IFAD
Investing in rural people

Indonesia

The Development of Integrated Farming Systems in Upland Areas

Mid-term Review

Mission Dates:	24 July - 15 October 2023
Document Date:	30/11/2023
Project No.	2000002234
Report No.	6698-ID

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

AIF	Agriculture Infrastructure and Facilities
ASC	Agricultural Support Consultant
AWPB	Annual Work Plan and Budget
BANGDA	MoHa - Directorate General of Regional Development (*Direktorat Jendral Pengembangan Daerah*)
Bappenas	National Planning Agency
Bappeda	District Planning Unit
BED	IsDB Board of Executive Directors
BUM Des	*Badan Usaha Masyarakat Desa* (Village Level Entreprise)
BPK	National Audit Agency
COSOP	Country Operating Strategy
CPE	Country Programme Evaluation
DA	Designated Account
DED	Detailed Engineering Design
Demplot	Demonstration Plot
Dinas Pertanian	District Department of Agriculture
DG AIF	Directorate General, Agriculture Infrastructure and Facilities
DPIU	District Project Implementation Unit
DSC	Design Supervision Consultants
EFA	Economic and Financial Analysis
ESIA	Environmental and Social Impacts Assessment
ESMP	Environmental and Social Management Plan
FFS	Farmer Field School
GAP	Good Agriculture Practices
GESI	Gender Empowerment and Social Inclusion
FPIC	Free and Prior Informed Consent process
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
GOI	Government of Indonesia
ha	Hectare
ICT	Information Communication Technology
IsDB	Islamic Development Bank
IFAD	International Fund for Agriculture Development
IFR	Internal Finance Report
IPDMIP	Integrated Participatory Development and Management of Irrigation Sector Project
IPM	Integrated Pest Management
IRF	Integrated Risk Framework
ISFD	Islamic Solidarity Fund for Development
JUKNIS	*Petunjuk Teknis* - Technical Implementation Manual
KM	Knowledge Management
km	Kilometre
KUBE	*Kelompok Usaha Bersama* - Joint Business Group which aims to empower poor communities
M&E	Monitoring & Evaluation
MFI	Microfinance Institution
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
NGO	Non-Government Organization

NOL	No Objection Letter
NPHD	*Naskah Perjanjian Hibah Daerah* - Regional Grant Agreement
NTB	Nusa Tengara Barat
O&M	Operations and Maintenance
PIASR	IsDB Project Implementation Assessment and Support Report
PIM	Project Implementation Manual
PIU	Project Implementation Unit
POKJA	*Kolompok Kerja* - Working Group
PMC	Project Management Consultant
PMU	Project Management Unit
PPP	Public Private Partnership
PRA	Participatory Rural Appraisal
READ SI	Rural Empowerment and Agricultural Development Programme Scaling-up Initiative
RFP	
SECAP	Social and Environment and Climate Assessment Procedures
SM	IFAD Supervision Mission
SME	Small Medium Enterprise
TOC	Theory of Change
UPLAND	Uplands Agriculture Productivity and Markets Project
UNDP	United Nations Development Programme

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Indonesia	Environmental and Social Category:	Substantial
Project Name:	The Development of Integrated Farming Systems in Upland Areas	Climate Risk Classification:	High
Project ID:	2000002234	Executing Institution:	Ministry of Agriculture
Project Type:	Agricultural Development	Implementing Institutions:	Directorate General of Agricultural Infrastructure and Facilities
CPM:	Hani Abdelkader Elsadani Salem		
Project Director:			
Project Area:	Banten, West Java, Central Java, East Java, West Nusa Tenggara, North Sulawesi, and Gorontalo.		

Approval Date:	11/12/2019	Last audit receipt:	21/11/2023
Signing Date:	23/12/2019	Date of Last SIS Mission:	31/10/2023
Entry into Force Date:	23/12/2019	Number of SIS Missions:	6
Available for Disbursement Date:	03/07/2020	Number of extensions:	0
First Disbursement Date:	09/07/2020	Effectiveness lag:	0 months
MTR Date:	24/07/2023		
Original Completion Date:	31/12/2024		
Current Completion Date:	31/12/2024		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	$50,000,000
Domestic Financing breakdown	National Government	$17,097,000
	Beneficiaries	$14,034,000
	Private sector local	$24,000
Co-financing breakdown,	Islamic Development Bank	$70,500,000
Project total financing:		$151,655,000

Current Mission

Mission Dates:	24 July - 15 October 2023
Days in the field:	3 days in Magelang district (Central Java), 4 days in Lebak district (Banten), 4 days in Subang district (West Java), 5 days in Sumenep district (East Java), and 5 days in Minahasa Selatan district (North Sulawesi)
Mission composition:	Anissa Pratiwi, Team Leader; Tarek H.S. Kotb, Project Technical Lead; Wicher Boissevain, Technical Lead/ Co-Mission Leader; Mariam Rikhana, Programme Management Specialist; Julie Imron, Agriculture Value Chain Specialist; Ricad Ardana, Financial Management Specialist; Masrina Parhusip, Procurement Specialist; Stania Yasin, M&E Specialist; Arlene Inocencio, Economist/EFA Analyst; Ratih Widyaningsih, Social Inclusion and Gender Specialist; Adi Prasetijo, SECAP Specialist; Thierry Mahieux, Rural Finance Specialist; Harry Sudewa, Procurement specialist; Mohamed Adhi Dipo, IsDB Project Management Specialist; Dr. Bashir Jama, IsDB Agriculture Development Specialist; Zulfi Nofriandi, IsDB Field Procurement Officer; Evi Rosantini, IsDB Field Disbursement Officer; Iqbal Farlurrahman, IsDB Project Management Specialist.
Field sites visited:	Magelang, Lebak, Subang, Sumenep, and Minahasa Selatan

B. Overall Assessment

Key SIS Indicator #1	∅	Rating
Likelihood of Achieving the Development Objective		4.44

Key SIS Indicator #2	∅	Rating
Assessment of the Overall Implementation Performance		3.92

Effectiveness and Developmental Focus	5
Effectiveness	4
Targeting and Outreach	5
Gender equality & women's participation	4
Agricultural Productivity	4
Nutrition	5
Adaptation to Climate Change	5

Project Management	4
Quality of Project Management	4
Knowledge Management	5
Value for Money	4
Coherence between AWPB and Implementation	4
Performance of M&E System	4
Social, Environment, and Climate Standards requirements	4

Sustainability and Scaling-up	4
Institutions and Policy Engagement	N/A
Partnership-building	5
Human and Social Capital and Empowerment	4
Quality of Project Target Group Engagement and Feedback	4
Responsiveness of Service Providers	4
Environment and Natural Resource Management	4
Exit Strategy	4
Potential for Scaling-up	5

Financial Management and Execution	4
Acceptable Disbursement Rate	3
Quality of Financial Management	3
Quality and Timeliness of Audit	5
Counterparts Funds	3
Compliance with Loan Covenants	4
Procurement	4

Relevance	5

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The UPLAND Project is an integrated agricultural development program co-financed by the Islamic Development Bank (IsDB) and the United Nations International Fund for Agricultural Development (IFAD) in conjunction with the Government of Indonesia (GoI). UPLAND focuses on developing replicable development models for a range of commodities across a diverse assemblage of districts located in upland areas of Indonesia. The UPLAND Project was approved by IFAD's Executive Board on December 2019 and by the IsDB Board of Executive Directors (BED) on 08 September 2019. The UPLAND Project financing totals USD 151.4 million, consisting of: (i) an IFAD loan (No.2000003230) of USD 50 million; (ii) an IsDB Financing (No. IDN-1024) of USD 70 million under the Lives and Livelihood Fund that is established by the bank and its development partners to provide concessional financing to its low and middle-income countries; (iii) an IsDB grant of USD 500,000; (iv) a contribution by GoI of USD 17.09 million, and; (v) expected beneficiary contributions of USD 14.03 million.

2. IFAD financing became effective on 23 December 2019, and IsDB financing became effective on 16 April 2020. Project implementation did not begin until 01 July 2020 due to delays in opening the project account following the release of funds to the Ministry of Agriculture (MoA) through the Ministry of Finance (MoF). A start-up workshop took place in July 2020. Due to the COVID-19 pandemic, there has been major challenges and delays in the implementation during the start-up phase.

3. The project's overall goal is to reduce poverty in upland areas through remunerative, sustainable and resilient livelihoods. The project aims to increase agricultural productivity and farmers' income in upland areas by developing land and water infrastructure and introducing modern agricultural cultivation techniques and holistic, integrated agricultural management systems. The project's development objective is to directly assist approximately 30,000 rural households in increasing their incomes, food and nutritional security, and resilience.

4. UPLAND's geographic coverage includes seven provinces (Banten, West Java, Central Java, East Java, West Nusa Tenggara, North Sulawesi and Gorontalo). The MoA selected these provinces through a competitive call for proposals from provinces. The proposals were evaluated based on their commitment to develop smallholder agriculture and compliance with criteria such as poverty, unemployment, and agricultural and market potential. UPLAND focuses on 14 districts within the selected provinces, which were, in turn, selected based on poverty levels and distribution, unemployment, and the economic potential for the chosen commodities to drive each district's program. Other districts within the seven provinces selected may be added, provided they meet UPLAND Project criteria.

5. The project has of four components - Component 1: Infrastructure development for productivity enhancement and resilience-building. The component includes activities such as the construction, rehabilitation and management of land conservation and irrigation infrastructure, and ensuring that farmers receive commodity-specific training and technical support to enhance their production and management capacities; Component 2: Agribusiness development and livelihood facilitation, focuses on supporting farmers to profitably engage in post-harvest activities, while improving marketing and financial access; Component 3: Strengthening institutional delivery systems, aims at strengthening research support and administrative delivery systems in project areas and Component 4: Project management and implementation, including the start-up workshop and review activities.

6. The expected outcomes of these components include (i) an increase in poor rural people's productive capacities; (ii) an increase in rural people's incomes from enhanced processing and market participation; and (iii) enhanced delivery of UPLAND services & agricultural research.

7. The five-year project is now in the fourth year of implementation, but the Project suffered initial delays as it was declared effective almost with the start of the COVID pandemic, which resulted in major challenges in the country. The supervision mission in November 2021 declared UPLAND as a problem project due to slow implementation progress.This was mainly attributed to covid restrictions and lock down which was quite severe in Indonesia.

8. One of the causes of start-up delay (linked to covid) was due to the fact that the project is using on-granting mechanism with districts pre-financing significant portion of district level investments. The fact that project implementation started in the middle of the Covid emergency with severe lock down measures and restrictions causing major difficulties in effective communication to timely finalize such key agreements. The signing and effectiveness of the on-granting agreements with the districts, brokered by the national Ministry of Finance was not finalized until 2021; thus severely delaying implementation at district level. Another complication was the fact that districts suffered from severe budget restrictions during the covid due to the urgent need for scaling up health and other social services related to the covid situation; thus leading to districts downscaling their financial commitments in the on-granting agreements below the design targets. The on-granting agreements investment needs for warehouses were only 75% of the design target; land terracing were only 71%, pumps and piped irrigation were only 58%, and investment needs for farm access roads were only 35% of the design target. Given the situation has changed following the end of the covid emergency, the PMU in agreement with participating districts and the Ministry of Finance are currently amending the on-granting agreements in line with the design targets.

9. The last supervision mission took place in January-February 2023, noted that the Project had made very good progress in 2022 and had also followed up on the previous mission's recommendations. The mission discussed measures to improve project management, improve M&E and progress reporting, and implement the SECAP and GESI requirements.

10. This joint Mid-Term Review (MTR) mission[1] was fielded by IFAD, IsDB and GoI was from 24 July to 31 October 2023. The mission's main objectives were to assess the implementation performance and achievement of the project objectives, outputs and outcomes and how to speed up project implementation. The MTR mission also explored how UPLAND can improve the targeting (GESI), social, environmental and climate change assessment (SECAP) screening method. The mission also assessed how the implementation of the micro-finance sub-component approach could be strengthened to ensure that the project

beneficiaries (KUBEs and farmer-owned enterprises) can access financial services to support productive activities for sustainable livelihoods improvement.

11. The mission kick-off meeting, held on 8 August 2023, and the wrap-up meeting, held on 31 October 2023 were both chaired by the Directorate for Food and Agriculture of the National Planning Board (BAPPENAS) and attended by the Director of Agriculture Irrigation, Ministry of Agriculture (MoA), the UPLAND Project Management Unit (PMU), representatives from Ministry of Finance (MoF), and staff from each District Agriculture Office (Dinas Pertanian) representing the District Project Implementing Units (DPIU). During the mission, the IsDB and IFAD team held various meetings with PMU, MoA and the DPIUs.

12. The mission wishes to extend its appreciation to the GoI and the PMU for the support extended to the mission activities and for their hospitality.

