land provided free of charge by villages, with indicative designs in the Pedum CCDP being adapted to suit the needs of individual villages. The quality of construction of the VICs appears to be generally good based on the observations of the mission, and the VICs are now being used for meetings and the sharing of information. The VICs are also providing a venue for broader community activities contributing to building social capital. Other progress by the end of the first quarter of 2014 has included the establishment of village community based coastal resource management (CBCRM) groups in around 95% of the CCDP villages, a few of which have started activities such as mangrove replanting, and the completion (or near completion) of village coastal resource inventories in 108 CCDP villages by consultants/universities contracted by PIUs.
19. The communities need to ensure that funds are provided for both the operations and maintenance of the VICs. The TPDs and EAs should facilitate this but such funds are to be provided from the communities. It will also be important to ensure that the outputs of the village coastal resource inventories are adequately displayed in the VICs in a way that best communicates information to the communities, along with the proposed activities of the CBCRM groups and any village-level agreements on the management of marine resources (and ultimately the coastal marine co-management plans envisaged in the project design).
20. Despite the community awareness campaigns completed by the Project, the extent to which village members understand the role and importance of the CBCRM groups is variable, and efforts should continue to further socialise the communities. This may be facilitated in the future by ensuring that for any new CBCRM groups established all enterprise groups have a representative on the CBCRM group. For those CBCRM groups already established enterprise group members could be encouraged to attend CBCRM group meetings as observers, and as recommended by the last supervision mission it might be necessary to consider some type of 'compensation' for existing CBCRM members who are providing this service to the community if they are not members of an enterprise group. Teachers (or other informal community leaders) may also be encouraged to join CBCRM groups because of their ability to positively influence the wider community, through access to the young and because of their social status in the villages. A key issue for the effectiveness of CBCRM groups will also be to ensure that they have adequate powers at the village level and this will become increasingly important as the Project moves towards the preparation and implementation of the coastal marine co-management plans. The Project needs to explore in more detail the legal and/or customary basis for empowering the CBCRM groups, either through PMO and PIU inputs and/or through contracting a dedicated consultancy input for this purpose.
21. The CBCRM groups will also need to play an important role in the collection and recording of information relevant to specific villages (which may include indicators of resource status, where possible fish landings statistics, area under mangrove coverage and associated marine ecosystems) to assist with monitoring resource status. The field visits completed by the mission suggest that the CBCRM groups are not well sensitized to this need, and are more focussed on activities related to surveillance. The Project will need to provide technical guidance on data collection requirements for CBCRM groups. Finally with regards to the CBCRM groups, contrary to the project design, the mission observed that CBCRM group investments are being made in advance of the coastal marine co-management plans. While these investments are

- generally beneficial, care should be taken to ensure that funds necessary for implementation of the coastal marine co-management plans are available.
22. The village coastal resource inventories have not generally been completed in time to inform the selection of enterprise group activities as envisaged in the project design so as to specifically avoid 'at risk' resources. Nevertheless enterprise groups appear to be concentrating primarily on pelagic resources and seaweed which may typically be less at risk to over-exploitation. The inventories and their completion by consultants have in some cases resulted in a missed opportunity to appropriately and fully involve the CBCRM groups in their preparation. This should be avoided in the future with CBCRM groups being integrally involved so as to build their capacity and strengthen their role within the community. The consultants tasked with preparing the inventories for each district, should present their outputs in each village (i.e. separate chapters for each village or separate reports for each village) so that the outputs are of maximum use for the CBCRM groups. Based on the consultant information, each specific village can then begin work on integrated village coastal zone management plans.
 23. **Sub-Component 1.3 – Market Focused Village Development.** 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. Enterprise groups, now numbering 695, consist predominantly of (i) capture fisheries groups, (ii) marketing groups (i.e. fish traders), and (iii) processing groups. A smaller number of enterprise groups have also been created for other activities such as aquaculture and eco-tourism. The capture fisheries and marketing groups are typically made up of those who were fishing or trading respectively prior to the CCDP. However, many of the members of the processing groups have not previously been involved in processing, and new (and in some cases innovative) products and market linkages have already been established by many communities creating new livelihood opportunities. Socialisation has been completed with the groups as to their roles and the objectives of the Project, and some training has been provided by the PIU consultants. The Project's community enterprise and infrastructure fund has been used to provide a wide range of inputs in response to community-generated proposals, and the Project has acted on the recommendation of the last mission that the numbers of enterprise groups supported and infrastructure financed per village reflects the number of fisheries/marine households.
 25. PIUs, TPDs, EAs, and consultants should focus strongly on ensuring that groups (i) have clear business, operational, and savings plans in place, as well as access to capital and entrepreneurial capacities, for business growth/expansion and the maintenance and (re)investment in capital assets, and (ii) realise that the role of the CCDP is only to provide seed-funding. The maximum use of public private partnerships should be encouraged. It will also be important to ensure a careful allocation of project staff time between 'old' and 'new' villages to ensure continued institutional strengthening of all groups. Only through such actions will sustainability of the groups be ensured, and ultimately project outcomes and objectives achieved. Ensuring that all enterprise groups make the 20% contribution required by the project design (which has not always been recorded), will also assist in ensuring commitment to the group activities and therefore to sustainability.
 26. The Project is not creating any of the village-based service enterprise groups (to be engaged in the provision of critical productive inputs and services to fishing/marine households and small enterprises within the villages). This is to be expected as such investment may be supported under component 2. The experiences of the fishing cooperative at the Badung Learning Centre should be disseminated to those involved in trainings in Bali (see component 2 for more discussion), given the cooperative's involvement in many input and service functions, along with training in book-keeping, business management, marketing etc.

27. The project design stresses the principle of identifying and fostering the comparative advantage of each community in terms of resources, experience, market potential and capacity. However, the selection of group activities, and indeed the formation of the different types of groups, has in some cases been based on insufficient assessment of the economic viability of proposed group activities due to insufficient detail being contained in the proposals made by the enterprise groups. Where proposals have focussed more on a list of inputs required rather than the benefits, the PIUs and District Oversight Boards (DOBs) have found it difficult to assess and approve proposals that can be expected to be financially viable and which best contribute to project outcomes and objectives. Group activities have therefore in some cases been driven more by previous experience and existing knowledge of village and PIU members than by the provision of new information about market potential and comparative advantage. This may explain the few aquaculture and eco-tourism groups that have been established, the current marketing arrangements, and the range of familiar products that are being produced. The mission notes that the PMO already has plans to complete coaching clinics and training in aquaculture awareness and marketing training in the coming months. Greater engagement by the Project with aquaculture and tourism activities may offer special potential for reducing problems associated with the low fishing season and resulting seasonal declines in incomes in fishing, marketing and processing enterprise groups.
28. Regarding the capture fishing enterprise groups specifically, these groups have absorbed a relatively large percentage of the community enterprise and infrastructure fund, and most of the inputs provided to the groups in response to their proposals have been used to fund new vessel hulls, fishing gear, and/or engines. In cases where such assets have been provided to crew members rather than to existing owners of assets, the poverty targeting has been good but the result has been an increase in fishing capacity/effort on marine resources. In cases where assets have been provided to existing owners the poverty targeting has been less good even though efforts have been made to provide replacement assets to those most in need, but project activities have also resulted in increases in fishing capacity through the replacement or provision of larger vessels and engines (rather than vessels being non-motorised). Few, if any proposals by capture fishing groups at this stage, have resulted in changes in fishing methods towards greater selectivity and reduced fishing pressure (primarily due to the limit on budgets available to fishers). While fish catches and pressure on resources from the small vessels based in the villages typically represent a small fraction of total fishing pressure on shared migratory fish stocks (e.g. pelagic species), there remains potential for the current implementation approach to result in localised over-fishing of both pelagic and demersal species, threatening the activities of the groups themselves as well as all other downstream enterprise groups. It is therefore recommended that in districts where KKP resource assessments suggest that key target species are under significant pressure no funds are used for capture fishing groups seeking investment in assets that could result in increased fishing pressure. This limit would not apply where resource assessments suggest that key target species are not under significant pressure, or to investments in capture fishing groups that seek support for fish handling and quality improvements (e.g. ice boxes, etc), changes to more selective fishing approaches, or increases in safety. Such an approach would strengthen and incentivise activities which support project indicators related to both (i) sustainable exploitation and (ii) increases in fishermen's' incomes (by helping to support sustainable exploitation of the resources on which incomes depend), as well as making it more likely that other downstream enterprise groups in the value chain will also succeed.
29. Finally, as noted above, with regards to the enterprise groups, the mission observed that in some districts there has been a broad call for proposals from villages which are beyond the limits than can possibly be funded under the CCDP. While this approach may generate a sense of competition between proposals (and groups), it also increases the risk of creating conflicts within the villages and negative perceptions about the Project, especially if it is not clearly explained to the communities that not all proposals will eventually be funded. The mission

therefore recommends that if this practice is to continue that it is carefully managed and supported.

30. Infrastructure groups have been established in 108 villages, and along with the VICs a wide range of other small infrastructure investments have been made. Communities have contributed land and labour for the construction of investments, and there has generally been good communication and integration by the infrastructure groups with both enterprise groups and village development plans (*Musrenbangdes*). This has resulted in many infrastructure investments that will directly support the activities of the enterprise groups and market linkages, representing a significant improvement since the last mission. Some infrastructure groups have not been made fully aware as to whether they can expect additional funds or not and this should be clarified to them. In addition, the mission recommends that PIUs and infrastructure groups are provided support to develop mechanisms, appropriate to each village, to ensure that maintenance of infrastructure investments by communities. Appropriate management arrangements must also be put in place.
31. The planned activities for support savings groups are identification of poor and risk-averse households during the village profiling and socialisation process, with the training of these households in the latter part of the first years so that the savings groups have one year to accumulate savings to be matched by the Project. Savings groups should then be initiated on a limited basis to enable project management to assess modalities of implementation and refine the approach.
32. There has been limited progress made in the identification of risk-averse households, the mobilisation and training of participants and the establishment of the savings groups. The performance assessment of the PMO gives all PIU's 20% average progress recognising that the sensitisation and savings group formation process has been initiated with the establishment of 76 savings groups but none of these are functioning. The PMO has flagged savings groups as a challenge needing review; an initial suggestion is that the savings groups be replaced by alternative rural finance approaches promoted by the KKP. The proposal made in the first annual report is that the PMO review these alternative modalities and if found favourable they should replace the savings groups.
33. The mission has the following observations on savings groups. The concept in the design was that the savings groups would enable extremely poor and risk-averse households to accumulate sufficient assets to form enterprise groups. However in practice: (i) the Project already targets extremely poor households using the RASKIN list of vulnerable households and extensive household interviews based on the 14 nationally established criteria for poverty; (ii) the enterprise groups do not require assets to enable participation as contributions are in-kind and accessible even to the most vulnerable households. In addition the PIU's consider that households do not want to be stigmatised as poor and that many non-participating households are not asset poor but unwilling to engage with a dependent attitude. Gathering such households into a savings groups will be a counterproductive time-consuming exercise and the objective of inclusion and replication is better served by demonstration.
34. The mission agrees that savings groups as originally conceived do not serve the project objectives. In Kupang and to a more limited extent Lombok Barat an alternative modality is already widespread; the enterprise groups have started group savings to be used as a rotating loan to reduce seasonal vulnerability (particularly the case for male dominated groups) and pay for school expenses (women's groups). The PIU has made savings an obligatory part of group membership and the mission considers this innovation as successful. It has been implemented with minimal institutional effort and supports the social solidarity of the group particularly as the economic activities of many groups are not collective. The savings reduce vulnerability as well as dependence on money-lenders – in Kupang the interest rate is 20% - and as for most, if not all members, it is the first participation in a group lending scheme, this contributes significantly to their empowerment.

