



Investing in rural people

Republic of Indonesia

Smallholder Livelihood Development Project in Eastern Indonesia

Supervision report

Main report and appendices

Mission Dates: 17 October – 1 November 2016
Document Date: 18-Nov 2016
Project No. 1509
Report No: 4249-ID

Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of project implementation	1
C. Outputs and outcomes	2
D. SOLID implementation progress	10
E. Fiduciary aspects	14
F. Sustainability.	17
G. Impacts	18
H. Conclusion	19

List of Tabl

Table 1: 2016 Implementation Progress by Activity	2
Table 2: Comparison of 2016 Costab and AWPB (in USD)	12
Table 3: Loan/Grant Disbursement as of 14 October 2016	15
Table 4: Summary of cumulative project budget and expenditures as of September 2016	16

Y

Appendices

Appendix 1:	Summary of project status and ratings	21
Appendix 2:	Updated logical framework: Progress against objectives, outcomes and outputs	23
Appendix 3:	Summary of key actions to be taken within agreed timeframes	27
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	29
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category.	37
Appendix 6:	Compliance with legal covenants: Status of implementation.	41
Appendix 7:	Knowledge management: Learning and Innovation	45
Appendix 8 :	Food and Nutrition Security	47

Abbreviations and acronyms

AOS	Annual Outcome Surveys
ARFs	Agriculture Revolving Funds
AWPB	Annual Work Plan and Budget
CCDP	Coastal Community Development Project
DPIUs	District Project Implementation Units
FFSs	Farmer Field Schools
GoI	Government of Indonesia
HHs	Households
IDR	Indonesian Rupiah
IFAD	International Fund for Agriculture Development
KPPN	Local State Treasury Office
LVCs	Long Value Chains
M&E	Monitoring&Evaluation
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MTR	Mid Term Review
NGO	Non-Governmental Organization
NPMO	National Project Management Office
O&M	Operations and Maintenance
PDR	Project Design Report
PPCO	Provincial Project Coordination Office
PPLs	Extension Workers
PRA	Participatory Rural Appraisal
PSME	Participatory M&E
RIMS	Results and Impact Measurement System
SA	Special Account
S&L	Savings&Loans
SOLID	Smallholder Livelihood Development Project
SHGs	Self-Help Groups
SVCs	Short Value Chains
VC	Value Chain
VCD	Value Chain Development
VCOs	Village Commercial Officers
VF	(Non-Government Officer) Village Facilitators
VITs	Village Implementation Teams
WA	Withdrawal Application
WHO	World Health Organization

A. Introduction¹

1. The Smallholder Livelihood Development Project in Eastern Indonesia (SOLID) is jointly funded by an IFAD loan of US\$49.11 million, an IFAD grant of US\$1.08 million and a Government of Indonesia contribution of \$14.81 million. SOLID was approved by IFAD's Executive Board in May 2011 and the loan closing date is 31 July 2019.

2. The objective of the project is to improve livelihoods (incomes and food security) and reduce the incidence of poverty for people in 224 targeted villages in both Maluku and North Maluku. The mid-term review (MTR) in 2014 proposed a revised project design to move away from an infrastructure and value chain focus towards a more integrated approach involving self-help groups (SHGs) being trained to engage in food production activities for home consumption and local market sales. In addition, the engagement with longer value chains (LVCs) for 3 major commodity crops (cacao, coconut and nutmeg) was to be developed. By removing a stand-alone infrastructure component, the MTR reduced the number of components to four: (i) Community Development and Gender; (ii) Support for Agriculture Production and Marketing; (iii) Support for Estate Crops Value Chains; and (iv) Project Management. The post-MTR expected outcomes are: (i) communities with enhanced capacity for household (HH) food security and agriculture income planning; (ii) HHs with more food and cash crops available for both home consumption and/or sale; (iii) increased HH incomes from sales of 3 selected estate crops (coconut, cacao and nutmeg); and (iv) effective implementation and monitoring. The MTR classified SOLID as a problem project with a moderately unsatisfactory rating.

3. The mission's objective was to assess the project performance since the MTR and the last supervision mission, which was held in November 2015. The mission visited two districts (Central Maluku in Maluku province and North Halmahera in North Maluku province) and four villages in each district: Tial, Waai, Aira and Watludan Villages in Maluku and Ngidiho, Salimuli, Paca and Togoliua Villages in North Maluku to review project activities on the ground and to consult with local stakeholders and partners. The mission met with the Provincial Governor of North Maluku, the vice Bupati (District Mayor) of Central Maluku (Maluku Province) and the Bupati of North Halmahera District (North Maluku Province). The 16-day mission included 10 days of field work with a kick-off meeting on 17 October (chaired by the Director of Food Availability and Vulnerability Center) and a wrap up meeting on 1 November 2016 (chaired by the Head of Food Vulnerability Division, Food Security Agency as the national coordinator).

4. The mission has made a number of recommendations, which – in addition to those outstanding from the November, 2015 Supervision – need to be actioned without delay and will be assessed at the end of the first quarter 2017.

B. Overall assessment of project implementation

5. The overall assessment of project implementation is rated as *moderately satisfactory (4)* and the likelihood of achieving development objectives is considered *moderately satisfactory (4)* in line with IFAD's performance assessment methodology. This is an improved rating since the supervision mission in November 2015. Improvements in performance are especially notable at district level where District Managers are more engaged with SOLID implementation. Important management changes at the national management level also offer opportunities for improved management performance. There has been clear progress in establishing and implementing the key elements of the Project.

6. There is now clear evidence of development of a continuum from SHG formation and strengthening to market-led investments leading to increased outputs of quality production. However, there is still work to be done on market development and value adding for both food and estate crops. Progress in achievement of food security was well demonstrated by the fact that in the 2015 drought

1 Mission composition: Ron Hartman, Indonesia Country Director; Tony Ryan, Team Leader; Sarah Hessel, IFAD Programme Officer; Pari Baumann, Community Development and Gender; Charles Greenwald, Value Chains; and Sumaryo Soemardjo, Financial Management and Procurement. The team was joined by Haryanti Koostanto, CIAT, to strengthen linkages and take up of the results of the IFAD-supported FoodSTART+ grant programme. Acting IFAD Country Programme Facilitator Mariam Rikhana supported the team in Jakarta.

food insecurity in SOLID households (HHs) was significantly less than in non-SOLID HHs. In terms of food crops, there is clear evidence of progress towards a sustainable production which will underpin reliable and quality market engagement. There are adequate funds and time available to achieve successful implementation (50% of post-MTR SOLID has passed). Now is the time to build and expand on the measureable progress being made.

7. The 2015 supervision mission identified 15 agreed actions to be addressed as a matter of priority. As at 29 October 2016, the mission assesses that the National Project Management Office (NPMO) has completed five of those tasks. Another five are partially completed while five are yet to be addressed. The five completed tasks are: (i) mobilize food and estate crop consultants to support PPLs (extension worker) – initially on review of Agriculture Production Plan (APP) and demonstration plot (demplot)/Farmer Field School (FFS) implementation (food and estate crop) in collaboration with Dinas Agriculture as required; (ii) prepare format for APPs covering all relevant aspects of production, post-harvest, processing, infrastructure and marketing (incl. inputs, risks, financial analysis, and loan repayment plan) and submit to IFAD for review; (iii) address matters of Withdrawal Application (WA) process, incl. (a) recruitment of national financial assistant consultant; (b) conduct annual workshops amongst financial staff, including refresher training, in combination with the pre-audit workshop; and (iv) submit request to IFAD for NOL for the extension of Non-Governmental Organization (NGO) contracts; and (v) audit: (1) follow up on 2014 audit recommendations; (2) issue a letter requesting BPKP for 2015 audit; (3) conduct pre-audit workshop for 2015 audit; (4) submit 2015 audit report to IFAD; (5) submit detailed 2015 financial statements to IFAD.

8. Analysis of the SOLID monitoring dashboard shows that progress is being made – especially in Component 1. While this measurement was taken with one quarter of the implementation period in 2016 remaining, it still demonstrates that the rate of project delivery at district level is slow for Components 2 and 3. It needs to be noted that while the dashboard gives a useful indication of the rate of implementation, it does not inform management on the quality of implementation.

Table 1: 2016 Implementation Progress by Activity

	More than 80% completed	Less than 30% completed
Component 1	80%	16%
Component 2	40%	40%
Component 3	18%	41%

Source: SOLID Dashboard to 30.9.16

9. Disbursement rates have improved since the last supervision mission – the disbursement has increased from SDR 12.28 million to SDR 20.24 million, an increased from 42.8% to 66.8% of the total loan amount. During 2016 there has been no suspension of fund disbursement by the Ministry of Finance, indicating that WAs have been submitted more regularly and the balance in the Special Account (SA) has been maintained adequately.

C. Outputs and outcomes

10. **Component 1: Community Development and Gender** is rated as *moderately satisfactory* (4). The objective of this component is to provide communities with an enhanced capacity for household food security and agriculture income planning. The expected outputs are (i) to enhance the capacity of SHG members to sustain and manage group resources and (ii) to develop group capacity to plan and implement agricultural production activities. There has been good progress on both the outputs and the outcomes of Component 1, with the recommended organisational changes from the last supervision generating results in SHG capacity, as well as beneficiary impact, although considerable challenges remain, given the short time remaining to achieve the intended impact.

11. The November 2015 supervision mission agreed on a number of actions to support the component, the status of these are as follows: Agreed Action 1, Situation analysis of the matching fund and the agriculture revolving fund has been completed, although a bare minimum of information

has been gathered; Agreed Action 2, regular management meetings at province (quarterly) and district (monthly) levels have been instated; Agreed Action 3, return the completed Participatory Rural Appraisal (PRAs) to Village Facilitators (VFs) so that these can be used as planning instruments (during the last mission the PRA reports in many of the sites were with the DPIU for review or 'elsewhere') has been completed; Agreed Action 4, regarding sufficient travel budgets for PPLs to ensure maximum interaction with the VFs has been largely addressed and Agreed Action 5, regarding information flows, has been addressed in the annual consultant's report but not operationalised. Areas in which these Agreed Actions require further attention are described further below.

12. Component 1 is broadly on track with outputs; 2,192 out of the targeted 2,240 SHGs have been established, federation targets have been reached and the Village Implementation Teams (VITs) have been mobilised, although their performance and capacity is still rudimentary. The total household numbers at 33,580 is below target as it has been difficult to attract and retain the targeted 15 members per SHG. Progress on component capacity building and training outputs is uneven across districts and modules with an average realisation rate of 55% per District. Component 1 Guidelines have been socialised, are widely used and generally considered comprehensive, although they are used as management rather than capacity building tools and have not been disseminated to the SHGs. The reporting formats for the VFs and PPLs have been simplified and both the VFs and the PPLs noted that data collection was a balanced part of their scope of works. The PRA reports have been returned to the villages, as per recommendation from the last supervision mission and 61% of SHGs have received business training drawing on the plans established in the PRA.

13. There are substantial differences in progress and performance between districts and villages, as well as between SHGs within villages. Nevertheless, overall, progress is notable in four key areas: (i) more engaged and effective management at the District Program Implementing Unit (DPIU) level with monthly coordination meetings supporting the integration of various project activities; (ii) improved interaction between the VFs and the PPLs, both in terms of the complementarity of their scope of works and the time available for cooperation; (iii) a stabilisation in beneficiary numbers, an important improvement from the last mission and evidence that closer management and NGO support has started to turn the project around in many districts and (iv) improved Matching Fund (MF) and Agriculture Revolving Fund (ARF) management and their operationalization towards economic objectives. Anecdotal evidence, supported by the 2015 AOS, suggests that component progress is starting to have an economic impact reflected in increased production, crop diversification, increased food security, increased income and a reduction in long-term migration.

14. SHG capacities for organisation, collective action and fund administration have increased significantly. The latest Participatory Self-Monitoring Assessment (PSME) shows that overall 203 SHGs were rated as poor, 831 as average and 1119 as good. In general, the newer SHGs are performing better because they have been trained and expected to have a greater discipline over fund management. Progress with federations, in terms of their organisational and institutional development, has been uneven. In general, the governance connections between the SHGs and federations is weak and they rarely, as intended, serve SHG members through marketing and service provision. No further capacity building work on federations is recommended, unless there is an explicit demand arising from economic opportunities identified in the other components.

15. The project has disbursed IDR 27,095,888,500 for MF and IDR 41,448,472,000 for Agriculture Revolving Funds (ARF). The MFs were intended to be used as either consumption or production loans to demonstrate a savings discipline that were a requisite, along with completed APPs, for access to ARFs. There is in fact a substantial variation in the tranches and purpose for which the two funds are disbursed and in some cases the ARF has actually been disbursed first, with access to MFs dependent on successful rotation of the ARF. However most of the SHGs had established their own rules to promote a savings discipline around funds invested for productive purposes. Whilst this may seem basic, it should be noted that this is a marked improvement from the last mission and that for all of the beneficiaries interviewed this was their first experience of group savings.