13. [1] IFAD MTR mission members: Anissa Pratiwi (IFAD Team Leader); Wicher Boissevain (Water and Irrigation Specialist, Co-TL); Jerry Pacturan (CD Afghanistan as VC and Business Development Advisor); Julie Imron (Agriculture and Value Chain Specialist); Mariam Rikhana (Programme Management and Institution Specialist); Stania Yasin (M&E Specialist); Arlene Inocencio (Economist); Masrina Parhusip (Procurement Specialist); Thierry Mahieux (Rural Finance Specialist); Adi Prasetijo (SECAP Specialist); Ratih Widyaningsih (GESI Specialist); Dipak Sah (FM Consultant); Ricad Ardana (FM Consultant); Hani Elsadani Salem (IFAD Country Director); Tarek Kotb (IFAD PTL, Lead Global Technical Water & Rural Infrastructure Specialist), Joyce Njoro (Lead Technical Specialist Nutrition and Social Inclusion).

14. IsDB mission member: Mohammad Adhi Dipo (Project Management Specialist); Iqbal Fazlurrahman(Project Management Specialist); Dr. Bashir Jama (Agriculture Development Expert); Zulfi Novriandi (Field Procurement Officer); Evi Rosantini (Field Disbursement Officer).

Key Mission Agreements and Conclusions

15. The general findings of this joint MTR mission are positive. The project has followed up on the recommendations of the supervision mission in Jan/Feb 2023 and has made good progress on the compliance with SECAP requirements and GESI design provsions as well as improvement of M&E requirements including carrying out the mid-term survey. The PMU produced a Mid-Term Report covering the period from the project start to June 2023, which provides clear information on overall progress and achievements since it became effective. The project suffered delays in its start-up phase when the country was under covid-related social restrictions, affecting the fiscal budget allocations and preparation of the On-Granting (OG) Agreements, The initial OG agreements' targets were lower than those set at design, which is now under amendment. Very few project activities were implemented in 2020 and 2021, but since 2022 the project is progressing well and is on its way to achieving the development objectives. The positive feedback received during the field visits confirms that the approach introduced by the project is sound.

16. The mission also noted that the project outreach in terms of farming households, women, and youth involvement exceeds the mid-term targets.

17. The mission conducted an MTR Financial and Economic Evaluation which showed that the project remains viable at MTR.

18. Following the findings outlined above, IsDB, IFAD and MoA have agreed on the following key actions to be implemented in order to improve and expedite implementation.

19. **Reallocation of IFAD Financing Category.** As per indicated in para 34, the project should process the reallocation request formally to IFAD as soon as possible, including appropriate justification for the overspent amounts. . This needs to be received by IFAD no later than 30 November 2023 for IFAD review and "non-objection".

20. **Requesting for a 2-year extension.** The first key agreement is that the project needs to request a 2-year extension, which is intended to (i) recover the time lost in 2020 and 2021 due to the COVID pandemic restrictions and inability to start the project activities effectively, (ii) deliver the target outreach and project outputs, (iii) ensure achievement of outcomes, and (iv) maximize the utilisation of IFAD and IsDB loan resources for the project. The formal request and accompanying explanatory note have been submitted to Bappenas and MoF for internal processing within the GoI. The consensus among the mission, MoA, Bappenas, and MoF is that a 2-year extension is crucial for the project to realise its development objectives. The project encountered initial setbacks due to a delayed start-up caused by the impact of COVID-19. This affected the process of the on-granting agreements and caused delays in district-level implementation. All start-up activities were severely affected and delayed due to the COVID-19.

21. This extension will enable the project to capitalize on the positive outcomes of its interventions; such as extension activities. In this particular case (extension activities), the proposed time extension would allow to enhance market linkages. Additionally, such positive results will serve as the groundwork for potential additional financing from IFAD 13, which would focus on scaling-up all successful project activities and allow - for example - introduction of value addition to build on earlier achievements of successful extension and market linkages. This strategic approach will effectively amplify and expand the achievements of the UPLAND project. In case the government did not manage to send the request for extension and concurrently amend on-granting agreements, a partial cancellation of the loan and adjustment of project targets should be considered.

22. **Amendment of On-Granting agreements.** To formalise the continued project implementation within the agreed target areas in the UPLAND target districts, the current on-granting agreements are being revised to account for modified physical and budget allocation as well as the possible time extension. The PMU should continue working with the Ministry of Finance to ensure the on-granting agreements are amended or signed before the current agreements expire, to allow for achieving the design targets. Table 9 below shows an update of the target commodities, areas, and costs for the amended on-granting agreements. The

proposed 2-year extension is essential for the implementation of these amended on-granting agreements and for achieving the UPLAND targets.

23. To ensure that the project extension will result in the achievement of project goals, objectives, and targets, the mission and the Ministry of Agriculture, has agreed on the following points:

24. **Continue project implementation within the agreed design target area.** The initial project plan encompassed 14 districts and aimed to benefit 61,089 direct households and 250,000 indirect individuals. However, competing health and other social demands, due to the covid emergency, resulted in fiscal constraints at the district level, at the time of preparation of the initial on-granting agreements. Physical and financial targets in these initial agreements were set, by districts, lower than those set in the project design. It is worth mentioning that lower targets did not pose constraints on project implementation so far, compared to the delay in the signing of the on-granting agreements and the delayed start-up and the covid constraints itself (2 years). After two years of effective implementation, from 2022 to 2023, the project has developed successful model and is showing clear potential to achieve its original goals. As a result of resolving the covid constraints and the clear success of the project in demonstrating impact, all districts are showing commitment to increase the targets of the ongoing on-granting mechanism including Cirebon district, which dropped out initially and is now committed to providing pre-financing for project implementation as per the on-granting mechanism. Therefore, the Mid-Term Review (MTR) mission supports the Ministry of Agriculture's proposal to amend the on-granting agreements to meet the design targets. One of the updated key targets is to develop irrigation in 12,913 hectares compared to 8,416 hectares in the initial on-granting agreement within the original 14 target districts, included in the original design. This will enable the project to fully achieve its development objectives and increase its impact on the ground.

25. **Prepare detailed District plans for continued implementation within the agreed design target areas.** The following timeline is proposed for consideration to allow the project to provide full two years of support to the farmer groups and farmer corporations.

- In PY4 (2023), the on-granting agreements should be amended.
- In PY5 (2024), the current initial on-granting targets will be completed, and prepare participatory designs for the infrastructure works that will be needed in the new areas, proposed by the districts.
- In PY6 (2025), the project will start implementing the planned activities in the remaining areas included in the updated on-granting agreements, such as farmer training, demonstration plots, constructing farm roads, irrigation, and building facilities, The project will continue to provide guidance and training for the existing farmer corporations, especially in business modelling, agribusiness marketing, financial structuring and production certification,
- In PY7 (2026), the project will finalise all project activities, implement its exit strategy, and prepare the draft project completion report.

26. **Table 9.** Targets under modified on-granting agreements in 14 districts

No	District	Commodity	(DESIGN		INCLUDED IN CURRENT OGA				PROPOSED EXPANSION in UPDATED OGA		
			AREA (Ha)	ANIMALS (heads)	AREA (Ha)	ANIMALS (heads)	TOTAL ALLOCATION (IDR)		AREA (Ha)	ANIMALS (heads)	PROPOSED ADDITIONAL ALLOCATION under updated OGA (IDR) (OG only)
							IsDB	IFAD			IFAD + ISDB
1	Banjarnegara	Coffee	385		500		46 947 620 000	27 170 888 936	487		57 792 000 000
		Goat/sheep		4117		264					
2	Garut	Potato (consumpti	200		200		33 105 220 000	44 402 637 000	600		70 231 000 000
3	Gorontalo	Banana (Gape)	20		70		2 169 900 000	18 181 715 000	30		7 075 000 000
4	Lebak (Disnak)	Mangosteen (desi	421		450		45 848 820 000	24 161 860 000			14 390 000 000
		Sheep (newly proposed)								1100	
5	Lotim	Garlic	1640		811		23 989 400 000	53 372 615 910			
6	Magelang	Organic rice (desi	2000		2 000		61 582 880 000	33 757 635 000			16 189 700 000
		Coffee Robusta (newly proposed)							800		
7	Malang	Shallot	300		300		24 594 340 000	26 337 177 500	250		48 653 400 000
8	Minsel	Potato (consumpti	2000		840		41 173 300 000	41 404 348 936	20		19 309 000 000
9	Purbalingga	Goat/sheep (design)'		2970		2 474	16 233 580 000	21 589 725 000			25 307 000 000
		Pepper (added at OG agreement)			320						
		Cardamom (newly proposed)							400		
10	Subang	Mangosteen	2000		1 165		64 251 400 000	30 423 643 000			
11	Sumbawa	Shallot	3000		800		48 658 400 000	50 472 446 660	600		63 310 000 000
12	Sumenep	Shallot	160		460		16 225 220 000	50 838 443 439	130		44 527 900 000
13	Tasikmalaya	Organic rice	500		500		21 880 300 000	18 244 140 000	630		49 497 500 000
14	Cirebon	Mango	1500		0		0	0	550		20 000 000 000
TOTAL			14126	7087	8 416	2 738	711 529 332 974	656 499 774 009	4 497	1 100	436 282 500 000

27. In addition to the above , some further key agreements are listed below.

28. **Maintenance of irrigation, storage, post-harvest facilities and farm machinery.** While the project is developing maintenance procedures, the mission stresses the need that these procedures should be planned properly with the farmer groups and farmer corporations/cooperatives. The operation and maintenance plan should be available and managed by each farmer group or cooperatives. For sustainability purposes, the mission recommends pursuing collaboration with village authorities so that farmer groups can, if necessary, rely on the support from the Village Fund to ensure all facilities provided by UPLAND keep functioning well.

29. **Improving the quality of infrastructure designs.** The mission found that the designs for infrastructure works were not always up to acceptable standards and lacked essential information for the operation. For example, piped irrigation designs had some

room for improvement. In some cases, the layouts meant the farmers to cover long distances with flexible hoses or using a pump instead of gravity to water their fields. The mission recommends that all technical designs be checked and approved at the central level (PMU).

30. **Increase FFS outreach to wider target farmers.** Farmer field schools (FFS) is the main approach for extension activities. It is implemented at demonstration plots and on thematic subjects (e.g., cultivation methods, IPM, production and application of organic fertilisers). At these FFSs, representatives of the farmer groups are trained, and these trainees are expected to train the other farmers in their farmer group. However, this does not always happen by itself. Therefore, the mission suggests that sub-component 1.2 should be modified to include follow-up farmer training events, providing a forum for farmer representatives who were trained at an FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group. This is to ensure that the FFS training is rolled out to at least 65% of UPLAND group members.

31. **Homestead Production as an alternative livelihood** is proving to be important tool and is providing good results. The mission recommends that the homestead production, which initially was aimed at improving HH's nutrition, could potentially be secondary income to UPLAND farmers. The project will increase support for homestead activities (mainly post-production handling and potential market expansion), mainly in districts where selected flagship commodities are tree crops, such as mangosteen (Lebak and Subang). The new plantations will require 5-7 years to become productive, during which farmers need alternative livelihoods. This could potentially come from the horticulture using hydroponic technology introduced under the homestead activities. The project will prioritise support through selected women/youth, including providing agricultural production facilities and input packages (priorities to Lebak and districts show strong market potential), training on post-harvest and processing of horticulture products (nutritious food production) and market development support.

32. **Strengthening Farmer's Corporation Business Models and Institution Capacity**. While most Farmer Corporations have been established and picking up quickly, the newly established farmers' corporations should be strengthened in managerial skills, including preparing business plans, financial literacy education (FLE), and bookkeeping. The DPIUs and farmer cooperatives should engage expertise in agribusiness marketing, business modelling, financial structuring, food production and food safety standards and certification. This could be through engaging competent individual consultants or in partnership with the private sector to provide technical advice and support.

33. **Access to Finance and microfinance development**. With the support of Microfinance Specialist. the DPIUs and District governments will speed up the procedures for providing micro-financing services. This mainly in relates to the establishment of PERDA (Local Regulation) that is now in process. In addition, the project should organise and facilitate networking events between bank loan officers, leaders of farmer groups and farmer corporations, DPIU staff and off takers.

34. **Consultancy support (PMC, DSC and ASC).** Following the mission observation, The DG AIF and the PMU could establish a performance evaluation framework, conduct periodic performance evaluations of the consultancy services (both for consulting firms and individual consultants), and develop a plan for addressing any performance issues that are identified during the evaluations. This process could involve collecting feedback from the NPMU, DPIUs, and other stakeholders.

35. Non-performing consultants should be replaced upon performance evaluation completed. Regarding the ASC, the mission recommends the PMU to continue and extend the individual technical assistance contract while resolving the ASC recruitment with IsDB.