35. The PMO is currently reviewing the suitability of various modalities of rural finance that are being developed and institutionalised on a wider national level by the KKP. The mission recommends that these be adopted by the Project once the review is completed as they will be developed specifically for coastal communities, they will be more sustainable than savings modalities planned by the project design, and they will contribute considerably to the empowerment of the project target group and the social sustainability of the processes initiated by the Project.
36. **Component 2. District Support for Marine-Based Economic Development.** 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. The Performance in implementing this component is rated as moderately satisfactory.
37. **Sub-Component 2.1 – District-Level Investment and Capacity Building.** The expected output is: improved infrastructure and services supporting small scale fishing and marine activities established in the project districts. Under the sub-component the Project provides financing for two interventions: (i) a district fund for supporting small scale fisheries to support district infrastructure for small-scale fisheries, and district innovation for small-scale fisheries, and (ii) district training and institutional capacity building.
38. With regards to the first financing intervention, the district fund has not yet supported any investments, but the PMO has prepared technical guidelines for infrastructure investments (*Pednis Infrastruktur*) and articulated three modules of possible funding for each of the 12 project districts: (i) infrastructure at the village level (supporting more than one village) to support production, processing, and innovation (e.g. smoking or drying houses), (ii) assets in support of delivery and storage (such as 3-wheel motorcycle delivery vehicles), and (iii) larger infrastructure developments at the district level in marketing and selling, which would involve production/packaging/storage facilities (receiving product from the villages), display shops to promote products, cafés/restaurants serving village products, and administration offices. The recently completed *Bimtek* meetings (see more below) have proposed possible investments for each of the 12 project districts relevant to the priority commodities.
39. This conceptual approach is supported by the mission, as it ensures additional investments at the village level to those already supported by component 1, as well as good linkages between component 1 and component 2 activities as envisaged in the project design. There is a critical need however to ensure that all investments are only approved after rigorous due diligence as to their economic/financial, environmental and social viability. While project progress may be partly assessed by disbursement rates, ultimate project success in terms of outcomes and impacts will only be ensured if all infrastructure investments are appropriately located and scaled, with due consideration of their revenues, operational and maintenance costs, business plans, and their management arrangements (where the government, private sector, and communities might all be involved).
40. There has been some initial progress in implementation of district innovation for small-scale fisheries, mainly in the form of project efforts to improve the quality of products and to assist village producers with gaining quality/standard certificates and links with new market outlets. However, there remains a huge requirement for additional support from the districts to villages in improving product innovation, quality and standards, and reliability of supplies (all of which are so critical to buyers). High quality short term technical inputs should be identified and used to support the needs of specific districts or groups of districts, for example in fish smoking or drying methods, and quality standards and packaging for particular products.
41. Under the second financing intervention, some training has been completed of PIUs, consultants, and DOBs to build the technical capacity of the districts to execute the core project activities. Additional training and activities will be required, not just in marketing/processing

issues, but also in the field of district level fisheries management and knowledge management as envisaged in the project design. Such activities will help to ensure the sharing of lessons learned, success stories, and the implementation of best practice as the project proceeds.

42. **Sub-Component 2.2 – Market and value chain support.** 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. In implementing this sub-component training was first provided by an IFAD consultant to the PMO, university contractors, and district-level marketing consultants in value chains and market assessments. This training was well received and informed detailed terms of reference (including suggested tables of contents) for universities contracted to undertake market assessments in each of the 12 districts. The results of the market assessments were however disappointing and did not enable the Project to select and validate up to three high potential product value chains per district (as required by the project design) with any degree of confidence. The PMO therefore collected additional information in each of the districts from the PIUs, private sector, etc, and the Project facilitated well-attended Bimtek (technical training) meetings in all of the districts. These meetings were used to explore potential partnerships and to identify three priority commodities for each district. The mission notes that the selection of crab species (Kepiting and Rajungan) as priority products in Kubu Raya, and while understanding that there may be few realistic alternative priority commodities in this district, recommends that the development of a crab management plan should support activities under component 2 given the potential risk of over-exploitation of crab resources. The Project should undertake a similar approach to ensure avoidance of investments in shrimp farming which are prohibited in the project design due to environmental concerns. Any pond polyculture should be carefully assessed for any negative environmental impacts.
43. As per the project design, the PMO plans to develop targeted but detailed intervention strategies for each of the prioritized high potential product value chains in the districts. These intervention strategies will be used to further validate the findings/recommendations of the Bimtek meetings, and will be critical because the marketing and processing groups at the village level are already testing the market by trial and error rather than based on any clear marketing strategy informed by work at the district level. While this approach was perhaps sensible given the need initiate activities in the villages and to build momentum around the assets provided to the groups, the Project should now strive to adopt a more differentiated approach to the activities that groups at the village level choose to engage with, and to better understand the economic viability of different activities at the village level based on work at the district level. Trainings to be provided at the Badung Learning Centre in 2014 will play an important role in building capacities on issues such as business management, market promotion, production methodologies, and market strategy. However, the Project should also seek to ensure that there is widespread use of coaching clinics for enterprise groups at the village/field level so as to better reach enterprise group members. Subsequent activities aimed at implementation of the interventions strategies which are already being considered by the Project include the creation of online sales and market promotion methods. The mission supports the suggestion made by the PMO to ensure that budget provided for district level market promotion is increased as it is considered to be insufficient.
44. **Component 3 Project Management.** The expected outputs are: *(i) PMO and 12 PIUs established and operating effectively, and (ii) replication and scaling up of the Project facilitated.* Project Management is reviewed under Section D below. The implementation of this component is considered to be *satisfactory*.

Agreed action	Responsibility	Agreed date
Compare options for supporting the sustainability of VWGs, CBCRM and infrastructure groups.	PMO/Institutional Consultant	31 August 2014
Determine the legal and/or customary basis for empowering the CBCRM groups. Provide technical guidance on data collection requirements for CBCRM groups.	PMO	31 August 2014
Ensure that the process for call for proposals from enterprise groups is carefully managed with clear communication to communities regarding available resource envelopes and administration procedures.	PMO	31 August 2014
Ensure groups (i) have clear business, operational, and savings plans in place for business growth/expansion and the maintenance and (re)investment in capital assets, and (ii) clarify the CCDP resource envelopes available.	PMO	31 August 2014
Strengthen the economic, financial, social and environmental viability criteria for assessment of village and district investment proposals and ensure clear business plans are in place at the district level.	PMO	31 August 2014
In districts where KKP resource assessments suggest that key target species are under significant pressure no funds to be used for investments in assets such as hulls, engines and gear which would increase fishing pressure.	PMO	31 August 2014
PIUs and infrastructure groups are provided support to develop mechanisms, appropriate to each village, to ensure that funds are provided for the maintenance of infrastructure investments by the communities.	PMO	31 August 2014
Savings groups as conceived of in the design to be abandoned and alternative modality being explored by the PMO to be started.	PMO	31 August 2014

D. Project implementation progress

45. **Project Management Performance** is assessed as *satisfactory*. Since the Project became effective in late October 2012, the KKP has made a commendable effort in establishing the project institutional arrangements and initiating project implementation. The project management structure consists of a national PMO; 12 PIUs and DOBs; the Badung Learning Centre (PIU).
46. The CCDP is nationally coordinated and implemented primarily at the district and village levels. As such, it requires operating units at national, district and village levels. KKP is the Project's Executing Agency. At the district level, the CCDP is implemented through the local fisheries agency (*Dinas KP*); and village activity is coordinated by VWGs. Provincial and District oversight is provided through BPSPL and representatives on the DOBs.
47. The PMO was established through the Director General (*Dirjen*) of Marine, Coast and Small Islands (KP3K) Decree No. Kep.16/KP3K/2012 dated 14 March 2012. On 28 February 2014, the KKP Minister issued Ministerial Decree *Nomor 16/Kepmen-KP/2014* outlining CCDP's national institutional structure, position responsibilities and staffing. The Ministerial Decree forms: (i) National Steering Committee; (ii) Implementing Groups and (iii) a Secretariat. The Implementing Group is led by a Director, 2 Assistant Directors, Executive Secretary and Assistant Executive Secretary. It is supported in its work by a 10 person Secretariat with sections for Monitoring and Evaluation (M&E), Planning, Procurement, Finance and Knowledge Management. The Implementing Group and Secretariat comprise the Project Management Office (PMO), which is responsible for overall program coordination, budget processing, financial management, administration and monitoring. The PMO located at KKP headquarters,

- is well equipped and provided with 25 skilled and motivated professional staff. The PMO operates smoothly, enhanced by weekly coordination meetings between all key PMO staff, National Consultants and strategically invited guests from KKP and other institutions. The use of electronic communications systems such as its website and smart phone applications also greatly assist implementation.
48. In each of the 12 CCDP districts, either a Bupati, Wali Kota or Dinas KP has issued a decision letter (SK) formally establishing the local level, organizational structures, operating procedures and staffing. Based on the Bupati/Wali Kota, or Dinas KP SKs, District Oversight Board with wide representation and PIUs have been created. The PIUs are under the direction of the local District office of Dinas KKP and are led by a manager, secretary and treasurer. The staffing of PIUs' varies but averages 10 people. The PIUs are supported by individual consultants and in each village by a TPD and EA.
 49. There is a need to strengthen understanding of the role and function of both the DOBs, who provide oversight, social accountability and ensure good governance and transparency; and the VWGs which coordinate project activities as the local level.
 50. **Coherence between AWPB and Implementation** is considered to be *satisfactory*. For the year ending 31 December 2013, the Project had expended IDR 44,714 million, which represented 76% of the 2013 budgeted amount. PMO expenditures were equivalent to about 54% of its allocated 2013 budget. The PMO's less than expected fund absorption was due to two factors: (i) cost saving on the RIMS and Additional RIMS Surveys by using project staff rather than a consulting firm for field work; and (ii) delays in the recruitment of both national and district consultants. As reported on 31 March 2014, the Project had expended a total of IDR 94.4 million, which represented 3.5% of the 2014 budgeted amount. The low disbursement amount is due to the fact that most consultant and other services expenditures were only made in mid-April.
 51. The Project has introduced a "reward and punishment" system for the allocation of funds to PIUs. PIUs are grouped into 3 clusters with the best performing clusters receiving additional funds, the mid-level performing clusters receiving the same level of allocation, and the poorest performing clusters budgets are reduced.
 52. The mission notes that the projected overall level of budget for 2014 is significantly lower than that provisioned in the project design (total 2014 AWPB is approximately US\$9.6 million versus an expected budget of US\$13 million). The mission recommends the PMO undertake a detailed comparison of the AWPB and COSTAB to ensure all activities are included and their timing is appropriate.
 53. **Monitoring and Evaluation** is assessed as *satisfactory*. The Project has made significant efforts to establish a functional monitoring and evaluation system to enable effective reporting and management for results. The mission particularly appreciates the extensive results reporting that were prepared in advance of the mission providing key progress information.
 54. The Project has developed an extensive monitoring and evaluation system to facilitate project management and reporting. Based on learning, the Project management are now making efforts to simplify and streamline data collection and reporting requirements, and are now finalizing the development of web-based tools to ensure better integration of data, timeliness of reporting and access to information. The mission also observed efforts such as in Kupang to ensure that project data and information is available and communicated to villages through VICs. To facilitate more effective communication and reporting the Project has also created communication groups using WhatsApp application (e.g. over 100 messages per day) to support M&E reporting processes.
 55. In 2013 the Project completed the RIMS baseline and additional baseline survey. The Project reported some difficulties with the IFAD RIMS software for data processing which was eventually resolved by the Project internally. The survey indicated high levels of poverty (62%

