

Indonesia

Integrated Participatory Development and Management of the Irrigation Sector Project Supervision Report

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.

Document Date: 19/01/2023

Project No. 1100001706

Report No. 6392-ID

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

ADB	Asian Development Bank
APBD	Anggaran pembangunan dan belanja daerah / the local government's budget allocation
AWPB	Annual Work Plan and Budget
Bangda	Bina Pembangunan Daerah /DG Regional Development of Ministry of Home Affairs (MoHA)
BAPPEDA	Badan Perencanaan Pembangunan Daerah / Regional Development Planning Agency
BAPPENAS	Badan Perencanaan Pembangunan Nasional / National Development Planning Agency
BBI	Balai Benih Induk / Central Seed Agency
DI	Daerah Irigasi / Irrigation Schemes
DIPA	Daftar Isian Pelaksanaan Anggaran - Budget Implementation Entry List
DP	Development Partners
DPIU	District Project Implementing Unit
DWRI	Directorate of Water Resources and Irrigation
EUR	Euro
FA	Financing Agreements
FEW	Field Extension Worker
FFS	Farmers Field School
FG	Farmer Groups
FiA	Finance Assistant
FO	Finance Officer
FY	Financial Year
GoI	Government of Indonesia
HYV	High Yielding Varieties
IAAEHRD	Indonesia Agency for Agricultural Extension and Human Resource Development (of MoA)
IDR	Indonesian Rupiah
IFR	Interim Financial Report
KMC	Knowledge Management Centre
LiDAR	Light Detection and Ranging
MoA	Ministry of Agriculture
MoHA	Ministry of Home Affairs
MoPWH	Ministry of Public Works and Housing
MTR	Mid-Term Review
NPHD	naskah perjanjian hibah daerah / on-granting agreements
NPIU	National Project Implementation Unit
NPMU	National Project Management Unit
PIM	Project Implementation Manual
PP	Procurement Plan
PPIU	Provincial Project Implementing Unit
PPL	Petugas Penyuluh Lapangan / Extension Workers or Field Staff
PU	Kementerian Pekerjaan Umum / Ministry of Public Works and Housing (MoPWH)
RBL	Result Based Lending
RPJMN	Rencana Pembangunan Jangka Menengah Nasional/Medium Term Development Planning
SCG	Savings and Credit Groups
ToT	Training of Trainers
TPM	Tenaga Pendamping Masyarakat / Village facilitators
WG	Working Group
WUA	Water User Associations

A. Project Overview

Region: Asia and the Pacific Division Project at Risk Status: Actual problem
 Country: Indonesia Environmental and Social Category: Moderate
 Project Name: Integrated Participatory Development and Management of the Irrigation Sector Project Climate Risk Classification: not available yet
 Project ID: 110001706 Executing Institution: Ministry of Public Works and Housing
 Project Type: Irrigation
 CPM: Hani Abdelkader Elsadani Salem Implementing Institutions: Ministry of Agriculture
 Project Director: not available yet
 Project Area: Aceh, North Sumatera, West Sumatera, South Sumatera, Lampung, Banten, West Java, Central Java, East Java, West Kalimantan, South Kalimantan, North Sulawesi, Central Sulawesi, South Sulawesi, West Nusa Tenggara, East Nusa Tenggara

Approval Date: 17/12/2015 Last audit receipt: 18/11/2022
 Signing Date: 13/02/2017 Date of Last SIS Mission: 05/12/2022
 Entry into Force Date: 13/02/2017 Number of SIS Missions: 9
 Available for Disbursement Date: 11/07/2017 Number of extensions: 0
 First Disbursement Date: 13/07/2017 Effectiveness lag: 14 months
 MTR Date: 05/07/2021
 Original Completion Date: 31/03/2023
 Current Completion Date: 31/03/2023
 Financial Closure: not available yet

Project total financing

IFAD Financing breakdown	IFAD: KfW loan	\$98,500,000
	Asia and the Pacific Division	\$1,500,000
Domestic Financing breakdown	National Government	\$152,900,000
Co-financing breakdown,	Asian Development Bank	\$600,000,000
Project total financing:		\$852,900,000

Current Mission

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.
 Days in the field: 8 days, 21-28 September, in two teams
 Mission composition: Ivan Cossio, Country Director, team leader
 Tony Ryan, Farming systems specialist
 Thierry Mahieux, Financial inclusion and market access specialist
 Stania Yasin, Monitoring and evaluation specialist
 Rahmi Khalidaalwis – Gender and social inclusion specialist
 Andreas Ahas - Water management and irrigation specialist
 Harry Sudewa – Procurement Specialist
 Nurul Mutmainnah – Financial Management specialist
 Field sites visited: 4 Provinces (Wajo & Bone (South Sulawesi), Pasaman Barat & Pesisir Selatan (West Sumatra), Pati & Purworejo (Central Java), Ngawi & Madiun (East Java))

B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		3.36	Assessment of the Overall Implementation Performance		2.92

Effectiveness and Developmental Focus		3	Project Management		3
Effectiveness		2	Quality of Project Management		3
Targeting and Outreach		3	Knowledge Management		2
Gender equality & women's participation		3	Value for Money		3
Agricultural Productivity		5	Coherence between AWPB and Implementation		3
Nutrition		N/A	Performance of M&E System		2
Adaptation to Climate Change		4	Social, Environment, and Climate Standards requirements		3

Sustainability and Scaling-up		3	Financial Management and Execution		3
Institutions and Policy Engagement		5	Acceptable Disbursement Rate		2
Partnership-building		2	Quality of Financial Management		3
Human and Social Capital and Empowerment		3	Quality and Timeliness of Audit		4
Quality of Project Target Group Engagement and Feedback		3	Counterparts Funds		2
Responsiveness of Service Providers		4	Compliance with Loan Covenants		4
Environment and Natural Resource Management		4	Procurement		4
Exit Strategy		2			
Potential for Scaling-up		3			

Relevance		4
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The Government of Indonesia (GOI), International Fund for Agricultural Development (IFAD) and the Asian Development Bank (ADB) have joined together to support the Integrated Participatory Development and Management of Irrigation Project (IPDMIP). The Project aims at meeting the nation's agriculture development targets and contribute to rice self-sufficiency, while also reducing rural poverty, promoting gender equity and enhancing nutrition.
2. IPDMIP major expected outputs include: (i) strengthened policy and institutional frameworks for irrigated agriculture; (ii) improved irrigation systems management; (iii) improved irrigation systems infrastructure; and (iv) increased irrigated agricultural incomes. IFAD financing focuses on increasing irrigated agricultural incomes through improvements in farm productivity, market access and financial services, while ADB support aims at improving irrigation system operation, maintenance and water delivery to farmers. The Project Financing Agreement on the IFAD financing was signed and the project became effective on 13 February 2017.
3. The project portion financed by IFAD is implemented by the Ministry of Agriculture (MoA), through a National Project Implementing Unit (NPIU), established in the Indonesia Agency for Agricultural Extension and Human Resource Development (AAEHRD). The project covers 72 districts in 16 provinces, where project activities are managed at sub-national level through Provincial Project Implementing Units (PPIUs) and District Project Implementing Units (DPIUs). A portion of the funds are channelled from national government to province and district governments using the on-granting mechanism, while another portion is directly managed by the NPIU in the MoA. On-granting agreements with the local governments have been signed and became effective in 14 February 2018.
4. In general, along its implementation the project struggled to reach a satisfactory performance. This was mainly due to the very large geographical coverage; limited human resources appointed to the NPIU on a full-time basis; frequent absence of financial management, procurement and monitoring and evaluation (M&E) specialists in the NPIU; frequent turn-over of project staff and of project management; uneven quality of the training materials used by the project; and low attention paid to the financial inclusion and market access activities. In the initial years of project implementation, insufficient understanding of on-granting mechanism has created important delays. Finally, Covid-related restrictions negatively influenced the project performance, particularly in 2020 and 2021.
5. Jointly with these aspects, the implementation pace has been in general low, resulting on a 30% of actual utilization of IFAD loan resources after 5.5 years of implementation, out of 6 years of total project duration
6. During the project Mid-Term Review (MTR) undertaken in 2021, IFAD, the Ministry of Agriculture (MoA) and the Ministry of National Development Planning (BAPPENAS) agreed to restructure the project aiming at greater project impact, extend the project completion and closure dates, and develop a project exit strategy. In this regard, on 23 August 2022 the Ministry of Finance (MoF) requested IFAD to:
 - Extend the project completion date from 31 March 2022 to 31 March 2025 and the closing date from 30 September 2023 to 30 September 2025.
 - Reallocate IFAD funding among categories of expenditures, in line with the restructuring of project activities agreed during the MTR.
 - Proceed with the partial cancellation of the IFAD loan in the amount of EUR 26,224,699.
 - Change the Lead Project Agency / Executing Agency from Ministry of Public Works and Housing to Ministry of Agriculture.
7. IFAD Jakarta Office submitted the request received from the Ministry of Finance to IFAD Management in Rome. While this supervision was taking place, IFAD Management decided not to accept this request from the Government, taking into account project's implementation progress, performance and disbursement.
8. Initially, the supervision objectives were to:
 - Assess the project progress and performance towards the achievement of its objectives.
 - Assess the progress made for the implementation of the agreements reached at the 2021 MTR.
 - Agree on the actions to be taken in light of the request by the Ministry of Finance to IFAD regarding the project restructuring and extension.
 - Provide guidance for and agree on the concrete modalities and actions for the incorporation of the new project activities agreed in the MTR on (i) post-harvest; (ii) market access; and (iii) rehabilitation on tertiary irrigation canals.
 - Assess the performance of and agree on follow-up actions in key themes, namely: (i) financial inclusion and access to financing, (ii) gender empowerment, (iii) social inclusion, (iv) monitoring and evaluation, (v) financial management, and (vi) procurement.
 - Provide guidance for the preparation and implementation of an exit strategy.
9. However, the above mentioned IFAD Management decision changed the scenario and the relevance of the initial supervision objectives. In this context the Supervision Team has prepared this Aide Memoire, and discussed and agreed on it with Government counterparts.
10. The supervision kick-off meeting took place on 19 September and the wrap-up meeting on 9 November 2022, although final agreements on the supervision Aide Memoire were reached just in late November and it was signed on 1st
11. The IFAD supervision team has developed its activities in the NPIU's office in Jakarta and has split up in two sub-teams to visit eight districts in four provinces: Wajo and Bone districts in South Sulawesi Province; Pasaman Barat and Pesisir Selatan districts

in West Sumatra Province; Pati and Purworejo districts in Central Java Province; and Ngawi and Madiun Districts in East Java Province. IFAD would like to thank the NPIU and the district and province authorities for all the support provided along this supervision.

Key Mission Agreements and Conclusions

12. After over five and a half years of implementation, project results can best be described as mixed as the project has faced internal and external challenges. The main external challenges were linked to Covid-related restrictions and to the implications of applying the on-granting mechanism, which slowed down loan disbursement rates and added complexity to project implementation. The most significant internal challenges have been related to management aspects and to the very large project geographical coverage.
13. Due to COVID-related restrictions, this has been the first physical supervision since October 2019, and the opportunity to verify on the ground realities compared to the reported situation during Covid has been invaluable in establishing project status, and in particular, to look at issues of quality of delivery as well as quantity. Indeed, the supervision exposed a number of important issues and deficiencies.
14. At district level, there is generally a strong sense of engagement and support for the project from District Agriculture staff to field extension staff to farmer group leaders and farmers – young, old, male and female.
15. Many of the issues identified during the supervision are management issues. Notably, ongoing NPIU staffing issues have resulted in significant shortcomings in M&E, Financial Management and Procurement. These shortcomings have continuously undermined IPDMIP delivery. There is also a distinct lack of coherence between IPDMIP implementation planning and annual funds allocations from MOA, which has influenced the implementation shortcomings.
16. IPDMIP made significant investments in training, including training of extension staff, supporting field staff, lead farmers, farmer group members, youth farmers, and small women entrepreneurs. However, this training showed less than optimal outcomes since the materials used to support the training were of uneven quality to support the improvement of farm productivity. In several cases there, changes have been made to the training modules for market access and for access to financial services from the initially prepared by international advisers. Considering that project activities will complete in March 2023, training modules for farm productivity should continue to be delivered, while those for access to markets and to financial services can close with immediate effect – except for financial literacy training which should continue until March 2023.
17. In this context, and given that the project will not be extended and will complete its activities on 31 March 2023, it will be fundamental that the NPIU devotes all its energies to implement the activities that are working and can have an impact. Simultaneously, the NPIU has to take action in preparation to the project completion to take place in March 2023, and its financial closure in September 2023, which will require qualified consultants and staff for preparing the technical and financial completion report. Regarding the activities to be implemented in the following months, it was agreed to concentrate efforts to deliver the farmer fields schools (FFS) and the financial literacy education (FLE) training. Regarding the project completion and closure, the highest priorities are the preparation of the Project Completion Report, which should be a learning document, and the timely preparation and delivery of the final project audit. In order to do this, IFAD recommends the NPIU to plan all activities needed for project completion and closure, and highlights that the strong support of AAEHRD is going to be fundamental in the following months.