16. The broad findings on fund utilisation and management are as follows: (i) book keeping and administration capacity is still low and in most cases is unlikely to support sustainable fund

management without further capacity building; (ii) SHG fund utilisation is highly variable and needs close monitoring to ensure that these are optimised and that lessons generated from different modalities are disseminated amongst SHGs; (iii) the guidelines for fund management need to be further simplified and distributed to SHG members as their understanding of the purpose and potential of the funds remains basic; (iv) the process and readiness criteria that determine fund allocation require follow-up, as these vary significantly and are often not understood by SHG members and; (v) at an aggregate level there is a basic description of fund utilisation by financial distribution (savings, loan, interest, expenditure) and functional utilisation (agriculture, fisheries, consumption etc.) but further enquiry is required to understand the implications for optimising the management of funds over the next few years. The situation analysis of fund management should be completed to provide insights into their current status

17. Component management, whilst much improved, is not sufficiently oriented towards outcomes. The Community Development and Gender (CD Gender) consultants, for example, are not able to provide the planned technical and advisory services, as the current travel budget for consultants only allows for 2 days per month in the districts. The monthly CD Gender consultant's report have limited utility and the annual report, written by the national consultant coordinator comes too late to be used as a management tool. The NGO produces informative quarterly progress reports but do not receive any follow-up from the Provincial Coordination Office (PCO) or the CD Gender representative in the NPMO. The three main challenges of component information management are that: (i) data collection is oriented towards reporting and not translated into management support; (ii) there is excessive replication and cross-checking of data and (iii) much of the data remains in a raw and often incomplete form with little analysis to guide component decision-making. The information flow framework for the component urgently needs to be upgraded as part of the overall improvement of M&E and knowledge management.

18. The mission acknowledges that the complexities of geography and external pressures of climate variability, migration, mobility and alternative demands on the time of project beneficiaries make this a challenging project. With two years remaining until the end of the project it is important to focus on key actions to ensure that the project remains relevant to beneficiaries and is able to deliver the intended outcomes. The provincial CD Gender consultants require budgets that enable them to spend more of their time in the districts if they are to fulfil the scope of works in their terms of reference.

19. **Component 2: Support for Agriculture Production and Marketing** is rated *moderately satisfactory* (4). The desired outcome of Component 2 is "*households with more food and cash crops available for both home consumption and/or sale*". In this regard the key to success is to get individual HHs to take technical knowledge learned at the FFS and demplots back to home farm/garden land – with implementation financed by ARFs.

20. The approach and methodology to achieve successful outcomes in Component 2 is relatively straightforward and has 5 quite separate but linked elements: (i) production of Agriculture Production Plans (APPs). Because APPs are effectively the business plan for SHGs and individual members – this title is misleading. Any business plan must include a marketing plan and this is an omission in the current plans; (ii) Agriculture Revolving Funds (ARFs) will finance investment activities outlined in the APP; (iii) FFS and demplots will teach/evaluate new production technologies; (iv) Using the financial and technical resources made available in (ii) and (iii) above, individual SHG members will adopt new crops and production systems at their homesteads; (v) the outcome of adoption of new crops and improved production of existing crops will be greater production surpluses and thus a need for a market, or value added/processing strategy.

21. In this regard the key to success is to get a high percentage of SHG members to take technical knowledge learned at the FFS and demplots back to home farm/garden land – i.e. the adoption rate. There has already been important success in this Component - before market surpluses are produced, household (HH) food security must be secured. The ultimate test of how well SOLID has progressed in achieving food security was during the 2015 drought where 25% of SOLID HHs were food insecure for only 2 weeks versus 32% of non-Solid HHs were insecure for more than 3 weeks.

22. **Sub-component 2.1 (Food Production)** is rated as *moderately satisfactory (4)*. The expected outcome is “household food secure for 80% of the season”. The mission acknowledges that significant progress has been made in the 10 months since the last IFAD supervision mission. Crop yields and areas cultivated have significantly increased. Most SHG members have increased their cropped area from around 0.25ha to 0.5ha and sometimes more. Cassava is an important crop in a number of villages visited by the mission and both cropped area and yields have significantly improved – by more than 100% in fact. Examples of other reported crop yield increases include peanut – by around 60%, and sweet corn by around 75%.

23. While the Mission regards the performance of PPLs as much improved in the 10 months since the last supervision, there must be further progress in the next 12 months. To support this required improvement, the district based agriculture consultants will play an important role – see discussion below. Field reports indicate about 70% of PPLs are fully “engaged” and discussions with PPLs indicate some need additional training and mentoring – again, the district based agriculture consultants will play an important mentoring role but the opportunity for high performing PPLs to “mentor” other colleagues should be considered as well. In the past 12 months, the mission found that the VITs have become more functional and PPLs appear to be more engaged with VITs.

24. For SOLID to achieve greater impact and sustainability, adoption of these areas and yield increases needs become the “norm” across most SHG members’ homestead farms. To achieve this, some refinement of existing approaches should be considered as priority actions in the next 12 months. (The mission notes the capacity of the CIAT FoodSTART+ programme to assist with some aspects of both production and processing of root and tuber crops). This is further discussed below:

25. Agriculture Production Plans have been prepared but SHG members did not appear to be too familiar with either their content or link to ARFs. The following improvements to APPs are suggested: (i) refine the APP structure to reflect a business plan format rather than a list of proposed expenditures; (ii) include production targets for existing and new crops (including estate crops which are grown by 30% of SOLID SHG members) which account for both increased land area and increased yields (at both HH and SHG levels). This implies commitment to adoption of all or some new approaches by individual SHG members at their homesteads; (iii) outline a marketing strategy (including sales as individuals, collectively as a SHG, or a federation or to market output after processing); (iv) there must be a clearly understood link between application of ARFs and the achievement of sub-component 2.1 outcomes. There is a clear role for SOLID agriculture consultants to be instructed to support PPLs in the revision of APPs in 2017.

26. Agriculture Revolving Funds are a project resource intended to finance activities which will improve production and marketing outcomes as outlined in the APPs. There are currently Rp.41 billion (\$3.2 million) disbursed as ARFs. Existing APPs have identified significant expenditure on tools and equipment purchases - which is fine but there are now opportunities for greater sustainability and impact by investing in mechanization for production and in transport for marketing – as requested by a number of SHG members. The opportunity for greater flexibility of ARF use should be clear in the APP and fully communicated to SHGs. If the members of an individual SHG can agree, they may pool their ARFs to fund a hand tractor or if a number of SHGs could agree, they could pool their ARFs to fund a small truck – potentially contracting the Federation to operate the truck on their behalf. The mission notes that some districts have donated a hand tractor to the village federation – which is also fine but it must be noted that in a village with 10 SHGs each with 15 members growing 0.5ha, there will be 75ha to be cultivated while in any growing season, a hand tractor has a capacity to cultivate 10 – 20ha maximum. The mission advises that the ARFs disbursed in 2016 will need to be based on the existing APPs and modified in 2017. Again, there is a clear role for SOLID agriculture and value chain consultants to be mandated to support PPLs in investigating the potential for broader of ARFs.

27. By 30 September, 2016, the project dashboard data indicates that three Districts had fully implemented Farmer Field Schools (FFS) while 6 Districts had achieved implementation of 40% or less. With 27,737 SHG members in 2,193 SHGs in 224 villages, and the demand for production improvements to underpin food security and market development, this is disappointing. The SOLID project report (June 2016) indicates that only about 65% of villages have received FFS training. SHG

members seem confused between FFS and activities in their joint SHG production plot – which is not a FFS. However, a number of districts are achieving very commendable production increases in food crop area and yields – these are an excellent platform to secure a sustainable production base which will in turn be the basis for reliable, regular market supplies. Further, most demonstration plots continue to be focused on food crops with only limited activity in estate crops in most districts. The mission suggests that SOLID links with CIAT for specialised support to FFS and demplots in root and tuber crops.

28. Because SOLID SHG members generally have low education levels and strong, conservative traditions in agriculture, the task of changing farming systems is very challenging. As a result, the mission suggests that FFS and demplots, should be focused on introducing improved practises for existing traditionally grown crops as a main priority (77% of all SHGs produce either groundnut, corn, vegetables or tubers) but in addition, encourage farmers to consider new crops with strong market potential (e.g. red onions). Further, demplots can be improved to illustrate the value of 2-3 improved varieties of existing crops, the impact of the use of fertilizer at different rates, of improved pest control and the value of alternative planting/growing techniques. In order for SHG members and visiting non-project farmers to easily understand and monitor the various demplot activities, each treatment should be clearly “sign posted”. Because SOLID farmers are poorer, lesser educated and conservative, it will be necessary to repeat some demonstrations in successive years. Further, all SHG members must have full access to FFS participation. In some locations visited, only selected (around 25%) SHG members can attend FFS and then pass their knowledge onto other group members. Experience in agriculture extension clearly indicates that when all SHG members have access to FFS learning, adoption rates at each homestead will be significantly higher i.e. by a factor of 50%.

29. While participation of all SHG members will result in more work for PPLs, it is considered critical to the attainment of SOLID crop productivity outcomes. Finally, PPLs are encouraged to analyse the impact of various demonstrated treatments on crop yields, on market acceptance and on financial feasibility. With help from district staff, FFS results should be written up and disseminated to all SHG and non-SHG village farmers. In discussion with all SHG members, the PPL should facilitate discussion and a conclusion on which demplot approaches were optimal for homestead adoption. The mission also suggests exchange visits by SHGs to innovative and well performing demplots. The mission suggests that adoption of these FFS improvements will lead to more sustainable productivity impact. In summary, based on the above discussion, PPLs and agriculture consultants are instructed to review the current FFS/demplot approach. The mission believes that homestead adoption rates of new technologies be a measure of consultant performance - where adoption rates of greater than 75% by 2018 are regarded as acceptable.

30. **Sub-component 2.2. Local Market Linkages.** This sub-component is rated as *moderately satisfactory* (4). The expected outcome is *to increase in HH income as a result of increased sales of agricultural products*. The mission regards the successful adoption of sub-component 2.1 activities i.e. the establishment of a sound and sustainable production base as a critical pre-requisite for both HH food security and sustained market engagement. While the food security goal is well on the way to being attained, an adequate production base to support sustainable market access is lacking. The mission believes that with continued successful implementation of sub-component 2.1 activities, it is highly likely that such a production base will become an even greater reality in 12 months – at which time SOLID staff will need to place much greater emphasis on sub-component 2.2 activities of value adding, processing and marketing. While there is already around 50% of production being directly sold off farm. The mission regards 2017 as the “year of significant and sustainable production”.

31. SHG groups are mostly (80-100%) marketing homestead production as individuals while production from SHG plots is marketed jointly by the SHG. In the mission’s observations, there is limited (less than 15%) of output being processed or value added and almost nil (< 5%) of food crop surpluses being marketed by federations. The reasons for this range from no capacity by the Federation to add value (in fact one SHG which selling tomatoes to their village Federation was receiving 30% less than the market price), to simply a lack of trust in the federation by SHG members, to a lack of processing capacity.

32. **Component 3: Support for Estate Crops Value Chains** is considered *moderately satisfactory* (4). The outcome of this component is increased household incomes from sales of three selected estate crops (coconut, cacao, nutmeg). Component 3 log frame outputs are: (i) up to 3 value chains assessed as feasible for sustainable increases to household incomes; (ii) farmers with improved market linkages and understanding of market requirements; and (iii) federations established as sustainable business units with capacity to represent farmer interests in the market place and/or add value to any or all of the 3 selected products.

33. The 2015 IFAD Supervision Mission Aide Memoire included two Component 3 Agreed Actions. Progress fulfilling these Agreed Actions has been disappointing:

- A. NPMO to identify market requirements and build a commodity database, formulate VCD strategy

Limited progress. The NPMO VC officer working with the International VC Consultant supported by Provincial Program Coordination Offices (PPCOs)/DPIUs have identified LVC market requirements. However, neither a commodity database nor a Value Chain Development (VCD) strategy has been made. Major reasons for this deficiency include: (i) change of NPMO VC officer; (ii) lack of performance and availability of VC consultants; and (iii) lack inclusion of market information in the M&E system. In any case, redefinition of the VCD Strategy appears to be warranted to include both long and short value chains (SVCs).

- B. Select villages to pilot the VCD strategy and ensure of business agreements are well understood by participating SHGs

Limited progress. Only one pilot village has been selected (desa (village) Jembatan Basah, E. Seram). The VCD strategy has not been made. And only an estimated 5% of SHGs (+/- 100 out of 2,240 SHGs) have well understood business agreements.

34. Component 3 output, as now defined, focuses primarily on promotion of LVC estate crops. The current approach is based on support for SHGs and federations to collect, store, process and market SHG and other village LVC production. As currently implemented, neither market opportunities nor household income maximization are explicitly stated targets. Also a common misconception is that coconuts, nutmeg and cacao are "LVC crops", whereas in actuality they enter both long and short value chains. Since the SOLID overall goal is sustainably increasing household incomes, SVCs as well as LVCs should be considered for these crops, as SVCs for both fresh and simple processed products sold in local markets now predominate and also offer large potential to further boost both production and incomes.

35. From SOLID inception, NPMO, PPCOs and DPIUs have worked to promote coconut, nutmeg and cacao LVCs. In addition, a comprehensive VC report assessing 3 LVCs was completed by an International VC Consultant working under NPMO direction with PPCO and DPIU inputs. That report included business plans for coconut, nutmeg and cacao LVCs. As a result of this significant prior input, project stakeholders generally have a clear understanding of SOLID's LVC approach for the 3 target commodities. The need to link farmers/SHGs (either directly or through federations) with private sector buyers is being actively promoted. For example, up to 30 June 2016, SOLID had concluded 26 LVC buyer agreements. All 3 LVC commodities are covered under the agreements; and, with the exception of North Buru, each DPIU has at least one such MOU. Progress to date, although limited, is consistent with the SOLID design.