36. **Strengthen planning and coordination mechanism from PMU to provinces and DPIUs.** As the project implementation applies the TP mechanism (at province) and on granting mechanism (at district), it is essential for the PMU to ensure the district budgets (DPU) are made available in all participating districts and all TP-supported activities are conducted in line with the district on-granting activities.

37. **SECAP.** IFAD and MoA agree that the PMU will: (i) finalise the SECAP review note with support from the IFAD consultant; (ii) ensure that all past and future infrastructure activities fully comply with national legislation with regard to environmental and social regulations; and (iii) improve records of implementation on the IPP and GRM.

38. **Procurement.** In terms of procurement, IFAD and MoA agree that the PMU will: (i) improve procurement planning to include a realistic time schedule for each step; (ii) while the Force Account methods comply with government procurement regulations, it is necessary to consider the capacity of NPMU staff, particularly in handling procurement activities in parallel. Therefore, it is recommended to utilise competitive procurement methods to reduce the workload on NPMU, (iii) improve record management at national and sub-national levels, and (iv) regional procurement assistant in the 6 regions needs to be involved in all procurement activities starting from planning and ensure compliance of procurement activities are met, especially at district level. In addition, the mission recommends (i) strong support for the PMUs and PIUs in all districts, (ii) more accurate procurement planning/packaging, and (iii) strong management and supervision consultants, as well as individual experts, where necessary. Reduce delay and mitigate issues in the procurement of an Agriculture Service Consultant (ASC), which is currently under the shortlist evaluation, due to the lack of capacity within the procurement committee.

39. **Financial Management.** IFAD and MoA agree that: (i) The project needs to provide proper justification of Operating expenditure and documents to IFAD and seek IFAD NOL on overran (i.e., by 57.06%: EUR 1.11 million) of project operating cost as per Financing Agreement total allocation amount of project operating cost. Furthermore, the project also needs to prepare a deep analysis of categories of project cost and reallocation of project budget/appraisal should be done by project management and presented to IFAD for review and NOL; (ii) revise their AWPB 2023 to be aligned with the reallocation of project categories and component appraisal and presented to IFAD for review and NOL; (iii) Project management should consider the essential for the project to have an internal audit function that would ensure compliance to internal procedures, accounting best practices, and GOI regulations; (iv) the PMU needs to submit the WAs for justification of expenditure related to Q2-IFR 2023 and ensure the amounts for justification of their WAs are aligned with the quarterly IFRs submitted.; (v) improve project asset record and management during the life span of the project; (vi) PMU to resolve the outstanding issues identified in the audit report,

particularly the ineligible expenditures that must be refunded to the Bank's account and issues pertaining to the compliance (vii) PMU to submit the replenishment based on the 6-month forecast and the audit clearance by BPKP

40. **Monitoring and Evaluation.** The M&E function is showing improvement. The main agreements with regard to the M&E are to: (i) complete all data input and validation in the MISs; (ii) conduct an M&E workshop to review the proposed new logframe and update the M&E plan; (iii) finalise the MIS system based on the new logframe; and (iv) finalize the midline survey report.

41. **Exit and sustainability strategy.** IFAD and MoA agree that the PMU will finalise the exit strategy by January 2024 to ensure the exit strategy can be implemented during the 2 years of the project extension. This implies (i) organising a learning exchange with IPDMIP who has worked recently on its exit strategy; (ii) including 'exit-strategy' activities in the 2024 AWPB; (iii) ensure that the implementation of these activities is included in M&E tools and plans, and (iv) ensure the M&E strategy is endorsed at all implementation levels.

42. The key mission agreements are the following:

Actions	**Responsibility**	**Deadline**
Reallocation of IFAD Financing Category The project need to prepare strong justification as the operating cost category is overdrawn the original allocation in the Financing Agreement. This needs to be received by IFAD for review and No Objection no later than 31 October 2023.	PMU, Bappenas, MOF	30 Nov 2023
Two-year project extension proposal PMU to work closely with the MoF, Bappenas, IsDB and IFAD to submit the request for the 2-year extension and increasing targets under current on-granting agreements.	PMU, MoF	30 Nov 2023
Amend On-Granting agreements in line with the 2 years extension and updated intervention areas Sign amendments or new On-granting agreements	PMU/MoF	January 2024

D. Overview and Project Progress

43. **Financial progress**

44. Overall Disbursement and expenditures (*out of total financing of USD 120 million from both financiers*). The annual expenditure data clearly shows that the COVID19 pandemic had a significant impact on the implementation. In fact, total annual expenditures increased, going from USD 0.10 million in 2020 to USD 9.2 million in 2021 and in 2022, reaching USD 4 million. Total annual expenditures for 2023 currently stand at USD 3.32 million as of June but are expected to reach approximately USD 21.5 million by December 2023. However, the cumulative expenditures will reach approximately 45% of the total loan, thus confirming that the project may not be able to absorb the full amount by project completion.

45. With about 70% of the project implementation period elapsed (42 months of 60 as of June 2023), total cumulative disbursements stand at USD 98 million out of a total USD 120 million (30%), where the cumulative expenditure as of June 2023 are reported USD 20.68 million or equivalent to EUR 18.94 million (42.45%) for IFAD loan and USD 22.38 (31.95%) for the IsDB financing. The increase in IsDB expenditures from the previous supervision mission (31 January 2023) was only USD 1.23 million, resulting in a significant DA balance and no IsDB disbursement since the previous supervision mission.

46. **Table 3. Disbursement Status of UPLAND as of 30 June 2023, in USD million**

	Allocation	**Total Disbursement as of June 30, 2023**	**% of disbursement**	**DA statement as of June 30, 2023**	**Total Expenditures**	**% of expenditures to total allocated loan**
	A	***B***	***C***	***d***	***e = b-d***	***f = e/a***
IFAD	50	20.68	42.45	2.04	18.64	37.28

ISDB	70	22.38	31.95	5.23	17.15	24.5

47. Expenditures by Implementation Unit. The overall lag in implementation and disbursement is mainly due to the impact of late start-up caused by COVID-19, which also impacted participating districts' ability to pre-finance project activities (as per the on-granting disbursement mechanism). In fact, the on-granting agreements were only signed in 2021 , which was the peak of the pandemic in the country and as a result, districts were diverting resources and allocating them to health interventions.. This has resulted in districts not forthcoming with on-granting agreement targets compared to design. Districts were not also forthcoming with their annual commitments during the initial phase. Implementation on the ground also suffered due to the lock down and movement restrictions. These initial delays have resulted in loss of about years after effectiveness

48. As mentioned above, the implementation rate was extremely slow after effectiveness due to restrictions on movement and difficulty of communication. This initial stage after effectiveness is quite critical for developing models and work protocols and this could not be achieved effectively. It is estimated that implementation in the districts only started to pick up in 2022. Table 4 below supports this analysis, as expenditures at the district level increased from USD 6.7 million in 2021 to USD 17.4 million in 2022. The low expenditure in the ongoing year 2023 is due to several districts have not yet carried out infrastructure construction activities, as they are waiting for DED and the DSC contract addendum, which obtained NOL from IsDB in early May 2023. It is expected that these construction activities will be carried out in the second half of the year.

49. **Table 4. Annual expenditures by Implementation Unit (USD) – combined IFAD and IsDB financing**

Implementation Unit	**2020**		**2021**		**2022**		**June 2023**	
	Actual Expenditure USD	**% AWPB target**	**Actual Expenditure USD**	**% AWPB target**	**Actual Expenditure USD**	**% AWPB target**	**Actual Expenditure USD**	**% AWPB target**
National	105.720,88	100,0%	2.492.049,72	27,1%	5.917.977,83	25,3%	868.029,68	
District	0	%	6.708.493,86	72,9%	17.445.290,61	74,7%	2.451.017,29	
Total	105.720,88	100,0%	9.200.543,58	100,0%	23.363.268,44	100,0%	3.319.046,96	

50. **Table 5. Cumulative expenditures as of June 2023 by Implementation Unit (USD) – combined IFAD and IsDB financing**

Implementation Unit	**Cumulative Expenditure breakdown**		**Cumulative Expenditure rate**	**Total Costs breakdown per design**	
National	9.383.778,10	26,1%	58,9%	15.927.996	13%
District	26.604.801,76	73,9%	25,6%	104.072.004	87%
Total	35.988.579,86	100,0%	30,0%	120.000.000	100%

51. Further analysis of expenditure data, as presented in Table 5 above, confirms the main drivers of implementation are the districts, which account for 73.9% of the cumulative expenditures, against 26% for the PMU. In addition, the DPIUs consistently incurred the largest share of the annual expenditures, reaching a peak of 75% of expenditures in 2022.

52. Expenditures by Sub-Components. The expenditure data by sub-components (SC) presented in Table 6 below confirms the findings of the previous supervision missions that the project has performed well with regard to land and infrastructure development and production and farm management. Together, these two sub-components account over 52% of the total cumulative expenditure. However, the project is clearly lagging in the implementation of access to finance. In fact, SC 2.4. have not been implemented at all and stands at 0% expenditures, due to the long process of obtaining local regulations (PERDA) for equity participation to local banks to distribute the microfinance to UPLAND beneficiaries.

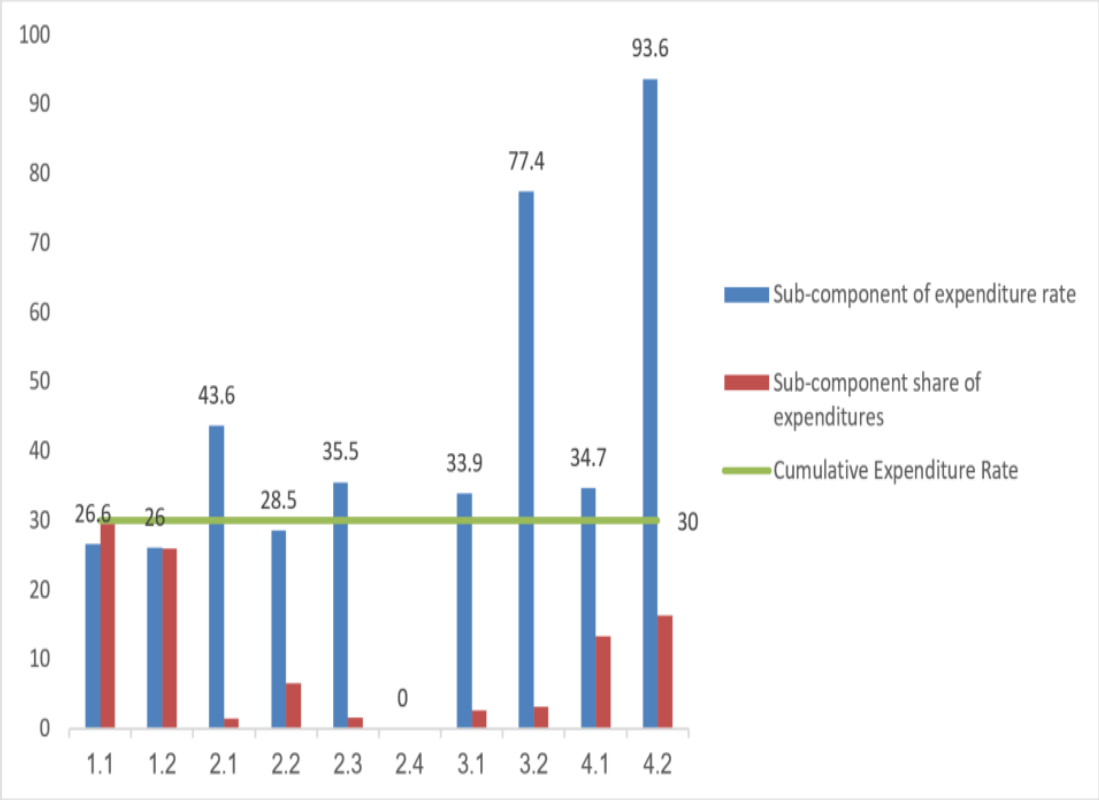
53. Given the elapsed implementation period, the SC related to project management has high expenditure rates, with SC 4.1 standing at 34.7% for consultancy support and technical assistance. The mission notes that the operating costs under SC 4.2 which is financed exclusively from IFAD loan, has overspent up to 57.06% (EUR 1.11 million). The project will need to request No Objection from IFAD for this overspending.

54. Besides the SC related to programme management (SC 4.1 and 4.2), the three SCs with the highest expenditure rates by far are: (i) S.C 3.2 Adaptive Research 77.4%, which includes research in collaboration with IPB and Agency of National Research and Innovation (BRIN) that produces the extension materials for farmers, tutorial materials, and general guidelines to be used by the UPLAND team; (ii) SC 2.1 Farmers Institution Development, with an expenditure rate of 43.6%, and followed by SC 2.3 Strengthening Market Linkages and Alliances with an expenditure rate of 35.5%, which includes coaching and training to farmers corporation on business development and management and supporting product exhibition. However, all these SC only account 3.6% of the total loan.