D. Overview and Project Progress

18. Subcomponent 4.1. Farming Systems Development

19. **Training.** There were quality deficiencies right across the training spectrum for this subcomponent due to delays in recruiting the international farming systems adviser. A total of 14 modules were prepared by the national training consultant in 2018. The content of these modules did not include sufficient material and the delivery method didn't meet the expected standards. Modules delivery times were shortened, and modern interactive training methods were replaced with long monologue lectures. In addition, there were no formal studies of training impacts – although there were a limited number of questions about the trainings made at the conclusion of the sessions. After much and long discussion, NPIU senior management requested the national training adviser to work with the international farming systems adviser to review and rewrite the modules. Outcomes from this process were limited and only 2 modules (quality seed use and soil testing) were completed before COVID hit Indonesia and the international farming systems adviser returned home.
20. **Extension workers/field staff (PPLs).** During the supervision, PPLs reported that the training they received was short and the content was weighted more heavily on “motivation and administration”, while the technical content of modern science-based farming systems was limited. These PPLs would train their remaining colleagues at district level, who in turn would train farmer group leaders - commonly known as the Training of Trainers (TOT) cascade approach. Obviously, TOT is only as good as the initial training which, as mentioned before, was weak in content and delivery. The result for IPDMIP is a significant investment which has resulted in sub-optimal training to PPLs and farmer group leaders
21. **Farmers & Farmer Field Schools (FFS).** There is wide variation in the approach and focus of farmer training across districts (kabupatens). A number of districts have designed their own farmer training modules according to what they think is best; some focus on organic agriculture, others on production, others on post-harvest linkages. However, the effectiveness of delivering the materials is questionable since farmers have limited education and literacy, and the PPLs have not been properly trained as

trainers.

22. The ultimate indicator of training quality and relevance is “farmer adoption rates” of technical messages delivered by PPLs in FFSs. The supervision team found that adoption rates are variable by subject and by location: e.g. (i) 100% for use of improved seed; (ii) 70 - 100% for use of organic fertilizers; (iii) 20% for organic pesticides; (iv) 49.5% for Jarjar Legowo. In short, adoption rates varied and training deficiencies created uncertainty for post project sustainability.
23. In general, the Project has been successful in providing better seeds to farmers. Improved seed has resulted in “improved quality, purple label in-bred seeds”, which are being provided to FFS where that purple label seed is grown and multiplied into extension grade seed for farmer use. Even so, there is mixed satisfaction because some farmers reported that seeds provided by the project did not meet their needs. The supervision team has also doubts about the sustainable use of improved seeds by beneficiary farmers because, even if most farmers are satisfied with what they have received, not all of them are willing to buy these seeds with their own resources and, in other cases, improved seeds are not available to be purchased.
24. In addition, the Project, with strong direction from Bappenas, has conducted a rice seed sector modernization study, which results are expected to be used as inputs for adjusting the strategic policy on food security Indonesia. The study focused on the intensive use of rice hybrid seeds for several reasons, namely: (i) the stagnancy of production of inbred rice while hybrid seed has high potential yield for increasing productivity; (ii) hybrid seeds were introduced 40 years ago in Indonesia but their use is very limited; (iii) the need to develop policies and strategies to promote the use of hybrid rice in order to strengthen food security in Indonesia. This study will be completed by the end of this year and two outputs have been produced through this study so far, namely: (i) profile of the use of hybrid rice in Indonesia; and (ii) a “concept” to guide the national hybrid rice seed modernization. Output 3, namely the national hybrid rice seed modernization roadmap is being finalized.
25. Meanwhile, NPIU (in collaboration with PT BioGene) is trialling “SL 168 hybrid” rice seed at Bone in South Sulawesi, and two other similar trials are also underway in West Java and South Sumatra with separate companies and different varieties. With potential for 25-40% (6T to 8.5T/ha) yield increases, hybrid rice offers significant farmer income opportunities with farmer gross margin increases of around 40%. While the supervision team sees this is a really big step forward in enhancing farmer livelihoods, and congratulates the NPIU on this excellent initiative, socialization of benefits, including cost benefit analysis is required at all levels of the rice sector, some MOA staff and some millers are cautious and even negative in their attitudes, based on experiences from previous MOA hybrid rice trials several years ago. In addition, MOA Directorate of Food Crops is pulling back from its support program for hybrid seeds. But farmers should not be denied access to hybrid seed and their benefits just based on negative bias from MOA and a few millers.
26. Soil testing has been well received and well socialised to farmers but there is still not a clear linkage between soil nutrition status and plant nutrition needs in PPL and farmer training. Locally produced organic fertilizers lack information on nutrient value. Some PPLs recognise this and requested the supervision team for laboratory analysis of locally-made organic fertilizer. Again, the science of plant nutrition is being overlooked in farmer training. PPLs point out that in reality organic fertilizer only accounts for 5-10% of total fertilizer application but in some districts gets a disproportionate amount of attention (again, lack of technical modules leaves individual districts making own choices and assumptions on training needs).
27. Jarjar Legowo (JL) rice planting system is widely considered by farmers to be “too labour intensive and therefore expensive”. The supervision mission saw precision planters used in one district where the District Agriculture staff had modified a machine for local conditions. Despite the additional costs, JL yield benefits are around plus 20%, which will outweigh the extra labour costs in a gross margin analysis. Again, there is a lack of PPL ability to provide basic cost benefit analysis support – another farmer training deficiency.
28. Mechanization has more potential outside Java where land plots are larger. The Mission noted significant increase in combine harvesters in South Sulawesi but not in East Java where harvest labourers have rioted against combines. Generally, farmers are quite wary of bank debt to invest in machinery. This despite there being rural labour shortages in most regions of the country.
29. Kostratani has been supported by the project to invest in audio-visual and ICT equipment. The Mission visited four extension offices and spoke to PPL representatives from 25 sub-district offices. All (100%) offices on Java and 6 offices in South Sulawesi (50%) having received a set of equipment consisting of: (i) PC computer; (ii) LCD projector; (iii) portable speaker; and (iv) Smart TV.
30. Given the implementation momentum that is evident in most districts, and despite the shortcomings outlined above, the project should continue delivering activities aimed at improving farm productivity until project completion in March 2023. Furthermore, the NPIU informed IFAD that MoA and a number of districts and provinces plan to continue implementing activities similar to those supported by IPDMIP beyond project completion, using their own resources. In order for MoA, provinces and districts to provide this support until project completion and beyond, it was agreed that motor bikes and vehicles will be procured with loan resources allocated at national level, for provinces and districts that have demonstrated good performance in providing extension services. These motor bikes and vehicles will be used specifically for extension activities by PPLs to continue providing extension services to small farmers. Custom specification for vehicle and motorbike may be applied and could be an option for this specific purposes. These procurement processes have to follow the procurement regulations in place for project implementation. The operations and maintenance costs will be covered by the corresponding districts and provinces.
31. **Subcomponent 4.2. Market Access**
32. Perhaps the greatest challenge faced by project activities in support to access to markets and financial services is the absence of commercial expertise and the limited understanding of MOA in terms of exploiting post-harvest investment opportunities to increase farmers’ income. There is neither the institutional umbrella nor external linkages for both sub-components in the AAHRD with the result that at district level, the activities and direction of value chain (VC) consultants and banks are less coordinated from NPIU. As a result, implementation outcomes will continue to be limited and fragmented, while at district level

some multi-stakeholder workshops are being undertaken. The Mission attended one such a workshop in Wajo district – attended by district agriculture staff, local bankers and one local rice miller but unfortunately no farmer groups with investment ideas.

33. Value Chain Mapping. The Mission notes that in some districts, Value Chain consultants have done a good job of preparing District level VC Mapping exercises according to NPIU guidelines. The VC Map is an ideal starting point in helping IPDMIP staff at all levels understand a value chain and provides a sound base from which to identify a wide range of VC investment opportunities. NPIU management notes however that MOA auditors have raised issues around VC investments needing to be clearly identified in the VC Map.
34. Strengthening value chains. Notwithstanding the conclusions of the value chain mappings, conversations with VC stakeholders and farmer groups (FGs) indicate that village level grain dryers would represent a crucial investment for farmers. In-village drying of rice would allow farmers to dry wet rice from 28% moisture and rapidly degrading in quality, to 14% moisture and able to be stored without deterioration. Additional investments supporting the driers could also include huskers as a first processing of paddy undertaken by farmers and some grain storage capacity. In addition, packaging and labeling equipment could be implemented at either the level of milling units or farmer association for improved branding and commercialization of rice.
35. There are any number of post-harvest value addition opportunities available to farmers, especially younger farmers. The Mission spoke with farmers groups, farmer association members, women entrepreneurs and rice millers - all of whom had good ideas for adding value to their raw material – generally the rice crop. These ideas included: (i) changing variety (to either hybrid or aromatic rice) and marketing own brand; (ii) aggregating farmer outputs to further enhance negotiating strength; (iii) negotiating direct contracts with rice millers, with premiums for high quality; and (iv) negotiating advance payments from the miller for seed and fertilizer inputs (this financial mechanism has been discussed with banks which have expressed their interest to pre-finance millers enabling them to pre-finance farmers for the purchase of their inputs). In terms of the post-harvest value addition opportunities, the Mission notes that farmers and villagers expressed a clear desire to begin their entrepreneurial journey with smaller investments at a level at which they were more comfortable. Unfortunately all these opportunities were not exploited by the project an, it was agreed that they would be implemented during the post-project period by a number of the districts using resources from their own budgets, aiming at promoting sustainability of the project supported activities; this will be reported in the PCR.
36. A key limiting factor to take advantage of post-harvest investment opportunities is the lack of entrepreneurial skills and confidence among both extension staff and farmers to actually approach a bank with a financing proposal and request its financing using the Kredit Usaha Rakyat (KUR) credit line, made available by the government to small farmers. NPIU's international Rural Finance and Value Chain Advisers have developed quality training materials for both financial literacy for families and farmer business schools (FBS) (in the same style as farmer field schools), but unfortunately, the quality training materials produced for both FBS and financial literacy have been simplified because it was considered too complicated so that with the changes made the training material became easier for farmers to understand and apply.
37. Despite the wealth of opportunities for farmers and entrepreneurs to engage in post-harvest investments, as said above, a clear impediment to these investments is the need for farmer business training. The supervision found evidence that FBS had not been implemented in either South Sulawesi or East Java, which limited the possibilities for farmers to access financing, including from KUR funds administered directly by the banks. KUR finance comes with clear requirements for borrowers to demonstrate an ability to manage cash flow and repay loans – i.e. financial literacy training, and unfortunately most IPDMIP beneficiaries have not yet the opportunity to access this training despite of the fact that training materials were developed for this purpose.
38. In summary, unless the prerequisite business training is completed, agreements are reached on improved delivery of business training, business proposals are identified, prepared and submitted for funding consideration, there is limited prospect for widespread, successful and sustainable Post-Harvest investment. Given the decision not to extend IPDMIP beyond March, 2023, and given the above findings, the supervision team recommends the immediate closure of market access activities.
39. **Subcomponent 4.3. Access to finance**
40. Originally, Financial Literacy Education (FLE) training was designed as a two-level training course with (a) basic level comprising of 3 modules: financial sector presentation, crop production financing, and household planning, budgeting and financing, and (b) advanced level comprising of 2 modules: value chain financial instruments, and savings and credit groups/activities.
41. All PPLs and field staff (around 1,100 people) have received basic FLE training, representing 100% of the target. Additionally, 6,520 heads of FGs (including in this figure their spouses) have also received basic FLE, what represents 37% of the target (target = 17,600). Furthermore, approximately 10,000 other farmers, including members of FGs and their spouses, have also received basic FLE, representing 4.7% of 211,200 that is the project target [\[1\]](#).
42. Targeting criteria have been followed for the selection of farmers that have received basic FLE, but the outreach is well below expectations. Furthermore, the FLE training modules have been shortened compared to their original design, what affects the quality and usefulness of the training, because only good quality FLE can facilitate farmers' access to finance and to improved investments.
43. Advanced FLE training was expected to target mostly heads of FGs and progressive farmers (i.e., around 35,200 people). The supervision team didn't find solid evidence demonstrating that the advanced FLE training was provided at a considerable scale.
44. Some FGs reported that they have received basic and advanced FLE training less than in five days, what is insufficient compared to the 40 hours of training that are estimated necessary to deliver both training levels for practice and exercises. Training delivery also lacks standardization; in some districts farmers received both basic and advanced levels in 2-3 days, while other districts only provided the module on crop financing, with relevant supporting documentation (booklets and videos) not being used during training. These shortcomings resulted in PPLs and heads of FGs lacking a complete understanding of the FLE

subjects and confidence to train farmers and households.