36. Market data related to the specific SHGs/federations, including the amount of product moving through LVC/SVC linkages, market locations and prices is not included in the M&E system; and, consequently, not available. In Maluku this information is being collected and analysed by the Provincial VC Consultant and should be available in December 2016. A similar exercise should be undertaken by the North Maluku VC Consultant. Despite the lack of hard data, some general conclusions can still be drawn based on available evidence. The fact that there is a relatively small number of SHGs (estimated at 5%) involved in LVCs coupled with reports by government (including PPLs), consultants, and NGOs (including VFs) appear to indicate that progress towards achieving increases

in household incomes through LVCs has been slow. The reasons for the deficient performance include: (i) requirement for a high level of managerial expertise to conceptualize, facilitate partnerships and implement LVC programs; (ii) limited number of candidate buyers willing to participate with SOLID SHGs/Federations; (iii) geographic limitations of SHGs'/Federations' access to buyers; (iv) demanding technical and quality standards for agricultural inputs; and (v) requirement for continuous supplies. The SOLID goal of developing LVCs has proven to be a complex endeavour demanding significant commitment of managerial expertise and financial resources balanced against relatively modest gains in household incomes. Consequently, the Mission recommends that the existing LVC agreements be maintained and further LVC opportunities, which can be easily capitalized upon, be seized. However, a paradigm shift is needed moving focus from LVCs to more easily implementable and more widely beneficial SVCs.

37. Initially, SOLID developed 224 federations primarily to provide local markets for farmers/SHGs and as a VC entry point. However, due to disappointing results, the MTR provided additional IFAD support to only the better performing 20% of federations. Post MTR, NPMO made a federation scoring matrix, selected 45 federations based on DPIU input and in the 2016 Annual Work Plan and Budget (AWPB) allocated them additional facilities and equipment. Unfortunately, of the selected federations, in 2015 due to WA funds delays, only about 30 were actually able to receive SOLID additional support. SOLID has allocated additional support funds in the AWPB 2017 for the remaining 15 federations, so they are expected to receive the fund within next year.

38. Federations generally understand market requirements; but have been only partially successful in providing farmers with a local market, value added services and linking to reliable buyers. In addition, review of the financial records of even a well-functioning federation showed razor thin operating margins with sales values only 5% greater than raw material purchase cost. Since the federations also incur other operating expenses, their results are break even at best and most incur a slight lose. Clearly, federation sustainability is in question.

39. It is recommended that only if advantageous to SHGs should federations be considered. The mission wishes to remind NPMO, PPCO and DPIU management there is not an absolute need for each SOLID village to have a federation. If a federation is not offering either a local market or VC services or input/equipment support, its use is not mandated or even recommended.

40. Furthermore, it appears that federations are moving away from their VC facilitation role to become service providers (e.g., hand tractor rental agents, product processors, etc.), which was not the Project's initial intent and has yet to be proven either technically or financially viable. In the future, prior to provision of equipment, a financial profile should be made to insure federation investments are viable.

41. Since federation sustainability is in question and equipment financial profiles needed, additional training and support for business planning and financial forecasting are essential if the federations are to survive. Business management, marketing and commercial commodity development training has already been provided to federations, PPLs and VMs. However, more is needed; and similar training is also recommended for SHGs.

42. Short Value Chains (SVCs) are a bright spot. The mission was pleased to note considerable progress selling SOLID production in village, district and other nearby markets. Since the most common buyers are either located at nearby markets or are traders, who visit or live in the villages, farmers are already aware of most options for SVC outlets and linkages. Reliable data on SOLID SVC processes, sales volumes, sales values/prices and sales locations is not available. However, PPLs/VFs estimate that virtually all SHGs participate in some form of SVC. It is estimated that about 65% of SHG production is sold fresh and about 10% as processed products in either local markets or to village based traders. The mission notes the overlap between food crop SVC in Component 2.2 and estate Crop SVCs in Component 3.

43. There is considerable scope to further increase household incomes through use of SVCs. For example, simple improvement in farmer product quality by production of better quality copra and proper drying of nutmeg and cacao are relatively easily accomplished and can bring substantial HH

income gains. SVCs can be improved through: (i) introductions of new products; (ii) improved product quality with resultant higher sales prices; (iii) increased volume of throughputs; and (iv) greater the number of markets accessed. Additionally, if local health and halal certification can be obtained (as IFAD's Coastal Community Development Project, which has both Ambon and Ternate project locations, has done.) a wider range of new markets with higher sales prices can be opened.

44. The project is well positioned and staffed to effect a paradigm shift in focus from only long to both long and short value chains. There are VC consultants based at the PPCOs. These consultant positions were originally staffed about 1 year ago but due to weak performance, replacements were warranted. A new VC consultant in Maluku joined the Project 2 months ago; and VC consultant recruitment is still underway in North Maluku. While it is unfortunate that replacements were necessary, it does provide an excellent opportunity to refine their work program to focus more on SVCs. Preliminary discussions with the Maluku VC consultant indicate that he is motivated, experienced and in agreement with the concept of more concentration on SVC development. The VC consultant work program should be a practical effort centred on assistance to SHGs for VC implementation. To maximize their impact, VC consultant documentation should flow to stakeholders at all levels (i.e., SHGs, PPLs, VMs, DPIUs, PPCOs, NPMO). The Project should insure that VC consultants, who are based at the PPCOs, have sufficient budgets to travel to DPIUs and implement VCs recommendations and related training programs.

45. The Maluku VC consultant has already formulated a strategy for VC development (VCD). He will focus almost exclusively on SVCs. He is now in the process of consolidating data on both supply and demand conditions. As for supply, expectation is that data on production per commodity, village and SHG will be available. Unfortunately, the SOLID M&E has not been collecting data on LVC or SVC products, sales volume, prices or market locations. There is a need to collect this data directly from the field with assistance from project stakeholders. After gaining a profile of SOLID production and the current status of LVCs/SVCs, the VC consultant will then draft a DPIU VC profile detailing supply conditions. To better understand local market demand, it is suggested that the DPIU VC staff, PPLs and NGO supervisors conduct meetings with district area VC buyers for each key VC commodity to obtain details on their specific requirements such as volume of production, quality, regularity of supply, certification needs and other relevant details as well as their recommendations for improvements to the SHG long and short VCs. The data to be collected and questions to be asked ideally would be formulated by the VC consultant. The results will be disseminated to VC consultants, PPLs and VFs. Based on this knowledge, the VC consultant will have a basic understanding of demand conditions and buyers' suggestions for improvements to the SHG VCs.

46. The VC consultant will then match local supply and demand conditions plus assess buyer recommendations for VC SHG improvements. Based on findings, he will draft a VC upgrading strategy for each DPIU. The VC upgrading strategy will detail practical VC interventions that are consistent with market supply and demand conditions. The VC upgrading strategy should be able to be practically implemented by SHGs supported by DPIU value chain staff, PPLs and VMs within SOLID's remaining 2 year time frame. The VC upgrading strategy should also detail training and health/halal certification needs. It would be advisable then to have VC consultants present results at DPIU VC upgrading strategy workshops attended by DPIU value chain staff, local consultants, PPLs, VMs, SHG and federation heads and any other concerned stakeholders.

Agreed action	Responsibility	Agreed date
1. Component 1: Complete situation analysis of the management and utilisation of Matching Funds and Revolving Funds.	NPMO, PPMO, NGO & Consulting Co.	Immediate
2. Component 2: Focus strongly on stronger food crop surpluses at each SHG household by: (i) revising APPs to include production targets, broader applications of ARFs and marketing strategies; (ii) continuing to implement FFS and demplots – with more FFS of a higher quality as the goal.	District Managers, PPLs and Agriculture Consultants	May, 2017
3. Component 3: DPIU VC staff, PPLs and NGO Supervisors conduct meetings with local SVC and LVC Buyers for each key commodity to solicit VC Buyers' recommendations for improvements to the SHG VCs and disseminate results to VC Consultants, PPLs, VFs and SHGs.	DPIU VC Staff, PPLs, NGO Supervisors	March, 2017
4. Each DPIU conduct a DPIU VC Upgrading Strategy meeting lead by the VC Consultant and attended by concerned stakeholders (i.e., DPIU staff, DPIU Consultants, PPLs, VFs, and heads of SHGs and Federations)	VC Consultants	March, 2017

D. SOLID implementation progress

47. **Project Management Performance** is assessed as *moderately satisfactory* (4). In the 10 months since the last supervision mission, at National Management Office level, the important improvements are appointment of an experienced NPMO Coordinator and significant improvements to financial management. While there have been 2 new National Project Coordinators since the last supervision, the mission is firmly of the view that the current Coordinator is both qualified and committed to the task. However, the mission also notes that the current Coordinator is serving in a part time capacity. Given the size of SOLID in relation to the Food Security Division budget, the Mission strongly suggests this requires full time leadership. However, recent changes in the management team with an Assistant Project Coordinator and a Financial Management Coordinator (PPK) being appointed are pleasing. The Financial Management Coordinator is replicated at Provincial and District levels. The mission sees this as a positive development but also recognises the need for clear definition of roles and close coordination between the operations management and the financial management roles at provincial and district level. This was clearly not the case in one district in Maluku. Also since the last supervision, 2 key staff have left the NPMO (M&E and value chain officers) with their responsibilities merged with those of existing staff. While there have been significant issues around Withdrawal Applications (WA) from IFAD, these matters have largely been addressed. The Mission notes the low realization rate of the NPMO budget (29.1% per September 2016) and expects that this will be addressed in the coming months. The Mission also notes that the three management related “agreed actions” made by the previous supervision have been either not undertaken or partially undertaken.

48. A number of GOI staff officers in the NPMO appear to have little or limited impact on driving much needed changes and giving much needed NPMO direction to SOLID implementation. The result is continuing issues of implementation quality in key management areas, including M&E. As discussed in the last supervision, preparation and establishment of performance objectives and monthly work plans for individual staff activities would help with staff performance and management. The Mission believes that too many NPMO staff take a passive approach to their work. The Mission firmly believes that under the leadership of the NPMO Coordinator, NPMO staff must become more demanding in terms of management reporting, and be more pro-active in terms of addressing continuing issues. The on-going deficiencies in M&E are a clear case in point.

49. In addition to the (relatively large) GOI staff numbers, there are 4 NPMO consultants who play a “support” role in NPMO management. In reality, some consultants play a dominant role in NPMO activity – frequently covering for GOI staff - while others are having limited impact.

50. The NPMO has had limited success in improving the teamwork and coordination between the various implementation stakeholders/partners. In particular, the GOI staff, NGO staff and consultants are working in parallel rather than together as an effective team. While this issue was raised by the last supervision mission, little progress has been made. The mission notes that the NGO and the Consultant Team prepare large, separate annual reports – both of which are relevant but which have limited circulation between SOLID stakeholders. From a management perspective, the need is for more integrated, more frequent, more concise reporting of outcomes, implementation progress, issues and suggested improvements. In the interests of improved impact, disbursement and sustainability, the NPMO Coordinator can and should drive this push to enhanced team work.

51. The role of the two provincial level GOI staff is generally to facilitate linkages between NPMO on the one hand and district management teams on the other. However, in the missions view, the provinces lacks clear TORs and direction. The mission suggests the NPMO offer guidance to provincial teams to identify relevant and supporting roles, rather than the over-lapping and ineffective activities currently being undertaken. For example, regional upgrading of human resources through training provision.

52. The key level of SOLID implementation is the eleven District Management teams. At district level, implementation is most effective when the Bupati (Mayor) and the Head of District Food Security Office/Head of District Agriculture Office are fully engaged with and supportive of the SOLID District Manager. The mission notes that in North Halmahera, where SOLID management is of a high standard, the teamwork with the Bupati and Head of Food Security office is active and constructive. However, generally, the declining levels of local government support to SOLID budgets (from Rp2.5 billion/\$200,000 in 2012 to Rp920 million/\$70,000) indicate that more attention needs to be paid to improving both provincial and district level awareness of and support for the project. In the missions view, this is a joint responsibility for the NPMO Director and can be supported by IFAD.

53. In the time available, the mission assessed the management performance of District Managers as much improved. Some (around 40%) SOLID managers are performing strongly, while a further 40% are doing reasonably well. But the clear trend in District management is upwards – in terms of engagement, commitment and outputs. With continued progress and momentum at this level, the Project has reasonable prospects for successful outcomes. The mission believes there is a strong case for rewarding well performing District teams with study tours to other district management teams in other IFAD Projects. There are also opportunities for Provincial teams to facilitate mentoring roles between high performing district managers and those managers who may be facing implementation issues.

54. **Coherence between AWPB and implementation** is considered as *moderately unsatisfactory* (3). AWPB 2016 provides a total budget of IDR 205.67 billion consists of loan, grant and GOI counterpart funds which is adequate to finance the planned activities. The main activities as indicated in their respective amounts of the budget are for: (i) support for agriculture production and marketing; (ii) institutional strengthening and project management; and (iii) community development and gender, mainly for the Matching Funds, equipment to support Component 2, and trainings, study, workshops. However, when the AWPB is compared to the Costab, there are quite significant variances as shown in the Table 2 below. While the mission accepts that NPMO staff can be flexible in preparing AWPBs, the Costab remains the base design document and must be followed as closely as practical in the remaining two years of project implementation. The national management consultant can support this process to maintain and improve coherence with Costab.