- very poor), malnutrition (53.5% chronically malnourished), and food insecurity (46.2% of the sample households experiencing a hunger season in the last twelve months) among the 94.7% interviewed respondents who are involved in fisheries activities. The Project also completed an Annual Outcome Survey at the end of 2013 at the national level and in each district; however a consolidated report was not yet available for review during the mission.
56. The mission also discussed simplifying the logframe indicators based on learning from the first two years implementation. It was highlighted that there are some difficulties in measuring several indicators which are no longer relevant. IFAD will provide support to the Project to further simplify and streamline the project logframe.
57. The CCDP introduces an innovative performance based incentive system to determine the scale of investment and support to each individual district targeted under the Project. This is the first time such an approach has been employed by IFAD in Indonesia. Under this arrangement, the performance of any district in implementing its first nine villages is the key determinant for deciding how many additional villages would receive funding. The mission observed that this approach generated a focus on performance and results. It is important that the PMO establishes an effective process for monitoring and reporting on overall district performance and follows up to nurture this innovation. The districts that fall into the lowest category should be motivated to improve performance and therefore access to additional resources.
58. **Gender Focus** is assessed as *moderately satisfactory*. There are various mechanisms envisaged for mainstreaming gender into the Project: (i) the selection of community facilitators will reflect appropriate gender balance with a target of 30% women; (ii) training for community facilitators includes a module specifically on gender-mainstreaming; (iii) at least two out of five members of the CCDP Village Working Group will be women and 30% of all participants in all village groups will be women; and (iv) a gender consultant will draft a project Gender Strategy as part of the Project Implementation Manual with two follow-ups during the Project cycle.
59. Project gender outputs include: an overall participation of 25% of women as project participants including 35% of women participating in enterprise groups, 33% in VWGs, 9% in CBCRM and 5% in infrastructure groups. There is a gender target for TPD's which varies between project documents: 40% in Annex 4 of the design report, 30% in the Project *Pednis* and 50% in the first Annual report. Currently 14 out of 36 TPD's are female, which is 38% of the total. The PIUs and TPD's have not received any training on gender and there is limited summary information in any of the reports on progress with gender objectives. There should be specific training on gender mainstreaming included in the overall TPD training. Further guidance on gender mainstreaming should also be provided to the PIUs. The internal qualitative performance assessment conducted by the PMO rates the progress made towards objectives by all PIUs as an average 70% in old villages and 60% in new villages.
60. The relevance of involving women and the importance of gender mainstreaming is understood by both the PMO and PIU and the mission recognises that the loss of the appointed gender consultant, for a number of reasons outside of the control of the PMO, explains the delayed completion and implementation of a project gender strategy. The recent appointment of a gender consultant will enable the continuation of progress on the gender strategy. In fact, there are some benefits to the delayed drafting of a gender strategy as this can now be based on emerging project experience and challenges.
61. The observations from the village visits on the relevance, quality and benefits of women's participation are overwhelmingly positive. In terms of relevance, whilst capture fisheries is a male activity, the focus of the enterprise groups is increasingly on processing and post-harvest activities which, as the Annual Outcome Surveys demonstrate, is mostly a female activity and is in line with the project objectives of a sustainable increase in value-added. The quality of women's participation is high; they are informed, involved, organised and ambitious. Most importantly, the majority of the 2013 women's groups met were generating a profit with an average estimated 30% increase in their incomes and all of the women's groups had a group

savings scheme in place. This represents significant progress towards the project objective of gender empowerment and improved sustainability of livelihoods in coastal communities. Having said this, women's participation in mixed gender groups remains marginal, as already observed in the previous supervision mission. Furthermore there is considerable regional variation in performance on gender due not only to socio-economic differences but also to the approaches taken by the PIU.

62. The gender targets were established after an extensive design process in full cognizance of the social and cultural characteristics of coastal communities and the mission considers that these are still relevant to the project objectives. Women's empowerment is only one of the gender objectives of the Project; equally important is the question of how to optimise the human resources of the household in generating sustainable livelihoods from coastal resources. Building on already complementary male and female activities in the sector, the Project can provide support in maximising household human resources in the context of the opportunities provided by the Project. Gender targets for women's participation in VWGs, infrastructure groups and CBCRM groups were established in recognition of the fact that women often have different priorities and preferences as well as much to contribute towards group sustainability.
63. **Poverty focus** is *moderately satisfactory*. The poverty focus of the Project is on fishing communities in villages below the national poverty line. The villages that were pre-selected for the Project were found to be relevant for the poverty focus and objectives of the Project. They were below the national poverty line and the Project has effectively identified the fishing and marine based households within the selected communities. The activities of the enterprise groups are relevant and accessible to the poorest households. More specifically the Project effectively targets those households that regularly provide labour to households with medium-high marketable marine resources (such as crew on larger fishing boats) and households with only very basic or no productive resources, such as traders.
64. Whilst the field visits suggest a good poverty focus, the annual outcome surveys provide a different insight into the poverty status of the beneficiaries compared to non-beneficiaries. Seemingly poor translation as well as inconsistent categories makes it virtually impossible to gain an overview but many of the reports suggest that non-beneficiaries are significantly poorer than beneficiaries. The PMO should review the section on poverty in the twelve Annual Outcome Surveys and develop a summary that links these findings to the RIMS survey and the village inventory to gain a more comprehensive understanding of the current poverty focus and potential initial impacts of the Project.
65. A key issue that will be important in sharpening the poverty focus of the Project is consideration of low-season options for the target group. Many of the households experience food insecurity during this period with female children experiencing the highest rates of deprivation according to the RIMS. Options for low-season income were frequently brought up as a concern during the fieldwork and the initiative to start savings groups will be an important component of a mitigation strategy.
66. **Effectiveness of targeting approach** is assessed as *satisfactory*. The village pre-selection and screening matrix has been effective in targeting project activities to the poor. The review of criteria for the distribution of investment funds between communities to match the investment to potential participants, recommended in the first supervision mission, has been completed and promotes a just distribution of resources. Further, in each village the distribution of funds between different enterprise group types is balanced in recognition of the complementarity of marine activities as well as the different households involved. Within the villages, the PIUs have different approaches to targeting households for participation in project activities. The procedure for targeting households within the villages between PIUs should be reviewed and refined into best practice principles that are replicable in other contexts.

Target Group “category”	Total number of households and people to be reached by the end of project implementation (Appraisal Targets)_	Number of households and people reached so far (cumulative)	
		Total number	Of which, women
Fisheries and marine households	70,000 households (320,000 people).	28,000 households 140,000 people (40% of the appraisal target)	42,000

Note: 4.57 people per household

67. **Innovation and learning** is assessed as *moderately satisfactory*. The CCDP introduces a number of innovations related to village institutional development, production and marketing, and project management. Some examples include innovation of products e.g. smoked fish, new labelling; market linkages (PPPs); flexibility in implementation approach; use of technology by PMO and PIU for sharing of information and lessons; performance-based approach (reward and punishment); working in different types of locations (geographical characteristics, target species, market accessibility) is already providing lessons.
68. The Project is making efforts to facilitate the generation of knowledge, sharing of lessons learned, and learning. The project management's focus on technology also has great potential to effectively share innovation and promote learning across a very broad geographic area. The Badung Learning Centre is an important instrument to support this.
69. **Climate and environment focus** is considered as *moderately satisfactory*. The Project does not have an explicit focus on climate change mitigation or adaptation, although there is an environmental assessment in the project design. The project does support for mangrove replanting and production of seaweed will result in carbon sequestration. While some project activities may increase carbon emissions which should be carefully considered and managed by the Project during implementation, any negative project impacts in terms of climate change will be negligible given the types and scale of inputs being provided to beneficiaries. The potential for the Project to increase the incomes of beneficiaries will also serve to increase their adaptation to the impacts of climate change. The Project has a strong environmental focus in terms of its implementation as already discussed under sub-component 1.2.
70. **Partnerships** are rated as *satisfactory*. The Project has been proactive in seeking to engage in partnerships at all institutional levels. The Project has been successful in leveraging additional support and resources from various partners such as government (KKP, Dinas, Bupati, Wali Kota), non-government (universities, NGOs), development partners (USAID, WWF) and particularly the private sector for which public-private partnerships in support of the small-scale fisheries and mariculture/aquaculture for the target communities. Some of these partnerships have been formalized for instance through fourteen Memorandum of Understanding (MOUs) with private firms and two partnerships to purchase Village Groups' products. In addition MOU's were signed with four universities.
71. **Knowledge Management** is assessed as *moderately satisfactory*. CCDP is designed as a model to be replicated and scaled up by the government. Consequently the management of knowledge is critical. The Project has established a website as a platform for sharing progress and disseminating success stories. The website was launched by the Minister of Marine Affairs and Fisheries at the end of 2013. This website is updated daily by the PMO and IT staff. The PMO is encouraged to link the project website to IFADAsia to enable sharing with other

countries in the region. The Project has also produced a number of knowledge and communication products which are accessible on the project website and the VICs are effective as a meeting place for project activities as well as supporting broader community communication.

Agreed action	Responsibility	Agreed date
Strengthen the role and function of the District Oversight Boards	PMO	31 August 2014

E. Fiduciary aspects

72. **Financial management** is assessed as *moderately satisfactory*. The Project has five different sources of funds (IFAD's loan and grant, Spanish trust loan, GOI's counterpart funds and beneficiary's contribution). Funds are allocated and distributed to the PMO at national level and 12 PIUs at district level and the Badung Learning Centre. Each PIU prepares monthly financial reports following government regulations to be consolidated by the PMO. Annual budgeting follows national annual budgeting (RKKL/DIPA) process and procedures. The budgets for the PIUs are in the form of *Dana Tugas Perbantuan* which are provided in the respective local government budgets. Block grants to villages are allocated every year and then are disbursed to the villages in accordance with the approved proposals and government regulations. There is a lack of process for capturing and recording beneficiary contributions for the community enterprises and infrastructure which should be urgently rectified.
73. The monthly financial reports are prepared by PIUs and the PMO following standard government formats (*Sistem Akutansi Instansi* or SAI) using a standard application system. In general, monthly reports from PIUs are submitted to the PMO in timely manner. However, for the purpose of the preparation of financial reports and Withdrawal Applications (WA) to IFAD, some of the supporting documents submitted by PIUs are incomplete or unclear, and the PMO still has difficulty in identifying which expenditures belong to which category and/or which component/sub-component, and consolidating the expenditures based on categories and sub-components.
74. From the 2013 Annual Progress Report and the 2014 1st Quarter Progress Report, the mission notes that the financial section only reports on the total budget and realization for a specific period without any information on the source of funds, and how much are the actual cumulative expenditures since the beginning of the Project. The financial section in a progress report should also mention the source of funds as well as the cumulative budgets and realization. The mission understands that the PMO has recruited two financial management consultants; however their assistance must improve to assist the PMO in preparing the financial reports, particularly in meeting the IFAD's requirements. The mission was informed that draft Financial Management Guidelines are still being prepared and must be completed and distributed to all PIUs urgently.
75. During the village visits, the community groups informed the mission that they have been given training in simple book keeping. Only some of the community groups could show the financial documents. Since the groups are responsible for managing the funds received, for transparency purposes, they should have their own records which should be readily available for review by those interested. The community facilitators and/or extension agents should provide continuous support, guidance and monitoring to the community group's treasurers in maintaining their financial records.
76. In accordance with IFAD procedures, the mission conducted a Fiduciary Risk Assessment, including the organisation structure, qualification of project staff in their respective positions, disbursement, budgeting, reporting, internal control and transactions reviews. While progress is being made, the mission notes the following issues: incompleteness of PIUs supporting documentation, and low capacity of community groups in financial management and book keeping.