45. To ensure greater access to financing and women empowerment, a family team approach to training was adopted, meaning that both spouses should access the FLE training. This was the case for the basic FLE, where the heads of FGs have received the basic FLE jointly with their spouses.
46. KUR, as an answer to lack of access to credit for farmers, is necessary but not sufficient. KUR only applies after a financial institution has approved a loan. Main reasons for financial institutions to reject a loan request include lack of credibility of the borrower, indebtedness, project with limited or no profitability, absence of proper financial documents to demonstrate borrower's capacity to pay back the loan, and insufficient capacity of borrower to manage financial resources. Therefore, FLE training is widely regarded by financial institutions as the first critical step towards financial inclusion and a tool enabling a larger number of poorer farmers and households to access credit and other financial services and ultimately to become bankable.
47. There has also not been a systematic study of FLE effectiveness. However, anecdotal evidence shows that a few loans have been extended by banks to farmers not previously considered bankable after they received FLE training. In addition, discussions with farmers have confirmed their interest in being provided with the FLE training emphasizing the level of engagement of the target group. Feedback from trained farmers is encouraging, although trained PPLs and heads of FGs suggest that the courses are too short to enable them to train farmers, and farmers also mentioned the too short duration and lack of practical exercises for them to fully to be familiarized with and own the content of the training.
48. Given the situation outlined above, the supervision team recommends continue delivering the FLE training until project completion in March 2023, and if possible to intensify it, aiming at enhancing farmers' financial skills, in order for them to access KUR funds via banks. The supervision team also recommends to discontinue all other activities under this subcomponent.
49. [\[1\]](#) Details of calculations are as follows:
 - **Total farmers:** 1,100 villages x 8 FGs per village = 8,800 FGs x 25 farmers per FG = 220,000 farmers in all villages and FGs.
 - **Basic FLE for heads of FGs and their spouses:** 1,100 villages x 8 heads of FGs per village = 8,800 x 2 (spouse) = 17,600 (target). Achieved: 6,520 = 37% of the target.
 - **Basic FLE for 50% of the other members of FGs:** 1,100 villages x 8 FGs per village x 12 farmers per FG x 2 (spouses) = 211,200 (target). Achieved: 10,000 = 4.73% of the target.
 - **Advanced FLE for heads of FGs + 3 progressive farmers:** 1,100 villages x 8 FGs per village x 4 farmers in each FG = 35,200 (target).

Agreed Action	Responsibility	Agreed Date
Undertake Value Chain mappings Undertake rice VC mappings in order to adequately plan for VC support activities in 2020	NPIU and Dinas MoA	12/2019
Sub-Component 4.2 Undertake VC trainings in concomitance of FFS sessions Undertake VC trainings in concomitance of FFS sessions	NPIU/DPIU	01/2020
Sub-component 4.1 Intensifying farming systems activities (i) train all FEW in targeted sub-districts (not only FEW engaged with IPDMIP villages. (ii) double number of annual FFS training in targeted villages, to target more FG members	NPIU and DPIUs	04/2020
Financial literacy trainings Provide quality financial literacy ToT for the first 270 FEW and to the first 4,320 heads of FG and households	NPIU and DPIU	12/2020
Ensure sufficient budget is allocated for the implementation of the value chain and financial access activities Include sufficient budget for the implementation of VC and FL activities in the 2021 AWPB and on-granting allocations	MoA – NPIU and DPIUs	12/2020
Ensure sufficient budget for the On-granting officers for 2021 Include enough budget for the full 12 months of 2021 for the on-granting officers.	NPIU	12/2020

<p>Recruitment of three Regional Procurement Officers</p> <p>Recruitment of three Regional Procurement Officers to coordinate and responsible for procurement at PPIU & DPIU.</p>	NPIU and consultants	01/2021
<p>Mid-line study to feed into MTR</p> <p>The NPIU should commission a mid-line study to feed into the MTR analysis. The study should include data on, but not limited to: on (i) type and terms of land use title of FFS farmers (full ownership, lease, rent etc); (ii) cropping (land use) intensity; (iii) a qualitative analysis on the impact of the financial literacy trainings; (iv) effective outreach</p>	NPIU	02/2021
<p>Procurement Manual</p> <p>Translate and disseminate the procurement manual in Bahasa Indonesia and provide trainings to sub-national procurement officers</p>	NPIU	02/2021
<p>Mapping of the irrigation and agricultural activities</p> <p>The NPIU should generate a map of the areas where the irrigation rehabilitation areas and overlap with the agriculture support activities. This can be done with support from MoPWH and Bappenas/KMC</p>	NPIU/NPMU/KMC	03/2021
<p>IFR submission</p> <p>To submit quarterly IFR</p>	Ministry of Agriculture & Min of Public Work	03/2021
<p>Audit report 2019</p> <p>To follow up the findings and refund the ineligible expenditure to project DAs</p>	Ministry of Agriculture & Bappenas	03/2021
<p>GOI and Beneficiary contribution</p> <p>To include the in-kind contribution from the government and contribution from the beneficiaries in the project report</p>	Ministry of Agriculture	03/2021
<p>Extension request</p> <p>The NPIU should request a 2 year extension to take into account the delays caused by the COVID-19 pandemic</p>	NPIU	04/2021
<p>support to farm production and productivity</p> <p>Continue to deliver support to farm production and productivity until March 2023 using loan resources allocated to national budget only, because provinces and districts will not be able to allocate their budget in 2023 under on-granting.</p>	NPIU	03/2023
<p>Activities on Market Access (Subcomponent 4.2)</p> <p>Activities under this sub-component will be implemented until 31 March 2023 using only resources from project national budget. Specifically, it was agreed that integrated business meetings, with participation of diverse stakeholders, will take place at district level to support project beneficiaries' market access and access to financing.</p>	NPIU	03/2023
<p>activities on FLE training</p> <p>Continue activities on FLE training across as many districts as possible until Project completion in March 2023, and discontinue all other activities under this subcomponent.</p>	NPIU	03/2023

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 2

Previous rating: 3

Justification of rating

50. Training & extension mostly good but did not meet targets.

Log-Frame Analysis & Main Issues of Effectiveness

51. The project effectiveness is overall rated as moderately unsatisfactory, although there are differences between subcomponents: Subcomponent 1 Farming Systems Development is rated as moderately satisfactory (4), while subcomponents 2 and 3 on Market Access and Access to Finance are rated as unsatisfactory (2).
52. Regarding farming systems, on the positive side can be mentioned the provision of extension services, the Farmer Field Schools, the incorporation of new productive techniques, the provision of quality seeds, the soil testing and access to mechanization, all of which have had positive impact on production volumes, yields and income, although with important differences across provinces and districts. On the other hand, the uneven quality of the training materials and of the training delivery itself, generate reasonable doubts about the project effectiveness, while the unsatisfactory performance of market access and access to finance activities show that, unfortunately, the project didn't succeed to materialize opportunities and potentials for larger impact.

Agreed Action	Responsibility	Agreed Date
Proposals for project restructuring Develop a proposal for project restructuring based on the agreements presented in this AM, including new activities, budgets and implementation arrangements.	NPIU	09/2021
Request a project extension	MoA, Bappenas and MoF	10/2021
Field a restructuring mission	IFAD and MoA	11/2021

Development Focus

Targeting and Outreach

Rating: 3

Previous rating: 4

Justification of rating

53. Below target. <10% of HH target. Nothing on targeting strategy.

Main issues

54. Despite all the issues described in the section on M&E below, the supervision team was able to establish the number of beneficiaries that have received services from IPDMIP since the beginning of the project. The total outreach number is 81,322 HHs totalling 111,916 persons - 29% of whom are women and 31% are youth. The total outreach is far behind the targets set at project design, it has been uneven by sub-components and can be broadly described as: subcomponent 4.1 on farming systems – moderately satisfactory; 4.2 on market access – unsatisfactory; 4.3 on access to finance - moderately unsatisfactory, where even if the outreach is low, the gender targeting is positive.

55. IPDMIP outreach

Households	< 40 years		≥ 40 Years		Total	
Men as Head of HH	20.919	26%	52.276	64%	73.195	90%
Women as Head of HH	3.101	4%	5.026	6%	8.127	10%
Total	24.020	30%	57.302	70%	81.322	100%

Persons	< 40 years		≥ 40 Years		Total	

Men	23.321	21%	55.797	50%	79.118	71%
Women	11.480	10%	21.318	19%	32.798	29%
Grand Total	34.801	31%	77.115	69%	111.916	100%

Agreed Action	Responsibility	Agreed Date
Develop specific targeting strategy for each sub-component and/or activities (only in case of approved project extension)	NPIU	12/2021
Ensure the collection and analysis of disaggregated data by sex and age	NPIU	

Gender equality & women's participation

Rating: 3

Previous rating: 4

Justification of rating

56. 30% are women, but not so good in WUA, poor monitoring, no mention of GEWE.

Main issues

57. Gender equality and women's participation ration is rated as moderately satisfactory. 30% of participants in FFS have been women and, overall, the project has shown a good impact on women empowerment, helping them to feel confident to make decisions and equally speak up their ideas in their communities. The project has also established positive environments for women to increase their knowledge on crop production.
58. Unfortunately, the situation is different regarding water users associations, where women's and poor farmers' participation is weak. Similarly, there is no clear information in terms of grievance redress mechanism (GRM) and there are potential risks in water availability both in wet or dry season because of water management in irrigation area is weak. The Ministry of Public Works applied practical guidelines on social safeguards in irrigation areas (IPDMIP EHS Guidelines) which include water users management, although they were not fully adopted by the project.
59. The farmer business schools, implemented in few districts, has encouraged women and youth to start small business and entrepreneur training in selling rice, nursery production, organic fertilizer production and food snack business. Even though it has reached only 180 young farmers, entrepreneurial training for millennials has shown good impact for their connection with farmers, and some of them started to provide services to farmer groups on marketing and/or branding. This information shows that the project has potential to increase the outreach and benefit more women and young population.
60. Financial literacy, under the access to finance sub-component, is designed to target 50% of women and 50% of men by applying the family approach. This activity has shown a good impact in terms of equitable distribution of households both men and women in managing crops and household financing. The big issues in this case are the very low outreach and the uneven quality of the training.
61. Even though gender equity and women's participation is rated moderately satisfactory, NPIU commitment on GESI could have been higher. Gender and youth participation have not been properly reported at national, provincial and district levels, so that disaggregated information on project beneficiaries by sex and age needs to be included in the MIS dashboard with reliable data.

Agricultural Productivity

Rating: 5

Previous rating: 5

Justification of rating

62. n/a

Main issues

63. Based on the desk and field information obtained during the supervision, and on the mid-line survey (MLS) and the adoption study (AS) prepared in 2021 from the project Mid-Term Review (MTR), agricultural productivity is rated as satisfactory. There is evidence of increases in yields attributed to extension activities and subsequent adoption of new production techniques, although complementary infrastructure work is lagging behind.
64. The positive impact is, however, differentiated in different regions. Paddy yields remained steady in Java but increased by 22% outside Java, with increases ranging from 3% in South Sumatra to 49% in Central Sulawesi. According to the midline survey, 73.2% of respondents have reported yield increases of 10% or more and 55.5% of respondents reporting increases in yields of at least 30%.

Nutrition	Rating: N/A	
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Adaptation to Climate Change	Rating: 4	Previous rating: 4
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Justification of rating

65. n/a

Main issues

66. Adaptation to climate change is rated moderately satisfactory thanks to: (i) the inclusion of related topics in the FFS, mainly focused on more efficient water management; (ii) the increase in rice yields, what reduces the demand for water and also the pressure to incorporate new areas to rice production; and (iii) although it has happened in few cases, the complementarity between project activities implemented by MoA on agricultural production and those implemented by the Ministry of Public Works, namely rehabilitation of irrigation canals, have contributed to a better use of water and to manage the changes in rainfall frequency and predictability.

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 5	Previous rating: 5
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Justification of rating

67. n/a

Main issues

68. The institutions and policy engagement is rated as satisfactory, mainly due to the fact that the project has successfully influenced relevant policies through the production of evidence in policy processes. In fact the Knowledge Management Centre (KMC), funded by IFAD through the grant portion of IPDMIP, has actively participated in the drafting of the National Medium Term Development Plan (RPJMN), and prepared seven thematic studies and policy papers on issues such as farmer participation in Water User Associations (WUA), single irrigation management, the impact of irrigation infrastructure on paddy productivity, and the feasibility of micro-hydro infrastructure. The KMC also commissioned a book on agriculture in the lowlands and swamp areas.

Partnership-building	Rating: 2	Previous rating: 4
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Justification of rating

69. n/a

Main issues

70. There have been opportunities for partnership building under sub-components 4.2 and 4.3 on market access and access to finance, but unfortunately little or no progress has been realized at the time of the supervision. In 4.2, there was potential to enhance value chain with partnerships between farmer groups and value chain players such as rice millers; indeed, the supervision team met with a FG who had formed an alliance with a rice miller to supply quality rice return for cash contributions to finance seasonal crop inputs, but unfortunately cases like this one are very few and have not been reported. In 4.3, partnerships with financial institutions is extremely limited. While the NPIU has signed several Memorandum of Understanding with national and regional banks, there has been no follow-up from either the banks and or the NPIU. Banks are interested to participate and extend loans to IPDMIP target groups provided that FLE training is correctly delivered and some refresher training is provided to their staff on agriculture financing. To facilitate farmers and households' access to loans, financial institutions request workshops for their staff focusing on agriculture financing (based on crop production cycles and related cash-flow cycles) and associated risks. This would eventually lead to an adaptation of loans current terms and conditions by financial institutions to better meet the cashflow needs and constraints of farmers.

Human and Social Capital and Empowerment	Rating: 3	Previous rating: 4
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Justification of rating

71. n/a

Main issues

72. Human and Social Capital and Empowerment is overall rated as moderately unsatisfactory. Big efforts have been made to strengthen the human capital through agricultural training, FFS and other activities directly related to on-farm production, although the already mentioned uneven quality of the training that has been provided doesn't allow to be very optimistic on its impact. Furthermore, even if quality materials for market access were prepared, they were not used at all. Finally, good training materials on access to finance were also prepared, but unfortunately only around 15% of farmers were trained on this subject and in some cases were not used those training materials.