Table 2: Comparison of 2016 Costab and AWPB (in USD)

Category	Costab 2016	AWPB 2016	Variance	%
I. Civil Works	1,383,941	911,614	472,326	34.13
II. Vehicles, Equipment and Material	3,097,853	3,206,184	-108,331	-3.50
III. Trainings, study, workshops	3,618,050	3,438,214	179,835	4.97
IV. Matching Fund	6,669,087	4,333,594	2,335,493	35.02
V. International Consultant	197,138	0	197,138	100.00
VI. NGOs and Local Consultant	1,713,346	1,618,937	94,409	5.51
Non Category (GOI)	3,066,635	4,336,890	-1,270,255	-41.42
TOTAL	19,746,049	17,845,433	1,900,616	9.63

55. **Monitoring and Evaluation** is assessed as *moderately unsatisfactory* (3). Limited progress has been made on the M&E performance. Issues continue to exist both in terms of reporting and utilization of data.

56. Over the course of 2016, the participatory M&E (PSME) forms have been revisited and downscaled, reducing the time spent on reporting by VFs and PPLs, though the mission observed varying time spent on filling in the forms through the VFs. SHG members did not feel that the data collection would take up too much of their time, which is an improvement from previous missions. The VFs provide data to their district supervisor once per month, PPLs are required to submit progress data every three month. The data is then aggregated at district level by the NGO and Agricultural Officer respectively and submitted to the PPCO, which collates the provincial level report before submitting it to the NPMO. The mission found significant delays in the reporting process, estimated in the range between 3-6 months, mainly due to delays in PPL reporting and long processing times at the different levels. This needs to urgently be addressed.

57. VFs submit their reports electronically, using the project provided laptops. While the mission found that in the field VFs and PPLs already are collaborating and sharing the laptops, generally, PPLs are still submitting their reports in hardcopy, increasing processing time and risk of lowering data quality. Considering that the laptops are project assets, it should be made general rule for PPLs to prepare their reports on the VFs laptop. As second reason for the delay, district coordinators indicated the remoteness and lack of internet connection in some project areas. Given that the VFs are able to submit their reports on time despite the remoteness and lack of connectivity, this should be easily addressed through better planning and coordination: With the PPLs preparing their reports on the VFs' laptop, these reports could be saved on a flash drive and submitted through the VFs who have monthly meetings in the district capital. Data submitted by the districts should directly be sent to the national level with the PPCO in copy to ensure an immediate update of the NPMO. The NPMO should consider making the timely submission of reports a performance indicator for the district and provincial level management.

58. The mission found further that the focus of the M&E system at all levels is on re-checking and compiling data but the actual use of the data for analysis and management is limited to non-existing. The NPMO should lead the shift away from compliance to making M&E a useful management and learning tool by ensuring feedback and support based on the reports as well as continuous learning through further analysis and in-depth studies, which could be conducted by the consultants at different management levels. Provincial level management should utilize the data to spot performance issues and provided targeted capacity building to the concerned districts. With view to the progressing implementation, M&E should also consider the quality rather than just the quantity of outputs. In order to enhance impact and sustainability of project interventions, a set of qualitative and quantitative studies should be planned to document the impact of the Project.

59. The project dashboard system has been reworked, now compiling progress at all management levels in one document and is appreciated as a useful management tool. The NPMO should ensure

that all parties involved in project implementation receive the dashboard, including the NGOs and respective Bupatis' offices.

60. **Gender Focus.** The gender focus is rated as *satisfactory* (5). The project gender targets include 50% of women in all project activities and 30% of leadership positions in SHGs and federations held by women. Six monthly progress report suggest that overall women's involvement is 53% while there are 592 women and 604 men active in leadership positions. There is an overall positive emphasis on gender in the Project and gender participation rates have remained steady since mid-term. The relevance of gender mainstreaming appears to have been accepted by project staff and internalised as routine management practice. Gender training is an integrated part of community development training and the modules have been largely completed.

61. The project continues to provide relevant livelihood options for women and a means for them to become economically and socially empowered. Women's active participation is evident from discussions and from mission field visits. The impression from the mission, confirmed by the VFs, is that women's groups are more cohesive, more able to act collectively and better at managing funds. In the mixed groups women tend to be full and active participants.

62. The M&E system is being slowly gender mainstreamed with the collection of sex-disaggregated data. However, this data is not robust and does not provide much detail on project gender progress. Future Semester Reports should contain a situation analysis of the project gender status derived from the M&E system whilst the annual consultant's reports should also provide an overview of progress on gender and strategic options to further gender objectives.

63. The number of women VFs has increased in Maluku, they now represent exactly half of all VFs whereas in North Maluku they are only 25%. Discussions suggest that in Maluku VF turn-over has reduced and performance has increased with the growing number of female VFs. Given the similar socio-cultural profile of the Provinces, it would appear possible to recruit women and given their positive performance a recommendation for North Maluku is to actively try to recruit women.

64. **Poverty Focus** is rated as *satisfactory* (5). Project targeting, has ensured the participation of the poor and fieldwork respondents frequently mentioned that the project is self-targeting as it is of lesser interest to the non-poor. The community development and socialisation activities of Component 1 correctly focus on building the capacity of project beneficiaries to act collectively to improve their livelihood options.

65. The Project rating on poverty focus has been upgraded since the last supervision given the progress that has been made towards impacting poverty. The challenge going forward will be to identify the factors that contribute to improved incomes in different contexts and to consider how the Project can support these in the last two years.

66. **Effectiveness of Targeting Approach** is rated *satisfactory* (5). The 224 project villages all have poverty rates above the average for their sub-districts and households have been selected using both national poverty indicators and direct household verification. The project is largely self-targeting in that the goods and services available are relevant to the poor target group and much less attractive to relatively wealthier farmers. This was evident and frequently stated during the field visits. The attitudes and capabilities of the project management towards targeting are one of commitment and thorough application of the project targeting tools, despite the limited time and budgetary resources that have been available. There was no evidence of participation from non-poor households. The intervention strategies, activities and capacity building support provided by the Project remain relevant and accessible to the original project target group.

67. **Innovation and Learning** is rated as *moderately unsatisfactory* (3). An effective management and information system is yet to be put in place and the focus on learning needs to be strengthened at all stakeholder and implementation levels.

68. The NPMO should urgently establish a platform where all stakeholders can access project documentation, including guidelines, manuals, reports and the monthly dashboard. This could be integrated in the yet to be developed project website. Given that none of this includes sensitive data,

this would also support in providing information to external stakeholders. The NPMO should further develop a communication matrix that summarizes all information and communication flows within the project – this is an agreed action from the 2015 supervision mission, which has not yet been followed through. Based on this matrix, standard distribution lists should be developed to ensure that all relevant stakeholders are included in project communications.

69. The M&E system should be utilized to support the knowledge and learning agenda. Based on the performance data, the provincial management team should ensure cross-learning among the districts, through exchange visits, mentoring or peer reviews (for example at the quarterly coordination meetings). With performance of the project picking up, it could now develop a few pilots to test innovations, particularly in the area of financial literacy, business development and nutrition, in better performing villages/districts. Small innovations are happening in some districts, such as the piloting of eco-tourism activities in East Seram. These initiatives should be well documented and disseminated. The NPMO could consider an incentive system to reward innovative initiatives by districts that further the sustainability of project results.

70. **Climate and environment focus** is considered as *satisfactory (5)*. The Project does not have an explicit focus on climate change mitigation or adaptation, yet, the 2015 drought, which coincided with the first year of investments in agriculture, has brought up the need to factor climate change into production choices. The Project funds allowed SOLID farmers to invest in irrigation pumps which significantly improved HH resilience to address the associated food security challenge. In fact, 25% of SOLID HHs were food insecure for only 2 weeks versus 32% of non-Solid HHs were insecure for more than 3 weeks. In addition, the Project is promoting organic fertilizer and awareness raising of the role of crop rotations in soil health to improve soil water holding capacity and hence climate resilience.

71. **Partnerships** are rated as *moderately satisfactory (4)*. SOLID implementation is based on a partnership among a range of stakeholders. While the mission found that at the field level, collaboration is functioning well, partnership and coordination could be improved. The mission found a strong support of the respective Bupati (and the Governor of North Maluku) which is important not only for implementation but also sustainability. This relationship should actively be managed. The mission further observed some partnerships with the private sector seed company in North Halmahera. But these are ad-hoc and not facilitated by the project.

No	Agreed action	Responsibility	Date
5.	Improve NPMO staff performance – more pro-active interaction with provincial and district teams.	NPMO Coordinator	Immediate
6.	Review consultant travel budgets to ensure sufficient funds allocated to enable consultants to undertake the tasks required – i.e. longer and more frequent visits.	NPMO & Consulting Company	Jan, 2017
7.	Strengthen district management by: (i) strengthen linkages with Bupatis; (ii) reward high performing District Coordinator and have them “mentor” poorer performing Districts teams.	(i) IFAD & NPMO (ii) NPMO	31 March 2017
9.	Re-configure M&E as a strategic management tool: (i) faster information flows - village to NPMO; (ii) NPMO feedback & support to all stakeholders; (iii) conduct in-depths studies and analysis as part of M&E process.	NPMO M&E staff & consultant.	December, 2016
10.	Revise M&E to include collection of market related data for both long and short value chains.	NPMO	December, 2016

E. Fiduciary aspects

72. **Financial management** is rated *moderately satisfactory (4)*. The loan disbursement since the last review mission up to September 2016 has increased from 42.8% to 66.8% of the total loan amount. During 2016 there has been no suspension of fund disbursement by the Ministry of Finance,

indicating that the WA submissions to IFAD are more regular and the balance has been maintained to adequate amount. The financial consultant and the assistant have been recruited and helpful to the loan financial officer in preparing the WAs. The original WA documents are now sent to IFAD in Rome using DHL which is faster. Most of the monthly financial reports from the districts and provinces are submitted to NPMO in timely manner with less errors. There are still delays from few remote districts due to internet connection problem and their far away distance to the State Treasury Office (KPPN) to process payment requests.

73. The mission reviewed the financial records of the SHGs and federations, including cash book, saving, loan and repayment books, and notes that their quality varies. In some groups the books are maintained adequately and up to date, while others are still incomplete also with some arithmetical errors. The loan-saving groups in general have performed well where most of the loans have been repaid in time, with very little defaults. The SHGs' and federations' financial literacy still need to be improved. The mission also notes that where the village facilitators are good and active, the SHG's book keeping is also good, showing that the roles of VFs are very crucial in assisting the SHGs in maintaining their book keeping and financial records.

74. Following the recommendations from the Fiduciary review mission conducted in October 2015, the project management has taken the necessary actions for most of the recommendations, while others are in the process of being followed up and not yet due. The supervision mission reminds the project management at all levels to follow up the outstanding recommendations to improve performance and help solve the current challenges in financial reporting, disbursement and audit.

75. **Disbursement** is rated as *satisfactory* (5). The loan and grant disbursements are summarized in Table 3 below.

Table 3: Loan/Grant Disbursement as of 14 October 2016

	Allocation (SDR '000)	Disbursed (SDR '000)	%	Balance (SDR '000)	Balance (USD '000 equivalent)
Loan	30,300.00	20,238.86	66.79 %	10,061.1 4	14,119.80
Grant	675.00	419.53	62.15 %	255.4 7	358.53

76. **Over withdrawal of Loan Category.** There has been an over withdrawal of Loan Category IV (Matching Fund) amounting to about SDR 1.198 million (27.5%) out the original allocation of SDR 4.360 million. Under normal circumstances, an over withdrawal of this amount, further disbursement will be suspended until the loan agreement is amended. However, under an exceptional basis to avoid low balance in the Special Account which may result in disbursement suspension by Ministry of Finance, WA no. 46 that was submitted on 23 September 2016 has been approved and disbursed recently. It is expected that the loan agreement will be amended soon.

77. **Project expenditures.** The FY 2016 project expenditures as of August 2016 were IDR 93.505 billion (approx. USD 8.054 million) or 45.46% of the total budget of IDR 205.67 billion which is low. The mission notes that the expenditures are particularly low at national level and in South Buru, West Seram, West Halmahera, and East Halmahera districts. The reasons for low expenditures in NPMO were due to delays in procurement of equipment, capacity building and workshop activities, while the reasons for low expenditures in the districts were due to delays in procurement of equipment to be distributed to villages and distribution of grant funds to SHGs. It is expected that by mid-December 2016 expenditures will accelerate.

78. Since the start of the project, the cumulative expenditure was IDR 404.135 billion (approx. USD 34.81 million) or 65.45% of the total budget of IDR 617.44 billion (USD 53.19 million). Table 4 below shows the comparison between the costs at appraisal, budget available and actual expenditures.

Table 4: Summary of cumulative project budget and expenditures as of September 2016

Costs at Appraisal (USD '000)	Cumulative budget (USD '000)	Cumulative expenditures (USD '000)	% of budget	% of Appraisal
65,000.00	53,186.75	34,808.35	65.45 %	53.55%

79. **Counterpart funds** are rated as *satisfactory* (5). The cumulative actual amount of government counterpart funds used to finance project expenditures as of August 2016 was IDR 95.46 billion or USD 8.22 million equivalent (73.4% of total government budget of USD 11.02 million) or 55.5% of the amount at appraisal of USD14.82 million.

80. In addition to the counterpart funds provided by the national government, the local provincial and district governments also provide supporting funds, cumulatively at approximately IDR 11.09 billion (USD 955,540). If these supporting funds from local governments are included, the total government funds to support the project is USD 9.18 million or 61.94% of the amount at appraisal. The mission notes that the supporting funds from the local governments are decreasing as compared to the first 2-3 years.

81. **Compliance with loan covenants** is *satisfactory* (5). Most of the covenants have been complied. Out of 19 covenants, 15 are fully complied, 3 are partially complied, and 1 is not yet due.