55. **Table 6. Cumulative Expenditures by Sub-component (USD) – IFAD and IsDB combined**

Sub-component		**Allocation**	**Share in overall budget**	**Cumulative Expenditures**	**Expenditure rate**	**Share in cumulative expenditures**
1.1	Land & infrastructure Development	39.770.829	33,1%	10.586.156,56	26,6%	29.4%
1.2	Production and Farm Management	35.844.350	29,7%	9.313.042,59	26,0%	25.9%
2.1	Farmer Institution Development (KUBE)	1.207.400	1,0%	526.341,55	43,6%	1.5%
2.2	Marketing Infrastructure & Equipment	8.212.020	6,8%	2.337.482,94	28,5%	6.5%
2.3	Strengthening Market Linkages & Alliances	1.645.169	1,4%	583.586,09	35,5%	1.6%
2.4	Access to Financial Services	4.000.000	3,3%	0,00	0%	0.0%
3.1	Capacity building for Govt Staff	2.733.481	2,3%	926.485,56	33,9%	2.6%
3.2	Adaptive Research	1.429.000	1,2%	1.105.466,45	77,4%	3.1%
4.1	Technical Assistance	13.747.831	11,5%	4.772.522,11	34,7%	13.3%
4.2	Project Operating Cost	6.268.920	5,2%	5.866.408,70	93.6%	16.3%
	Contingency	5.141.000	4,3%			
TOTAL		**120 000 000**	**100 %**	**36.017.493**	**30,0%**	**100%**

56. **Figure 2. Expenditure rates by Sub-Component (%)**



57. **Physical implementation**

58. Physical implementation of key As of June 2023, the estimated total overall physical implementation[2] rate is estimated at about 66% against the overall AWPB target, while the actual implementation rate for 2023 is only 27%, which mainly is the construction of the land terracing in Lebak. Other activities are experiencing a delays due to the amendment and extension process of the DSC contract (financed by IsDB), which results in delays in infrastructure design at district level. In other cases, infrastructure design in Malang, Tasikmalaya, and Magelang was completed in 2022, but the implementation was delayed until June 2023 due to budget availability at the local level. In addition, the project has started the deliveries of the production input to the beneficiaries and project operations, such as salary payments and travel. The design estimated[3] a total of 406km farm road constructed, 7,032ha land development under climate-resilient practices and 12,099ha irrigation to be develop by end of project year. Looking at this target, by the time of the mid-term, the project have achieved 225km (55.4%) of the farm road constructed, 838ha (11.9%) of the land development practices and around 6,482 Ha (53.5%) of the irrigation were rehabilitated/constructed.

59. Further detail on physical implementation for each sub-component is provided in Table 7 below (or output/outcome achievement as per logframe progress).

60. **Table 7. Annual Physical Progress by Subcomponent 2021-2023**

Type of infrastructure	unit	Total Cumulative	2021			2022			2023		
		Actual	Target	Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual
1.1 Land & Infrastructure Development											
1.Farm roads	Km	225	86.9	102	117%	118	123	104%	87		0%
2.Land terracing	Ha	781	276	255	92%	232	207	89%	357	320	89%
3.Retention basins	Ha	100				100	100		100		0%
4. Water resorvoir	unit	107	41	47	115%	63	60	95%	21		0%
5.irrigation system	Ha	1 800	691	650	94%	1349	1 150	85%	817		0%
6 Irrigation channel	Unit	516				1051	516		67		0%
7 Pumping/pipe	unit	247	113	121	107%	143	126	88%	160		0%

7.1 dmping/pipe	unit	241	115	121	107 %	143	129	90 %	100		0 %
8. Pumping &pipe	Ha	185	124	54	44%	171	131	77%	36		0%
9. Irrigation channel	Km	134	82	78	96%	68	56	82%	100		0%
1.2 Production and Farm Management		-									
Plantation/Food Crops/Horticulture	ha	6 939	3 787	1 771	47%	3 883	3 245	84%	2 254	1 923	85%
Livestock	tile	2 748	368	37	10%	3 053	2 711	89%	495		0%
2.1. Farmer Institution Development		-									
Forming and Strengthening Farmer Institutional/Corporate	unit	36	13	13	100%	23	23	100%			
Farmer Corporation Trainings	person	161	39	-		180	161	89%	180		0%
2.2. Market Infrastructure & Equipment											
Pra-harvest Machinery	unit	9 767	26 517	1 208	5%	8 729	8 545	98%	4 222	14	0.3%
Building Warehouse	unit	85	25	5	20%	86	80	93%	57		0%
Post-harvest Machinery	unit	197 829	91 022	85 165	94%	113 169	112 664	100%	58 488		0%
Agricultural Transportation	unit	115	65	10	15%	110	104	95%	81	1	1.2%
Certificate/Organic Rice	ha	1 455				2 500	1 455				
2.3. Strengthening market linkage											
Partnership	pack	13	13	13	100%	13	13	100%	13		0%
Promotion Business Plan	unit	36	13	13	100%	36	36	100%	36		0%
2.4. Access to Financial Services											
Facilitation Microfinance	person		5.55			4 223		0%	4 269		0%
3.1. Strengthening the Capacity of Government staffs											
Training govt. staffs Workshop Comparative study	person	111	50	50	100%	61	61	100%	100	0	0%
3.2. Adaptive Research											
Adaptive Research	pack	15				16	15	94%	3		0%
4.1. Technical Assistant											
Consultant Support	person	623	591	591	100%	623	623	100%	623	623	100%
Manager Fasdes	person	36	12	12	100%	12	12	100%	12	12	100%
Fasdes	person	192	192	192	100%	192	192	100%	192	192	100%
OGO	person	78	26	26	100%	26	26	100%	26	26	100%
4.2. Operational Support/Cost											
Travel expenses stationary	Month	30	12	12	100%	12	12	100%	12	6	50%
Rent Car	unit	51	17	17	100%	17	17	100%	17	17	100%

Average					81%			91%			27%

61. **Sub-component 1.1 Land and Infrastructure Development.** As previously noted by the supervision missions in April 2022 and February 2023, the project's targets in the OG agreements was reduced to 60% of the original design target. For example the target area for irrigation improvement in the OG agreements is 8,416 ha vs. a design target of 14,126 ha, and the financial target in the OG agreements was reduced to 44% of the original design target in the PDR (IDR 693.8 trillion vs IDR 1,565.7 trillion). As this discussed earlier, this was due to the fiscal capacity and management capacities of districts. This was affected to large extent by the covid crisis when the government's focus was on handling the pandemic and livelihoods / social implications. during that period. Due to government procedures, it was not possible to amend the on-granting agreements until they expire in 2023/2024.

62. Table 8 below shows that the infrastructure development started in 2021, mainly with land terracing and the construction of farm roads and irrigation facilities, while in 2022, the construction of post-harvest facilities took off. In Table 8, the achieved targets in 2023 seem low, but this is because many construction works are still ongoing and not yet reported as completed at the time of the MTR mission. The cumulative progress shows that a total of 225 km of farm roads, 6,482 ha of irrigation have been developed, and 838 ha of land has been terraced. This infrastructure serves not only the UPLAND farmers but also numerous other farmers adjacent to the infrastructure. The project has not yet recorded these non-UPLAND beneficiaries, and therefore, the mission has agreed with the PMU on criteria for measuring direct and non-direct beneficiaries, as shown in Appendix 2.

63. **Table 8. Overall Infrastructure progress**

No.	Type of Infrastructure	Unit	Total Targets		Achieved targets				Source
			Design *) (2020-2024)	AWPB (2020-2024)	Total June 2023	2021	2022	2023	
1.	Access farm roads	km	406	372	225	102	123	-	MTR report
2.	Land terracing	ha	7,097	901	838	275	207	357	MIS
3.	Irrigation facilities:								
	-Small reservoirs	unit	136	136	176	70	105	1	MIS
	-Piped systems	km	2,500	290	2,099	1,085	293	721	MIS
	-Deep/shallow well & pump	unit	690	629	388	49	110	229	MIS
	-Small diversion weirs	unit			125	43	49	33	MIS
	Irrigated area:		**)	**)					
	-Piped irrigation	ha	2,600	351	2,656	2,202	455	-	MIS
	-Pumped irrigation (from wells)	ha	3,703	3,000	1,077	506	571	-	MIS
	-Surface irrigation (small dams, tertiary systems)	ha	5,796	5,000	2,749	1,228	1,521	-	MIS
	Sub-total	ha	12,099	8,351	6,482	3,936	2,546	-	
4.	Cooled warehouse	unit	n/a	n/a	1	-	-	1	MIS
5.	KUBE warehouse	unit	n/a	n/a	28	2	15	11	MIS
6.	Organic fertilizer plant (UPPO)	unit	n/a	n/a	32	-	25	7	MIS
7.	Drying floor	unit	n/a	n/a	37	17	20	-	MIS
8.	Drying house	unit	n/a	n/a	24	-	16	8	MIS
9.	Cattle (goat) stable	unit	n/a	n/a	809	-	784	25	MIS

*) From PIM **) Estimate

64. The field observation suggests generally good construction quality but identifies potential technical design flaws by the DSC. For example, in Subang, issues include incomplete information on water availability and inadequate consideration of local terrain for piped irrigation designs. This leads to long pumping distances for farmers. Similarly, 2023 farm road designs lack details on culverts and vehicle facilities. To ensure design quality, the mission recommends involving beneficiary farmer groups in design discussions and obtaining technical approval from a competent consultant at the PMU.

65. The project design assumed farmers would provide in-kind contributions of a minimum of 20% for infrastructure works. These farmers' contributions are now being duly recorded in the MIS. Although the data inputs are incomplete, the farmer contributions exceed the minimum requirement of 20%. Farmers contribute mostly in-kind by donating land, labour, and locally available construction materials.

66. Infrastructure operation and maintenance arrangements are generally in place, even though O&M manuals have not been supplied. Since farmers were involved in planning and implementation, the responsible farmer groups should be capable of maintaining it. These groups collect modest funds for future maintenance and offer free labour for routine upkeep. Farmers and village heads appreciate the positive impact on productivity, and the village heads are supportive and willing to financially assist the farmer groups if major maintenance is required. The mission recommends that the project checks as part of M&E arrangements the continuity, spread and effectiveness of farmers' groups of O&M activities.

67. **Sub-component 1.2 Production and Farm Management.** As of the end of June 2023, the project reported 44 persons trained on livestock raising and 6,681 persons trained on crop cultivation practices, including 74% women. This includes all women trained previously on home gardening (P2L). This achievement shows that the project has exceeded the mid-term target