73. FFS contributed to strengthen social capital, although it was not one of its objectives, but little was done beyond that. Regarding empowerment, something relevant to mention is the positive impact of FLE and FFS on women empowerment although, once

again, the limited outreach also reduced the potential impact on women empowerment.

Quality of Project Target Group Engagement and Feedback	Rating: 3	Previous rating: 4
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Justification of rating

74. n/a

Main issues

75. Overall the project shows strong farmers engagement and participation in FFS, what is a core project activity. Despite the uneven and in several cases poor quality and limited delivery of the training courses, farmers have understood the need for such trainings and have responded enthusiastically as farmers (men and women) understand the benefits of these trainings. For many of them it is the first exposure to technical farming systems and financial training (especially FLE). The same response and experience applies to the Agriculture Extension Officers (PPLs), who however have expressed frustration with quality of training (“not enough technical detail in the training provided by the Agriculture Training Centre - ATC”, “it was too simplistic”), but still keep engaged with an appetite to learn. Women have responded well to training under 4.1 and 4.3. The impact of farmer business school in some districts has encouraged women and youth to start small business and entrepreneur training in selling rice, nursery production, organic fertilizer production or food snack business. Unfortunately, engagement for all target beneficiaries has been limited due to the two overarching challenges of project management and quality of the training.

Responsiveness of Service Providers	Rating: 4	Previous rating: 4
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Justification of rating

76. n/a

Main issues

77. The main providers of services to the project beneficiaries are the district governments, through their Agriculture Dinas/secretariats, where the Agriculture Extension Officers (PPLs) play a key role. The commitment to the project and the responsiveness of the PPLs is good across all districts, in several cases can be rated as very good and usually they consider the project a golden opportunity to enhance the quality and expand the outreach of the extension and training services they provide to farmers in their jurisdictions. The support and commitment of the District authorities is uneven, what is reflected in the budget allocated to the project by each district and has a direct influence on the effective capacity PPLs have to deliver their services.

78. Another important service providers are the banks, as potential credit sources using resources from the public credit programme KUR. Some banks are providing loans to project beneficiaries and consider the Financial Literacy Education (FLE) training a very favourable point when evaluating credit requests, what shows that FLE training is key to unlock financial resources from financial institutions. While there are several success stories in this regard, unfortunately the very limited outreach of the FLE training provided by the project resulted in a reduced number of beneficiaries accessing financial services.

Environment and Natural Resource Management	Rating: 4	Previous rating: 4
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Justification of rating

79. n/a

Main issues

80. The environment and natural resource management is rated as moderately satisfactory. Through the introduction of soil testing, IPDMIP farmers have reduced the use of fertilizer, what was verified during the supervision and previously also at MTR. According to the mid line survey data, farmers benefitting from IPDMIP training and soil testing kits have reduced the use of urea (nitrogen) by 16%, the use of SP36 (phosphate) by 45%, the use of KCL (potassium) by 38% and the use of NPK by 23%. This has positive economic and environmental impact, because reducing the use of fertilizers reduces the production costs and increases the net profit, and also reduces the groundwater pollution and the soil degradation.

81. The inclusion of sustainable water management practices in the FFS curricula also contributes to sustainable natural resources management. The inclusion of the rehabilitation of tertiary canals among the project activities/investments could have been a great boost in this regard but, due to IFAD decision not to extend the project duration and not to include new activities, this potential will not be materialized.

Exit Strategy	Rating: 2	Previous rating: 4
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Justification of rating

82. n/a

Main issues

83. In light of the decision not to extend the project duration and to complete IPDMIP activities in March 2023, and that at the time of

the Supervision there has been very limited advances in the preparation of an exit strategy, project management needs to develop an exit strategy as a matter of urgency, although the supervision team is not optimistic on whether it will happen or not, and to what extent this exit strategy would be as sound as needed. Anyway, actions towards sustainability of the project results should be focused mainly on continuing the provision of agricultural extension services, providing financial literacy training, and making agreements with banks as financial services providers.

Agreed Action	Responsibility	Agreed Date
Draft a project level exit strategy	NPIU and IFAD	12/2021

Potential for Scaling-up **Rating: 3** **Previous rating: 4**

Justification of rating

84. n/a

Main issues

85. The potential for scaling-up is rated moderately unsatisfactory. The positive project features and results can constitute the basis for scaling-up; this is the case of the provision of extension services, the FFS and the subject included in their curricula, the development of training materials for FLE training and for market access, among others. However, the lack of an exit strategy, the very short time remaining until project closure, and the challenges MoA faces to successfully tackle key topics like access to financial services and to markets, make the supervision team somehow sceptical on the effective potential for scaling-up.

c. Project Management

Quality of Project Management **Rating: 3** **Previous rating: 4**

Justification of rating

86. n/a

Main issues

- 87. The supervision would have scored this lower but felt the need to recognise the efforts of the NPIU management team. Implementation management has followed a decentralised model between national level MOA Directorate of AAEHRD and the 74 participating district governments, with support from 15 provinces. Given the geographic scope of IPDMIP and the quantum of financial resources available to the project (EUR 93.15 million, approximately USD 103 million), managing IPDMIP is a significant task which has been further exacerbated by the Covid pandemic, procurement delays and the introduction of an on-granting mechanism using retroactive financing at district government level.
- 88. Nationally, IPDMIP has been delivered by the NPIU, in turn responsible to the Director of AAEHRD in the MOA senior management structure. Since IPDMIP start-up, there has been a number of personnel changes in both project director and project manager – with all the attendant challenges that follow such changes. IPDMIP delivery has been managed on a day-to-day basis by the NPIU under the leadership of the Project Manager and Deputy Project Manager – both of whom are experienced and dedicated professionals. They are supported by 2 full time and 27 part time staff and, until December, 2021, a team of international implementation support consultants which contracts were terminated in December 2021. There was limited interactions between the international consultants and the NPIU staff, and NPIU staffing has not taken into consideration the need of staff related to activities that are not part of the core business of the MoA such as access to finance, strengthening value chains and access to markets. The absence of such staff and the little support of MoA senior management to these activities has drastically slowed down the implementation of related activities and knowledge transfer.
- 89. The staffing structure suffered continuous deficiencies on key areas such as financial management, procurement and monitoring and evaluation, what has heavily affected the NPIU and the project performance. Along project implementation, most of time the NPIU didn't count with senior professionals in these areas and, when they were appointed, the turnover was very frequent not allowing for continuity. Furthermore, training, a fundamental area for the project, has also presented severe staffing challenges as the professionals appointed in this area don't have all necessary skills and the openness to modern training methodologies needed for a successful project performance.
- 90. The annual allocation of financial resources (both GOI and IFAD loan finance) to implement IPDMIP is undertaken by the Directorate of AAEHRD on the advice of NPIU management. However, there has been increasingly diminishing coherence between the approved AWPB and the NPIU submissions – undermining implementation plans and making NPIU's job unnecessarily difficult. In addition, constant budget revisions further complicate an already difficult management task.

Knowledge Management **Rating: 2** **Previous rating: 4**

Justification of rating

91. n/a

Main issues

Based on the observation of the implementation of M&F system where human resources and data management are huge

92. Based on the observation of the implementation of M&E system, where human resources and data management are major issues, it is clear that the project does not have either a plan or the human resources to do a proper job in knowledge management. It is a shame that much good progress and learnings are happening on the ground but there are no resources available to invest in recording these experiences for future references.

Agreed Action	Responsibility	Agreed Date
Knowledge Management Product The project need to start generating lessons learned and best practices and start documenting the project experience for sharing purposes. These documentation should be shared regularly to the main stakeholders (BAPPENAS, MoF, MoA).	NPIU, NPMU, KMC	03/2020
Coordination with KMC on knowledge product development and policy dialogue event 1. To work closely with KMC and share regularly any findings, lessons and good practices from the field, where KMC can support the development of KM product and the dissemination to wider audience. 2. To organise any kind of policy dialogue event based on evidence and findings from the field.	NPIU, KMC	12/2020
Strengthen the use of ICT and linkages with the KMC Propose and budget for additional Kostratani support	NPIU	09/2021
Strengthen the use of ICT and linkages with the KMC Digitalize all training material to allow for online/digital training delivery	NPIU	12/2021
Strengthen the use of ICT and linkages with the KMC Organise regular meetings and exchanges on ICT with the KMC	NPIU and KMC	

Value for Money **Rating: 3** **Previous rating: 4**

Justification of rating

93. n/a

Coherence between AWPB and Implementation **Rating: 3** **Previous rating: 3**

Justification of rating

94. n/a

AWPB Inputs and Outputs Review and Implementation Progress

95. From AWPB 2022 of IDR 158 billion (EUR 10.5 million), the project only managed to secure an initial budget (DIPA) allocation of IDR 34 billion (EUR 2.3 million) for implementation at the NPIU level at the beginning of the year. This was largely due to Covid related budget refocusing. The revision to top up the allocation to IDR 91.28 billion (EUR 6.1 million) was only completed in July 2022. As there was a delay in budget top-up, some training and procurement activities were also delayed until August-September. At province and district levels, the budget allocation can be secured by the project is only around 70%-90% of the amount in AWPB. The difference between AWPB and final budget allocation at the province and district is mainly affected by the local government's fiscal capacity.

Performance of M&E System **Rating: 2** **Previous rating: 4**

Justification of rating

96. n/a

M&E System Review

97. The supervision team observed the M&E system in the field and has reviewed the whole dataset of the beneficiaries extracted from the MIS. The extraction of meaningful data was a painful process and after data cleaning, particularly avoiding double counting, there was a reduction of total persons reached from 179,808 reported in 2021 to 111,916 in 2022 – 38% less. The number of HHs reached up to date is 81.322 HHs. In short, a dysfunctional M&E system due mainly to NPIU staff shortages.

98. The M&E system is working quite well in so far as collection of quantitative data from the ground goes - although some

challenges are evident. The issue is the sheer volume of data being collected and insufficient qualified staff or systems to make best use of that data. The IPDMIP field teams are provided with forms to be filled in manually (e.g. participants attendance list), inputted to an excel spreadsheet, and then uploaded to the MIS. From the MIS they can then generate a simple but inadequate report. Each district has been able to show some reports starting from activity reports, individual monthly reports, and annual progress report. DPIU and consultants also conduct regular monthly meetings to discuss progress and next step following the AWPB. Coordination meetings are also conducted with NPIU although these are not held regularly.

99. Despite the good progress outlined above, based on evaluation team observations and discussion with M&E officers, field extension staff, and the district M&E facilitator, the most important findings are: (i) The NPIU M&E specialist position remains vacant since last year and M&E officer is often assigned to other tasks e.g. Financial Management tasks. This in turn clearly resulted in an inability to provide timely raw data for this supervision mission. The mission was unable to validate all information; (ii) The M&E section in the PIM only covers general aspects of M&E but there is not enough detail to guide the staff in provision of detailed M&E planning. In the M&E plan, for each indicator, the project should have clear definition/description, the target, form and MIS use, timeline, and the person in charge (PIC) for data collection, verification, analysis and reporting; (iii) no proper M&E training has been done which means the project team doesn't have consistent knowledge, skill sets or working mechanism; (iv) the MIS is simply not strong enough to manage the huge amount of data e.g. it is unable to produce simple dashboards which would provide an overall snapshot picture from all districts. Instead data analysis is being done manually in a situation where there is no time and insufficient human resources is available to do a proper job.
100. Thus while data collection and input seem to work well, in reality the M&E system is manual and clunky. The project cannot manage its data because: (i) there are insufficient guidelines and guidance; (ii) limited human resources availability; and (iii) a weak MIS. The project is simply unable to properly manage the data it is generating and as a result, NPIU management can only use the data collected for reporting the physical progress.
101. M&E System Review. Some of the positive findings from the field include: (i) data collection and input is working well; (ii) data disaggregation is also being managed to monitor the participation of women and youth; (iii) equipment provided by the project in form of computer, in-focus and screen for BPP is being used specifically for trainings and data input; and (iv) some districts are also using ICT such as WhatsApp, Zoom, and Instagram, to communicate and exchange information
102. One of the critical findings from the discussion with the field team is the lack of clarity around work processes in respect of a number of aspects. For example, the distribution of the technical guidelines from NPIU to the DPIU is by email. However, in Madiun, the M&E district facilitator, a consultant hired by the DPIU, claimed to have never received any technical guidelines, while in nearby Ngawi, the technical guideline is available. Another example is that in Madiun, the M&E district facilitator is the one who compiled and verified the data to then upload it to the MIS while in Ngawi, it is the field extensions. These issues arose due to both the unavailability of the M&E specialist for almost a year and lack of proper M&E training being conducted. In addition, unclear working mechanisms were identified during the 2021 MTR mission last year when the roles of the national M&E specialist and M&E officer were not clear. Other finding is also that the data is not being updated on regular basis. The field team will just update the data whenever they can and whenever the NPIU ask for it.
103. Other unfortunate thing is the fact that so much progress is happening on the ground but so little information being reported to the NPIU. The current M&E system doesn't accommodate the importance of aligning quantitative and qualitative information to support the project to have a learning mechanism in every level. Report template were also not available in Madiun while Ngawi just received it couple of months ago, therefore each district has their own report format. No-one is compiling the information. Regular meeting is actually happening in the district level between DPIU and the consultants as well as between DPIU and NPIU to discuss progress and budget absorption but clearly there is no mechanism on how all of this information could be documented.
104. Since quantitative data preparation and management has mostly been done by the supervision team M&E Specialist, for the coming months until March 2023, the mission recommends continuous updating of beneficiary numbers data. It would also be valuable for the project to support this quantitative data with qualitative information. This could be done by DPIU with support and direction from NPIU to record what worked successfully. The project could turn that into success stories and case studies.