77. **Disbursement** is rated as *highly satisfactory*. The overall level of disbursement is 9% for the IFAD loan, 2.2% for the IFAD grant and 13.2% for the Spanish Trust Fund. As of 30 March 2014, the actual expenditure was IDR 3.246 billion or 3.51% of the 2014 annual budget of IDR 92.380 billion. The mission understands that the budget and expenditures are excluding the government budget, and IFAD needs to monitor the total project costs not only for 2014, but also the cumulative project costs since the start of the Project. The latest WAs which had been submitted to and disbursed by IFAD were dated 7 April 2014, and there are still expenditures that need to be processed for WA submission. The low expenditures were mainly due to the difficulty in identifying the categories and components of expenditures. The mission was informed that it is usual that expenditures are low at the beginning of the year, and they will increase in the coming months, and with the improved financial reporting, the disbursement will also increase.
78. **Counterpart funds** is rated as *moderately satisfactory*. Counterpart funds are mainly provided from the national annual budget (DIPA). During field visits, the mission was informed that the respective local government is also providing additional local funding from its respective local government budget (APBD) to support the project implementation. These counterpart and supporting budgets should be monitored regularly and should also be included in the monthly financial reports. The mission noted that the counterpart funds provided by APBN for 2014 are adequate.
79. The mission stresses that beneficiary contributions to market focused village investments are a source of funds and must be recorded by the PMO in a format to be agreed applying a sampling methodology. During the visits to the villages, the mission noted that some of the community groups' proposals already include their contributions of 20%, which need to be monitored and recorded by PIUs. The mission noted that in Lombok Barat, the land where the VICs were constructed belong to individuals with the agreement of the right to use for a period of 5 years which is extendable, while in Kupang the land belongs to the government.
80. **Compliance with loan covenants** is *satisfactory*. The most pressing issue is the unclear information on the sources of funds in the AWPBs and problem in identifying the correct categories and components of the expenditures made.
81. **Procurement** is *moderately satisfactory*. As stated in the Letter to Borrower, most of the procurement under the Project shall be undertaken in accordance with the Borrower's national procurement regulations (Perpres 54/2010 and Perpres 84/2012) and the amendments to these regulations to the extent that they are consistent with IFAD Procurement Guidelines.
82. As per the last mission, there have been delays in procurement related to the recruitment of consultants which are crucial for project implementation. To accelerate the selection process, the PMO has revised some of the consultant selection procedures from selection of consulting firms to individual consultant selection procedures. The Project had recruited 36 individual consultants. In addition, TPDs have been directly recruited by the respective PIUs.
83. During the field visits the mission conducted post-procurement reviews of 13 contract documents for procurement of goods (vehicles, office equipment and furniture) and consultant services. The mission noted that the supporting documents related to the procurement methods applied are kept in separate folders resulting in difficulties in conducting proper reviews. In Kupang, the mission also noted that in the contract for procurement of furniture with CV. Novita Pratama, there were inconsistent amounts of the price quoted by suppliers.
84. The mission noted that some of PIUs have not prepared the list of all contracts (including information on the contract date and number, name of suppliers/contractors/service providers, amount of the contract and the procurement method used), which should be updated on a regular basis (quarterly). In addition, the PMO and PIUs should make an inventory of all assets (equipment, furniture, etc.) that are financed under the Project.

85. **Audit** is rated as *moderately satisfactory*. The PMO had a meeting with the auditor (BPKP) to plan for the 2013 audit where it was agreed that BPKP will conduct the audit in the coming months. The mission was informed that regional BPKPs have started the audit in Ambon, Maluku Tenggara and Merauke. The mission reminds the PMO that: (i) an audit of accounts should be done in accordance to International Standards of Audit (ISA) and only if not feasible, in accordance with National Standards of Audit; (ii) the opinion/s issued by auditors should make reference to the 3 following items: (a) an opinion on the Project's financial statements; (b) opinion on the use of the SOEs procedure; and (c) an opinion on the use of the Special Account / Designated account. Auditors will also have to issue a "Management Letter" accompanying the audit report highlighting facts observed during the audit exercise. The audit should include an update on the status of implementation of previous year's recommendations and the reply of project management to observations issued by auditors. The mission reminds the project that the audit is due to be submitted to IFAD by the extended deadline of 31 July 2014. It is important to note that delayed submission of audit reports may result in a suspension of project activities.

Agreed action	Responsibility	Agreed date
Finalise Financial Management Manual	PMO	30 June 2014

F. Sustainability

86. **Institutional Sustainability.** The mission considers the prospects for the institutional sustainability of the Project are *moderately satisfactory*. The KKP has clear ownership of the project at the central, district and village levels; the project activities are integrated into wider KKP planning processes and the project is also being used as an opportunity for the KKP to develop and innovate approaches to be mainstreamed. At the village level, the close collaboration between the TPD's and the extension workers is notable and is contributing both towards the success of project social, economic and planning processes on the ground as well as the eventual sustainability of these processes within the KKP. Specific factors contributing towards institutional sustainability include: (i) the P3MP programme initiated by the KKP which will be rolled out in all PIU's whose objective is social empowerment of coastal communities; (ii) the development of modalities for savings groups by the KKP to be institutionalised within project villages; (iii) the Village Law of 2014 that will decentralise resources to be used for local development and; (iv) the linkages that are being developed between enterprise groups and the private sector. Notably in Kupang the PIU has chosen to drop the 'P' from CCDP maintaining that they do not regard the CCDP as a project but instead consider it part of a programmatic approach to coastal community development.
87. These positive indications from the wider institutional context for coastal community development need to be supported by a closer examination of the institutional sustainability of the groups that have been established by the project at the village level. In recognition of this, the PMO has already appointed a consultant to consider the future institutional forms that would best support the sustainability of the project groups. It is important to bear in mind and accept during this enquiry that the main purpose of many of the groups may be to initiate economic and social processes that cannot be institutionalised and have greater sustainability in informal and private arrangements.
88. **Empowerment and social sustainability.** The community empowerment and planning processes initiated are *moderately satisfactory* and likely to be sustainable as the organisational modalities and principles introduced support both individual and household empowerment and social cohesion. Field respondents commented that it is the first time that they have had responsibility for planning and that they feel empowered as a result. The empowerment of women is challenging strongly entrenched gender roles in fisheries and the

opportunities that are being provided by the project for women to participate is likely to contribute towards a sustainable change in the role women play. Many of the project villages have communities and participants from diverse social and ethnic backgrounds working in the same groups. Collective economic and planning activities that support joint profit from coastal resources as well as joint stewardship of the natural resource base reinforce social cohesion and sustainability. The project design provides for learning and innovation from project activities to be replicated in other contexts, further contributing to the social sustainability of the project.

89. **Quality of beneficiary participation** is assessed as *moderately satisfactory*. The quality of participation in community level groups varies widely from a full understanding of the relevance of these groups in some villages and in others relative apathy and resentment at a lack of compensation. The quality of participation in enterprise groups is generally higher although here too there is a wide variation between different households and groups. Moving forward, the project can improve the quality of beneficiary participation with a review of 'what works' now that all PIUs have extensive experience on which they can draw.
90. **Economic and Financial Sustainability** will be dependent on the quality of investment proposals at district and village levels (by enterprise and infrastructure groups), the due diligence completed in screening and approving individual investments, and the quality of technical inputs provided at village and district levels in market analysis, strategies and developments. The approach of the project to identify and foster the comparative advantage of each community in terms of resources, experience, market potential and capacity, along with the linking and mutual support of village and district-level activities, should serve to ensure economic and financial sustainability.
91. **Technical Sustainability** will be dependent on the quality of support provided by the Project to the beneficiaries, the selection of group activities at the village level, and the technical soundness of the investments and support at the district level. The level of technical developments, while expected to be innovative in some cases, are not considered to be especially complex or beyond the human capacities available and village and district levels (which will in any case be developed throughout the project). This, along with the fact that many enterprise groups will be involved in similar types of activities, means that technical sustainability should be ensured.
92. **Environmental Sustainability**. The project design, and implementation of project activities related to resource assessments, the establishment of the CBCRM groups, preparation of integrated village coastal zone management plans and later on fisheries co-management plans, should all serve to ensure environmental sustainability. Project beneficiaries are engaged with value chains that exploit marine resources which are typically not especially susceptible to over-exploitation if carefully managed, and no project activities should result in destruction of mangroves or intensive forms of aquaculture; indeed many enterprise groups will focus on seaweed production, which is a low trophic aquaculture system with low inputs (e.g., no feed or fertilizer).
93. **Responsiveness of service providers** is considered *satisfactory*. The CCDP provides a significant technical support and services to facilitate effective and efficient implementation. The quality of service provision is satisfactory and the Project has instituted developed mechanisms to monitor and evaluate the effectiveness for service providers which engages project beneficiaries.
94. **Exit Strategy and Scaling up** are rated as *satisfactory*. The Project has been designed with the expectation that it will be scaled up both within the selected provinces and districts, and to other provinces nationally. The project design contains a number of features to achieve this such as the co-management of coastal resources; mechanisms for 'crowding-in' by other interested groups in the area, which is expected to be the most effective mechanism for scaling-up; promoting access to finance for future replication of enterprise group investments; and catalysing growth of high potential value chains in each district. During the mission the

Government of Indonesia has reiterated its expectation for the Project to develop a successful model to be scaled up and replicated across the country.

G. Other

95. **Impact** is rated as *moderately satisfactory*. The results of the baseline survey indicated that the project beneficiaries are poor, food insecure and have a low asset base to which the design of the Project seeks to respond. Although the Project is only in its second year, investments made at the village level under component 1 are already demonstrating a *moderately satisfactory* impact on physical and financial assets, incomes, and particularly on village level institutions and promoting social capital. Additional impacts particularly on physical and financial assets can be expected through the continued implementation of component 1 as well as through the investments soon to be made under component 2. The Project also is showing *satisfactory* early signs of supporting villages and districts efforts to address climate change impacts that may undermine project interventions as well as ensuring that natural resources are not degraded and ecosystem services are maintained on a long term basis. In terms of policy impact, as intended the Project has significant potential for developing a replicable model for supporting the livelihood development in coastal communities which are generally one of the poorest populations in Indonesia. To enhance policy impact the Project will undertake two policy studies in 2014 focussed on micro enterprise development; and sustainable marine and fisheries industrialization.