82. **Procurement** is rated as *moderately satisfactory* (4). The contracts with NGOs which originally expired in October 2015 have been extended until December 2017. The village facilitators have been equipped with computers purchased in 2015. There have been delays in procurement of equipment to be distributed to villages by the districts. Contracts have been signed and the delivery is expected to be completed by mid-December 2016.

83. **Review of contract documents.** The mission reviewed samples of contract documents and notes that some documents were without complete supporting documents particularly with regards to the bidding process such as bid evaluation reports, as they are kept in ULP office in Bupati's offices. Copies of such supporting documents should be included in the contract documents and kept at SOLID secretariat offices for review during review missions.

84. **Asset Register.** Assets procured by the project have been registered and handed over to the recipients following government handing over procedures (BAST) and SIMAK-BMN. Assets have also been labelled with stickers using government assets/inventory codes.

85. **Quality and timeliness of audit** is rated *moderately satisfactory* (4). The quality and scope of the audit were in accordance with IFAD's standards. The 2015 audit report was submitted to IFAD in timely manner with unqualified opinion. However, there were observations that need to be followed up such as overpayments that need to be paid back to the State Treasury Offices. Based on the analysis of the audit report, there were a total of 86 observations that need to be followed up and total fund to be recovered were approximately USD 177,540 equivalent, where South Buru district has the biggest observations (13 observations with the total fund to be recovered USD 83,483 equivalent). The audit report also mentioned that some recommendations from the previous year audit reports have not been followed up. During the mission, the mission was informed that most of the recommendations have been and expects all to be addressed in 2017.

Agreed action	Responsibility	Agreed date
11. Amendment of the Financing Agreement	IFAD, FSA, Bappenas, MoF	15 Nov. 2016
12. Procurement: (i) accelerate procurement; and (ii) complete the contract documents with the necessary supporting documents.	NPMO, PPCOs and DMOs	(i) 15 Dec. 2016 (ii) 30 Mar. 2017
13. Finance: (i) submission of 2017 AWPB; (ii) 2016 detailed financial statement to IFAD; and (iii) improve the book keeping of SHGs and federations	NPMO Project management at all levels. NGOs	(i) 30 Nov. 2016 (ii) 30 Apr. 2017 (iii) 30 Apr. 2017

F. Sustainability.

86. **Institutional Sustainability.** Institutional sustainability is rated as *moderately unsatisfactory* (3). Institutional sustainability will depend on building on the social empowerment activities in component 1 to develop institutional relationships around economic activities. The supervision finds that there has been limited progress on the institutional sustainability of the SHGs themselves, while market linkages between SHGs and wider markets are developing slowly. There are examples emerging of linkages to traders and the private sector for different commodities, which represents some progress from the last supervision. The current prospects for the institutional sustainability of the Project within the Government departments, in terms of knowledge and information that can be replicated and scaled-up, is similarly poor.

87. **Empowerment and Social Sustainability.** Empowerment and social sustainability is assessed as *moderately satisfactory* (4). This is an improvement since the last mission and reflects the greater participation and involvement of beneficiaries in project activities as well as the stabilisation of beneficiary numbers. The process has been more empowering for women than men. Capacity building and training have supported collective action and a capacity for planning and administration that is likely to be sustainable. The Participatory Self-Monitoring Evaluation (PSME) ranks 1119 SHGs as good, 831 as average and 202 as poor - showing sound progress in the social sustainability of the SHGs. The results of the PSME have to be further analysed to understand in which of the six indicators of success (vision, organisational management, financial management, networking, accountability/governance and M&E/learning) the SHGs rank highest and which areas require more targeted support to increase the social sustainability of the investment. The financial and business literacy training, already outlined, will be important for generating benefits that will be sustainable beyond the life of the Project.

88. **Quality of Beneficiary Participation.** The quality of beneficiary participation is assessed as *moderately satisfactory* (4). Improved collaboration between the VF and the PPL, sustained capacity building and generation of some economic benefits from the MF and ARF have supported higher levels of interest and participation. SHG members have shown more independence in their capacity to plan SHG activities, as well as their internal governance and fund management guidelines. Nevertheless, despite a significant improvement, most of the SHGs are still clearly dependent on the VFs and PPLs to motivate their participation and guide decision-making. Recommendations on improving the quality of beneficiary participation have been addressed in Component 1 analysis.

89. **Responsiveness of service providers** is rated *moderately satisfactory* (4). SOLID is engaged with 2 major service providers – an NGO in each province and a team of consultants who are assigned at national, provincial and district levels. NGOs are contracted to provide facilitation services to SHGs in each of the 224 villages. The Mission regards the NGO efforts in village facilitation as having made a significant difference to the quality of SHG engagement as well as to delivery of gender and community development services. While there are issues of high staff turnover in the villages in North Maluku, and while the gender balance is skewed towards male recruitment, the mission regards NGO services to SOLID as satisfactory. Twenty nine consultants (community development/gender, value chain and agriculture specialists) have been fielded at provincial and

district levels in the last 12 months. Under the leadership of their National Team Leader, the mission expects this consultant team to add considerable value to SOLID implementation in the coming two years. While the value chain consultant position in North Maluku is vacant (due to removal of the previous incumbent for non-performance), the mission accepts that with proper monitoring and guidance as well as clear definition of tasks from the NPMO and consultant team leader, there is high potential for the consultants to make a meaningful contribution. However, the mission notes that despite adequate travel budget being allowed in the SOLID MTR design, the consultants are currently restricted due to inadequate travel allowances which needs to be clarified to identify to source of the problem as a matter of urgency.

90. But the over-riding challenge for both NGO, consultants and for SOLID management is to work more closely with Project management to achieve an integrated team approach to SOLID implementation. Currently, all stakeholders continue to operate independently rather than as a team.

91. **Exit Strategy (readiness and quality)** is rated *moderately unsatisfactory* (3). An exit strategy is yet to be developed but this work should be undertaken over the next 6 months. The purpose of an exit strategy is to develop a plan to strengthen internal SOLID institutions – especially SHGs, but also to establish sustainable linkages with public and private external support agencies e.g. market players, service providers including financial institutions and extension agencies. A linkage with the CIAT programme is a relevant example. The NPMO will be responsible for preparing the plan.

92. **Potential for scaling up and replication** is rated *moderately satisfactory* (4). While the project has potential for scaling up, until there is greater assurance of sustainable outcomes for village beneficiaries, it continues to be premature to consider opportunity to implement similar activities in non-project districts and villages in Maluku and North Maluku. The establishment of a project-wide knowledge management system will be key to facilitate scaling up of interventions.

G. Impacts

93. **Physical/financial assets** are rated as *moderately satisfactory* (4). Project activities have increased productivity and diversified income sources of beneficiary households, thereby making a positive impact on their physical and financial assets. Comparison of SHG financial progress from year end 2015 to 30 June 2016 indicates that funds available SHG members have increased about 4% over the 6-month period. This is considered quite a good result based on the traditional nature of the sector, the relatively short time frame and the challenge of increasing agriculture yields and quality. Importantly, all financial gains in value were in ARFs as compared to MFs, which indicates a positive trend in agricultural sales and bodes well for future gains. The situation could be improved further if additional emphasis is placed on land tenure rights and rental arrangements, as currently 85% of beneficiaries do not hold the legal rights to the land they farm.

94. **Food Security and Nutrition.** The Project is having a positive impact on food security: 75% of beneficiary households stated that there was no hunger or malnutrition because food stocks were available and 95.9% reported that food prices in their village were stable and affordable. Only 25% of SOLID households reported food shortages compared to 32% of non-SOLID households with a much shorter duration on average. Increased food security is an outcome of both increased volumes of production, increased incomes from production sales and crop diversification. Whilst this is a positive outcome, households remain vulnerable to extended droughts and rising food prices. In addition, whilst food security has increased, there is no data on the impact on nutrition outcomes. The last two supervision missions have benefited from technical assistance on food security and nutrition and it is evident that much more can be done to increase impact within the framework of the existing implementation structure.

95. **Quality of natural asset improvement and climate resilience** is rated *moderately satisfactory* (4). SOLID has very limited environmental impact. There is no shifting agriculture and most farmers are engaged in organic or near organic production practises with little use of pesticides. Farmers' report significant impact of the 2015 drought on their production: Coconuts, for example, are smaller than last year. While normally 5 fruits produce 1 kg of copra, it now requires 15 fruits. A similar

situation is found for cassava. While farmers could fill 1 bag with 6 trees in previous year, this year, it required the harvest of 12 trees. The project has no activities that explicitly focus on strengthening the climate resilience of farmers. With project households almost exclusively focussing on agriculture for their livelihoods and incomes, the Project could experiment with introducing more resilient crop varieties and diversification of income sources. Based on farmers' reports, the savings and loan activities along with homestead gardens, allowed the households to get through the drought period without having to cut back meals.

H. Conclusion

96. The mission is encouraged by the progress in key areas of the Project since November 2015 when the overall implementation performance was rated *moderately unsatisfactory* (3). The mission has upgraded this rating to *moderately satisfactory* (4). This is based on important improvements – particularly in the re-structure of the NPMO Director roles, the appointment of an experienced National Project Coordinator, the continued strong performance of NGO support to Component 1, the improved financial management and disbursement performance and the clear evidence of productivity improvements in food crops. However, while progress is being made, in order to achieve impact and sustainability by project completion, progress and quality of implementation need to be further enhanced. The role of agriculture and value chain consultants in this regard is very important in supporting and mentoring PPLs.

97. Progress in marketing and value adding to food crops is steady and will improve when a stronger production base assures buyers of more consistent market supply. There are opportunities to link SHGs with the private sector to address post-harvest quality issues in tree crops – which in turn mean higher incomes.

98. SOLID has more than adequate human resources available but there is a definite need for improved integration between key stakeholders – GOI staff, NGO and consultants in particular. Sustainable outcomes for beneficiaries will be enhanced when communications and teamwork improve. NPMO staff need to be more pro-active in ensuring this integration occurs, along with improved staff performances. Particularly the M&E system requires real efforts to be turned into an effective system allowing management decisions and documentation of impact and learnings.

99. Successful implementation of SOLID at district level is clearly linked to the degree of engagement of the Bupati. Of concern is the falling level of local government contributions to the Project, an area where the NPMO and IFAD should facilitate the strengthened linkages in close coordination with the district managers.

100. The mission concludes that overall, the greater engagement and the visible implementation progress is encouraging. With improved management information and coordinated teamwork, the Mission is optimistic that SOLID can achieve successful implementation with positive outcomes for GOI and most importantly, the rural women and men of Maluku and North Maluku.

101. The next supervision mission is scheduled for the end of the first quarter of 2017.

IFAD and the Government of Indonesia endorse the findings of the supervision mission.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Indonesia		Project ID	1509	Loan/DSF Grant No.	835
Project	Smallholder Livelihood Development Project in Eastern Indonesia (SOLID)				Top-up Loan/DSF Grant	
Date of Update	01 - 11 – 2016					
Supervising Inst.	IFAD/IFAD					
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	3			
Last Supervision	Nov – Dec 2015	Last Implementation Support/Follow-up mission	December 2015			

USD million Disb. rate %

Approval	11-May-2011			Total financing	65.00	
Agreement	05-Jul-2011	Effectiveness lag		IFAD Total	50.19	
Entry into force	05-Jul-2011	PAR value		IFAD loan	49.11	66.8
First disbursement				DSF grant		
MTR	1 – 20 June 2014	Last amendment		IFAD grant	1.08	62.1
Original completion	31-Jan-2019	Last audit	30 June 2016	Domestic Total	14.81	
Current completion	31-Jan-2019			Government (National)	14.81	55.5
Original closing	31-Jul-2019			External Co-financing Total		
Current closing	31-Jul-2019					
No. of extensions	0					

Project Performance Ratings

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

B.5 Justification of ratings

Project progress has improved strongly since the last mission and the project is no longer considered a problem project. Impacts are starting to become visible at field level and beneficiaries are engaged and positive about the project. The mission considers that now a solid basis has been established to achieve expected outcomes. However the capacity building on all levels of the project stakeholders needs to be strengthened for improved impact and sustainability.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4

C.2	Food security	4	4
C.3	Quality of natural asset improvement and climate resilience	4	4
C.4	Overall implementation progress (Sections B1 and B2)	3	4

Rationale for implementation progress rating

There is noticeable improvement of progress and performance especially at district level where District Managers are more engaged with SOLID implementation. There is now a clear understanding of the project design and theory of change with project stakeholders. Important management changes at the national management level also offer opportunities for improved management performance, which was a major factor in the earlier low performance. Beneficiaries are engaged and appreciative of project support.

C.5	Likelihood of achieving the development objectives (section B3 and B4)	3	4
-----	--	---	---

Rationale for development objectives rating

Since the last mission, progress on the ground has strongly improved, now providing a solid basis for actual impact and long-term sustainability of results.

C.6 Risks

Fiduciary aspects – Quality and timely submission of financial reports have improved resulting in timely preparation and more regular submission of WAs. This positive trend should be kept up. Strengthening financial literacy training for community groups needs to be intensified and community group book keeping improved.

Project Coordination – Coordination among key implementation partners needs to be strengthened, currently all parties are operating in silos. Support of district level government needs to be ensured.

M&E – The M&E system is a weak link in the project, not producing timely reports for management or learning for sustainability.

Sustainability – Main risks relate to quality of social mobilization and failure to plan and adequacy of training for revolving fund operations.