Agreed Action	Responsibility	Agreed Date
Deploy ICT equipment to the FEW Deploy ICT equipment to the FEW to enable direct transmission of technical and financial information to FEWs; and to improve.	NPIU and DPIU	03/2020
Hire M&E officer/assistant at DPIU/PPIU To hire dedicated person to be placed at DPIU/PPIU to support data collection, verification and reporting	NPIU/DPIU	12/2020
4) Accelerate the collection of information needed Accelerate the collection of information needed to report on project outreach and results by activity, gender and district, in order to be ready to prepare the Project Completion Report.	NPIU	02/2023
Support quantitative data Support quantitative data with qualitative information for preparing "success stories".	DPIU with NPIU	02/2023

Social, Environment, and Climate Standards requirements

Rating: 3

Previous rating: 4

Justification of rating

105.n/a

d. Financial Management & Execution

Acceptable Disbursement Rate

Rating: 2.0

Previous rating: 2

Justification of rating

106.1. The disbursement is rated unsatisfactory at 36.63% at the total financing of EUR 94.56 million. The loan disbursement rate is low at EUR 33.3 million out of EUR 93.15 million, while grant is almost fully disbursed at EUR 1.37 million or 97% of the financing. The project is in its last year of implementation and will close on September 30, 2023. The low disbursement on the loan can be attributed to the slow progress of on-granting mechanism, especially during the initial years of implementation because of delay in budgeting process at province and district level as well as during COVID with budget reallocated to the health sector. The delay in some key procurement packages also affects the disbursement progress.

Main issues

1. The cumulative expenditures amount to EUR 28.5 million as of August 31, 2022 under loan financing, while grant's cumulative expenditure is EUR 1.1 million. In the year 2021, from an approved AWPB of EUR 15.5 million, the achievement is only at EUR 11.5 million (or 74% of the total AWPB). The low realization is mainly found at province and district level with only 52% and 59% of AWPB 2021 spent, respectively. In the year 2022, from an approved AWPB of EUR 21.3 million, only EUR 5.8 million (27%) have been spent at all implementing units. Under the grant, the expenditures amount to EUR 127,900 up to August 31, 2022 from the total 2022 allocation of EUR 278,888 (46%).
2. The disbursement and expenditure rates are affected by the slow implementation of the on-granting mechanism, delay in AWPB and budget document (DIPA) preparation and revision, and less budget allocation at province and district level than the approved AWPB resulting in some activities not being timely carried out.

Fiduciary aspects

Quality of Financial Management

Rating: 3

Previous rating: 3

Justification of rating

107. The quality of FM is rated as being "moderately unsatisfactory". The FM performance has been affected by vacant positions of FM Specialist and FM Assistant for more over than a year. This negatively affected the quality of financial reporting (including delay on submission of IFR) and internal control. The expenditure figure is not reconciled and consistent among report/document. The verification performance on consultant firms' invoice is weak as inadequate supporting documents are found during the transaction review. In addition, in the IFR Q3 2022, EUR 1,540,772.11 is noted as an unreconciled amount against the IFAD record. Some finding from previous mission of inconsistent figures in component 4.3 "Improved Irrigation System Management" is also still identified during this mission.

Main issues

1. **Organization and Staffing.** There are four government officers working on FM aspect at NPIU level. However, as FM

specialist and assistant have been vacant since July 2021 due to lack of qualified candidates, some FM areas, mainly on reporting, were neglected. The new FM consultant position is still vacant. The mission also noted several On granting Officers (OGOs) serve more than five implementing units, that may lead to work overload during the reimbursement period.

2. IPDMIP has never received the resources that were necessary to finance activities planned in the AWPB. The initial allocation and the subsequent top-ups were calculated without proper reference to the process of activities implementation. This resulted in a number of cases of stop-go implementation during a particular year. On-granting was poorly explained by and implemented resulting in further delays at province and district levels. IPDMIP resources allocations were also affected by the COVID and the budget refocusing decided by the Gol.
3. **Funds flow & Disbursement Arrangements.** The project submitted WA#10 in September 2022 for replenishment of EUR 4.5 million (expenditures of January-July 2022). The project has not fully followed up the unreconciled amount in the DA of the last IFR with the amount of EUR 24,414.23. This amount is identified as "Return of Expenditure and Audit Finding for FY 2018" which is carried over from previous period. The visit to South Sulawesi noted some data of expenditures progress are not properly reconciled between central, provincial, and district level. There is also a delay in expenditure realization as the on-granting progress is still around 20% of budget allocation by mid-August 2022 and this amount has yet been submitted to MOF reimbursement.
4. **Internal Controls.** The mission noted some weaknesses in project payment verification process, such as, inadequate supporting documents and significant use of informal receipts for payment claim by consulting firm, mainly at the central level. One payment made to PT Amurwa (PMC Regional 4) with the amount of IDR 630 million is only supported with supporting documents totalling IDR 67 million. This was also resulted from the contract payment modality that is set as lumpsum, instead of time-based. The potential work overload considering significant number of transactions may negatively impact the quality of verification. The project needs to ensure that receipts from third parties, logbook and timesheet, and contracts are included as part of the overall supporting documents. All supporting documents must be provided, otherwise, the expenditures will be declared as ineligible.
5. **Accounting and Financial Reporting.** The quality and timeliness of financial reports have been affected by the fact that the FM consultant's position is vacant. Given the need to prepare for IPDMIP closure, the appointment of a well-qualified person is now urgent. The IFR Q1 and Q2 2022 were submitted with two-week delay and still use the previous format without cash forecast. The IFR Q3 2022 is finally submitted with three-week delay from the due date. There is a discrepancy of USD 1.54 million between expenditures reported in IFAD and project's record in IFR Q3. This issue is consistent with a huge discrepancy of cumulative expenditure as presented in IFR Q2 2022 (EUR 28.7 million for status up to June 30, 2022) and the loan status file EUR 26.6 million for status up to August 31, 2022). The mission still noted issue from MTR that the expenditures report includes cumulative expenditures of EUR 348,893 in 2017-2019 under component 4.3 "Improved Irrigation System Management" of ADB loan that should be under IFAD's management support component.
6. In overall, the audit report 2021 for IPDMIP is acceptable both for Loan and Grant sides. However, it is worth to note the following: 1) The unaudited FS 2021 have not been provided to IFAD; 2) The audit for Loan was extended and was delivered on 29 July 2022; 3) The both audited FS 2021 (loan and grant) lack Statement of fixed assets, Statement of cash receipts and payments, Comparison of Budget & Actual amounts; 4) ML's follow up table for Loan (appendix 7) was prepared in local language and could not be read.

Agreed Action	Responsibility	Agreed Date
To follow up the findings and refund the ineligible expenditure to project DAs Update from MTR July 2021: The findings from 2019 still have to be clarified to BPKP. The project informed that IE of IDR 119,519,000 has been refunded to state treasury but not yet to the DA. This should also wait for the documents supporting this claim.	Ministry of Agriculture & Bappenas	01/2023
FM Staffing Finalize recruitment of FM consultant or an accounting firm if necessary to prepare financial report for project completion and closing	NPMU	01/2023
IE 2019-2021 Solve the ineligibles raised in the year 2019, 2020, 2021 by refunding to DA, in coordination with BPKP and MOF Cash Management. The project to report to IFAD on the IE 2019 and 2020 progress based on the letter sent to MOF on June 27, 2022	NPMU	01/2023
Expenditures reporting Prepare valid data on cumulative expenditures as of September 30, 2022; the project should inform the reason for the unreconciled amount of EUR 1.54 million in DA reconciliation provided in the IFR and under component 4.3.	NPMU	03/2023

Quality and Timeliness of Audit

Rating: 4

Previous rating: 5

Justification of rating

108. The audit report 2021 for IPDMIP Grant was delivered on time and for Loan was delivered with extension. The audited FS was not fully compliant with IFAD requirements.

Main issues

109. In overall, the audit report 2021 for IPDMIP is acceptable both for Loan and Grant sides. However, it is worth to note the following:

- 1) The unaudited FS 2021 have not been provided to IFAD;
- 2) The audit for Loan was extended and was delivered on 29 July 2022;
- 3) The both audited FS 2021 (loan and grant) lack Statement of fixed assets, Statement of cash receipts and payments, Comparison of Budget & Actual amounts;
- 4) ML's follow up table for Loan (appendix 7) was prepared in local language and could not be read.

Counterparts Funds	Rating: 2	Previous rating: 3
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Justification of rating

110. From the targeted EUR 111.7 million set in project design, the actual government in-cash contribution is only about EUR 243,000 (0.21%). The non-cash contribution such as tax and personnel salary have not been quantified and reported properly since the project commencement. The project has not follow-up any recommendations from the previous missions on counterpart financing

Main issues

111. The record providing breakdown of the government in-cash contribution has not been provided by the project. No mechanism available yet to capture the contribution from the beneficiaries and from the private sector.

Compliance with Loan Covenants	Rating: 4	Previous rating: 4
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Justification of rating

112. The compliance with the loan covenants is rated as moderately satisfactory, as all the covenants have been met, except for submission of yearly financial statement and submission of audit report. As major issues to highlight, the project has not timely submitted the unaudited financial statement of FY2020 and audit report of FY2020 under loan financing.

Procurement	Rating: 4	Previous rating: 4
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Procurement	Rating: 4	Previous rating: 4
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Justification of rating

113. n/a

Procurement Review

114. Processes, procedures and systems applied exhibit significant shortcomings and inconsistencies across some of the requirements. Project implementation is negatively impacted and delayed; implementation support is required; resolution of issues/constraints is likely but will take some time.

115. The field mission took random sampling in West Sumatera Province Project implementation Unit (PPIU) and in two districts in West Pasaman and South Pesisir. Most project staff are administration staff and are not certified government procurement staff, however they have procurement committee group (UKPBJ). Some procurement packages were not published on the official government online advertisement (<https://sirup.lkpp.go.id/sirup/ro>) due to either low procurement value or (in the South Pesisir district), the use of government e-procurement method.

116. Because IPDMIP has a nationwide scope of project covering 15 Provinces and 74 Districts, risk management measures and functional monitoring/oversight of procurement implementation is very much needed. Despite there is progress on the implementation and procurement activities, however the procurement activities will create more issues as the procurement implementation shown gap on compliance and discrepancies in the term of procurement quality as the field visit and physical oversight are rarely conduct by NPIU to subnational level.

117. Procurement Review

118. There is some improvement compared to the 2021 MTR e.g. project procurement specialist has been appointed and the improvement in quality of ICP-CM contract monitoring submission compared to 2021. However, there are still many recommendations from last year which have not been implemented such as (i) Recruiting three Procurement and Contract Management Officers to coordinating assisting the preparation of procurement plan and provides technical procurement advice to PPIU & DPIU; (ii) Procurement technical manual are not yet fully available; (iii) Training to the procurement officer at PPIU/DPIU has not yet conducted; (iv) Promoting e-purchasing as one of procurement methods only applied partly.

119. Some of procurement documents are not available during the mission and the access to all procurement transactions and documentation of the period during mission are not fully systematic as the National Project Implementation Unit should collect all the procurements at all subnational levels manually and the MIS has not yet been implemented.