H. Conclusion

96. IFAD congratulates the Government of Indonesia for its effort in facilitating the successful implementation of the CCDP.
97. Overall the Project has made impressive progress in implementation in 12 districts in 9 provinces. Since the last joint review mission, the Project has successfully managed a significant expansion of project activities in all target districts and effectively responded to the recommendations of the last mission.
98. The mission observed the high level of motivation and commitment to the Project from the project management and beneficiaries. There is also a very high level of expectation from target beneficiaries that the Project will be successful in sustainably improving their livelihoods. It is therefore important that the Project concentrates on improving implementation and the management of the Project in a few key areas. Most importantly, there is a need to continue to build awareness and understanding of the project approach and benefits at all levels, particularly with the village level groups. Village level groups must be empowered through receiving adequate technical inputs and guidance to enable them to make effective project investment decisions to support their development. The Project should continue to build linkages between village and district activities to deepen the impact of investments at village levels. Additionally, there is a need for the Project to focus on various aspect of sustainability. These include strengthening social mobilization and clarifying the roles and functions of groups, building capacity for business management, increasing group and household assets through saving and credit and access to financial services, clarifying operational and maintenance arrangements, and ensuring more effective management and monitoring of marine natural resources. Finally, as the CCDP intends to build models for replication and scaling up it should continue efforts on monitoring and evaluation and generating knowledge and learning.
99. The next implementation support mission is proposed to be undertaken in October 2014.
100. IFAD and the Government of Republic of Indonesia endorse the findings of the supervision mission.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Indonesia			Project ID	1621	Loan.	I-880-ID
Project	Coastal Community Development Project					Grant Trust Loan	I-C-1392 - ID E-16-ID
Date of Update	15 May 2014						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	3				
Last Supervision	Apr.2104	Last Implementation Support/Follow-up mission	Feb. 2014				

				USD million Disb. rate %		
Approval	21-Sep-2012			Total financing	43.24	8.7
Agreement	23-Oct-2012	Effectiveness lag	1.1	IFAD Total	26.20	8.5
Entry into force	23-Oct-2012	PAR value	Not at risk	IFAD loan	24.20	9
First disbursement				DSF grant		
MTR		Last amendment		IFAD grant	2.00	2.2
Original completion	31-Oct-2017	Last audit		Domestic Total	9.24	7.5
Current completion	31-Dec-2017			Beneficiaries	2.15	Not recorded
Original closing	30-Apr-2018			Government (National)	7.09	7.5
Current closing	30-Jun-2018			External Cofinancing Total	7.80	13.2
No. of extensions	0			Spanish Fund	7.80	13.2

Project Performance Ratings

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

6. Potential for scaling up and replication	4	5
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B.5 Justification of ratings

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience		5
C.4 Overall implementation progress (Sections B1 and B2)	4	5
Rationale for implementation progress rating		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
Rationale for development objectives rating		
C.6 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
Fiduciary aspects – the fiduciary risk assessment is rated medium because the Project has a good implementing organizational structure. Financial reports need to be improved, and there were some delays in procurement of consultant services. The project uses the GoI financial management system and will use the government external auditors (BPKP).		
Project implementation progress – The risk to effective implementation is judged as low to medium with project management established in all districts and at the centre at Badung, Bali and all aspects of the project under implementation; however, smooth and timely implementation of all project activities will necessitate that the participatory planning and implementation follow-up be deepened in each of the project officers, from district consultants to village facilitators receiving ongoing support and training, particularly in how to utilize the information on market opportunities in determining the best use of investment funding for the enterprise groups and productive infrastructure.		
Outputs and outcomes – The risk to achieving the targeted outputs and outcomes is judged as low to medium with project management established in all districts and at the centre at Badung, Bali and all aspects of the project are under implementation; however, to maximize the impact of project activities and ensure synergies among them the district market opportunities studies will need to be completed and the results made available to the village groups as soon as possible.		
Sustainability – It is a little too early to effectively assess the risk to sustainability; however, initial indications indicate that the risk is currently low as project management is very focused both on sustainability and scaling up.		

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Group incentives	Compare options for supporting the sustainability of VWGs, CBCRM and infrastructure groups.	31 August 2014	
Legal status of community resource management groups	Determine the legal and/or customary basis for empowering the CBCRM groups. Provide technical guidance on data collection requirements for CBCRM groups.	31 August 2014	
Strengthen management of calls for proposals	Ensure that the process for call for proposals from enterprise groups is carefully managed with clear communication to communities regarding available resource envelopes and administration procedures.	31 August 2014	
Group investment strategies	Ensure groups (i) have clear business, operational, and savings plans in place for business growth/expansion and the maintenance and (re)investment in capital assets, and (ii) clarify the CCDP resource envelopes available.	31 August 2014	
Strengthen proposal screening process	Strengthen the economic, financial, social and environmental viability criteria for assessment of village and district investment proposals and ensure clear business plans are in place at the district level.	31 August 2014	
Marine resource sustainability and management	In districts where KKP resource assessments suggest that key target species are under significant pressure no funds to be used for investments in assets such as hulls, engines and gear which would increase fishing pressure.	31 August 2014	
Operations and	PIUs and infrastructure groups are provided support to develop	31 August 2014	

maintenance	mechanisms, appropriate to each village, to ensure that funds are provided for the maintenance of infrastructure investments by the communities.	
Savings groups	Savings groups as conceived of in the design to be abandoned and alternative modality being explored by the PMO to be started.	31 August 2014
Project oversight	Strengthen the role and function of the District Oversight Boards	31 August 2014
Financial management	Finalise Financial Management Manual	30 June 2014

Additional observations

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

Results Hierarchy	Indicators	Means for Verification	Risks (R) & Assumptions (A)	Progress
Goal. Reduction in poverty and enhanced, economic growth among the active poor in coastal and small island communities	9 900 HHs with improvement in HH assets ownership index (this represents 50 % of the anticipated 19 800 HH in enterprise groups or savings groups) 40% reduction in the prevalence of child malnutrition	Quantitative baseline, mid-term review, project completion survey. Health statistics. Studies to complement indicator-based data		Up to 2014 the project has covered 10,000 HHs out of the total target 69,000 HHs. 6 950 enterprise group HHs have been supported, but there is no measurement yet of improvements in asset ownership Baseline data : Underweight children - weight for age 34.0% G, 22.1% B Chronic malnourished children - height for age 55.8% G, 51.2% B Acute malnourished children - weight for height 17.2% G, 16.7% B <i>Baseline data includes assets but not the asset ownership index. Reference can be made to the PCA in the RIMS</i>
Development Objective. Increased household incomes for families involved in fisheries and marine activities in poor coastal and small island communities	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. 13 200 households for which food security has improved, as measured by the number of households with reduced access to food	Baseline, mid-term, completion surveys Financial records of project enterprise groups Qualitative studies to complement indicators	(A) Cross section of active poor in marine and fisher households able to participate in project activities. (A) Group based collective economic activity is appropriate to social and market conditions within a large majority of project villages	1. Baseline : Previous year Annual Sales < IDR 2 million 21.81% IDR 2 - 5 million 29.66% IDR 5 - 10 million 18.52% > IDR 10 million 13.01% 2. Baseline : First 'hungry season' 308 HHs (duration 3.5 Month). Second 'hungry season' 99 HHs (duration 2.5 month) Too early to assess progress towards this objective <i>Note that to fully achieve the second indicator, the project would have to provide significant levels of alternative incomes for fishermen, which may not be the case.</i>

Results Hierarchy	Indicators	Means for Verification	Risks (R) & Assumptions (A)	Progress
Component 1. Community Empowerment, Development and Resource Management				
Outcome 1. Project communities implementing profitable and sustainable marine-based economic activities with no detrimental effect on marine resources	<ol style="list-style-type: none"> 60% of the project-funded enterprise groups operating profitably by the end of the project Health of marine resources maintained or improved in 80% of areas managed by project and adjacent villages, as measured in terms of catch per unit of effort (CPUE) data 	<p>Independent assessment of enterprise performance (revenues exceeding operational/variable and fixed costs [maintenance and depreciation]) Enterprise bank records</p> <p>Community perception-based resource inventory and assessment Data collected at village level from capture fishing group on CPUE (through a small sampling programme using CBCRM groups with data provided by fishermen, for selected species, measuring on a weekly basis catch volumes and days fished)</p>	<p>(A) Access by project HHs to fishing grounds and aquaculture sites effectively controlled / managed (R) Fishing by commercial vessels limits catches by project fishers</p>	<p>695 enterprise groups have been formed. No assessment yet of their profitability</p> <p>CPUE sampling programme to be established as agreed with the PMO</p>
Output 1.1 Marine and fisheries households' development priorities identified agreed and documented	<ol style="list-style-type: none"> 70% of fisheries/marine HHs state village plans represent their priorities 50% of women state village plans represent their priorities 	<p>District project quarterly reports Village impact assessments Project M&E records Sample surveys</p>	<p>(R) Risk of elite capture of the planning/prioritisation process (A) Non-fisher/marine HHs in project villages do not have a disruptive influence on the planning processes</p>	Not yet measured
Output 1.2 Community-based marine resource management areas being managed effectively	<ol style="list-style-type: none"> 40 community-based marine resource management areas demarcated, declared and ratified (through <i>Perdes</i>) and community register of resource users established and maintained 	<p>District project quarterly reports Project M&E records Reports of co-management committees in project villages Community register of resource users</p>	<p>(R) Management regimes will vary significantly between villages. (R) Adjacent villages refuse to participate in the projects' marine resource management activities,</p>	<p>Not Yet Applicable Village Coastal Resource Inventories have already been completed in 108 (100%) of CCDP Villages. Community Coastal Resource Management Plans scheduled for completion in 2014</p> <p>Village level community based coastal resources management plans scheduled for completion in 2014.</p>

Results Hierarchy	Indicators	Means for Verification	Risks (R) & Assumptions (A)	Progress
Output 1.3 Financially sustainable community enterprises created under the project	1. 60% of enterprise groups have business plans prepared by year 3, and are recording business-related information	District project quarterly reports Project M&E records Financial records of project-supported enterprise groups (balance sheet and profit & loss statements)	(R) Limited HH assets and slow build-up of savings, limits participation of in enterprise groups (A) Ratio between prices of input factors and fish remains favourable (A) Sufficient viable economic opportunities to attract interest in developing enterprise groups.	Estimates of 2013/14 Enterprise Group's Net Annual Income required as soon as possible. PMO/PIUs have initiated planning for this process <i>The initial indicator of this output was modified during the May 2014 supervision mission, so as not to repeat similar indicators at outcome and objective levels. The change better measures the output in support of the outcomes and objectives</i>
Output 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	(A) Infrastructure linked to improving/ supporting marine based economic activities given priority in CCDP development plans (R) Government priorities override community agreed decisions on the project infrastructure	A total of 108 Village Information Centres (VICs) have been built. In 1 st quarter 2014 around 65 village infrastructure developments were constructed. All VICs and infrastructure developments appear to be utilised. PMO/PIUs will start to support maintenance planning
Component 2. District Support for Marine-Based Economic Development				
Outcome 2. Expansion of economic opportunities in project districts for sustainable, market-based, small-scale fisheries and marine operations	1. 5% increase in net returns by mid-term review and 10% by end of project from small-scale fisheries/marine based activities in terms of fish/marine products sold by project districts on local, national and export markets (volumes marketed/prices received)	Impact survey of small-scale fishing landings and net returns Financial records from larger fishing vessels Project M&E records Baseline can be estimated from proposals to DOBs; and compared to follow up surveys.	(A) Economic opportunities and investments appropriate and accessible by project HHs. (R) Larger scale fishing operations influence investments decisions	Not Yet Applicable Estimates of District Investment's Net Income as stated in proposals serve as baseline.. <i>There are questions as to the appropriateness of this indicator. The MTR should be tasked with reviewing its relevance, and to amend it if necessary</i>
Output 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 small-scale fishers/marine operators in support of fishing production and marketing. 2. 20 projects financed by District Fund for Supporting Small Scale Fisheries driving new business models and benefiting target villages	Survey of fishing/marine HHs in project villages Project M&E records Audits of project enterprises and infrastructure Village records of maintenance costs/activities	(A) District staff are motivated and actively commit their time to implementation of the project	Net Yet Applicable Net Yet Applicable