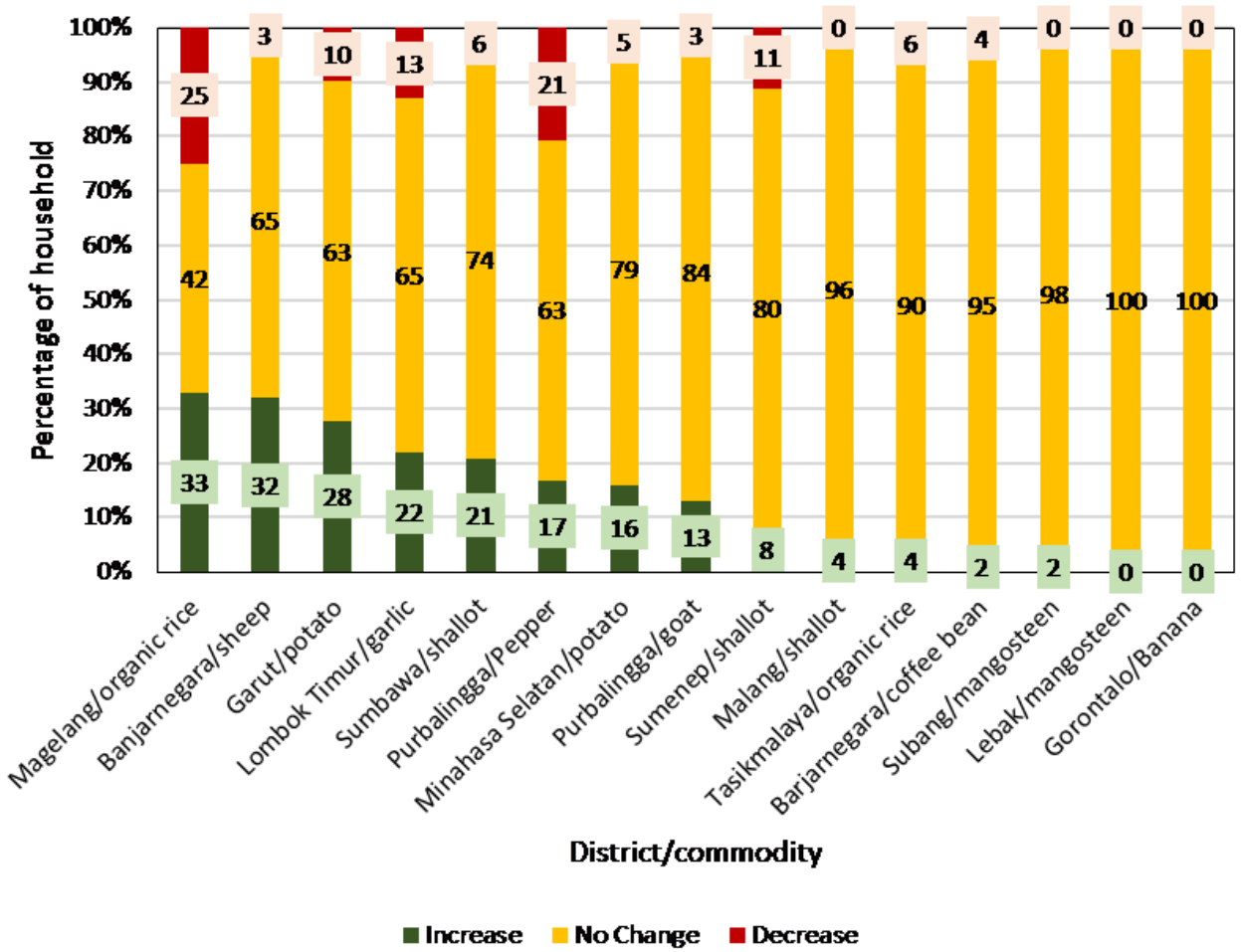
indicated in the logframe under the indicator “Persons trained on production practices and technologies”: 2,800 persons. However, given that the end target for this indicator is 12,000 persons to be trained, training programs need to be expanded to reach more farmers quickly. Strategies to roll out learnings to more farmers during dissemination sessions at the end of FFSs should be explored, especially in areas where non-project beneficiaries are starting to show interest in commodities that the project promotes. See also Annex 4 on dissemination sessions.

68. These technical trainings include, in particular FFSs facilitated along demonstration plots used to practice new technologies and foster adoption. A total of 116 demplots have been implemented by the end of June 2023, with another 35 to be established by the end of 2023. During the field visits, several demonstration plots were visited. Simple improved practices are demonstrated, including introducing new farming technology (sprinklers, plastic mulch, etc.) are also shown in the demplots. The mission notes that the extension approach has improved since the start of the project: production practices demonstrated are first validated by the project agronomist, trainers are specialists/technicians in the required fields, data on participants and production results are recorded, sharing sessions with non-beneficiaries are sometimes planned (yet to be implemented in the coming months of 2023).

69. Following the observations in 5 Districts visited, the mission team is confident that productivity, production volumes, and farmers’ income are progressing in most districts. However, continuous agricultural extension is needed in all districts to reinforce and roll out the progress made by the most progressive farmers and also to support districts where the project faced important delays and difficulties (e.g. Gorontalo or Subang). Expanding the number of crop cycles in a year for horticulture crops to be able to supply the market in a more continuous way (year-round) is crucial. Agronomy Technical Assistants at national and district levels should be maintained until the project ends.

70. Some challenges that are still faced so far are the delays in procurement and the limited quantity of quality/certified planting materials in some areas (for garlic and shallots, for example). At this stage of project implementation, the project should ensure farmers are capable of accessing quality inputs introduced by the project to sustain the production levels they can achieve now with project-supported inputs. Several pathways should be used: access to micro-finance, supporting local certified seedling producers, linkage to input suppliers (agro-input companies, local shops), working with cooperatives, off-takers (small or large) for them to supply inputs to farmers, etc.

71. Concerning production, the midline survey results shows that only 12% of the respondents reported that they have increased their productivity, 81% didn’t change, and 7% are experiencing a decrease. For crops, the highest respondents reporting increase in productivity came from the organic rice respondents (33%) in Magelang, followed by potato seedlings in Garut (28%), then garlic in East Lombok (22%).The main reason for the increased productivity of seasonal crops is that farmers are adopting the technology introduced by the project although it doesn’t mean the highest adopters will have the highest production as it is affected by many factors.



72. **Mainstreaming Nutrition.** Under SC. 1.2, the project is mainstreaming nutrition, based on 2 main pillars: increasing nutrition awareness and increasing availability of nutritious foods (through homestead production). Several activities have been implemented since the project started, including (1) training of village facilitators and extension workers on nutrition, (2) establishment of 289 women groups receiving support for vegetable nurseries, demplots, and vegetable production inputs, (3) nutrition awareness raising of group representatives. Vegetables grown in each group are selected based on the observed nutrition gaps in each area. The intervention is overall well monitored and strategized. A nutrition survey is planned for the coming months to further inform future activities. Groups that have been doing better in 2022 can access the market in 2023 and receive further support (more nutrition awareness, processing, branding, etc.). The mission confirms the positive impact shown following the intervention regarding the availability of vegetables for HH consumption and general awareness of good nutrition.

73. According to the results of the mid-term survey, only 1 district had lower than 90% of household achieving Minimum Dietary Diversity, i.e. MDD (that is, in Gorontalo, 72% of women reaching MDD). These are very good results already since at baseline, only 55% of the household interviewed reached MDD.

74. Some aspects of the intervention could still be improved, such as the women's processing habits which still include fried and crispy snacks made from grown vegetables. The project has included the following strategy for implementation in the next quarter, nutrition awareness needs to include a broader range of tools/activities that can touch all family members, not only women: cooking demonstrations, posters, leaflets, competitions, discussions during farmer group meetings, religious events, youth gatherings, etc.

75. **Sub-component 2.1 Farmer Institutional Development.** In total, 36 farmer corporations were established since the project started, comprising 31 cooperatives, a farmers' association, 2 Joint Business Groups or KUB, and 2 limited liability firms (PT) with the objective to support aggregating and marketing the target commodities supported by UPLAND. Thirty-five of these farmer corporations are legally registered by notary deed. The KUBs were registered under the District Agricultural Office's decree.

76. In at least 7 districts, Farmer Corporations have started buying farmers' production, although often not all production of UPLAND farmers was purchased because of insufficient working capital of the Farmers' Corporation. In other areas, Farmer Corporations are still at a very basic development stage and need further reinforcement. A broad business canvas was prepared together with each corporation, but a more detailed business plan as a base to run a profitable corporation has not yet been prepared.

77. The mission team identified two critical bottlenecks in the Farmer Corporations: (1) most of them have no access yet to formal working capital, which is crucial to help them start their business and offer services to farmers, and (2) insufficient follow-up by the regional consultants. Indeed, rather than organizing one-off training sessions, continuous guidance and coaching would be more

helpful. This would include support to (1) refine the very broad business canvass established in 2022, (2) define business model strategies, (3) support the Farmer Corporation's management in compiling all necessary data, (4) assist in identifying, meeting and negotiating with off-takers and other potential private sector partners (e.g., finance institutions, input suppliers). As regional consultants might not all be well qualified for such coaching work, the national-level consultants must train better and manage their regional teams.

78. **Sub-component 2.2 Post-harvest Infrastructure and Equipment.** Referring to MIS data, it is shown that a total of 368 processing and storage facilities were given or constructed by the project to support farmer groups and farmers corporations since the project started (indicator 2.1.6). This amount is much higher than the design target in the logframe reflecting good overall performance although a strategy on how to establish a market facilities is needed. However, compared to physical progress for distributing post-harvest equipment (see Table 4), it is still far from the target, primarily because of delays in procurement. Equipment includes coffee processing machines, harvesting equipment, scales, sacks/boxes/containers, drying floors and equipment, packaging machinery, shallot processing equipment, etc. In Sumenep, equipment used in the cooperative was also partly financed by the General Directorate of Horticulture within MoA.

79. As for cultivation equipment, the O&M scheme of the post-harvest equipment and transportation still needs to be defined by the Farmer Corporations or farmer groups to which the equipment was given. This work is planned for 2023. No specific mention of youth being trained and in charge of O&M for this equipment was mentioned (this was part of the design).

80. The O&M arrangements for the farmer corporation infrastructure (warehouses, RMUs, UPPOs) are also clear. The farmer corporations collect member contributions to cover the costs of operation and maintenance, the more advanced and operational farmer corporations can cover the O&M costs from the revenues from sales of their products. In Magelang, where the rice milling units (RMU) are already operating, the corporations can access private or bank loans to cover their initial operations, which in one case allowed them to invest in additional drying equipment.

81. **Sub-component 2.3 Strengthening Market Linkages and Alliances.** The project's strategy is to use Farmer Corporations to support the marketing of UPLAND's target commodities. For this reason, all marketing support is directed to the Farmer Corporation Since the project started, several activities were conducted to improve market linkages, including (1) coaching Farmer Corporations in setting a "business canvas", which provides a skeletal overview of commodity prices and players in the respective commodity value chains and is the first step of establishing business plans, (2) inviting Farmer Corporations to participate in exhibitions/fairs/market events at the national and international level, (3) business training for Farmer Corporations (including topics such as business management, digital marketing, etc), (4) facilitate district/local level encounters of Farmer Corporations and potential buyers, (5) supporting a number of Farmer Corporations in getting certification (for organic production for example) or to brand/label their products (Garut potato seedlings), (6) comparative studies to learn from other regions more advanced in specific aspects that are targeted by the Farmer Corporation (e.g. mangosteen export or shallot production and marketing). Overall, a total of 290 persons were trained in business management or IGAs[4].

82. At mid-term, Farmer Corporations have started business with off takers in at least 7 districts (Magelang, Purbalinga, Garut, Banjarnegara, Sumenep, Subang and Tasikmalaya). Three of these Farmer Corporations have exported their products (pepper to Japan, fried garlic to the Netherlands and organic rice to Malaysia). In most of these more advanced areas, the demand for a structured market linkage led by Farmer Corporations is evident, and the project needs to build on the momentum to strengthen this initial work. In other districts, all farmers are still selling their harvest individually through local middlemen and can still earn profit. However, the project has not yet been able to establish the basis around which farmers would organize themselves to enter the VC and generate higher incomes.

83. Interestingly, the mission team also observed that youth and women are often active members of Farmer Corporations, especially for marketing, processing and innovation-related activities, which is very encouraging.

84. **Reverse Linkage Activities.** The IsDB also supports a "reverse linkage activity" to strengthen the value-chain work for organic rice in the Magelang district, coffee in Banjarnegara, and mangosteen in the Subang district. Reverse linkage is the IsDB South-South Cooperation modality, which adds value and increases the sustainability of the overall project. The RL Provider, Max Agri of Malaysia, would augment the efforts to improve the post-harvest and downstream value-addition activities and contribute to improving the marketing and trading linkages of the value chain commodities. In line with the Reverse Linkage modality, in 2022, Max Agri of Malaysia has conducted a series of activities, including visiting the district's respective stakeholders, including the Dinas Pertanian, head of PIU, and farmers group, to collect data from the field. Subsequently, it was followed by the stakeholder's travel to Malaysia for the training of trainers and training of producers, farmer's representatives, farmer's corporations, as well the PIUs and PMU. The second phase of activities planned this year is to equip the participants from the previous training with marketing skills and knowledge to be ready to attend the Functional Food Exposition in Europe and the Middle East. The branding and marketing workshop activities are also planned this year to prepare the products for such an expo event.

85. **Sub-component 2.4 Access to Financial Services.** None of the planned activities under SC.2.4 have been implemented yet. In the meantime, there have been discussions with several Regional Development Banks, which resulted in outcomes. In fact, the banks' representatives, met by IFAD during the mission, have shown clear interest in partnering with the project. Sections C and D provide more information on the agreed way forward to make such partnerships more concrete.

86. **Sub-component 3.1 Strengthening the capacity of government employees.** This sub-component aims at improving the capacity of the government staff, including field extension workers, in delivering services to the agricultural community, particularly farmers as agricultural producers. The MTR report noted that up to June 2023, the project had organised several capacity-building and training activities for project staff and technical staff of the District Agricultural Office, including field extension workers. The total number of government staff trained is 411 persons, 29% of which are women, and 54% are youth. Training focused on various topics, including technical aspects (Source: UPLAND MTR Report). However, the MTR report did not explain the results of post-training evaluation, indicating the effectiveness of the training provided to the government staff in

improving their performance.