Agreed Action	Responsibility	Agreed Date
Improvement of Project Procurement Management Procurement Monitoring System available in place and updated (to monitor progress of procurement plan).	NPIU	04/2020
Staffing on Project Procurement <ul style="list-style-type: none"> Recruit Contract and Procurement Specialist Recruit three or more Contract Management Officers to coordinate and responsible for procurement at PPIU & DPIU. 	NPIU	07/2020
Improvement the Contract Management and Documentation <ul style="list-style-type: none"> Contract monitoring using ICP <ul style="list-style-type: none"> Managing all aspects of the contracting process Managing contract deliverables and KPIs Tracking performance and contractor payments Managing specific schedules and timelines Record management referred to GoI Archived Regulation Record management using Dynamic Filing Information System (SIKD) Recruit archivist functional staff or outsourcing 	Project Manager / Procurement Specialist	10/2020
Prioritize procurement activities Prioritize procurement activities prior to 2022 end. Some procurement activities which have been postponed and essential need to be prioritize only for 2022 activities.	NPIU; PPK & Procurement Specialist	12/2022

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 3.36	Previous rating: 4.04
Assessment of the Overall Implementation Performance	Rating: 2.92	Previous rating: 3.67

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Undertake Value Chain mappings Undertake rice VC mappings in order to adequately plan for VC support activities in 2020	NPIU and Dinas MoA	12/2019
Sub-Component 4.2 Undertake VC trainings in concomitance of FFS sessions Undertake VC trainings in concomitance of FFS sessions	NPIU/DPIU	01/2020
Sub-component 4.1 Intensifying farming systems activities (i) train all FEW in targeted sub-districts (not only FEW engaged with IPDMIP villages. (ii) double number of annual FFS training in targeted villages, to target more FG members	NPIU and DPIUs	04/2020
Financial literacy trainings Provide quality financial literacy ToT for the first 270 FEW and to the first 4,320 heads of FG and households	NPIU and DPIU	12/2020

<p>Ensure sufficient budget is allocated for the implementation of the value chain and financial access activities</p> <p>Include sufficient budget for the implementation of VC and FL activities in the 2021 AWPB and on-granting allocations</p>	MoA – NPIU and DPIUs	12/2020
<p>Ensure sufficient budget for the On-granting officers for 2021</p> <p>Include enough budget for the full 12 months of 2021 for the on-granting officers.</p>	NPIU	12/2020
<p>Recruitment of three Regional Procurement Officers</p> <p>Recruitment of three Regional Procurement Officers to coordinate and responsible for procurement at PPIU & DPIU.</p>	NPIU and consultants	01/2021
<p>Mid-line study to feed into MTR</p> <p>The NPIU should commission a mid-line study to feed into the MTR analysis. The study should include data on, but not limited to: on (i) type and terms of land use title of FFS farmers (full ownership, lease, rent etc); (ii) cropping (land use) intensity; (iii) a qualitative analysis on the impact of the financial literacy trainings; (iv) effective outreach</p>	NPIU	02/2021
<p>Procurement Manual</p> <p>Translate and disseminate the procurement manual in Bahasa Indonesia and provide trainings to sub-national procurement officers</p>	NPIU	02/2021
<p>Mapping of the irrigation and agricultural activities</p> <p>The NPIU should generate a map of the areas where the irrigation rehabilitation areas and overlap with the agriculture support activities. This can be done with support from MoPWH and Bappenas/KMC</p>	NPIU/NPMU/KMC	03/2021
<p>IFR submission</p> <p>To submit quarterly IFR</p>	Ministry of Agriculture & Min of Public Work	03/2021
<p>Audit report 2019</p> <p>To follow up the findings and refund the ineligible expenditure to project DAs</p>	Ministry of Agriculture & Bappenas	03/2021
<p>GOI and Beneficiary contribution</p> <p>To include the in-kind contribution from the government and contribution from the beneficiaries in the project report</p>	Ministry of Agriculture	03/2021
<p>Extension request</p> <p>The NPIU should request a 2 year extension to take into account the delays caused by the COVID-19 pandemic</p>	NPIU	04/2021
<p>support to farm production and productivity</p> <p>Continue to deliver support to farm production and productivity until March 2023 using loan resources allocated to national budget only, because provinces and districts will not be able to allocate their budget in 2023 under on-granting.</p>	NPIU	03/2023
<p>Activities on Market Access (Subcomponent 4.2)</p> <p>Activities under this sub-component will be implemented until 31 March 2023 using only resources from project national budget. Specifically, it was agreed that integrated business meetings, with participation of diverse stakeholders, will take place at district level to support project beneficiaries' market access and access to financing.</p>	NPIU	03/2023

activities on FLE training Continue activities on FLE training across as many districts as possible until Project completion in March 2023, and discontinue all other activities under this subcomponent.	NPIU	03/2023
Development Effectiveness		
Proposals for project restructuring Develop a proposal for project restructuring based on the agreements presented in this AM, including new activities, budgets and implementation arrangements.	NPIU	09/2021
Request a project extension	MoA, Bappenas and MoF	10/2021
Field a restructuring mission	IFAD and MoA	11/2021
Develop specific targeting strategy for each sub-component and/or activities (only in case of approved project extension)	NPIU	12/2021
Ensure the collection and analysis of disaggregated data by sex and age	NPIU	
Sustainability and Scaling up		
Draft a project level exit strategy	NPIU and IFAD	12/2021
Project Management		
Knowledge Management Product The project need to start generating lessons learned and best practices and start documenting the project experience for sharing purposes. These documentation should be shared regularly to the main stakeholders (BAPPENAS, MoF, MoA).	NPIU, NPMU, KMC	03/2020
Deploy ICT equipment to the FEW Deploy ICT equipment to the FEW to enable direct transmission of technical and financial information to FEWs; and to improve.	NPIU and DPIU	03/2020
Coordination with KMC on knowledge product development and policy dialogue event 1. To work closely with KMC and share regularly any findings, lessons and good practices from the field, where KMC can support the development of KM product and the dissemination to wider audience. 2. To organise any kind of policy dialogue event based on evidence and findings from the field.	NPIU, KMC	12/2020
Hire M&E officer/assistant at DPIU/PPIU To hire dedicated person to be placed at DPIU/PPIU to support data collection, verification and reporting	NPIU/DPIU	12/2020
Strengthen the use of ICT and linkages with the KMC Propose and budget for additional Kostratani support	NPIU	09/2021
Strengthen the use of ICT and linkages with the KMC Digitalize all training material to allow for online/digital training delivery	NPIU	12/2021

<p>4) Accelerate the collection of information needed</p> <p>Accelerate the collection of information needed to report on project outreach and results by activity, gender and district, in order to be ready to prepare the Project Completion Report.</p>	NPIU	02/2023
<p>Support quantitative data</p> <p>Support quantitative data with qualitative information for preparing “success stories”.</p>	DPIU with NPIU	02/2023
<p>Strengthen the use of ICT and linkages with the KMC</p> <p>Organise regular meetings and exchanges on ICT with the KMC</p>	NPIU and KMC	
Financial Management & Execution		
<p>Improvement of Project Procurement Management</p> <p>Procurement Monitoring System available in place and updated (to monitor progress of procurement plan).</p>	NPIU	04/2020
<p>Staffing on Project Procurement</p> <ul style="list-style-type: none"> • Recruit Contract and Procurement Specialist • Recruit three or more Contract Management Officers to coordinate and responsible for procurement at PPIU & DPIU. 	NPIU	07/2020
<p>Improvement the Contract Management and Documentation</p> <ul style="list-style-type: none"> • Contract monitoring using ICP <ul style="list-style-type: none"> o Managing all aspects of the contracting process o Managing contract deliverables and KPIs o Tracking performance and contractor payments o Managing specific schedules and timelines • Record management referred to GoI Archived Regulation • Record management using Dynamic Filing Information System (SIKD) • Recruit archivist functional staff or outsourcing 	Project Manager / Procurement Specialist	10/2020
<p>Prioritize procurement activities</p> <p>Prioritize procurement activities prior to 2022 end. Some procurement activities which have been postponed and essential need to be prioritize only for 2022 activities.</p>	NPIU; PPK & Procurement Specialist	12/2022
<p>To follow up the findings and refund the ineligible expenditure to project DAs</p> <p>Update from MTR July 2021: The findings from 2019 still have to be clarified to BPKP. The project informed that IE of IDR 119,519,000 has been refunded to state treasury but not yet to the DA. This should also wait for the documents supporting this claim.</p>	Ministry of Agriculture & Bappenas	01/2023
<p>FM Staffing</p> <p>Finalize recruitment of FM consultant or an accounting firm if necessary to prepare financial report for project completion and closing</p>	NPMU	01/2023
<p>IE 2019-2021</p> <p>Solve the ineligibles raised in the year 2019, 2020, 2021 by refunding to DA, in coordination with BPKP and MOF Cash Management. The project to report to IFAD on the IE 2019 and 2020 progress based on the letter sent to MOF on June 27, 2022</p>	NPMU	01/2023

Expenditures reporting Prepare valid data on cumulative expenditures as of September 30, 2022; the project should inform the reason for the unreconciled amount of EUR 1.54 million in DA reconciliation provided in the IFR and under component 4.3.	NPMU	03/2023
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Indonesia

**Integrated Participatory Development and Management of the Irrigation Sector Project
Supervision Report**

: Logical Framework

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.

Document Date: 19/01/2023

Project No. 1100001706

Report No. 6392-ID

Asia and the Pacific Division
Programme Management Department

Integrated Participatory Development and Management of the Irrigation Sector Project

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
Outreach The total number of project beneficiaries is estimated at 900,000 households or 4 million individuals, of whom approximately 50 per cent are women.	1 Persons receiving services promoted or supported by the project							Annual Outcome Survey	Annual	MoA	
	Males					147 279					
	Females					117 886					
	Young					191 485					
	Total number of persons receiving services					265 165					
	1.a Corresponding number of households reached							Annual Outcome Survey	Annual	MoA	
	Women-headed households					18 691					
	Non-women-headed households					246 474					
	Households			900 000		265 165	29.5				
	1.b Estimated corresponding total number of households members							Annual Outcome Survey	Annual	MoA	
Household members			4 000 000		1 113 696	27.8					
Project Goal Improve food security and livelihoods in rural Indonesia											
Development Objective Improved food security and livelihoods in rural Indonesia	Households with improved asset index							RIMS impact survey; MoPW, MoHA, MoA; Baseline data;	Annual	MoA	Change in Government's development priorities; Limited fiscal capacity of Local Government
	Households with improved asset ownership index			50							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
	Households have improved food security							RIMS impact survey; MoPW, MoHA, MoA; Baseline data;	Annual	MoA	
	Households			75							
Outcome Increased value of sustainable irrigated agriculture	Beneficiaries reporting an increase in production in rice or high value irrigated crops							MoPW, MoHA, MoA; Baseline data; Annual Outcome Survey	Annual	MoA	Change in Government's development priorities
	Percentage of targeted beneficiaries			75							
	1.2.4 Households reporting an increase in production							MoPW, MoHA, MoA; Baseline data; Annual Outcome Survey	Annual	MoA	
	Total number of household members										
	Households			75							
	Households										
	At least 450 000 hectares are served by improved irrigation system infrastructure							MoPW, MoHA, MoA; Baseline data; Annual Outcome Survey	Annual	MoPWH	
	Hectares of land			450 000							
	Irrigation schemes in program areas showing improved and sustained performance in management operation and maintenance							MoPW, MoHA, MoA; Baseline data; Annual Outcome Survey	Annual	MoPWH/MoHA	
	Irrigation schemes										
Other productive infrastructure constructed/rehabilitated											

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
	Targeted households reporting an increase in income from irrigated agriculture							MoPW, MoHA, MoA; Baseline data; Annual Outcome Survey	Annual	MoA	
	Households			75							
Output Strengthened policy and institutional frameworks for irrigated agriculture	IMPs incorporated into regional medium-term development plans (RPJMD) increased							MoPW, MoHA, MoA	Annual	MoHA	Regional parliaments delay endorsement of IMPs for RPJMD for political or other reasons
	IMPs incorporated	0		90							
	Competency certification systems established for irrigation planning, financing and participatory management							MoPW, MoHA, MoA	Annual	MoPWH	
	Competency certification system	0		1							
	Staff and field facilitators certified by the system							MoPW, MoHA, MoA	Annual	MoPWH	
	Staff and field facilitators certified	0		70							
Output Improved irrigation systems management	Irrigation commissions operationalized by 2021							MoPW, MoHA, MoA	Annual	MoHA	Government guidelines are not properly implemented due to poor capacity or commitment; Political issues impede the establishment and functioning of commissions and WUAs; Demotivation of WUAs, staff and field facilitators impede activities.
	Irrigation commissions operationalized	39		52							
	Irrigation Development and Management Plans (IMPs) endorsed by Provincial and District Irrigation Commissions by 2021							MoPW, MoHA, MoA	Annual	MoHA	
	IMPs	0		90							
	Updated and GIS-based irrigation asset management systems increased							MoPW, MoHA, MoA	Annual	MoPWH	
	GIS-based irrigation asset management systems	0		75							
	Water Users Associations (WUAs)/WUAF established and trained with program support increased by 2021							MoPW, MoHA, MoA	Annual	MoHA	
	WUAs/WUAF established and trained	1 516		4 981							
	Irrigation schemes managed by WUA/WUAFs increased by 2021							MoPW, MoHA, MoA	Annual	MoHA	

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
	Irrigation schemes managed by WUA/WUAFs	0		50							
Output Improved irrigation systems infrastructure	Irrigation schemes having water balance computation and financial feasibility increased							MoPW, MoHA, MoA	Annual	MoPWH	Government guidelines are not properly implemented due to poor capacity or commitment; Political issues impede the establishment and functioning of commissions and WUAs; Demotivation of WUAs, staff and field facilitators impede activities
	Irrigation schemes	0		100							
	Irrigation schemes having detailed engineering designs prepared in line with government guidelines increased							MoPW, MoHA, MoA	Annual	PMU	
	Irrigation schemes	100		1 144							
	Irrigation infrastructure in program areas rehabilitated and upgraded							MoPW, MoHA, MoA	Annual	MoPWH	
	Irrigation infrastructure	50		100							
	Irrigation schemes modernized according to government technical standards							MoPW, MoHA, MoA	Annual	MoPWH	
	Irrigation schemes modernized	0		50							
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated							MoPW, MoHA, MoA	Annual	PMU	
Hectares of land					59 870						
Output Improved farm productivity and services	Access to extension services									MoA	
	Targeted beneficiaries having access to extension services			75							
	Extension workers trained and working									MoA	
	Extension workers			10 000							
Output Improved market access and services	Farmers trained in value chain development									MoA	
	Beneficiary farmers			200 000							
	1.1.3 Rural producers accessing production inputs and/or technological packages									MoA	
	Males			250		0	0				
	Females			250		0	0				
	Young					0					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
	Indigenous people					0					
	Total rural producers			500		0	0				
Output Improved financial services and use of services	1.1.5 Persons in rural areas accessing financial services									MoA	
	Women in rural areas accessing financial services - savings					0					
	Young people in rural areas accessing financial services - savings					0					
	Men in rural areas accessing financial services - savings					0					
	Indigenous people in rural areas accessing financial services - savings					0					
	Men in rural areas accessing financial services - credit					0					
	Women in rural areas accessing financial services - credit					0					
	Young people in rural areas accessing financial services - credit					0					
	Indigenous people in rural areas accessing financial services-credit					0					
	Total persons accessing financial services - savings			675 000		0	0				
	Total persons accessing financial services - credit			675 000		0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas									MoA	
	Service providers			8		5	62.5				

Indonesia

Integrated Participatory Development and Management of the Irrigation Sector Project Supervision Report

Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.