Results Hierarchy	Indicators	Means for Verification	Risks (R) & Assumptions (A)	Progress
Output 2.2 Increased participation and earnings by small scale fishers and marine producers from prioritized high potential products in each project district	<ol style="list-style-type: none"> 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 private sector companies (e.g. supermarkets, processing companies, souvenirs shops, etc) actively buying products in each district within at least two thirds of the prioritized value chains. 	<p>Surveys of sales by village fishers/marine operators</p> <p>Market surveys</p> <p>Project M&E records</p>	<p>(A) Small-scale fishers and marine producers are able to compete at a national level in terms of quality and price</p>	<p>Based on the marketing surveys, each district has 3 high potential product value chains. A total of around 6 950 HHs are involved in Production, Processing and Marketing activities.</p> <p>6 PIUs is in process of establishing MOU with 14 local private sector companies (supermarkets, processing companies, souvenirs shops, etc)</p>
Component 3. Project Management				
Outcome 3. Project is managed efficiently and transparently for the benefit of the project's target HHs and communities	<ol style="list-style-type: none"> 1. 80% of project funds are disbursed in a timely manner in line with targets set in AWPBs and to the satisfaction of project marine/fishers HHs. 	<p>Participatory village evaluation of project performance</p> <p>Reports from district stakeholder forums on project management</p> <p>Project financial records</p>	<p>(A) Political and management commitment to the development and reduction in poverty in project communities through a market based approach</p>	<p>By December 2013 the project had disbursed +/- 85% of the 2013 AWPB.</p> <p>By March 2014 the project has disbursed 3.5% of the 2014 AWPB based actual expenditures (2.6% officially submitted to MOF with complete invoices). Disbursements in the 2nd Quarter 2014 will be significantly higher.</p>
Output 3.1 PMO and 13 PIUs established and operating effectively	Performance of 75% of key project staff (including PMO and PUI Project Directors, PMO and PIU Executive Secretaries, District Consultants and Village Facilitators) judged satisfactory at mid-term review	Performance of 75% of key project staff (including PMO and PUI Project Directors, PMO and PIU Executive Secretaries, District Consultants and Village Facilitators) judged satisfactory at mid-term review	<p>(A) Sufficient numbers of motivated staff work with the PIUs and are changed when necessary</p> <p>(A) District leaders fully understand the project and are committed to its goals and facilitating its activities</p>	<p>Not Yet Applicable</p> <p>However, PMO appears to be performing satisfactorily. As per year end 2013 reviews 9 PIUs were performing satisfactorily. Additional effort was required in Yapen, Kubu Raya, Parepare and Merauke. All consultant and TPD performance was either satisfactory or the individuals were replaced.</p>
Output 3.2 Replication and scaling up of the project facilitated	<ol style="list-style-type: none"> 1. At least 24 additional districts have commenced implementation of CCDP approach and activities by the end of the project. 1. The Project has been extended to at least 60 additional villages in the 12 project districts. 	Project M&E, audit and supervision records	<p>(A) Government and districts in the participating provinces motivated to extend and take up project approach and activities.</p> <p>(A) Funding is available from GOI for scaling up activities</p>	Not yet applicable

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

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

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	Strengthen the role and function of District Oversight Boards	31 August 2014	PMO/institutional consultant	To be assessed during next supervision mission
Outputs	Compare options for supporting the sustainability of VWGs, CBCRM and infrastructure groups	31 August 2014	PMO/institutional consultant	To be assessed during next supervision mission
	Determine the legal and/or customary basis for empowering the CBCRM groups. Provide technical guidance on data collection requirements for CBCRM groups.	31 August 2014	PMO	To be assessed during next supervision mission
	Ensure that the process for call for proposals from enterprise groups is carefully managed with clear communication to communities regarding available resource envelopes and administration procedures.	31 August 2014	PMO	To be assessed during next supervision mission
	Ensure groups (i) have clear business, operational, and savings plans in place for business growth/expansion and the maintenance and (re)investment in capital assets, and (ii) clarify the CCDP resource envelopes available.	31 August 2014	PMO	To be assessed during next supervision mission
	Strengthen the economic, financial, social and environmental viability criteria for assessment of village and district investment proposals and ensure clear business plans are in place at the district level.	31 August 2014	PMO	To be assessed during next supervision mission
	In districts where KKP resource assessments suggest that key target species are under significant pressure no funds to be used for investments in assets such as hulls, engines and gear which would increase fishing pressure.	31 August 2014	PMO	To be assessed during next supervision mission
	PIUs and infrastructure groups are provided support to develop mechanisms, appropriate to each village, to ensure that funds are provided for the maintenance of infrastructure investments by the communities.	31 August 2014	PMO	To be assessed during next supervision mission
	Savings groups as conceived of in the design to be abandoned and alternative modality being explored by the PMO to be started.	31 August 2014	PMO	To be assessed during next supervision mission
Fiduciary Aspects	Finalise the Financial Management Manual	30 June 2014	PMO	To be assessed during next supervision mission

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

Component/ Sub-component or Output				Physical			Period: 1 Jan to December 2014 USD			Cumulative Actual (USD 000)	Appraisal Target (USD '000)	
		Indicator	Unit	Target	Actual	%	AWP&B	Actual As per 31 March	%			%
Component 1. Community Empowerment, Development and Resource Management												
	Sub- component											
1.1	Community Facilitation, Planning and Monitoring	RIMS 1 st Level Logframe 1. 70% of fisheries/marine HHs state village plans represent their priorities 2. 50% of women state village plans represent their priorities	- Fisher HHs Village Women	TBC TBC	Not Yet Applied Not Yet Applied	NA NA	877,011.81	152,156.83	17.35	888.5	5,578.7	15.93
1.2	Coastal Resource, Assessment, Planning & Co- Management	RIMS 1 st Level Village /community plans formulated	Plans	72	36	NA	314,345.45	0	0	550.5	5,014.4	10.98
		RIMS 1 st Level Environmental management plans formulated Logframe 1. 40 community-based marine resource management areas demarcated, declared and ratified and community register of resource users established and maintained	Plans Marine Management Areas	76 40	32 Not Yet Applied	NA NA						

1.3	<i>Market Focused Village Development</i>	<p><i>RIMS 1st Level</i> Enterprises accessing non-financial services facilitated</p> <p><i>Logframe</i> 1. 60% of enterprise groups have business plans prepared by year 3, and are recording business-related information</p>	Enterprises	TBC	Not Yet Applied	NA	2,700,781.82	8,550.98	0.31	873.9	16,135.2	5.42
			Net Group Assets	???	Not Yet Applied	NA						
		<p><i>RIMS 1st Level</i> Other productive infrastructure constructed / rehabilitated</p> <p><i>Logframe</i> Two thirds of project financed community infrastructure operating and being used by fisher/marine HHs, assessed 1 and 3 years after establishment</p>	Infrastructure Investments	72	72	NA						
			Infrastructure Investments	TBC	Not Yet Applied							
Component 2. District Support for Marine-based Economic Development												
2.1	<i>District Level Investment & Capacity Building</i>	<p><i>RIMS 1st Level</i> Other social infrastructure constructed / rehabilitated</p> <p><i>Logframe</i> 3. 70% of facilities, services and infrastructure financed by the project operating/available and used by small-scale fishers/marine operators in support of fishing production and marketing. 4. 20 projects financed by District Fund for Supporting Small Scale Fisheries driving new business models and benefiting</p>	Infrastructure Investments	108	108		1,435,510.0	0	0	0	3,343.6	0
			District Investments	12	Not Yet Applied							
			Projects	20	Not Yet Applied							

		target villages										
2.2	<i>Market and Value Chain Support</i>	<p><i>Logframe</i></p> <p>3. 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</p> <p>4. At least 4 private sector companies (e.g. supermarkets, processing companies, souvenirs shops, etc) actively buying products in each district within at least two thirds of the prioritized value chains.</p>	HHs	3,600	1,000	NA	828,771.82	0	0	66.5	4,723.3	1.41
			Buyers	NA	14 (*from 6 PIU)	NA						
Component 3. Project Management												
3.1	<i>Project Management</i>	<p><i>RIMS 1st Level</i></p> <p>Government officials and staff trained</p> <p><i>Logframe</i></p> <p>Performance of 75% of key project staff (including PMO and PUI Project Directors, PMO and PIU Executive Secretaries, District Consultants and Village Facilitators) judged satisfactory at mid-term review</p>	Persons Trained	TBC	32	NA	2,245,033.64	65,324.64	2.9	1,398.7	7,746.0	18.05
			Project Staff	155	115	NA						

		<i>Logframe</i>										
		2. At least 24 additional districts have commenced implementation of CCDP approach and activities by the end of the project.	Additional districts	24	Not Yet Applied	NA						
		3. The Project has been extended to at least 60 additional villages in the 12 project districts.	Additional villages	60	Not Yet Applied	NA						
		Total					8,401,454.54	226,032.45	2.7	3,778.1	42,541.2	8.89

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

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	24,2000	2,176	8.99
IFAD grant	2,000	44	2.21
Spanish Trust Loan	7,800	1,027	13.17
Co-financier	2,152	---	---
Government	7,090	530	7.48
Total	43,242	3,778	8.74

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

Component	IFAD loan			IFAD grant			Spanish Trust Loan			Co-financier			Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Community Empowerment, Dev. and Resource Management	16,696	1,361	8.1	2,000	44	2.2	5073	908	17.9	2,131	---	---	1,654	---	---	27,554	2,313	8.4
2. District Support for Marine-based Econ. Dev.	5,236	33	0.6	---	---	---	1,989	34	1.7	---	---	---	695	---	---	7,942	67	0.8
3. Project Management	2,268	782	34.5	---	---	---	738	86	11.6	---	---	---	4,741	531	11.2	7,746	1,399	18.1
Total	24,200	2,176	9.0	2,000	44	2.2	7,800	1,027	13.2	2,131	---	---	7,090	531	7.5	43,242	3,778	8.7

Note: co-financier contributions from beneficiaries have been made, but not yet recorded/reported. They are difficult to quantify as typically in the form of land, labour and/or locally available materials.

Table 5C (i): IFAD loan disbursements (SDR, as at 15 April, 2014)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Vehicles, materials and equipment	2,850,000		391,926	130,031	2,328,043	18.31
II	Training and workshop	2,570,000		61,522	176,188	2,332,20	9.25
III	Studies and surveys	0		0	0	0	0
IV	Technical Assistance	0		0	0	0	0
V	Consultancy services	2,400,000		0	110,885	2,289,115	4.62
VI	Community enterprise and infrastructure fund	5,350,000		467,160	89,447	4,793,393	10.40
VII	District fund for Support small scale fishery	1,100,000		0	0	1,100,000	0
	Unallocated	1,600,000		0	0	1,600,000	0
	Initial deposit	0		1,769,784	0	-1,769,784	100.00
	Total	15,870,000		2,690,392	506,550	12,673,057	20.14

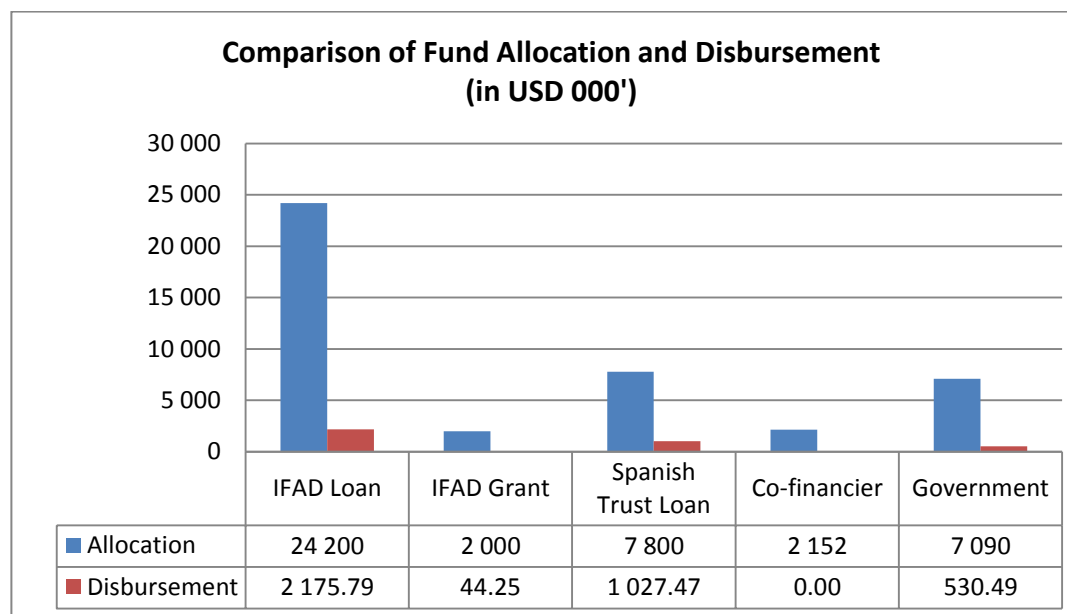
Table 5C (ii): IFAD grant disbursements (SDR, as at 15 April, 2014)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Vehicles, materials and equipment	0		0	0	0	0
II	Training and workshop	0		0	0	0	0
III	Studies and surveys	0		0	0	0	0
IV	Technical Assistance	1,186,000		0	28,733	1,157,267	2.42
V	Consultancy services	0		0	0	0	0
VI	Community enterprise and infrastructure fund	0		0	0	0	0
VII	District fund for Support small scale fishery	0		0	0	0	0
	Unallocated	0		0	0	0	0
	Initial deposit	0		262,190	0	-262,190	100.00
	Total	1,186,000		262,190	28,733	895,077	24.53