87. **Sub-component 3.2 Adaptive Research.** This activity aims at assessing comprehensive, integrated upstream and downstream agricultural business models to improve productivity, efficiency, value addition, competitiveness, and farmer's incomes in a sustainable manner/ practice. Up to June 2023, the project has completed 12 topics of adaptive research in collaboration with IPB University (10 topics) and the Agency of National Research and Innovation or *Badan Riset dan Inovasi Nasional* - BRIN (2 topics). The outputs of each topic include extension materials for farmers, tutorial materials, and a general guideline to be used by the UPLAND team. The PMU informed the mission that as a follow-up of adaptive research conducted in 2022, the project will conduct pilot demonstrations in several participating districts.

88. **Procurement**. Procurement function has shown improvement since project start-up. The Procurement Plan needs to be regularly updated and include an estimated timeline for each step of the procurement process. The overall completeness and timelines referred to in the contracts are well documented. There is evidence of receipt and acceptance of contractual outputs in all contract files. The payments made are based on the contract terms, the contract, deliverables, invoices are documented in the files. While the Force Account method (swakelola type 1) complies with government procurement regulation, it requires more effort from NPMU staff, particularly in handling many procurement activities in parallel. Therefore, it is recommended to use competitive procurement methods to reduce the workload of the PMU.

89. In the meantime, the mission notes issues related to the procurement unit's staffing and ability to handle high-value contracts, potentially affecting project implementation and performance. One specific example cited in the report pertains to the procurement process for the ASC (Agricultural Support Consultant) package. In this case, the Procurement Committee revised the Technical Evaluation Report even after receiving the IsDB approval. This action is a matter of concern because any unjustified changes made to the technical scoring after the initial evaluation can significantly impact the overall outcome of the combined technical and financial evaluation. The mission suggests that the highlighted issues could be resolved more effectively with additional staffing or training. By addressing these shortcomings, the procurement unit can enhance its capabilities and ensure a more transparent and reliable procurement process, ultimately contributing to the successful implementation of the project.

90. **Programme Management.** The funds for programme management were used mainly to cover operational costs and consultants for management support such as management advisor, M&E, financial management, and procurement; and technical support such as design and supervision of infrastructure work, agronomist, value chain and market development as well as institutional development. The overall performance of the project management unit has improved. In the meantime, there is still a need for the PMU and DPIUs to regularly evaluate the performance of consultants to ensure effective support is given to the implementation delivery on the ground. MoA and Dinas Agriculture should ensure better quality and commitment of appointed staff at the PMU and DPIUs and better quality of capacity-building activities on project management to address the needs of the management team. In this respect, the support from higher echelon levels is highly needed.

91. As UPLAND applies the on-granting mechanism, each participating district should work closely with the District Finance Institution (*Badan Pengelola Keuangan dan Aset Daerah* - BPKAD), which is responsible for the district finance management. The mission noted that in some districts, the DPIUs have involved BPKAD as part of the DPIU's team. However, in some other districts, BPKAD was out of the District level UPLAND Management. It is recommended that DPIUs review the structure and composition of the DPIU Team and ensure BPKAD is included in the new DPIU structure. The involvement of other relevant technical institutions seems to be working well.

92. **Consultancy Support.** Since 2021, the project has deployed two consulting firms: (1) the Project Management Consultant (PMC) comprising four consultants[5] at the national level to support the PMU, 27 regional consultants to support the DPIUs, and six supporting staff; (2) the Design Supervision Consultants (DSC) comprising 29 technical staff and 2 supporting staff. The project also deploys 27 individual consultants, of which 11 are based at the national level and 16 are based at the regional level. The PMC is vital in providing management support to the PMU and the DPIUs.

93. The mission notes that the performance of the PMC, both at national and regional levels, needs to be further improved. There is very little control and coordination between national and regional consultants, and some DPIUs have reported that consultants have rarely provided support. As such, the Mission recommends that the PMU and DPIU implement a performance evaluation framework for the PMC (both firms and individual consultants). This framework should be based on clear criteria and objectives, and it should be used to regularly evaluate the performance of the PMC at both the national and regional levels. The PMU could formalize its control and coordination of the PMC by developing a communication and coordination plan and conducting regular meetings with the PMC to address any performance issues that are identified during the evaluations. The DSC supports the project in the design and construction supervision of infrastructure and production support facilities, including farm roads and irrigation facilities. Although the mission found flaws in the designs for infrastructure in Subang district, the DSC generally performs adequately.

94. **The IFAD Social, Environmental and Climate Assessment Procedures (SECAP) have** been followed-up from the previous mission. The project hired a SECAP Specialist as of August 2023 to follow up on SECAP findings, and FPIC has been conducted in the field, although it needs to be better recorded and documented. The GRM process has been prepared, and the ESMP matrix will be added to the SECAP Review Note. The project has conducted a climate risk analysis and is preparing the Gender Empowerment and Social Inclusion (GESI) report. These are positive indications that the project is well on its way to addressing the shortcomings identified by the previous SM mission.

95. **Monitoring and evaluation.** The project has collected data on outputs and outreach for the MTR. Following the last supervision mission, the project conducted an M&E roadshow to 13 districts, which resulted in improved data inputs into the MIS by the village facilitators. Although the data inputs are not yet fully completed causing number discrepancy with the data collected manually which needs to be resolved, currently, the project can now show an overall progress dashboard that reflects both

financial and physical progress by district. This is a good tool for the management to monitor implementation performance and identify key issues and bottlenecks at the district level. However, in the future, the M&E specialist should be leading the team to maximize the use of the MIS as this tool will only be giving benefits to the team if they are using it regularly, effectively, and efficiently. To support data entry process to MIS, the previous mission recommends the project to hire additional staff at the district level. However, this hasn't materialised because the shortlisting process at the district level takes longer than expected.

96. The project hired IPB University as the service provider for the mid-line survey. The mission notes that PMU has actively tried to ensure that IPB could meet the survey requirements and produce good quality data and reports which showed in availability of data for all indicators in the logframe mainly in outcome level and these results could be as a benchmark for other projects. This delayed the data analysis and report preparation, so the mission could only review a draft of the midline survey report.

97. The mission has discussed with NPMU the possibility of adjusting the project logframe as necessary. The proposed adjustment will replace some indicators with more suitable ones so the project can report properly.

98. [2] The overall average physical implementation rate is calculated as the average implementation rate across key outputs. The respective implementation rates are calculated as the number of achieved output units divided by the number planned output units at design. It does not take into account the budget allocated for the implementation of the output targets.

99. [3] Source: UPLAND Project Design Report, Main report page 13. These target are not reflected in the logframe

100. [4] MIS, indicator "2.1.2 Persons trained in income-generating activities or business management".

101. [5] Management consultants under PMC comprise of: Team Leader, M&E specialist, Financial Management Specialist and Procurement Specialist

Agreed Action	*Responsibility*	*Agreed Date*
Monitoring Evaluation and Reporting Improve data quality. Validate all data in all levels and start input process to MIS with disaggregated all data by gender and age (ethnicity – IPs). CO-TL PMC need to lead the data consolidation at regional/district level before submission to National level	PMU/PMC/DPIU, M&E officer in coordination with PMC and individual consultant	03/2023
Monitoring Evaluation and Reporting Incorporate Outcome Indicators 1.2.8 into the logframe adding the baseline value (55,4% of women meeting the minimum diet diversity score) as well as the end-term targets (expressed in percentage of women and in number of women)	PMU M&E officer/PMC M&E specialist	03/2023
Additional Recruitment to be completed by Q2 2023 1. 1. Agriculture Support Consultant (ASC) 2. Social Inclusion specialist (Individual) 3. District level M&E data entry staff (individual)	PMU, MoA	05/2023

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness	**Rating: 4**	**Previous rating: 4**

Justification of rating

102. The project's effectiveness is rated moderately satisfactory. The project has suffered from delayed start-up for at least one and half years due to COVID-19 and unforeseen difficulties with the preparation and signing of the On-Granting Agreements. However, the project is considered to continue progressing and start delivering results on the ground. As highlighted in the above section, overall physical progress has significantly improved from 2021 to June 2023. Currently the physical progress is estimated at 76%. Implementation of 2023 is slightly slowed down mainly for infrastructure and FFS, due to procurement process and contract extension of DSC. However, it is expected that the project will reach its targets by the end of the year. The project outreach to around 23,453 HHs (78% of the overall target) which is equivalent to 78% of the overall target, 156% of the mid-term target, and 58,632 individuals receiving services (farmers) . In terms of area, the project has covered 6,102 ha of farmland (43% of the overall target of 14,126 ha at design). The infrastructure development and productivity enhancement outputs achieved have led to the desired outcomes, in particular in terms of increases in yields, reduction of production costs, although the

outcome on income is yet to be fully achieved. Following a slowdown due to COVID-19, activities and disbursement are picking up again. Nonetheless, a 2-year extension will be necessary to ensure the project can achieve all of its objectives.

Log-Frame Analysis & Main Issues of Effectiveness

103. The main issue with effectiveness and implementation has been the onset of the COVID-19 pandemic. In fact, the delays related to the COVID-19 pandemic and the time needed to sign the on-granting agreements have effectively reduced the implementation period by at least 1.5 years. When considering the 18-month delay (revised time elapsed of 50% instead of 75%), the expenditure rate (49%) and the estimated physical implementation rate (76%), are somewhat aligned to the revised elapsed time.

104. The MTR confirms that there is a need for a 2-year extension of the project completion date. IFAD, IsDB, MoA and Bappenas agree that a 2-year extension would allow the project to meet its development objectives and implement its exit strategy to increase sustainability prospects. Furthermore, the 2-year extension would also allow the project to build on the positive results linked to the extension activities and improve market linkages while continuing to expand the target areas to at least a total of 12,913 ha (91% of the total target). These activities would then create the foundation for potential additional financing, which would focus on post-production investments, thus amplifying and scaling up the results of UPLAND. To move forward with this, the PMU and DPIUS need to prepare detailed planning for the 2 years extension period and to expedite the amendment of the on-granting agreement by the end of 2023.

105. Physical implementation of key outputs. As of June 2023, the estimated total average physical implementation rate is estimated at about 76% against the overall target, while the actual implementation rate for 2023 is only 27%, which mainly is the construction of the land terracing in Lebak. Other activities are experiencing a delay due to the amendment and extension process of the DSC contract, which results in delays in infrastructure design at district level. In other cases, infrastructure design in Malang, Tasikmalaya, and Magelang was completed in 2022, but the implementation was delayed until June 2023 due to budget availability at the local level. In addition, the project has started the deliveries of the production input to the beneficiaries and project operations, such as salary payments and travel.

106. Further detail on physical implementation for each sub-component is provided in Table 8 below (or output/outcome achievement as per logframe progress).

107. **Table 8. Project output/outcome per sub-component**

Type of infrastructure	unit	Overall target	Total Cumulative		2021			2022			2023		
			Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual
1.1 Land & Infrastructure Development													
1.Farm roads	Km	372	225	60%	86,9	102	117%	118	123	104%	87		0%
2.Land terracing	Ha	901	781	87%	276	255	92%	232	207	89%	357	320	89%
3.Retention basins	Ha	200	100	50%				100	100		100		0%
4. Water resorvoir	unit	136	107	79%	41	47	115%	63	60	95%	21		0%
5.irrigation system	Ha	2.500	1.800	72%	691	650	94%	1349	1.150	85%	817		0%
6 Irrigation channel	Unit	1.022	516	50%				1051	516		67		0%
7.Pumping/pipe	unit	629	247	39%	113	121	107%	143	126	88%	160		0%
8. Pumping &pipe	Ha	351	185	53%	124	54	44%	171	131	77%	36		0%
9. Irrigation channel	Km	290	134	46%	82	78	96%	68	56	82%	100		0%
1.2 Production and Farm Management			-										
Plantation/Food Crops/Horticulture	ha	8.416	6.939	82%	3.787	1.771	47%	3.883	3.245	84%	2.254	1.923	85%
Livestock	tile	3.154	2.748	87%	368	37	10%	3.053	2.711	89%	495		0%
2.1. Farmer Institution Development			-										
Forming and Strengthening Farmer Institutional/Corporate	unit	36	36	100%	13	13	100%	23	23	100%			
Farmer Corporation Trainings	person	180	161	89%	39	-		180	161	89%	180		0%
2.2. Market Infrastructure & Equipment													
Pra-harvest Machinery	unit	11.663	9.767	84%	26.517	1.208	5%	8.729	8.545	98%	4.222	14	0,3%

Building Warehouse	unit	247	85	34%	25	5	20%	86	80	93%	57		0%
Post-harvest Machinery	unit	315.135	197.829	63%	91.022	85.165	94%	113.169	112.664	100%	58.488		0%
Agricultural Transportation	unit	307	115	37%	65	10	15%	110	104	95%	81	1	1,2%
Certificate/Organic Rice	ha	1.455	1.455	100%				2.500	1.455				
2.3. Strengthening market linkage													
Partnership	pack	13	13	100%	13	13	100%	13	13	100%	13		0%
Promotion Business Plan	unit	36	36	100%	13	13	100%	36	36	100%	36		0%
2.4. Access to Financial Services													
Facilitation Microfinance	person	19.523		0%	5,55			4.223		0%	4.269		0%
3.1. Strengthening the Capacity of Government staffs													
Training govt. staffs Workshop Comparative study	person	200	111	56%	50	50	100%	61	61	100%	100	0	0%
3.2. Adaptive Research													
Adaptive Research	pack	19	15	79%				16	15	94%	3		0%
4.1. Technical Assistant													
Consultant Support	person	623	623	100%	591	591	100%	623	623	100%	623	623	100%
Manager Fasdes	person	36	36	100%	12	12	100%	12	12	100%	12	12	100%
Fasdes	person	204	192	94%	192	192	100%	192	192	100%	192	192	100%
OGO	person	104	78	75%	26	26	100%	26	26	100%	26	26	100%
4.2. Operational Support/Cost													
Travel expenses stationary	Month	36	30	83%	12	12	100%	12	12	100%	12	6	50%
Rent Car	unit	17	51	300%	17	17	100%	17	17	100%	17	17	100%
Average				79%			81%			91%			27%

108. UPLAND seems to perform better on the output targets related to infrastructure support, production activities, and farmers' institution development but is lagging behind with regard to the outputs related to access to finance and market services.