Document Date: 19/01/2023

Project No. 1100001706

Report No. 6392-ID

Asia and the Pacific Division
Programme Management Department

Country: Indonesia
Project: 1706 - IPDMIP
Loan/ Grant Number : Loans No: 2000001445; Grant No: 2000001446
Supervision mission dates: 19/09 - 21/10/2022

Appendix 1: Disbursement by financier, financial performance by component and disbursement category

As of 31 Aug 2022

Table 1A: Financial performance by financier
 All figures are in US\$'000

Financier	Appraisal	Disbursements	Percent disbursed
Loan No. 2000001445			
IFAD Loan	93,150	33,266	35.71% *
Government	111,707	243	0.22%
Benefeciaries	-	-	0.00%
Total	204,857	33,509	16.36%
Grant No. 2000001446			
IFAD Grant	1,410	1,039	73.69% *
Total	1,410	1,039	73.69%
Grand Total	206,267	34,548	16.7%

* Including the initial advance

Utilization of IFAD portion from IFAD sources (incl. initial advance)	94,560	34,305	36.3% *
Utilization of IFAD portion from overall resources (incl. initial advance)	206,267	34,305	16.6%
Factual utilization of IFAD portion from overall project resources (excl. initial advance)	94,560	26,305	27.8%

Country: Indonesia
Project: 1706 - IPDMIP
Loan/ Grant Number : Grant No: 2000001446
Supervision mission dates: 19/09 - 21/10/2022

**Appendix 1: Disbursement by financier, financial performance by component and disbursement category
 As of 31 Aug 2022**

Table 1B: Financial performance by component and by financier (actual expenditure)

All figures are in US\$'000

Component	Fund grant number 2000001446			Fund Loan number 2000001445			Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Component A: Increased Irrigation Agricultural Income			0.00%							-	-	0.00%
1. Improve Farm Productivity and Services				44,229	17,908		4,423			48,652	17,908	36.81%
2. Improve Market Access and Services				7,397	456		740			8,137	456	5.60%
3. Improved Financial Access and use of Services				20,815	384		2,082			22,897	384	1.68%
4. Project Management				19,728	3,589		1,973	243		21,701	3,832	17.66%
Component B: Improved Irrigation Infrastructures					26	#DIV/0!	43,479			43,479	26	0.06%
Component C: Improved Irrigation System Management				981	385	39.25%	8,622			9,603	385	4.01%
Component D: Strengthened Policy and Institutional Frameworks for Irrigated Agriculture	1,410	795	56.00%				50,389			51,799	795	1.53%
Total	1,410	795	56.38%	93,150	22,748	24.42%	111,708	243	0.22%	206,268	23,786	11.5%

Note: 1. IFAD loan and grant disbursements are without initial deposits.

Country: Indonesia
Project: 1706 - IPDMIP
Loan/ Grant Number : Loans No: 2000001445;
 Grant No: 2000001446
Supervision mission dates: 19/09 - 21/10/2022

Appendix 1: **Disbursement by financier, financial performance by component and disbursement category**
As of 31 Aug 2022

Table 1C: Financial performance per disbursement category - Cash at Bank and on Hand

All figures are in US\$'000

Loan No. 2000001445							
Category	Category description	Original	Disbursed	WA Pending in MOF	Actual	Actual Balance	Per cent spent including
		Allocation			Expenditure		
Category I	Consultancies	21,440	3,551	-	5,115	16,325	23.86%
Category II	Credit and guarantee funds	20,340	21	-	22	20,318	0.11%
Category III	Equipment and materials	18,880	3,554	-	4,080	14,800	21.61%
Category IV	Salaries and allowances	5,050	1,788	-	1,929	3,121	38.20%
Category V	Workshops	27,440	16,352	-	16,743	10,697	61.02%
Category VI	Operating costs		-	-	836	(836)	#DIV/0!
Unallocated	Unallocated		8,000			-	#DIV/0!
sub Total		93,150	33,266	-	28,725	64,425	30.84%

* Balance of Designated Account and project accounts and cash	237.00
Designated Account	237.00
Project Account	-
Sub Account	-
PLUS BALANCE OF CASH IN HAND	-
PLUS BALANCE OF CASH ADVANCE	-
	237.00

Grant No. 2000001446

Category	Category description	Original	Disbursed	WA Pending in MOF	Actual	Actual Balance	Per cent spent
		Allocation			Expenditure		
Category I	Consultancies	650	492		510	140.00	78.46%
Category III:	Equipment and materials	140	59		60	80.00	42.86%
Category VI:	Operating costs	360	274		291	69.00	80.83%
Category V:	Workshops	260	254		272	(12.00)	104.62%
	AA		289				
Credit		1,410	1,368	-	1,133	277	80.35%

* Balance of Designated Account and project accounts and cash	<u>219.00</u>
Designated Account	219.00
Project Account	-
Sub Account	-
PLUS BALANCE OF CASH IN HAND	-
PLUS BALANCE OF CASH ADVANCE	-
	

Indonesia

Integrated Participatory Development and Management of the Irrigation Sector Project Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.

Document Date: 19/01/2023

Project No. 1100001706

Report No. 6392-ID

Asia and the Pacific Division
Programme Management Department

Indonesia

Integrated Participatory Development and Management of the Irrigation Sector Project Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.

Document Date: 19/01/2023

Project No. 1100001706

Report No. 6392-ID

Asia and the Pacific Division
Programme Management Department

[Click here and type country name](#)

[Click here and type project name](#)

Supervision report - Mission dates: [\[click here and insert mission dates\]](#)

Appendix 4: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B6	The Designated Account shall have been duly opened, the authorized signatories have been submitted to the Fund	Precedent to withdrawal	Complied	
Section E.2 (a)	The Borrower shall have established within MoA the National Project Implementation Unit (NPIU) and key NPIU staff nominated to the satisfaction of IFAD	Precedent to withdrawal	Complied	
Section E.2 (b)	The Borrower has prepared a draft PIM in form and substance satisfactory to the Fund	Precedent to withdrawal	Complied	
Section 4.02 (b) General Conditions	Submission of First AWPB	Precedent to Withdrawal	Complied	
Section 4.04 (b) General Conditions	Submission of Certification of authorized signatories to Withdrawal Application	Precedent to Withdrawal	Complied	
Section 4.08 General Conditions	Submission to IFAD of Statement of Expenditure only with eligible expenditures	On-going	Last expenditures submitted in IFR Q2 and WA#10	
Section 7.05 General Conditions	Procurement in accordance with Gol procurement regulations such are consistent with the IFAD Procurement Guidelines	On-going	Complied	
Section 9.02 General Conditions	Submission of Financial Statements to IFAD 4 months after financial year	On-going	2022 FS of loan and grant have not been submitted	
Section 9.03 General Conditions	Submission of Audit report to IFAD 6 months after the financial year	On-going	Complied	

Indonesia

Integrated Participatory Development and Management of the Irrigation Sector Project Supervision Report

Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates: 19 September to 25 October 2022. However, due to extensive discussions with the Government, the Aide Memoire was signed just on 1 December 2022.

Document Date: 19/01/2023

Project No. 1100001706

Report No. 6392-ID

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Moderate
<i>Political Commitment</i>		<i>No risk envisaged - not applicable</i>
<i>Governance</i>		<i>No risk envisaged - not applicable</i>
<i>Macroeconomic</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Fragility and Security</i>		<i>No risk envisaged - not applicable</i>
Sector Strategies and Policies	Substantial	Substantial
<i>Policy alignment</i>		<i>No risk envisaged - not applicable</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Substantial</i>
Environment and Climate Context	Moderate	Moderate
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Low</i>
Project Scope	Substantial	Moderate
<i>Project Relevance</i>		<i>No risk envisaged - not applicable</i>
<i>Technical Soundness</i>	<i>Substantial</i>	<i>Moderate</i>
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial
<i>Implementation Arrangements</i>	<i>High</i>	<i>Substantial</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
Project Financial Management	High	Moderate
<i>Project Organization and Staffing</i>	<i>High</i>	<i>Substantial</i>
<i>Project Budgeting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Internal Controls</i>	<i>High</i>	<i>Substantial</i>
<i>Project Accounting and Financial Reporting</i>	<i>High</i>	<i>Substantial</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Low</i>
Project Procurement	Moderate	Low
<i>Legal and Regulatory Framework</i>	<i>Low</i>	<i>Low</i>
<i>Accountability and Transparency</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Low</i>
<i>Public Procurement Processes</i>	<i>Moderate</i>	<i>Low</i>
Environment, Social and Climate Impact	Substantial	Moderate
<i>Biodiversity Conservation</i>		<i>No risk envisaged - not applicable</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>		<i>No risk envisaged - not applicable</i>

Risk Category / Subcategory	Inherent risk	Residual risk
<i>Labour and Working Conditions</i>		<i>No risk envisaged - not applicable</i>
<i>Community Health and Safety</i>		<i>No risk envisaged - not applicable</i>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>
<i>Greenhouse Gas Emissions</i>		<i>No risk envisaged - not applicable</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>		<i>No risk envisaged - not applicable</i>
Stakeholders	Substantial	Moderate
<i>Stakeholder Engagement/Coordination</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Stakeholder Grievances</i>		<i>No risk envisaged - not applicable</i>
Overall	Substantial	Moderate

Country Context	Substantial	Moderate
Political Commitment		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Governance		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Macroeconomic	Substantial	Moderate
Risk: In order to respond to the ongoing COVID-19 crisis, the Government reallocated a big portion of the national public budget to deal with the health emergency, which affects all sectors, ministries, provinces and districts. In this context, in 2020 the available resources to provide counterpart to international financing from IFAD and other development partners will be reduced and, most probably, the allocation of resources from international sources to line ministries will be also reduced. This situation will affect the whole project implementation and represents a substantial risk.	Substantial	Moderate
Mitigations: IFAD is working with the Ministry of Agriculture and, more specifically, with the project PMU, to prioritize the project activities that would have short term impact on food production and availability aiming at: (i) contribute to respond to the COVID-19 emergency, and (ii) minimize, as much as possible, the project budget reduction by convincing to the Ministry of Finance that the activities to be implemented would contribute to the emergency response.		
Fragility and Security		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Sector Strategies and Policies	Substantial	Substantial
Policy alignment		<i>No risk envisaged - not applicable</i>

Not relevant for this project.		
Policy Development and Implementation	Substantial	Substantial
<p>Risk:</p> <p>(i) The project faces a substantial risk regarding its effective capacity to support the implementation of the policies to which it is aligned, namely those on irrigation and rice production.</p> <p>(ii) The very low allocation by the government of human and financial resources will risk project implementation delay.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>(i) Continued dialogue with Government</p> <p>(ii) At MTR IFAD will focus on adequately staffing the project and strengthening the operational capacity of the PMU, jointly with other key topics. A MTR was planned to take place in April 2020 but, due to the corona virus emergency, it had to be postponed and will take place as soon as the context conditions allow for it. In the meantime, MoA has changed the Project Director and Project Managers with a view of improving the project management capacity.</p>		
Environment and Climate Context	Moderate	Moderate
Project vulnerability to environmental conditions	Moderate	Moderate
<p>Risk:</p> <p>Indonesia is vulnerable to natural disasters such as earthquakes, tsunamis and floods.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>IPDMIP aims to mitigate the risk of natural disasters by increasing farming household resilience to shocks. This is done by supporting the diversification of production, the introduction of better agricultural practices, increasing the irrigated area, enhanced links to markets and access to financial services.</p>		
Project vulnerability to climate change impacts	Moderate	Low
<p>Risk:</p> <p>The project vulnerability to environmental conditions may increase due to climate change, and rainfall patterns are predicted to change.</p>	Moderate	Low
<p>Mitigations:</p> <p>One of the IPDMIP interventions is rehabilitating irrigation infrastructure (funded by ADB) to ensure better water availability and management. This is itself is a mitigating factor. Furthermore, IPDMIP is introducing better agricultural practices which aim to reduce the need for water and other inputs.</p>		
Project Scope	Substantial	Moderate
Project Relevance		No risk envisaged - not applicable
Not relevant for this project.		
Technical Soundness	Substantial	Moderate
<p>Risk:</p> <p>Geographic coverage includes too many and very disperse provinces and districts, what makes extremely difficult to implement the project in an effective manner.</p>	High	Substantial