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

Narrative Summary	Key Performance Indicators	Means of Verification	Progress (up to September 2016)
Goal:			
To enhance food security and increase incomes in beneficiary households (HH)	<ul style="list-style-type: none"> By December 2018: (i) 33,600 HHs with improvement in HH assets ownership index and (ii) 40% reduction in the prevalence of child malnutrition 	<ul style="list-style-type: none"> (i) Results of FGD: HH surveys M&E reports 	<p>SOLID villagers asset that SOLID has supported increased of production in the beneficiary villages</p> <p>(ii) 75% of SOLID beneficiary HHs stated that there was never a case of lack of food (hunger) or severe (infant mortality, maternal mortality, malnourished children under five, etc.) in their village, because food stocks (kasbi) were always available.</p>
Project Development Objective:			
To improve livelihoods (both food security and income) and to reduce the incidence of poverty. <i>(by providing poor farmers with sustainable access to appropriate technologies, management skills and commercial linkages).</i>	<ul style="list-style-type: none"> By December 2018: (i) 80% of HHs enjoy at least 10 months food security in 100% of the target villages; and (ii) 75% of HHs enjoy 30% lift in monthly cash income from sale of SOLID related surplus products. 	<ul style="list-style-type: none"> HH Access to 95.9% M&E reports <p>there was a positive changes in main income of SOLID beneficiary households working in the agricultural sector, which amounted to 77%, and in the fisheries sector amounted to 13.86%, small businesses (83%), household industry (40%), salary / wages 61.07%.</p>	<p>According to 95.9% of SOLID households, foodstuffs were available in the village and by 95.9% of SOLID households stated that food prices in their village were affordable to the public;</p> <p>Remarks :the challenge ahead is how to realize an increase in income that more significant</p>
Outcome 1: Communities with enhanced capacity for HH food security and agriculture income planning.	<ul style="list-style-type: none"> 2240 SHGs re-oriented or trained in PRA, S&L group management. 	<ul style="list-style-type: none"> Annual survey outcome 	<p>Training / demplot / field school conducted by SOLID had been practiced, implemented, and also expanded by 89.2% of households. Such as, the results of PRA training were already practiced by 45.6% of households in village planning.</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Progress (up to September 2016)
<p><u>Outputs:</u></p> <p>1.1 SHGs capable of managing and sustaining group resources (both human & financial).</p> <p>1.2 SHGs capable of planning & implementing their production and post-harvest activities.</p>	<ul style="list-style-type: none"> 1428 existing SHGs re-trained and operational by August 2015 812 new SHGs trained and operational by August 2016 1428 existing SHGs & 800 new SHGs implementing production & post harvest plans 	<ul style="list-style-type: none"> M&E reports Interviews with SHGs SHG training records Interviews with production group members Group production records 	<p>812 new SHGs have trained with the training topics: management and organization of SHGs (75.09%), bookkeeping (85.45%), leadership SHGs (68.18%), savings and loans (66.36%);</p> <p>812 new SHGs implementing production & post harvest plan developed by the individual business plan (RUA) dan group business plan (RUK);</p> <p>(iii) Based on RUK, has realized the business of production of food crops and horticulture (paddy, ground nut, corn, tubers, fruit and vegetables), processing of plantation crops (cocoa, coconut, nutmeg)</p>
<p>Outcome 2:</p> <p>HHs with more food and cash crops available for both home consumption and/or sale.</p>	<ul style="list-style-type: none"> By December 2018: 80% of households reporting at least 20% increase in food available for home consumption By Dec 2018, 50% of households reporting regular market sales of food and cash crops 	<ul style="list-style-type: none"> Annual Outcome Surveys <p>Food crops and horticulture</p>	<p>previous year by 76% of SOLID HHs stated there was an increased ability of households to provide food for their families.</p> <p>horticulture were cultivated by by every SHGs members in SOLID targeted villages. Based on the GroupBussinesPlan (RUK), commodities planted consists of: Paddy, groundnuts, corn, tubers, hotong/grains, fruit and vegetables. The marketing of crops and horticulture product is partly in local market by the local middlemen . 97% of HH reporting market sales Food and Cash Crops.</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Progress (up to September 2016)
<p><u>Outputs:</u></p> <p>2.1 Households food secure for 80% of the season</p> <p>2.2 Increase in HH income as a result of increased sales of agricultural products.</p> <p><i>The mission recommends to review this output statement as well as the indicators.</i></p>	<ul style="list-style-type: none"> By Dec 2018, 75% of HHs is fully food secure 80% of the time. By Dec 2018, 20% reduction in incidence of stunting in SOLID HHs By Dec 2018, 75% of HHs enjoy a 30% lift in annual cash income from sale of food and cash crops. 	<ul style="list-style-type: none"> M&E reports Interviews with production group members Annual Outcome Surveys 	<p>Most of the villages had achieved food security. Most villagers said they never experienced a food shortage or malnutrition. Likewise, according to the results of the FGD, 75% of SOLID beneficiary HHs stated that there was never a case of lack of food (hunger).</p> <p>there was a positive change in main income of SOLID beneficiary households working in the agricultural sector, which amounted to 77%, and in the fisheries sector amounted to 13.86%, small businesses (83%), household industry (40%), salary / wages 61.07%.</p>
<p>Outcome 3:</p> <p>Increased household incomes from sales of 3 selected estate crops (coconut, cacao & nutmeg)</p>	<ul style="list-style-type: none"> By Dec 2018, 50% of village crop producers enjoy a 20% lift in monthly cash income from sale of estate crop related products. 	<ul style="list-style-type: none"> Annual outcome survey 	<ul style="list-style-type: none"> More than 50% of households have given treatment to the product before it was marketed and more than 60% of the provision of such treatment was from SOLID's recommendation.

Narrative Summary	Key Performance Indicators	Means of Verification	Progress (up to September 2016)
<p><u>Outputs</u></p> <p>3.1 Up to 3 value chains (VC) assessed as feasible for sustainable increases to HH incomes</p> <p>3.2 Farmers with improved market linkages & understanding of market requirements</p> <p>3.3 Federations established as sustainable business units with capacity to represent farmer interests in the market place and/or add value to any or all of the 3 selected products</p>	<ul style="list-style-type: none"> By Dec 2015, 3 quality VC studies completed to international standards. 50% of growers directly engaged in VC with Federation support & responding to market requirements By Dec 2018, 25% of federations actively supporting growers via links to traders and other VC players and/or adding value to the 3 selected estate crops. 	<ul style="list-style-type: none"> Reading VC study doc's M&E reports SHG & federation marketing records. Interviews with SHGs M&E reports Federation accounts & quarterly reports <p>Increasing number of HHs who gave treatment increased significantly compared to the previous year.</p> <p>SOLID need to be more focus in increasing the networking and partnership in marketing the products produced by households;</p> <p>(ii) SOLID still need to improve/increase product treatments such as processing and packaging</p>	<p>(i) 3 quality VC studies already completed by Value Chain International Consultant. Recommendations are given consists of :1).Better cooperation between NGO and PPL on village level; 2).Focus on private sector development; 3)Price and cut; 4).Provincial strategy to draw in big investors; 5). Provincial value chain strategies policy and implementation; 6).Find matching private sector partners and establish MoU's; 7).Continues guidance to the Districts in implementing value chain strategies; 8) Agro inputs strategy; 9).Support SHG's with sufficient input supply for the three commodities; 10) Efficient knowledge transfer; 11).Access to finance strategy; 12) Develop an access to finance program. With the support of Value Chain Consultant at the provincial level and consultants Food Crops and Estate Crops at the district level, SOLID Project stages in the process of consolidating follow-up recommendations through a strengthening of activity no 1,2,5,6,7,8 and 10.</p> <p>(ii) Federations not yet fully support supporting growers via links to traders and other VC players.</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Progress (up to September 2016)
Outcome 4: Effective implementation and monitoring of SOLID	<ul style="list-style-type: none"> Analysis and reporting of M&E data actively used by Project Management to improve outcomes & efficiency. 	<ul style="list-style-type: none"> The efforts made Quarterly review reports & review meeting minutes. Revised Annual Implementation Guidelines 	by the project is Intensifying communication, monitoring, and evaluation activities periodically and reciprocal steps from the village to the district and vice versa, including from provinces to districts to improve data and activity progress of SOLID report.
<u>Outputs:</u> 4.1 Consistent, transparent and functional Project management arrangements at all levels 4.2 Functional M&E system operating in timely manner, with useful data analysis giving positive changes in management. 4.3 Timely and effective management & implementation support from national & provincial levels.	<ul style="list-style-type: none"> Staff performance review reports. M&E reports being actively used by management 90% of activities implemented as per the AWPB 100% of the Budget utilised as per AWPB 	<ul style="list-style-type: none"> Staff Consolidation of plan Staff performance review report M&E reports establish synchronization between the data owned by PPL and Village Facilitators Management Reports <p>The challenges faced in building a system of effective M & E are:</p>	<p>activities that have been and are being carried out by the project management in order to strengthen the M & E system are: i) review the system database based self-help groups; 2) direct assistance semester and annual report preparation SOLID at the province level; 3) reviewing the report format PSME; 4) promoting a monthly dashboard report to record the progress of activities in more actual SOLID selected activities.</p> <p>Implementation of data management consolidation and report on the implementation of activities has not been developed yet systemically started from village level through Extension workers for further consolidated in District level as consolidation report to Province and National, because of some technical problems such as the change or replacement of assistant and implementation staffs in provincial and district level.</p>

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

Action Area	Action Agreed	Whom	Date	Progress
Outputs	Component One Complete situation analysis of the management and utilisation of Matching Funds and Revolving Funds.	NPMO, PPMO, NGO & Consulting Co.	Immediate	
	Component Two Focus strongly on stronger food crop surpluses at each SHG household by: (i) revising APPs to include production targets, broader applications of ARFs and marketing strategies; (ii) continuing to implement FFS and demplots – with more FFS of a higher quality as the goal.	District Managers, PPLs and Agriculture Consultants	May, 2017	
	Component 3 DPIU VC staff, PPLs and NGO Supervisors conduct meetings with local SVC and LVC Buyers for each key commodity to solicit VC Buyers' recommendations for improvements to the SHG VCs and disseminate results to VC Consultants, PPLs, VFs and SHGs.	DPIU VC Staff, PPLs, NGO Supervisors	March, 2017	
	Each DPIU conduct a DPIU VC Upgrading Strategy meeting lead by the VC Consultant and attended by concerned stakeholders (i.e., DPIU staff, DPIU Consultants, PPLs, VFs, and heads of SHGs and Federations)	VC Consultants	March, 2017	
Project Implementation	Improve NPMO staff performance – more pro-active interaction with provincial and district teams.	NPMO Coordinator	Immediate	
	Review consultant travel budgets to ensure sufficient funds allocated to enable consultants to undertake the tasks required – i.e. longer and more frequent visits.	NPMO & Consulting Company	Jan, 2017	
	Strengthen district management by: (i) strengthen linkages with Bupatis; (ii) reward high performing District Coordinator and have them “mentor” poorer performing Districts teams.	(i) IFAD & NPMO (ii) NPMO	31 March 2017	
	Re-configure M&E as a strategic management tool: (i) faster information flows - village to NPMO; (ii) NPMO feedback & support to all stakeholders; (iii) conduct in-depths studies and analysis as part of M&E process.	NPMO M&E staff & consultant.	December, 2016	
Fiduciary Aspects	Amendment of the Financing Agreement	IFAD, FSA, Bappenas, MoF	15 Nov. 2016	
	Procurement: (i) accelerate procurement; and (ii) complete the contract documents with the necessary supporting documents.	NPMO, PPCOs and DMOs	(i) 15 Dec. 2016 (ii) 30 Mar. 2017	

Finance: (i) submission of 2017 AWPB; (ii) 2016 detailed financial statement to IFAD; and (iii) improve the book keeping of SHGs and federations	NPMO	(i) 30 Nov. 2016
		(ii) 30 Apr. 2017
	Project management at all levels. NGOs	(iii) 30 Apr. 2017

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

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	%
				AWP&B	Actual (Sept-16)	%			
Component 1 : Community Empowerment									
1.1	NGO Recruitment	Nb. of NGOs recruited	Number	2	2	100	2	2	100
1.2	TOT Money dan CD Gender	Nb. of TOT conducted by M&E and CD Gender	Number	-	-	-	10	10	100
1.3	Socialisation of SOLID in Villages	37,125 (75%) households receiving Project services (total Project, m/f.).	Number	-	-	-	224	330	67,88
1.4	Meetings to Form Self-help Groups	330 (one per village) community workers operational	Number	-	-	-	224	330	67,88
1.5	Preparation of Village Plans	Nb. Of village plans prepared	Number	-	-	-	224	330	67,88
1.6	Legalisation of Self-help Groups and Federation	Nb. Of Legalisation of SHGs and Federation	Number	-	-	-	2.192	3.300	66.42
1.7	Monitoring and Evaluation	Nb. Of villages monthly monitoring of activities is done by Kabupaten	Number	224	224	100	224	330	67,88
1.8	PRA at Village Level	Nb. Of PRAs undertaken at the village level	Number	224	224	100	224	330	67,88
1.9	SHG Management and Organisation (all aspects)	Nb. SHGs functioning effectively.	Number	2198	2192	99.72	2192	3300	66.42
1.10	Matching Funds for new Self-help Groups	Nb. Of SHGs receiving matching funds	Number	797	97	100	2192	3300	66,42
1.11	Villages under the Project	Nb. Of villages under the Project	Number	224	224	100	224	330	67,88
1.12	Formation of Federation	Nb. Of federation formed	Number	224	224	100	224	330	67,88
1.13	Formation of SHGs	Nb. Of SHGs formed	Number	2240	2192	97.86	2192	3300	66,42
1.14	Households in SHGs	Nb. Of Households members of SHGs	HHs	33,580	27,139	80.82	27,139	49500	54,82
	Additional Activities Phase II								
1.15	Business Plan of SHGs base on PRA of village level	Nb. of SHGs	Number	2198	2192	99.73	2192	3300	66.42
1.16	Bookkeeping training of SHGs	Nb. of SHGs	Number	2198	2192	99.73	2192	3300	66.42