109. For example, UPLAND has mobilised 364 farmer groups and reached out to approximately 23,453 HHs. Out of those, 289 farmer groups are dominated by women. These include 4,823 women members who have received homestead garden packages to improve the household's nutrition through diet diversification. Around 60% of the overall target resulting in 6,482 ha of land being brought under climate-resilient practices. As of December 2022, the project has established 116 demonstration plots and trained 6,681 persons in production practices and/or technologies. At least 19,412 farmers have received the on-off package of inputs from the project.

110. The project has also established 36 farmers corporations, comprising 31 cooperatives, a farmers' association, 2 Joint Business Groups or KUBE, and 2 limited liability firms (PT) to support aggregating and marketing the target commodities.

111. Further analysis of the outreach number in the MIS shows that the project mostly reaches the same farmers over time and gradually reaches fewer new HHs each year, as shown in Table 9 below.

112. Table 9. Current outreach, according to the MIS

Year	HHs reached per year	New HHs reached per year	Total HHs reached (single counting, accumulative)
2021	12,602	12,602	12,602
2022	17,554	5,819	18,421
2023 – per June	12,818	473	18,894
Total cumulative	-	**18,894**	**18,894**

113. The situation above could happen because the project provides comprehensive support through different activities and relies for its training in the FFS on representative farmers, leaving it up to these representative farmers to share the acquired knowledge with other farmers in their farmer groups, which may (or may not) happen in a structured manner, and is not recorded. For example, below is the type of support received over time by Tunas Harapan I, a farmer group with 60 members in the Subang district. Therefore, the project should improve its strategy for reaching more new farmers.

114. Progress on outcome: **FFS training has led to improved adoption of certain practices.** The FFS training seems to have led to an uptake of good agricultural practices, as highlighted by the mid-line survey. **Adopting these practices seems to impact productivity**, albeit to varying degrees, depending on the commodity. The midline survey result showed that only 12% of the respondents reported having increased their productivity. The main reason for the increased productivity of seasonal crops is that farmers are adopting the technology introduced by the project, although it doesn't mean the highest adopters will have the highest production as it is affected by many factors. The data analysis shows that 24% of respondents are higher adopters, while 25% of respondents are medium, and 51% are low adopters. Therefore, 49% of households are adopting the new technology introduced (equals 11.492 HHs), which is 144% more than the target (8,000 HHs) during the midterm. More details can be found in the agriculture productivity section.

115. **Increases in yield and production have also had a positive impact on increased sales.** Compared to the baseline, 42% of farmers in Magelang (organic rice) reported an increase in sales, followed by 32% of farmers in Purbalingga (goat) and then 27% of farmers in East Lombok (garlic). For other commodities, especially perennial crops, results are not yet visible. In some districts, agriculture productivity was below expectation due to changing farming practices, such as in Tasikmalaya, where a transition to organic rice production takes time, or due to weather conditions, such as in Malang shallots demplot and farmlands. The increase in sales happened due to increased productivity, mostly those farmers planting seasonal crops. This is because the results for seasonal crops can be seen in a much shorter timeline. For tree crops, such as mangosteen in Subang, it will take longer before we can see an increase in production and sales.

116. The survey analysis on farmers' welfare has shown positive progress on the respondent's condition, which was assessed through their assets. Compared to the baseline, 20% of the respondents have moved to a better condition, 74% are in the same condition, and 5% have moved to a lower condition.

Development Focus

Targeting and Outreach	Rating: 5	Previous rating: 4

Justification of rating

117. The targeting and outreach are rated satisfactory. The project has targeting strategy in place, which specifies several interventions to reach out various target groups. The Project is making steady advances with regard to reaching out to the target groups albeit with varying degrees at different fronts. It was also obvious during the mission that the profile of the beneficiaries matches that for smallholders. From the data obtained from the DPIUs and PMU's MTR report, it is clear that in terms of direct project beneficiaries, the mid-term outreach targets have been fully achieved, even though the area coverage of the project is still 40% below the design target. As of June, 27,381 farmers are actively engaged with the project, thus reaching a total of 23,453 farming HHs, equivalent to 78% of the overall target, 156% of the mid-term target, and 58,632 individuals receiving services (farmers) . The project has successfully reached the men, women and youth beneficiaries target through several interventions, including demplots establishments, FFS, production inputs distribution, agriculture machinery distribution, infrastructure development, post-harvest facilities/equipment establishment/distribution, marketing equipment distribution, and training on homestead gardens.

118. In terms of area, the project has covered 6,102 ha of farmland (43% of the overall target of 14,126 ha at design. According to the PMU's Mid-Term Review report (logframe data), UPLAND has directly reached 18,071 (241%) men and 7,435 women (149% of the project target of 5,000), while for youth, it is 7,456 beneficiaries (149% of the 5,000 target at appraisal).

Main issues

119. **Assessing Target Beneficiaries**: The initial design aims for 30,000 direct beneficiary households (CI 1.a) and 250,000 individuals indirectly receiving services (CI 1)[6]. The project's Management Information System (MIS) reports an outreach of

18,894 farming households (CI 1.a) and 25,506 farmers receiving services (CI 1). Given incomplete MIS data, the mission consulted with all districts to gauge unrecorded beneficiaries. This uncovered that the project reached 23,453 farming households (78% of the total goal), potentially impacting around 93,812individuals (farmers)[7].

120. In the second half of 2023, these figures will be updated in the MIS. With 1.5 years left for implementation (without an extension) and considering current program management capacity, the mission is optimistic that the project can achieve the 30,000 household target, especially as the project will continue with another 2,314 hectares in 2024. If the 2-year extension is granted, allowing expansion by 4,497 hectares, the mission believes the project could potentially add at least 12,000 households, equivalent to around 29,000 individuals.

121. It is agreed that the project should reconsider its definition of beneficiaries and update its targeting strategy. The following definition for direct beneficiaries, i.e., "persons receiving services promoted or supported by the project" (Indicator CI1) and indirect beneficiaries, was agreed with the NPMU. Details of this definition can be found in Appendix 5 to this aide memoire.

122. [6] Target beneficiaries indicated in Logframe in PDR 2019, page 51.

123. [7] At project design it was assumed that on average 4 people per HH would benefit directly from the project services.

Agreed Action	*Responsibility*	*Agreed Date*
Youth employment Identify opportunities of employment (VCs and O&M), skill development and access to relevant resources and match these with the youth profiles in each district (male/female/geography, education etc).	VC expert, Infrastructure expert (O&M)	06/2022
Targeting and social inclusion specialist The project to recruit a specialist/focal point to lead on targeting, gender, youth and social inclusion across all project components.	PMU	03/2023
Prepare scenarios for expansion of target areas by DPIUs and start the process for scaling up from before Mid Term Review PMU to prepare a realistic scenario/ simulation for expanding the target area by up to 2,477 ha based on DPIU proposals (ref. Table 3), including area coverage, budgets and human resources needs. PMU to follow up the process required to expand areas within districts, including the revision of on-granting agreement.	MoA, PMU, DPIU, MoF, DJPK	04/2023

Gender equality & women's participation **Rating: 4** **Previous rating: 3**

Justification of rating

124. The gender equality and women's participation are rated as moderately satisfactory. Compared to the last mission, the project has started to show higher women and youth involvement. The overall number of women currently stands at 7,435 representing 29% of Women are specifically targeted through homestead production activities, and other training on production practices and/or technologies, business training, as well as group administration training. Women are also targeted as recipients to the one-off packages of inputs from the project. From the field visit, the mission observed, women are generally active participating in demplot and FFS. Through the homestead garden activities, there are number of trainings tailored specifically for women, including nutrition awareness training.
IFAD also found anecdotal evidence of women empowerment during discussions with beneficiaries, where several women mentioned they were more engaged in FG level discussions and decisions. In particular, the women in the homestead garden group mentioned being more economically empowered, as they were managing directly the extra income earned from the sales of vegetables produced in the gardens.
The project has established a comprehensive Gender Action Plan (GAP) as well as Gender Mainstreaming and Targeting Strategies, which include actions for project to increase engagement of women and youth, including IPs.

Main issues

125. The main issue with GEWE is that the concept and relevant project GESI strategy is not fully assimilated beyond the PMU. The PMU should increase efforts to ensure that the sub-national implementation units and support structure (DPIUs and village facilitators) are fully aware of the importance of GEWE and are well-versed with the project GESI strategy. In this context, IFAD suggests that the PMU recruit a part-time GESI officer and include GESI issues in the training of the Facilitators at district and village levels. This is particularly important to ensure that women time and workload constraints are factored in when organising the FFS trainings, and that women and youth are given priority for the project activities.

126. Women in leadership: During the mission's field visits, women's leadership could already be seen, especially in the South Minahasa district. Women can voice their opinions in determining the choice of crops for farming, and women in South Minahasa

do share the knowledge they gained from the UPLAND activities with women who did not participate in the activities.

Agreed Action	*Responsibility*	*Agreed Date*
Recruit Gender Specialist Recruitment of the gender specialist position to develop GESI and to support the implementation of the gender mainstreaming activities.	PMU	10/2023
Provide GESI training to District Facilitator, Village Facilitators and PPL	PMU, DPIU	11/2023

Agricultural Productivity	**Rating: 4**	**Previous rating: 4**

Justification of rating

127. The MTR rates agricultural productivity as moderately satisfactory. Until June 2023, the project delivered around 60% of the overall infrastructure design targets (farm roads, irrigation systems, water reservoirs, etc.), completed around 6,482 hectares of land which have been brought under climate-resilient practices. As a result, the irrigation systems have enabled some of the more advanced farmers in dryland/upland areas to cultivate up to 2-3 cycles of horticulture crops per year. The farm access roads have substantially reduced transport costs and eased the selling of the harvests, and the land terracing has reduced soil erosion.
The training and demonstration plots have introduced improved farming techniques that allow increased farm productivity, production volumes, and ultimately increased profits and income. This is especially true for early adopters. Since effectiveness, around 116 demonstration plots for specific commodities and 289 homestead gardens have been established, with 6,681 beneficiaries trained in production practices and/or technologies. At least, 19,412 farmers have received the one-off package of inputs from the project.
85% of agricultural production inputs and technologies (design targets) have been distributed to farmer groups and their members. In about half of the districts, the distribution of agricultural inputs (especially improved and certified seeds or seedlings), has had a direct impact on farmers' production as they were able to produce larger volumes of the target commodities. The midline survey results obtained during the MTR confirmed this: most farmers growing shallots, potatoes, and organic rice reported increased sales since the baseline (81%, 77% and 90%, respectively). For other commodities, however (especially perennial crops), the results are not yet visible. Also, in several districts, agricultural difficulties are still hindering production increase: the transition to organic rice in Tasikmalaya takes time, and the shallot demplot in Malang failed due to the weather.
In terms of productivity, crop yields are just starting to increase, in first instance in the demplots and among leading farmers. As a result, among the mid-term survey respondents (wider and random sample), most farmers (80%) reported no increase in productivity, while only 13% reported an increase in productivity. It is expected that when farmers will start to adopt more of the improved practices taught by the project, the productivity rates will also progressively increase.
For crops, the highest respondents reporting increase in productivity came from the organic rice respondents (33%) in Magelang, followed by potato seedlings in Garut (28%), then garlic in East Lombok (22%). The main reason for the increased productivity of seasonal crops is that farmers are adopting the technology introduced by the project although it doesn't mean the highest adopters will have the highest production as it is affected by many factors. At the MTR stage, the adoption of improved practices was considered good/satisfying for only 28% of shallot growers or 7% of coffee farmers. But it is high for potato and organic rice producers (68% and 74% respectively).
The mission notes that the extension approach has improved since the start of the project: production practices demonstrated are first validated by the project agronomist, trainers are specialists/technicians in the required fields, data on participants and production results are recorded, sharing sessions with non-beneficiaries are sometimes planned (yet to be implemented in the coming months of 2023).