Table 5 (iii) C: Spanish trust loan disbursements (EUR, as at 15 April, 2014)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Vehicles, materials and equipment	0		0	0	0	0
II	Training and workshop	3,850,000		558,320	158,728	3,132,952	18.62
III	Studies and surveys	1,800,000		70,652	40,237	1,689,111	6.16
IV	Technical Assistance	0		0	0	0	0
V	Consultancy services	0		0	0	0	0
VI	Community enterprise and infrastructure fund	0		0	0	0	0
VII	District fund for Support small scale fishery	0		0	0	0	0
	Unallocated	638,000		0	0	0	0
	Initial deposit	6		500,000	0	-500,000	100.00
	Total	6,288,000		1,128,972	198,965	4,960,063	21.12

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



Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B.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.	
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 budget is provided in the 2013 annual budget (DIPA) and will be monitored during the project period.
Section E.2	(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	
Section 4.08	(a) The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements: (i) The expenditures shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines (ii) The expenditures shall be incurred during Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date. (iii) The expenditures shall be incurred by a Project Party (iv) If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing the expenditure must relate to a category whose allocation has not been depleted, and shall be eligible only up to the percentage applicable to such category (v) The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement. (b) The Fund may from time to time exclude certain types of expenditure from eligibility (c) Any payment prohibited by a decision of the UN Security Council taken under Chapter VII of the Charter of the UN, shall not be eligible for financing by the Financing. (d) Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing.	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
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	Not yet applicable	To date there has been no finding for ineligibility
Section 7.01	<p>(a) The Borrower and each of the Project Parties shall carry out the Project:</p> <p>(i) With due diligence and efficiency</p> <p>(ii) In conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including rural development practices) and good governance</p> <p>(iii) In accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower/Recipient and the Fund.</p> <p>(iv) In accordance with the provisions of the relevant Agreement, the AWPBs, and the Procurement Plan.</p> <p>(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</p> <p>(vi) So as to ensure the sustainability of its achievements over time.</p> <p>(b) (i) Project shall be implemented on the basis of AWPB. Each draft AWPB shall include, among other things, a detailed description of planned project activities during the coming project year, a Procurement Plan, and the source and use of funds.</p> <p>(ii) Before each Project Year, the Lead Project Agency shall, if required, submit the draft AWPB to the oversight body designated by the Borrower/Recipient for its review. When so reviewed, the Project Lead Agency shall submit the draft AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year; If the Fund does not comment on the draft AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund.</p> <p>(iii) The Lead Project Agency shall adopt the project AWPB in the form accepted by the Fund.</p> <p>(iv) The Lead Project Agency may propose adjustments in the AWPB during the relevant Project Year, which shall become effective after acceptance by the Fund.</p>	During the project implementation period	Partly complied with	Still some problems in preparation of financial reports to meet IFAD's requirements
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.	During the project implementation period	Complied with	Will be reviewed during review missions

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	By notice to the Borrower/Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to: <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. 			
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
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
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	Partly complied with	Some supporting documents were incomplete
Section 8.02	The Project Lead Agency shall: 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. 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 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	Partly complied with	M&E system needs to be improved
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.	During project implementation period	Partly complied with.	Reports need to be improved, particularly on the financial reports (based on category and component/sub-component)

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	<p>(b) If specified in an Agreement, the Lead Project Agency and the Fund shall jointly carry out a review of project implementation no later than the midpoint of the project implementation period the "Mid Term Review" or MTR) based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the MTR shall consider the achievement of project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.</p> <p>(c) The Borrower/Recipient shall ensure that the recommendations resulting from the MTR are implemented within the specified time thereafter and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing</p>	At midpoint of the project implementation	Not yet applicable	
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	
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
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	Not due yet	Will be due by 30 March 2014
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	Not in compliance	Delay in issuance of LTB

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 9.03	<p>The Borrower shall:</p> <p>(a) Each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's Guidelines on Project Audits (For Borrower Use) by independent auditors acceptable to the Fund.</p> <p>(b) Within six (6) months of the end of each Fiscal Year, to furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of the receipt thereof.</p> <p>(c) If the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of the choice to audit the accounts relating to the Project. The Fund may finance the cost of such audit by withdrawal from the Loan and/or Gant Accounts</p>	During the project implementation period starting 30 June 2013.	Not yet due	

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 an important aspect in project implementation. Better coordination and communication can strengthen the management. Simple communication tools can be very effective when based on social media and relevant technology.
 2. The CCDP has introduced an implementation model using performance-based incentives system approach. This approach has so far worked well in focussing PIUs on implementation progress. It is important that the PMO establishes an effective process for monitoring and reporting on overall district performance and follows up to nurture this innovation.
-

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

3. In Lombok Barat, the Project has conducted a broad call for proposals from villages which is beyond the limits than can possibly be funded under the CCDP. While this approach may generate a sense of competition between proposals (and groups), it also increases the risk of creating conflicts within the villages and negative perceptions about the Project, especially if it is not clearly explained to the communities that not all proposals will eventually be funded. This practise is to be continued with better and careful management.
-

Innovation: Describe any interesting innovation noted during supervision

1. The project has initiated a series of innovative actions in management and implementation. In management aspects, the Project has introduced technology for building communication and coordination. The Project has set up a 'whatsapp' group to update progress and discuss emerging issues in implementation, which is being used within the whole project management structure. The Project also uses this tool to inform and update data and information to support monitoring and evaluation processes.
 2. The Project has set up a project web site (ccdp-ifad.org) and this website has been running as a sharing platform within PMO and PIU.
 3. The PMO are proposing that the Project explore the possibility for online sales from enterprise groups, which given the small-scale of production and village-based nature of the groups, would be truly innovative in the Indonesian context.
 4. Innovation has occurred in terms of knowledge sharing and information exchange at District/Village level. The Project has initiated linkages and connections within Districts and Villages to allows better sharing and learning from one group to another. This is a good practice and has enabled competition to motivate each group to perform better. This also build awareness amongst the communities.
 5. TPDs and EAs are working together in close coordination and sharing. Responsibilities in supporting community groups. In Lombok Barat, they have introduced a mentoring and coaching system from old TPDs to new TPDs.
 6. The enterprise groups also shows some product innovation, e.g. smoked fish production, new labelling designs and packaging.
 7. PIUs and consultants has initiated new innovative market linkages. During the visit in Kupang, the mission observed that groups have started MoUs with supermarkets and a souvenir shop to initiate new access to markets. This linkages was supported by PIU and Consultants. The quarterly report also shows that a total of 6 PIU have started to formulate MoUs with 14 private companies.
 8. In Kupang, the PIU has been actively building partnerships with other Dinas, the private sector, and institutions to support implementation. This has enabled the PIU to leverage different kinds of support for implementation.
-

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

1. Innovation has been shown in terms of a flexible approach to project implementation while being largely guided by the design. This flexibility has enabled project implementation to react and respond to very different characteristics displayed by the different districts being supported by the Project. Many of these innovations have considerable potential for scaling up or replication in Indonesia.
 2. The Project has been designed with the expectation that it will be scaled up both within the selected provinces and districts, and to other provinces nationally. During its implementation, the Project has introduced a number of innovations and is making efforts to facilitate the generation of knowledge, sharing of lessons learned, and learning. The Badung Learning Centre, that was set up under the Project is an important instrument to support this.
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Appendix 8: Progress Against Previous Mission Recommendations

Action Area	Action Agreed	Date	Whom	Progress
<i>Project Implementation</i>	1. Complete the district market opportunity assessments	31 December 2013	Selected universities contracted (swakelola) to PMO	The market studies conducted by 4 University and has been completed. In relation to the market study, PMO has facilitated 12 Bimtek to verified priorities commodities and value chain within each District.
	2. Deepen the understanding of the project approach by participating households, community facilitators, extension agents and district consultants	31 December 2013	PMO, PIUs	Numbers of training to strengthen implementation has been completed involving PIU, consultants. PMO/PIU/TPD has scheduled a regular meeting to maintain coordination and communication. Numbers of informal implementation support by PMO, given to the PIUs, TPD and consultants
	3. Develop innovative means to facilitate the active involvement of women in project groups and activities	31 December 2013	PMO, PIUs, District Consultants, Com-munity Facilitators, Extension Agents	PMO recommended that each village should have at least 2 women group as enterprise group. Besides, the community groups was also encourage to involve at least 3 women in the group. By end of 2013 there are 52 women groups and has been active
<i>Outputs</i>	4. Enterprise group business plans based on financial models to include operating and maintenance costs, working capital and revenues so as to ascertain the viability/attractiveness of the enterprises	Beginning 1 January 2014	PMO, PIUs, District Market and Business Consultants	PMO has develop a simple business plan model for community groups to support PIU consultants but still needs to be strengthen New recommendation: Ensure groups (i) have clear business, operational, and savings plans in place for business growth/expansion and the maintenance and (re)investment in capital assets, and (ii) clarify the CCDP resource envelopes available.
	5. Community facilitation process to ensure that the	Beginning 1 January	Community Facilitators,	65 village's infrastructure has been constructed. The

	proposals for economic infrastructure is directly linked to facilitating increased project production with the value added by the proposed infrastructure included in the prioritization process	2014	District Consultants	proposal was prepared in discussion with the enterprise group in order to ensure to address their priorities. For 2014, PMO recommended that the infrastructure proposed should link directly to the economic activities
<i>Sustainability</i>	6. Project Gender Strategy should be a priority and completed.	31 December 2013	PMO	The previous consultant has produced by general report on gender, but this still needs to be further elaborated. PMO now hired a new Gender Specialist and a Gender Strategy is currently being prepared.
	7. Review the criteria for the distribution of investment funds between communities to match the number of potential participants in new project villages.	31 August 2014	PMO	PMO team has developed a plan for 2014 that the number of groups will be balance with the number of village population.
	8. Strengthen village working groups and ensure District Oversight Boards understand their responsibilities and are committed to them	15 December 2013	PMO	Workshop for DOB was conducted in Badung during the mission. PIU and TPD have formally and informally discuss role and function of the VWGs
<i>Fiduciary Aspects</i>	9. Improve financial monitoring and reporting particularly at PIUs; financial staff may need further training.	31 December 2013	PIUs, PMO, Consultants	PIU Financial Staff has been trained and provided with a set of form to support reporting
	10. Beneficiary contribution reported by PIUs	15 February 2014	Community Groups, Community Facilitators, PIUs	The beneficiary contribution has not yet properly recorded and it is agreed during this 2 nd mission it must be recorded by the PMO in a format to be agreed applying a sampling methodology
	11. Formally communicate to IFAD the draft TOR and the formal appointment auditors	31 October 2013	PMO	Audit is currently being conducted by BPKP and the report will be submitted to IFAD at the latest 30 July 2014