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	%
				AWP&B	Actual (Sept-16)	%			
1.17	Leadership Training	Nb. of SHGs	Number	2198	2192	99.73	2192	3300	66.42
1.18	Capacity buiding non SHGs Training	Nb. of village	Number	224	-	-	-	330	-
1.19	Farmer field school, etc.)	Nb. of SHGs	Number	2198	2192	99.73	2192	3300	66.42
Component 2 : Productivity Improvement of Integrated Farming Systems/ Agriculture Production and Marketing									
2.1	Workshop on Integrated farming system	Nb. of workshops conducted	Number	-	-	-	5	8	62.50
2.2	Demonstration Plots/Units food crop and livestock	Nb. of demonstration plots/units food crop and livestock	Number	-	-	-	388	660	58.78
2.3	Farmer Field Schools - Estate crops	Nb. of villages covered by FFS on Estate Crops	Number	164	164	100	388	660	58.78
2.4	Farmer Field Schools -Pest control management	Nb. of villages covered by FFS on Estate Crops	Number	–	–	–	–	79	–
2.5	Demonstration Plots – Estate crops Nursery	Nb. Of demonstration nurseries formed	Number	–	–	–	–	182	–
2.6	Farmer Field Schools-Intregated farming systems	Nb. Villages covered FFS on Integrated farming systems	Number	–	–	–	–	97	–
2.7	Extension Materials and Manuals	Nb. of extension manuals developed	Number	–	–	–	–	69	–
2.8	Trainings for farmers – Nursery and livestock development	24,750 (50 % of total target HHs) farmers reporting increased production from their plots.	Farmers	-	-	-	116	202	57,42
2.9	Villages where agricultural processing training is provided	Nb. Of receiving processing training on agriculture products	Number	224	224	100	224	330	67.88
2.10	Demonstration Plots – Improving Farming System	Nb. Of villages where Demonstration Plots established for improving farming systems.	Number	-	-	-	-	-	-
2.11	Farmer Field Schools – Useful application of technology	Nb. Of villages with FFS reporting useful application of technologies	Number	-	-	-	-	-	-
2.12	Demoplot / Units (Food Crops, Estate Crops, Nurseries, Improving Farming System.	Nb. of package where Demonstration Plot where established	Package	235+600 persons	222+600 persons	94.47	812 +1854 persons	946+2850 persons	85.84

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	%
				AWP&B	Actual (Sept-16)	%			
2.13	Farmers Field School (FFS)	Nb. of Package Farmers Field School Conducted	Package	184+400 persons	160+400 persons	86.96	435+2524 persons	530+3230 persons	82.08
2.14	Skill Training	Nb. of Training Package conducted	Package	80+400 persons	80+400 persons	100	367+978 persons	471+19,790 persons	77.92
2.15	Exposure Training	Nb. of Exposure Training conducted	Number	-	-	-	21	18	85.7
2.16	Field Visit	Nb. of Field Visit conducted	Number	11	10	90.90	33	24	72.72
	Additional Activities Phase II								
2.19	Agriculture Production Fund /m - Revolving fund for SHGs	Nb of SHGs receiving RF	Number	2198	2192	99.73	2192	3300	66.42
2.20	Provision of Improved seed - organized by PPL	Nb. of SHGs covered by Improved Seed	Number	2198	352	16	352	3300	10.67
2.21	Provision of AgricProduction Equipment (depends on crops) /n	Nb of unit Agric Production Equipment Provided	Unit	203	67	33	67	-	-
2.22	Post harvest food crops equipment SHGs approach	Nb. of unit Post Harvest Food Crop Equipment	Unit	106	35	32	108	-	-
Component 3 : Value Chain Development/Estate crops Value chain									
3.1	Recruitment of Agribusiness Value Chain and Marketing (International)	Nb. of staff and consultants recruited	Number	1	1	100	1	1	100
3.2	Recruitment of value chain consultant (1 province 1 consultant)	Nb. of staff and consultants recruited	Number	2	2	100	2	2	100
3.3	Workshop/Training value chain and marketing	Nb. of pkggvalue chain workshops held	Package	10	10	100	15	18	83.33
3.4	Capacity building for Federation marketing	24 750 (50% of total target HHs) target group households reporting new marketing arrangements (estate and food crop production and fisheries, livestock), type and length of operation.	Package	224	224	100	224	330	67,88
3.5	Marketing links for federation	330 Federations linked to markets	Package	-	-	-	224	330	67.88

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	%
				AWP&B	Actual (Sept-16)	%			
3.6	Training on value chain for field workers	Nb. of field workers trained in value chains	Number	-	374	-	490	-	-
3.7	Marketing and potential identification and business plan preparation	Nb. of SHGs Business Plans prepared after feasibility studies	Number	2198	2192	99.73	2192	3300	66.42
3.8	Post harvest Tree Crop facilities and Equipment in SHGs use	Nb. of villages Post Harvest Tree Crop Equipment provided	Villages	134	35	26	35	330	10.61
	Additional Activities Phase II								
3.9	Post harvest 3 Crops (Estate Crop)- 4 units(SHG/FED)	Nb. of CentraFederations equipment provided	Nb. of Federation	45	4	8.89	4	45	8.89
3.10	Training for VCOs - commercial focus, business management, etc. (1 VCO per Federation)	Nb. of pckg VCOs-comm focus training conducted	Package	11	11	100	11	11	100
3.11	Training for Federation members (commercial focus on LVCs) - "down-stream" support	Nb. of pckg Federation-comm focus training conducted	Package	11	11	100	11	11	100
Component 4 : Productive Rural Infrastructure Investment									
4.1	Recruitment of infrastructure design consultant (1 district 1 consultant)	Nb. of consultants recruited.	Number	2	2	100	2	2	100
4.2	Village infrastructure development	km of Access road rehabilitated/upgraded	Km	1			28,095	26,619.	94.74
4.3	Village Infrastructure Investments	330 water harvesting structures constructed.	Number	224	224	100	224	330	67,88
		12.375 ha (25% of total target HHs) farmers with sustainable access to water resources	Hectare	-	-	-	-	-	-
		>330 community Projects functional by type	Number	-	-	-	224	330	67.9
	Additional Activity Phase II								

Component/ Sub-component or Output		Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	%
				AWP&B	Actual (Sept-16)	%			
4.4	Contestable grants for access roads and irrigation schemes	Nb. of SHGs receiving Contestable grants for many types facilities provided	Number	2265	2265	100	2265	3300	68.63
Component 5 : Institutional Strengthening and Project Management									
Individual Consulting recruitment-Project Management Adviser and Team Leader		>90% disbursement of the IFAD Loan	Prs	1	1	100	1	1	100
Individual Consulting recruitment -Monitoring and Evaluasi		Persons signed contracts	Prs	1	1	100	1	1	100
Individual Consulting recruitment – Procurement Specialist		Persons signed contracts	Prs	1	1	100	1	1	100
Consulting firm recruitment - Team Leader (Nat)		Persons signed contracts	Prs	33	33	100	33	33	100
– Project management (Nat, both province)		Persons signed contracts	Prs	1	1	100	1	1	100
– ME Specialist (Prov, District)		Persons signed contracts	Prs	-	-	100	4	4	100
– VC and Marketing Specialist (Nat, Prov, District)		Persons signed contracts	Prs	-	-	-	-	-	-
– Capacity Building and Gender Specialist (Prov)		Persons signed contracts	Prs	2	2	100	2	4	50
– Food Crop Specialist (District)		Persons signed contracts	Prs	2	2	100	2	4	50
–Estate Crop Specialist (District)		Persons signed contracts	Prs	11	11	100	11	11	100
– Finance Specialist (National)		Persons signed contracts	Prs	11	11	100	11	11	100
– TI Specialist (National)		Persons signed contracts	Prs	1	1	100	1	1	100
– Capaccity Building and training (Nat)		Persons signed contracts	Prs	1	1	100	1	1	100
– Agriculture and Infrastructure (Nat)		Persons signed contracts	Prs	-	-	-	-	-	--
		Persons signed contracts	Prs	-	-	-	-	-	-
Consulting firm recruitment -Capacity Building and Training		Persons signed contracts	Prs	-	-	-	-	-	-
Consulting firm recruitment -Value chain and marketing at National		Persons signed contracts	Prs	-	-	-	-	-	-
Consulting firm recruitment - Value chain and marketing (both province)		Persons signed contracts	Prs	-	-	-	-	-	-
Consulting firm recruitment -Nutrient specialist at national		Persons signed contracts	Prs	-	-	-	-	-	-
Consulting firm recruitment -Seeds specialist at national		Persons signed contracts	Prs	-	-	-	-	-	-

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	%
			AWP&B	Actual (Sept-16)	%			
International Consultant of Value chain and Marketing (Individual)	Persons signed contracts	Prs	1	1	100	1	1	100
Baseline study	Completed report	Package	-	-	-	1	1	100
Mid-Term Impact Study	Completed report	Package	-	-	-	1	1	100
NGO Monitoring	Monitoring reports	Package	-	-	-	2	2	100
Survey & mapping - value chain and marketing	Survey reports completed	Package	-	-	-	1	1	100
Procurment of PC (national)	Nb. of equipment provided	Unit	-	-	-	8	8	100
Procurment of Laptop (national)	Nb. of equipment provided	Unit	-	-	-	6	8	75
Annual Planning and Review Meeting	Nb. of meetings and plans completed.	Package	13	13	100	5	8	62.5
Office building renovation expenses	Nb. of Office build renovated	Unit	-	-	-	13	13	100
Workshop Financial and loan management	Nb. of workshops on financial and loan management.	Number	-	-	100	1	3	33.33
Workshop ME and RIMs	Nb. Of trainings on RIMS	Package	2	2	-	4	8	50
Procurement Vehicles (province level)	Nb. of Vehicles provided	Unit	-	-	-	14	14	100
Procurement Motorcycles	Nb. of Motorcycles provided	Unit	-	-	-	228	334	68,26
Procurement Laptop (for district and province level)	Nb. of equipment provided	Unit	-	-	-	26	26	100
Procurement Computer (for district and province level)	Nb. of equipment provided	Unit	-	-	-	26	26	100
Procurement Printer (for district and province level)	Nb. of equipment provided	Unit	-	-	-	26	26	100
Procurement Fax and Scanner (National Level)	Nb. of equipment provided	Unit	-	-	-	2	2	100
Overseas study/Comparative study	Nb. of Comparative study conducted	Package	1	-	-	-	-	-
Consolidation meeting of SOLID	Nb. of consolidation meeting conducted	Package	4	4	100	5	7	71,42
Midterm Review Meeting IFAD	Nb. of Review Meeting conducted	Package	1	1	100	1	1	100
Wrap up meeting Sup Mission IFAD	Nb. of Meeting conducted	Package	2	-	100	8	14	57,14
Additional Activities Phase II								

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-2016 to 30-10-2016			Cumulative Actual (2011- 2016)	Appraisal Target	
			AWP&B	Actual (Sept-16)	%			%
Film documentation	Nb. of	Package	11	11	100	11	11	100
Media promotion	Nb. Of	Package	22	22	100	22	22	100
Block space printing media	Nb. Of	Package	11	7	63.66	7	11	63.66
Investment in ICT/ improving of skill train staff	Nb. of training conducted	Package	11	11	100	11	11	100
Exit strategy meeting	Nb. of Strategy Meeting conducted	Package	11	5	45.45	5	11	45.45

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

Table 5 A: Financial performance by financier (as of 31/08/2016)

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	49,100.0	26,194.7	53.3
IFAD grant	1,080.0	391.7	36.3
Co-financier	-	-	-
Government	14,820.0	8,222.0	55.5
Total	65,000.0	34,808.3	53.6

Note: In addition, there are supporting funds from local governments (APBD) amounting to USD 955,540

Table 5 B: Financial performance by financiers (USD '000) as of 31/08/2016

Component	IFAD loan			IFAD grant			Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Community. Empowerment	13,044.3	7,062.8	54.1	-	-	-	745.3	1,595.4	214.1	13,789.6	8,658.3	62.8
2. Productivity Improvement	6,059.5	11,427.0	188.6	-	179.6	-	611.4	769.6	125.9	6,670.9	12,376.2	185.5
3. Value Chain.	15,717.2	1,779.3	11.3	1,080.0	182.9	16.9	1,344.1	797.1	59.3	18,141.3	2,759.3	15.2
4. Infrastructure	8,291.3	4,217.3	50.9	-	29.2	-	837.9	1,818.2	217.0	9,129.2	6,064.7	66.4
5. Inst.Building & Management	5,987.6	1,708.3	28.5	-	-	-	11,281.3	3,241.7	28.7	17,268.9	4,949.9	28.7
Initial deposit												
Total	49,100.0	26,194.7	53.3	1,080.0	391.7	36.3	14,820.0	8,222.0	55.5	65,000.0	34,808.3	53.6