<p>Mitigations:</p> <p>It was initially agreed with the PMU to continue working only in the districts and provinces whose governments are effectively committed and implementing the project, what de facto reduces the geographical coverage. During the upcoming MTR, IFAD will propose the Ministry of Agriculture to formalize this agreement.</p>		
<p>Risk:</p> <p>Low interest from financial institutions to provide credit to farmers</p>	Substantial	Moderate
<p>Mitigations:</p> <p>Work in partnership with the financial institutions to develop strong linkages with farming households.</p>		
<p>Risk:</p> <p>The project design includes too ambitious targets especially with regards on the revamping of the Indonesian rice seed sector.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>It was initially agreed to downgrade expectations and to undertake only a study to guide the potential revamping of the rice seed sector; this agreement will be discussed and formalized during MTR. The project would recruit international and local TA to work in this direction.</p>		
<p>Institutional Capacity for Implementation and Sustainability</p>	Substantial	Substantial
<p>Implementation Arrangements</p>	High	Substantial
<p>Risk:</p> <p>Decentralization and on-granting mechanism. The project is implemented under a decentralized scheme including the Ministry of Agriculture at national level, and the provincial and the district governments. In most activities an on-granting mechanism is applied, meaning that the provinces and districts implement the project activities using their own resources and the Ministry of Finance reimburses them after activities completion. Acknowledging the advantages of decentralization, the on-granting mechanism that is one of its instruments entails important risks that are severely affecting the project:</p> <p>(i) the on-grating is relatively new and many local governments don't have sufficient knowledge to implement it;</p> <p>(ii) many provinces and districts don't have enough incentives to allocate their own resources upfront;</p> <p>(iii) the reimbursement from the national government to local governments is not working as well as necessary, what creates uncertainties and discourages local governments to allocate their own resources to the project;</p> <p>(iv) the national government didn't provide the necessary training to local governments.</p>	High	Substantial
<p>Mitigations:</p> <p>(i) PMU has hired "on-granting specialists" to train and support provincial and district governments on the on-granting mechanism, and on how to apply it in the project implementation.</p> <p>(ii) Ministry of finance to strengthen its own capacity for a faster reimbursement of spent resources to provinces and districts.</p> <p>(iii) Reducing the project coverage will allow a stronger support from the PMU to a reduced number of provinces and districts on how to successfully apply the on-granting mechanism.</p>		

<p>Risk:</p> <p>Limited implementation capacity, linked to the points discussed above on decentralization, on-granting mechanisms and very limited staff assigned to the project. In addition, PMU staff's managerial, technical and financial management capacities are not optimal, as well as extension staff skills to respond to farmer needs and deliver relevant production support.</p>	High	Substantial
<p>Mitigations:</p> <p>In addition to the mitigation actions mentioned above regarding decentralization, on-granting and staffing:</p> <p>(i) Training to PMU staff and field extension technicians. (ii) PMU is recruiting new extension workers and providing training to both old and new extension workers. (ii) Extension services would prioritize responding to demand-driven requests.</p>		
Monitoring and Evaluation Arrangements	Moderate	Moderate
<p>Risk:</p> <p>M&E data is not collected regularly and is not used for management purposes.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The project includes provisions for M&E staff, an M&E software system and capacity building for national and sub-national level staff.</p>		
Project Financial Management	High	Moderate
Project Organization and Staffing	High	Substantial
<p>Risk:</p> <p>Despite there are several government officers managing financial management (FM) of the project, the Financial Management Specialist and assistant to FM have been vacant since MTR mission in June 2021. The project is facing difficulty to find a candidate with a right qualification.</p> <p>22 on-granting officers (OGO) are fully hired to support financial aspect of the project at province and district level. However, the coverage of each OGO is varied among areas, with one OGO can cover 5-6 implementing units while other OGOS can handle only 2-3 implementing units.</p>	High	Substantial
<p>Mitigations:</p> <p>The procurement of FM consultants should be accelerated to ensure no delay in FM reporting at all levels. The refresher training should be delivered to the new personnel joining the project.</p> <p>The contract extension as well as the budget of on-granting officer should also be made available on time to avoid any delay in the implementation.</p>		
Project Budgeting	Substantial	Moderate
<p>Risk:</p> <p>The project only managed to secure a small portion of budget (22%) at the central level in 2022, leading to delay in overall implementation. The delay on top-up/revision of budget to 60% of AWPB also worsen the progress of activities at central level.</p> <p>The similar issue also applies to province and district level where budget allocation usually is only 70%-90% of the AWPB. While the central level issue is caused by budget refocusing in overall ministry of agriculture, the limited allocation at province and district is due to fiscal capacity to prefinance the activities and commitment from local government.</p>	Substantial	Moderate

<p>Mitigations:</p> <p>The project should allocate adequate initial DIPA allocation to cover activities in the first 6 months of 2023 (at least 40% of the AWPB) before top-up in April/May 2023.</p> <p>The NPIU to coordinate with province and district for feasible budget allocation in 2023 before November 2022, to ensure there is no significant gap between budget allocation and AWPB 2023.</p>		
<p>Project Funds Flow/Disbursement Arrangements</p>	Substantial	Moderate
<p>Risk:</p> <p>The loan disbursement rate is low at EUR at EUR 33.3 million out of EUR 93.15 million, while grant is almost fully disbursed at EUR 1.37 million or 97% of the financing. The Loan is managed by MoA while Grant is by BAPPENAS for Knowledge Management activities.</p> <p>The low disbursement in loan financing is mainly contributed by slow progress of on-granting mechanism, especially during the initial years of implementation because of delay in budgeting process at province and district level as well as during COVID because of budget refocusing to health sector. The delay in some key procurement consulting packages also affects the disbursement progress. In addition, delay on DIPA revision also affects the fund availability for the implementation at the beginning of the year.</p> <p>IFAD has decided not to extend the project completion date by two years; thus, the completion and closing date remain on March 31, 2023, and September 30, 2023, respectively. As completion date is approaching, the project should start preparing advance recovery plan of EUR 10 million to ensure by the next withdrawal, recovery has been applied as per plan.</p> <p>The project has not fully followed up the unreconciled amount in the DA of the last IFR with the amount of EUR 24,414.23. This amount is identified as "Return of Expenditure and Audit Finding for FY 2018" which is carried over from previous period. In addition, another unreconciled amount of EUR 1.54 million is noted in IFR Q3 2022 on DA reconciliation sheet. This may come from the overreported expenditures to IFAD.</p>	Substantial	Moderate
<p>Mitigations:</p> <ol style="list-style-type: none"> 1) Submit WAs any 90 days or earlier if the threshold for disbursements are met. 2) The project to coordinate with MOF DGFB on reimbursement timeline until end of year to ensure that most of prefinance in 2022 could be reimbursed by November/December 3) Finalize 2023 AWPB to cover estimated expenditures until March 2023 (PCD) as well as expenditures from April 2023 towards closing date. 4) The project should start preparing recovery plan of initial advance of EUR 8 million. In addition, the expenditure figures should be regularly reconciled for preparation of project closing date. 5) The project should trace the unreconciled amount and prepare adjustment in the next WA submission 		
<p>Project Internal Controls</p>	High	Substantial
<p>Risk:</p> <p>Some weaknesses in project payment verification process are identified during transaction review, such as, inadequate supporting documents and significant use of informal receipts for payment claim by consulting firm, mainly at the central level. One payment made to PT Amurwa (PMC Regional 4) with the amount of IDR 630 million is only supported with supporting documents totalling IDR 67 million. This was also resulted from the contract payment modality that is set as lumpsum, instead of time-based.</p> <p>The verification for payment to other contractors aside from consulting firm (e.g.: procurement of equipment, duty travel cost) is relatively sufficient.</p>	High	Substantial

<p>Mitigations:</p> <p>1) The project needs to ensure that receipts from third parties, logbook and timesheet, and contract should be included as a part of overall supporting documents. This requirement has to be included in the FM guidelines and delivered to the verification team</p> <p>2) The project should follow up to respective consulting firm to submit the additional supporting documents</p>		
<p>Project Accounting and Financial Reporting</p>	<p>High</p>	<p>Substantial</p>
<p>Risk:</p> <p>The NPIU maintains excel spreadsheets to classify expenditures by components/categories.</p> <p>The quality and timeliness of financial reports have been affected by the fact that the FM consultant's position is vacant. The loan IFR Q1 and Q2 2022 were submitted two months after the due date and still use the previous format without cash forecast. The mission also highlights a huge discrepancy of cumulative expenditure as presented in IFR Q2 2022 (EUR 28.7 million for status up to June 30, 2022) and the loan status file EUR 26.6 million for status up to August 31, 2022).</p> <p>The mission still noted issue from MTR mission that the expenditures report includes cumulative expenditures of EUR 348,893 in 2017-2019 under component 4.3 "Improved Irrigation System Management" that should be under management support component.</p>	<p>High</p>	<p>Substantial</p>
<p>Mitigations:</p> <p>1) The project to prepare valid data on cumulative expenditures as of August 31, 2022; the project should inform the reason for unreconciled amount of EUR 23,779 in DA reconciliation provided in the WA and IFR.</p> <p>2) The project needs to explore options on developing application to track expenditures on provincial and district level.</p> <p>3) The project needs to submit IFR quarterly within 30 days after end of period using the newest format; and the unaudited FS within 3 months from the end of the fiscal year</p> <p>4) The project should prepare a report on the expenditures currently included under 4.3 "Improved Irrigation System Management", and disclose the underlining activities and, their cost categories. Expenditures should be reallocated under the correct component.</p>		
<p>Project External Audit</p>	<p>Moderate</p>	<p>Low</p>
<p>Risk:</p> <p>The audit report 2021 for IPDMIP Grant was delivered on time and for Loan was delivered with extension. The audited FS was not fully compliant with IFAD requirements.</p> <p>In overall, the audit report 2021 for IPDMIP is acceptable both for Loan and Grant sides. However, it is worth to note the following: 1) The unaudited FS 2021 have not been provided to IFAD; 2) The audit for Loan was extended and was delivered on 29 July 2022; 3) The both audited FS 2021 (loan and grant) lack Statement of fixed assets, Statement of cash receipts and payments, Comparison of Budget & Actual amounts; 4) ML's follow up table for Loan (appendix 7) was prepared in local language and could not be read.</p> <p>There are outstanding IEs for 2019-2020 totalling IDR 126,816,778 (EUR 8,620) and IDR 103,213,944 (EUR 7,168). The project has yet to reconcile the refund made to state treasury account with MOF PKN for IE 2019-2020.</p>	<p>Moderate</p>	<p>Low</p>
<p>Mitigations:</p> <p>To resolve IE and findings from BPKP audit before end of December 2022.</p>		
<p>Project Procurement</p>	<p>Moderate</p>	<p>Low</p>
<p>Legal and Regulatory Framework</p>	<p>Low</p>	<p>Low</p>

<p>Risk:</p> <p>The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.</p>	Low	Low
<p>Mitigations:</p> <p>1). Review periodically the application procurement in accordance with the national procurement law, regulations and implementing procedures. 2). Review and clear project procurement plan (consolidated) encouraging the use of competitive procurement methods 3). Provide consolidated procurement information on project website (opportunities and awards)</p>		
<p>Accountability and Transparency</p>	Substantial	Moderate
<p>Risk:</p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>1). Provide confidential report of complains received, under investigation and resolved. 2). Establish appropriate level of procurement reviews post and prior based on risk 3). Identify and report on risk flags during procurement supervision 4). Use IFAD standard bidding documents, which include provisions for prohibitive practises and safeguards</p>		
<p>Capability in Public Procurement</p>	Moderate	Low
<p>Risk:</p> <p>The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.</p>	Moderate	Low
<p>Mitigations:</p> <p>1). Retain procurement professional to support intermittently 2). Periodic training and support to be provided to various implementing agencies teams. 3). Ad-hoc offsite coaching by IFAD accredited procurement consultant.</p>		
<p>Public Procurement Processes</p>	Moderate	Low
<p>Risk:</p> <p>The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.</p>	Moderate	Low
<p>Mitigations:</p> <p>Following the 2020 SM mission, the NPIU will: (i) review and improve the Procurement guidelines where necessary (ii) recruit a long-term procurement consultant</p>		
<p>Environment, Social and Climate Impact</p>	Substantial	Moderate

Biodiversity Conservation		No risk envisaged - not applicable
Not relevant for this project.		
Resource Efficiency and Pollution Prevention	Substantial	Moderate
Risk: Inefficient management of water and of irrigation schemes	Substantial	Moderate
Mitigations: Irrigation training and strengthening water users associations		
Risk: Soil erosion and fertility depletion caused by cultivation of steeply sloping land	Moderate	Low
Mitigations: Contour cultivation in sloping land		
Cultural Heritage		No risk envisaged - not applicable
Not relevant for this project.		
Indigenous People		No risk envisaged - not applicable
Not relevant for this project.		
Labour and Working Conditions		No risk envisaged - not applicable
Not relevant for this project.		
Community Health and Safety		No risk envisaged - not applicable
Not relevant for this project		
Physical and Economic Resettlement		No risk envisaged - not applicable
Not relevant for this project		
Greenhouse Gas Emissions		No risk envisaged - not applicable
Not relevant fro this project		
Vulnerability of target populations and ecosystems to climate variability and hazards		No risk envisaged - not applicable
Not relevant for this project.		
Stakeholders	Substantial	Moderate
Stakeholder Engagement/Coordination	Substantial	Moderate

<p>Risk:</p> <p>The three levels of decentralized implementation (national, province and district) and the presence of three implementing agencies (3 different Ministries) at national level complicate the coordination and implementation.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>(i) See above discussion on decentralization. (ii) National and sub-national steering committees and coordination meetings should be organized regularly to enhance coordination at all levels.</p>		
<p>Stakeholder Grievances</p>		<p>No risk envisaged - not applicable</p>
<p>Not relevant for this project.</p>		