Appendix 9: Supervision Mission Schedule and Persons Met

Mission Schedule

27 April	Mission arrives in country
28 April	Kick-off meeting in Jakarta Travel to Lombok
29 April	Meeting with PIU Lombok Barat Field visit to Lembar village for discussion with village groups and beneficiaries
30 April	Field visit to Labuan Tereng, Buwun Mas and Sekotong Barat villages for discussion with village groups and beneficiaries
1 May	Travel to Kupang Meeting with PIU Kupang Courtesy meeting with Walikota (Mayor) & Local Government Representatives
2 May	Field Visit to Nunhila, Alak and NBS villages for discussion with village groups and beneficiaries
3 May	Field visit to Losiana village for discussion with village groups and beneficiaries Meeting with private sector (souvenir shop owner)
4 May	Travel to Bali Visit CCDP Learning Centre at Badung District, Bali Return to Jakarta
5-6 May	Writing & discussion of Aide Memoire, and discussions with PMO staff
7 May	Pre wrap-up meeting (technical discussion with PMO)
8 May	Formal wrap-up meeting with Government

List of Persons Met (in addition to village beneficiary and project participants)

A. Lombok Barat District, NTB

1	Mr. Haji Ahmad Subandi	Head of PIU
2	Mr. Muslim	PIU Secretary
3	Mr. Taufik Hisbul Haq	PIU Empowerment and Resource Management Consultant
4	Mr. Tohir Rami	PIU Marketing Consultant
5	Mr. Lalu Adrajatun	DOB
6	Mr. Hikmah Aslinajaki	DOB
7	Mr. L. Rusnanto	DOB
8	Mr. L. Salikin	DOB
9	Ms. Sri Susilowati	PIU
10	Mr. Rochadi	PIU
11	Mr. Eko Pudji. S	PIU
12	Mr. H. Misbah	PIU
13	Ms. Diana	PIU
14	Ms. Supi Nurcahyani	Fisheries Agency (DKP) Lombar
15	Mr. Iwan Wirahadi	Fisheries Agency (DKP) Lombar
16	Mr. L. Martajaya	Fisheries Agency (DKP) Lombar
17	Mr. Sahdan	Community Facilitator/Extension Agent
18	Mr. Zauki	Community Facilitator/Extension Agent
19	Mr. Ihwan Jaelani	Community Facilitator/Extension Agent
20	Mr. Wisnu Widyo	Community Facilitator/Extension Agent
21	Ms. Rizka D. Rayes	Community Facilitator/Extension Agent
22	Ms. Isni Aini	Community Facilitator/Extension Agent

B. Kupang District, NTT

1	Mr. Thomas Jansen Ga	Head of PIU
2	Mr. Robby Adam	PIU Secretary
3	Mr. James Adam	PIU Marketing Consultant Management
4	Ms. Welma Pesulima	PIU Empowerment and Resource Management Consultant
5	Mr. Julius Bale	Fisheries Agency (DKP) Kupang
6	Mr. Sefben J. Sunbanu	Extension Agent
7	Ms. Steldy Pono	Extension Agent
8	Mr. Liky	Extension Agent
9	Ms. Ivi Yurianti Boymau	Community Facilitator
10	Mr. Demsy Y. Henuk	Community Facilitator
11	Mr. Engel D. Hilly	Community Facilitator
12	Ms. Ruth J. Djami	Head of Village
13	Mr. I Wayan G.A	Head of Village
14	Mr. Sultani R	Head of Village
15	Mr. Abdon T	Head of Village
16	Mr. Yohanes E. Keban	Head of Village
17	Mr. Ivan Melameha	Head of Village
18	Mr. Donny M. Bessy	DOB
19	Mr. Yesaya Mau	Head of BKKPN - Kupang
20	Ms. Rita D	Secretary of DKP Kupang
21	Mrs. Dewi	Fisheries Agency (DKP) Kupang
22	Mrs. Eirene Jusuf	Fisheries Agency (DKP) Kupang
23	Mr. Ferry Y	Fisheries Agency (DKP) Kupang
24	Mrs. Ita Indriana	Fisheries Agency (DKP) Kupang
25	Ms. Andi Mustika	Fisheries Agency (DKP) Kupang
26	Mr. Theodorus Iven	Fisheries Agency (DKP) Kupang
27	Mr. Idham Chalid	Fisheries Agency (DKP) Kupang

C. Badung District, Bali

1	Mr. I Made Badra	Head of PIU
2	Mr. I Gusti Suardike	PIU Secretary
3	Mr. I Made Mentra	PMO Business and Coaching Consultant

List of Workshop Participants

1	Ms. Jasmin Usu	DOB Gorontalo Utara
2	Ms. Nike L. Aritovani	DOB Ambon
3	Mr. Waluyo	DOB Lombok Barat
4	Mr. Ahmad Junaedi	DOB Merauke
5	Mr. Ngatno Handoyo	DOB Merauke
6	Ms. Imelda D.A Rahayaan	DOB Maltera
7	Mr. Muh. Yatim Sohi	DOB Ternate
8	Mr. Ali Abubakar	DOB Ternate

9	Mr. Jati	DOB Ambon
10	Mr. Abraham Klau	DOB Kupang
11	Mr. Aminuddin Sappe	DOB Makassar
12	Mr. I Wayan Sudana	Denpasar
13	Mr. Badius	DOB Parepare
14	Mr. Yusak Wanggiai	DOB Yapen
15	Mr. Willem Manobi	PIU Yapen
16	Mr. Burhan Latar	PIU Maltera
17	Mr. Ridhon A. Bire	DOB Kupang
18	Mrs. Rita Ragilia	PMO
19	Mr. Wilson Wonte	DOB Bitung
20	Mr. Adnan Pantau	DOB Bitung
21	Mr. Syarif Iwan Taruna Alkadrie	DOB Kubu Raya
22	Mr. Gusnar Ismail	DOB Gorontalo Utara
23	Mr. Bakar	DOB Maltera
24	Mrs. Agustina Heni Jamrewav	DOB Maltera
25	Mr. Ali Rahamtan	DOB Maltera
26	Mrs. Juliana Jamlean	DOB Maltera
27	Mr. Abdur Rani	DOB Kubu Raya
28	Mrs. Nurlela	DOB Parepare
29	Mr. Ridwan Miftahuzanah	PMO
30	Mrs. Ida	DOB Makassar

Appendix 10: Audit Log

The Project's first audit will be completed by July 2014, covering the whole period since the effectiveness of the Project. An audit log is therefore not provided in this mission report.

Appendix 11: Summary of implementation support provided by IFAD

IFAD has provided a range of implementation support over the last 12 months, as well as since the last supervision mission in September 2013.

This support has included:

- Inputs from an IFAD consultant 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;
- 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); and
- oversight and coordination by the IFAD Indonesia Country Programme Facilitator.

In addition, the mission team provided a range of informal implementation support to the PMO and PIUs during the supervision mission itself, through discussions on issues related to gender, targeting, marketing, financial management issues, and monitoring and evaluation.

Appendix 12: Fiduciary risk assessment – data sheet

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: 09 May, 2014	
Date of the last PSR prior to this rating: 17 Sept. 2013	FM rating in the last PSR: 4	Date of the previous FM supervision and rating: 17 Sept. 2013, rating: 4	

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/consultants
d.	Segregation/ independence of functions for accounting, payments, procurement.	L	Follows GOI regulations
e.	Availability and adequacy of operating manuals and guidelines for staff	M	Manuals available, some improvement still needed.
2. Budgeting			
a.	Timely preparation and approval of project budget, issue of budget execution warrants.	L	Follows the regular annual GOI budgeting process
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	This is the second year budget which follows the budget in the Costab of the project design report
c.	Availability of detailed activity plans, procurement plans, cost estimates and assumptions to support budget requests.	L	AWPB was prepared and approved by IFAD
d.	Availability of physical progress indicators where applicable.	M	

3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of Funds disbursed by different sources, including counterpart (set benchmarks and test sample)	M	Expenditures go well, some problem in identifying the correct categories and sub-components
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, follows Govt. regulations.
c.	Management of project bank accounts other than Special Accounts, if any- reconciliations, idle funds	L	Only use Special Accounts in Bank of Indonesia
d.	Banking arrangement and controls (reconciliation of bank statements with financial accounts)	L	
e.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management).	L	Follows govt. regulations
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	Amounts in the SAs are adequate for few months
	- Method and adequacy of disbursement used	M	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	Some delays in preparation of WAs due to problem in identifying the correct categories and sub-components for the expenditures.
	- Status on expenditures withdrawn from Special Account but not yet claimed for replenishment, including age analysis	M	Several WAs being prepared and will be submitted to IFAD
	- Regularity of Special Account(s) Monitoring and monthly reconciliations (assess the reconciliations)	L	PMO can easily monitor the monthly reconciliations
	- Disbursements profile - actual vs plans, systemic reasons for differences	M	Disbursement is still low due to some delays in preparation of WAs.
	- Recovery of SA balances by loan closure.	n.a	
	- Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments	M	Some payment vouchers without complete supporting docs., no information on which components and which categories.

	- Eligibility of expenditure under Legal Agreements	M	So far no 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.	M	Some additional and improvement of manuals may still be needed
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	M	Some payment vouchers without information on which category and which component
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)
e.	Effectiveness and efficiency of IC for assets/liabilities management and maintenance	M	
f.	Reliability of documentary evidence of outputs realized in project. Linkages between outputs realized and financial reports.	M	There is a time lag between physical and financial reports since payments are made and reported after physical outputs are completed.
g.	Physical controls over cash, documents and records.	M	Adequate
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	M	
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	M	Follows GOI regulations with some delays
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)	M	Completeness of supporting docs and filing system need to be improved
c.	Fixed Assets Records maintained and reconciled (sample and physical check)	M	Follows GOI regulations, some delays in recording
d.	Adequate documentation and controls for Information Systems, integration of all sub-systems	M	
e.	Adequacy of chart of accounts for project accounting purposes	M	
f.	Timeliness of recording transactions, controls on erroneous recordings	M	Monthly financial reports are prepared 10 days after the end of every month

6. Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness	M	Sometimes incomplete supporting docs and incorrect categories/sub-components
b.	Interim FM reports (FMRs, PMRs as relevant) or progress reports - timely preparation, submission	M	Some delays in preparation and submission
c.	Follow up of previous aid-memoirs, FMR/PMR or progress reports	M	Not all agreed action plans in the previous aide memoire have been followed up.
7. Internal Audit			
a.	Is project activity or implementing unit subject to internal audit?	L	By the Inspectorate General of MMAF
b.	Adequacy of internal audit organization - staff capacity	L	
c.	Adequacy of internal audit scope of work and quality of reports	M	At least once a year.
d.	Assessment of matters raised in audit reports	M	
8. External Audit			
a.	Scope of 2013 audit.	M	Audit being conducted
b.	Audit report timeliness.	M	Will be due by 30 Jun 2014
c.	Quality of audit.	NA	No audit report yet

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	M	
4. Internal Controls	M	
5. Accounting Systems, Policies and Procedures	L	
6. Reporting and Monitoring	M	
7. Internal Audit	M	
8. External Audit	M	
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

Comments:

Some delays in preparation and submission of WAs and the audit report is not available yet.