Table 5 C: IFAD loan disbursements (SDR '000), as of 14/10/2016

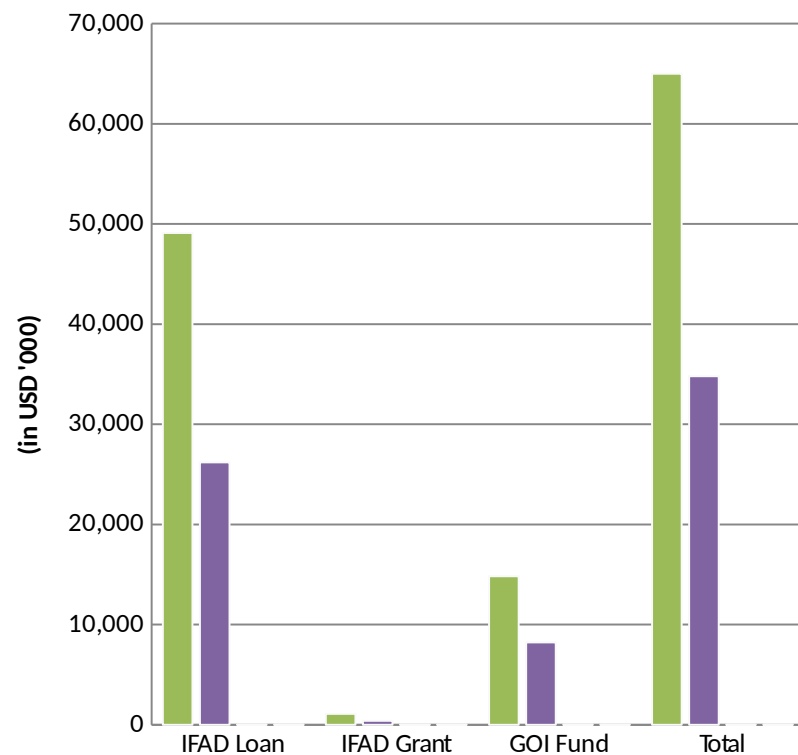
Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Exp. not yet submitted	Balance	Percent disbursed
I	Civil works	4,620.0		3,339.9			1,280.1	72.3
II	Vehicles & equipment	7,770.0		1,780.6			5,989.4	22.9
III	Capacity building, workshops, training	8,530.0		4,776.1			3,753.9	56.0
IV	Matching fund	4,360.0		5,558.1			-1,198.1	127.5
V	International Consultant services	-		-			-	-
VI	Local Consultant and NGO services	1,990.0		1,372.6			617.4	69.0
	Unallocated	3,030.0		-			3,030.0	-
	Initial deposit			3,411.5			-3,411.5	-
	Total	30,300.0		20,238.9			10,061.1	66.8

Table 5 D: IFAD grant disbursements (SDR '000), as of 14/10/2016

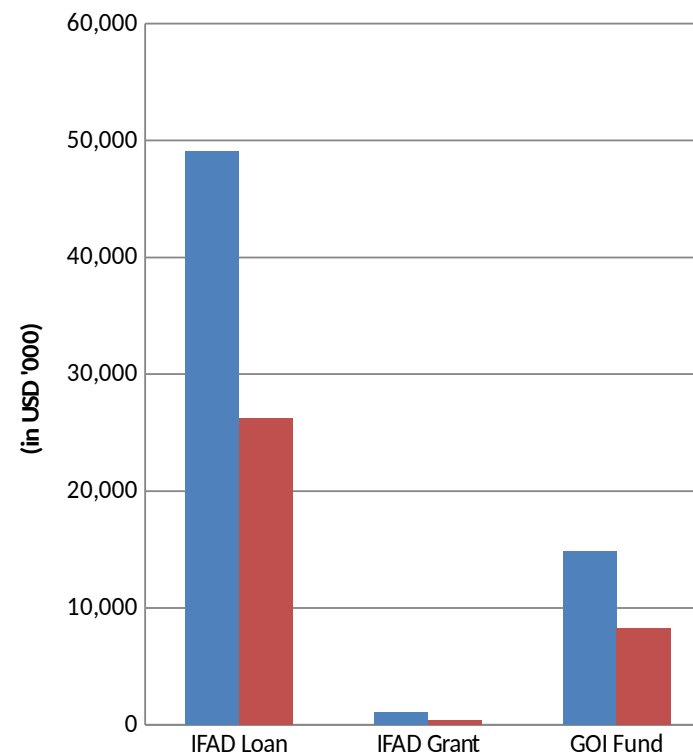
Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Exp. not yet submitted	Balance	%
I	Civil works	-		-			-	-
II	Vehicles & equipment	-		-			-	-
III	Capacity building, workshops, training	175.0		209.7			-34.7	119.8
IV	Matching fund	-		-			-	-
V	International Consultant services	60.0		64.6			-4.6	107.6
VI	Local Consultant and NGO services	375.0		7.7			367.3	2.0
	Unallocated	65.0		-			65.0	-
	Initial deposit	-		137.6			-137.6	-
	Total	675.0		419.5			255.5	62.2

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

Comparison between original and actual fund disbursement



Comparison between appraisal and actual fund disbursements



Appendix 6: Compliance with legal covenants: Status of implementation.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B. 6	There will be two designated Accounts (USD) at the Bank of Indonesia – 1 for the loan and 1 for the grant	Disbursement	Complied	Two Special Accounts have been opened in Bank of Indonesia.
Section C. 4	The Project Completion Date shall be 7 years and 6 months from the date of entry into force of this Agreement.	Currently 31 December 2018	Not due yet	
Section E. 1	The Agency for Food Security (AFS) shall prepare and issue Project Implementation Manual.	90 days of the date of entry into force of the Agreement	Complied	
Sch. 1 – I .1	Target Population. The Project shall benefit approximately 49,500 farm households in 11 districts in Maluku (5 districts) and North Maluku (6 districts) (the “Project Area”). The target group consists of smallholder farmers engaged in tree and food crop production. The Project will specifically target woman-headed households and poor indigenous and immigrant communities.	On-going	Complied	2011 to 2013 have been targeted following the agreed criteria. During MTR, the target number of villages had been reduced to be more focused.
Sch. 1 - II .1	a) Establish a NSC b) Establish NPCO c) Establish 2 PTEC d) Establish 2 PPCO e) Establish 11 DTEC f) Establish 11 DPIO	Entry to force	Complied	PTECs and DTECs function informally but not effective yet
Sch. 1- II. 3 and GC 7.11	(a) Project staff will be appointed following a transparent competitive process (b) The PCs and Managers shall not be changed without good reason (c) General all Project staff should be maintained in Project positions for at least 3 years unless there are pressing reasons to move them	On-going	Complied	At the district and provincial level Most posts are held concurrently with core assignments – there have been some changes of project staff due to change of the Bupati and/or change of the head of implementing agencies.
Sch. 2 (b) 1	Matching Grants will be used for expanding Group Revolving Funds with criteria to be clearly stated in the PIM	Approved PIM	Complied, but PIM needs to be revised	Because of some changes as recommended during MTR and to be in accordance with the new MoF regulation,, PIM and/or guidelines need to be revised accordingly.

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?

- The mission found district managers to be much more engaged and have a good understanding of the project design.
 - In districts, where the district manager, the bupati and the head of the food security dinas were working together closely, results tend to be better.
 - SHGs are becoming stronger and beneficiaries engaged as they start seeing benefits of the programme.
 - The Project has successfully targeted the right beneficiaries and the methodologies used could be replicated in other Projects. Clear guidelines and prior experience of using well-established criteria for poverty have supported this successful targeting. Correct identification of activities to be self-targeting have been a further reason for success.
-

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

- The M&E system of the Project is not working well and is neither creating management data nor lessons learned.
 - The coordination among the different stakeholders needs to be improved to ensure synergies and cross learning.
 - The community development process has been slow as the sequencing of activities, slow disbursement and changing guidelines have confused and frustrated communities. The benefits of participation in the Project are not convincing and a lack of confidence has resulted in poor group cohesion and defaults.
 - Knowledge Management in the Project did not work well, because there was no concrete plan to do KM. The M&E system, which should provide much of the information for KM not operating effectively.
-

Innovation: Describe any interesting innovation noted during supervision

The District Manager of East Seram is experimenting with new models, such as ecotourism, to enhance sustainability of the programme.
--

Appendix 8 :Food and Nutrition Security

The November 2015 supervision mission and this November 2016 supervision mission have benefited from technical assistance on how to maximise project impact on improved food and nutrition security in project Districts. This Appendix pulls together the recommendations made and suggests a practical way forward for operationalizing an implementation strategy to support improved food security and nutrition. The technical material is not repeated in this Appendix.

A. Combined Findings of Technical Assistance from Supervision Missions

Post-MTR the SOLID design placed a strong emphasis on food and nutrition security for the target beneficiaries. As reflected in the mid-term RIMS survey and the AOS outcomes the Project's contribution to food security and household diets to date has been satisfactory.

During the 2015 supervision mission the severe droughts related to El Niño posed a significant risk to the food security and nutritional status of beneficiary households. Impacts included reduced food availability due to declined production, reduced food affordability, as market prices increased and reduced food security as many households reduced consumption to 2 basic meals a day.

This was not apparent during the 2016 supervision mission however it is evident that food security remains a significant challenge in the project Districts. The mission found that the Project is having a positive impact on food security: 75% of beneficiary households stated that there was no hunger or malnutrition because food stocks were available and 95.9% reported that food prices in their village were stable and affordable. Only 25% of SOLID households reported food shortages compared to 32% of non-SOLID households with a much shorter duration on average. Increased food security is an outcome of both increased volumes of production, increased incomes from production sales and crop diversification. Whilst this is a positive outcome, households remain vulnerable to extended droughts and rising food prices. In addition, it was found that households continue to make poor nutrition choices and miss opportunities to maximise nutrition and climate resilience through more informed production, processing, cooking and marketing choices.

The 2016 supervision mission, and the extensive Scoping Study for FoodSTART+ conducted by CIAT in the project area, concludes that poor food security and nutritional status is an outcome of small land sizes limiting production, distance from market resulting in poor negotiating capacity, lack of post-harvest processing capacity and lack of storage leading to quick sales to prevent spoilt goods. Reliance on rice rather than climate adaptive crops such as Roots, Tubers and Cassava (RTC) increase vulnerability to drought, as well as food security and nutritional outcomes. In addition, observations from the field and conversations with the Dinas Health point towards low nutrition awareness as a key factor associated with the high malnutrition prevalence, not only around food patterns and diets, but also around other determinants of malnutrition.

Both missions concur that improving nutritional status and achieving nutrition security, which has become a key priority for the Government of Indonesia, requires additional efforts, which take food security as a starting point, but require coordination with different sectors. Both missions found a significant interest in strengthening the nutrition impact of SOLID among different stakeholders.

B. Suggested Options for Integration Nutrition into SOLID

SOLID's focus on food security (a pre-condition for nutrition) is a key pathway towards achieving nutritional outcomes. In addition, through the production of nutritious foods SOLID can improve family diets, which are an outcome in itself, but are also relevant for reducing child malnutrition.

The approach proposed in the technical assistance to both the 2015 and 2016 missions is to focus on activities that are already part of the Project, while searching for opportunities and partnerships that can enhance impact on nutrition. In addition, the recommendations from the FoodSTART+ Scoping Study and 2016 supervision mission proposed solutions around the promotion of Roots, Tubers and Cassava (RTCs) as a locally relevant and accessible means to support food security and improved

nutrition. The suggestions made in Appendix 9 of the 2015 Supervision Mission and in the FoodSTART report are comprehensive. They are based on the following key entry points:

- (i) the “own production pathway”, where SHG members increase consumption of nutritious foods from their own increased production; promote production, intercropping and diversification of healthy varieties, improve food storage and processing.
- (ii) the “income pathway”, where increases in household incomes contribute to better diets and health status for household members; focus on village markets for selling nutritious food, institutional markets such as public purchasing programmes, promote processing that can increase shelf life.
- (iii) The “gender pathway”, in which women, as the nexus between agriculture and nutrition, are empowered through closer attention to women’s time allocation, control over resources and access to information. Information dissemination and awareness raising is key to support for the gender pathway.

The technical assistance on nutrition in the 2016 mission concurs with these three key inroads and explored in particular how these could be used to support production of RTCs. Suggestions explored included:

- Changing the mind-set and low perception of RTCs amongst the local population.
- Support production through improved and marketable RTC varieties.
- Support energy efficient storage management.
- Partner with industry for RTC processing to support higher income generation.
- RTC based home industry for income generation.

Both missions explored implementation modalities which included nutrition education and behaviour change as a coordinated effort involving: (i) raising the awareness of PPLs and VFs who would remain the main interface with SHG members; (ii) partnering with specialised institutions in related sectors in particular the Dinas Health, Posyandu, the Food Security Agency itself; (iii) the private sector for processing and (iv) research institutions for technical support. Initial contacts and potential partnerships have already been explored and interest has been expressed from partners.

C. Options and the Way Forward

The mission considers the proposals on integrating nutrition into SOLID as important and is in no doubt that the suggested interventions would improve project outcomes. In practice there are currently a few constraints to implementation: (i) the VFs and PPLs have a considerable workload and progress that needs to be made on core tasks and (ii) whilst they would potentially have the time the mission does not consider that SOLID *currently* has the management capacity to organise the integration of nutrition objectives. The mission proposes that:

- (a) SOLID remain open to any external initiatives that would like to use the social structures created by SOLID to further nutrition objectives.
- (b) The next mission revisits the proposals on nutrition with a view to reassessing management capacities and potentially rolling nutrition into an exit strategy.
- (c) The Project remains open to supporting internal suggestions on how to further nutrition objectives, especially from the DPIU and the NGOs. The Project could consider rewarding innovation, for example, on social marketing approaches to change the social

status of good nutrition and motivate behavioural changes – e.g. cooking competition, prizes, village level awards from Bupati etc.