Main issues

128. **Increase FFS outreach to wider target farmers.** Due to project delays in project implementation, agricultural technologies to support increased productivity are mostly being demonstrated and taught only since the end of 2022. For this reason, adoption rates are still relatively low in many areas, and productivity is not always high among most farmers. Farmer field schools (FFS) are implemented at demonstration plots and on thematic subjects (e.g., cultivation methods, IPM, production and application of organic fertilisers). While for some demplots, all members of 1 farmer group are trained, in many cases, it is representatives of several farmer groups who are trained, and these trainees are expected to train the other farmers in their farmer group. However, this does not always happen by itself. Therefore, sub-component 1.2 will be accommodated to include **dissemination sessions** within the existing FFSs process. These **dissemination sessions** will provide a forum for farmer representatives who were trained at an FFS to share the newly acquired knowledge with their fellow farmers in a farmer group. This ensures that the FFS training is rolled out to at least 65% of the farmers who receive production inputs).

129. At MTR stage, many farmers have received the one-off package of inputs from the project. For the upcoming years, they will need to buy these on their own. While some of these inputs are readily available or could be produced locally (organic fertilizers), many are not (plastic mulch, drip, quality biopesticides, light/yellow traps) or not available in a sufficient quantity (certified seeds/seedlings in Lombok, Sumenep or Minsel for example).

130. **Homestead horticulture production**: The mission observes this could potentially be expanded as another source of income for target beneficiaries, which is particularly interesting for beneficiary households involved in tree crop development, such as mangosteen (Lebak and Subang). Indeed, new plantations will require 5-7 years to become productive, during which farmers need to develop alternative livelihoods through intercropping or horticulture which could use hydroponic technology or simpler

home garden activities. Finally, the project is progressing in recording and documenting these increases, but important efforts are still needed to strengthen these aspects.

Agreed Action	*Responsibility*	*Agreed Date*
Consider revising the guidelines for demplots and FFS and enforce its application by third parties in charge of these activities The NPMU might rethink the way demplots are FFS are budgeted and implemented to increase efficiency. The main objective will be to conduct more demplots and FFSs that are closer to farmer groups and where more farmers can participate. It will also be to ensure proper monitoring of participation and progress by the facilitators	PMU/Agriculture Specialist	03/2023
Increase FFS outreach to a wider target of farmers Facilitate follow-up farmer training events, providing a forum for farmer representatives who were trained at FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group	PMU, DPIUs, Village Facilitators	10/2023
Increase FFS outreach to a wider target of farmers Facilitate follow-up farmer training events, providing a forum for farmer representatives who were trained at FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group	PMU, DPIUs, Village Facilitators	10/2023

Nutrition	**Rating: 5**	**Previous rating: 4**

Justification of rating

131. The MTR team rates the nutrition intervention as satisfactory (5). Activities are overall well implemented and articulated with adequate resources and reporting. The project measures the impact on nutrition, and results are used to inform decisions and interventions. The effectiveness of the intervention is further reflected in the positive results obtained during the midline survey, with 12 districts out of 13 having at least 90% household reaching MDD which is a significant change compare to baseline result of 55%.
The homestead gardening activities expand in some areas into a more income-generating activity which complements the earnings from the main commodity targeted in the district.

Main issues

132. **Nutrition mainstreaming strategy and action plan:** Nutrition activities have been carried out quite well. Nutrition awareness activities have been conducted in 3 districts, namely Gorontalo (4 groups), Purbalingga (35 groups) and Banjarnegara (36 groups), out of a total of 13 districts until July 2023. Furthermore, based on the evaluation results from 289 groups, 236 have received training or capacity building on P2L and Nutrition by extension workers and village facilitators. Pekarangan Pangan Lestari (P2L), followed by all KWT (farmer women's group) with the output of increasing food security and improving the diversity of household food consumption in 13 districts with a total of 289 demonstration plot units (1 demonstration plot of 20-25 women farmers) from the target of 300 demonstration plots. At the demonstration plot location in South Minahasa, the vegetables and plants cultivated in the demonstration plot are to fulfil food needs, both for farmers who are members of the demonstration plot and distributed to the surrounding community.

133. Currently, there is also excess production that has also been sold, the proceeds of which are used to buy seeds again. This is in accordance with existing data, where it is said that out of 289 groups, 194 have done marketing. However, there is a need to strengthen the capacity of the groups regarding market-oriented business management. The first phase of social marketing awareness activities has also been carried out with a total of 107 participants, resource persons and organisers who attended the workshop, consisting of 54 female participants (51%) and 53 men (49%). In supporting P2L activities, there is also a Nutrition pocketbook, which can be used as reading material for farm women to determine the composition of plants to be planted in P2L demonstration plots. The allocation for nutrition awareness activities allocated by the district is currently only for 2 days of activities. Meanwhile, 7 materials need to be delivered. These nutrition improvement activities also require the support of personnel such as expert assistants. Besides that, there are still no nutritionally vulnerable population groups targeting, at a minimum, pregnant and lactating women and mothers with children under 2 years.

134. **Nutrition Specialist**: Nutrition specialists have begun to implement several activities. However, there are contractual constraints where the nutrition specialist contract expired in July 2023. The mission proposed to extend the contract of nutrition specialist to continue support to the project.

Agreed Action	*Responsibility*	*Agreed Date*
Nutrition action plan The action plan will provide a road map for the implementation of nutrition-sensitive interventions and mainstreaming across the project components. The nutrition study will provide key input to assist in the development of the action plan	Nutrition Specialist	08/2022
Nutrition Assessment and evaluation of homestead production activities Conduct and finalise the nutrition assessments of the nutrition challenges and opportunities specific to each district, also in light of the progress and achievements resulting from the homestead production.	PMU/Nutrition Specialist	06/2023
Prepare a workshop on social marketing: Target a selected group of women having a sufficient capacity to produce and link them to VCs. The selected group will receive business orientation and be trained in food safety and food labelling to strengthen their capacity for the commercialisation of homestead products.	Nutrition Specialist	06/2023

Adaptation to Climate Change **Rating: 5** **Previous rating: 5**

Justification of rating

135. The adaptation to climate change is rated satisfactory. UPLAND core activity includes measures to increase the resilience to climate change by applying criteria for maximum terrain slopes for commodities, terracing sloping lands, and constructing water storage ponds and piped irrigation systems. The Project is making systematic progress in implementing the above measures. The mission noted that the provision of irrigation water supply enabled farmers to grow on their own land in the dry season instead of growing in the higher mountainous areas, which usually results in erosion. In this way, the UPLAND project not only increased farm incomes but also prevents soil erosion in the upper catchment area.

Main issues

136. In the Feasibility Study document, the project just gives an overview of the climate conditions and does not encompass essential plans outlined in the Project Design Report (PDR), which include (i) a historical analysis of hazards, (ii) collecting and assessing local climate conditions, and evaluating the anticipated impacts of climate change in the target area based on various climate models and relevant scenarios (refer to PDR page 108). Nevertheless, the project has made strides by conducting a climate change analysis, integrating adaptation action strategies into the Project Design Report (PDR), and implementing mitigation measures.

137. The project has monitored greenhouse gas (GHG) emissions on various commodities to enhance agricultural productivity and farmers' income in the highland areas. This monitoring activity was carried out in 2022 by the Environmental Agricultural Training Centre. However, the observations made were insufficient to provide a comprehensive picture of emissions for a full growing season and annual emissions. Therefore, the project needs to implement regular GHG emission observations during at least one crop season since these emissions are highly influenced by microclimatic conditions such as rainfall, temperature, and humidity.

138. The project has introduced several climate risk mitigation activities, such as land terracing, irrigation, SRI, organic farming, hydroponics, and Smart Greenhouses (SGH) for potato seed development in the district Garut. However, early experience with hydroponics and SGH indicate that these require a higher degree of technical knowledge and are more costly to build, operate and maintain, which forms a barrier for local farmers to replicate these technologies. Irrigation, terracing, etc provides strong tools to adapt to climate impacts.

Agreed Action	*Responsibility*	*Agreed Date*
Farm insurance: The project needs to follow up on the conclusions and recommendations of the adaptive research studies for insurance of shallot farming and goat/sheep farming and come up with an action plan with concrete steps toward setting up insurance facilities for shallot farmers and goat/sheep farmers.	DG PSP, PMU PMU consultant	05/2023

b. Sustainability and Scaling up

Institutions and Policy Engagement **Rating: N/A**

Partnership-building **Rating: 5** **Previous rating: 5**

Justification of rating

139. The partnership-building is rated satisfactory. At the corporate level: The project brings a unique partnership between the MoA with IFAD and the IsDB, making an important contribution to key government priorities such as poverty alleviation, employment, women and youth empowerment and economic growth in rural areas. In addition, the project will have a distinct focus on public-private partnerships along the value chain and partnerships with regional development banks to promoted inclusive microfinance for smallholder producers.
The project has managed to establish number of key partnerships ranging from University, other national agency as well as partnership with private sector. The PMU has established a partnership with the Agricultural University in Bogor (IPB) to conduct surveys, studies as well as adaptive research to support the improvement of UPLAND-supported commodities. The PMU also partners with the National Agency for Research and Innovation (BRIN) to conduct adaptive research. Both institutions contribute their knowledge and expertise to improving the productivity and value addition of crops/ commodities in the UPLAND districts. The results of the adaptive research are used as extension materials for farmers, tutorial materials, and general guidelines in the implementation of the project.
Under the Reverse Linkage sub-component, a grant from IsDB focusing on supporting the development of consumer driven VC development. A Malaysian company called MAX Agri will be facilitating the establishment of market linkages aiming at enhancing the commercialisation of potential Uplands premium products (organic rice, mangosteen, and mango coffee); upgrading potential premium products such as organic rice, mangosteen, and mango coffee to premium products; explore potential for exporting premium products; empowering/enabling the potential premium stakeholders' to supply the demand for the products domestically and internationally; enhance the marketing/sales/branding/promotion of the potential premium products for inbound and outbound target export markets; Improving promotional campaigns to improve marketing and sales; Improving market data/information/knowledge gathering and dissemination; Improving market-space communication (digital presence, e.g., web); and Improved skill-set acquisition for entrepreneurial growth (training).
At district level, partnership with private sector are emerging. In Magelang district, the three established farmer cooperatives have partnered with private companies, such as KFC and Nestle, as their off takers of organic rice. These partnerships are legally bound in an MoU for each purchase order. This MoU is an assurance for the cooperatives as well as their members on the volume of organic rice to be bought, and the price to be fetched, which in turn also decides how much working capital is needed by the cooperative to pay the farmers.
In Sumenep, the main cooperative has a 3 years partnership with the company PT Akancatani for selling processed shallots and receiving support in marketing, including digitalization and getting HACCP certification.
The following summarizes the private sector partners (formal or informal) working with farmers' corporations:
a. Local coffee shops/souvenir shops (coffee from Banjarnegara)
b. Minimarkets such as Alfamart (Banjarnegara) and super markets such as Carefour or Transmart (shallots from Sumenep)
c. Wholesalers in regional markets or trade companies (Garut, Magelang, potato from Minsel, shallots from Sumbawa, rice from Tasikmalaya).
d. Retailers in local markets (garlic from Lombok Timur, organic rice from Magelang, Potato from Minsel, shallots from Sumenep)
e. Online platforms (organic rice from Magelang)
f. Processing industry (organic rice from Magelang, shallots from Sumenep)
g. Restaurants such as KFC or local restaurants (organic rice from Magelang, goat meat from Purbalinga, shallots from Sumenep)
h. Exports (pepper from Purbalinga to Japan, fried garlic to the Netherlands, organic rice to Malaysia)
i. Government's online agri-input server ("E-katalog): Garut and Lombok Timur
Other types of synergies can also be highlighted like the several cross-visits facilitated by the project to visit successful cooperatives in other regions of Indonesia and enhance learning. Also, several cases of co-financing with other directorates of the MoA are happening (e.g. in Sumenep for the farmers cooperative infrastructure and equipment. The cooperatives face a big challenge in the current engagement as payment from the off-taker's payment is usually received one month after rice delivery. This payment arrangement requires the cooperatives to borrow money from a bank or from their members, as the farmers usually need cash payment. Two of the three farmer cooperatives offer the farmers either cash payment at the normal price, or deferred payment at a slightly higher price. In the latter case, the cooperatives in fact borrow money from the farmers.

Agreed Action	*Responsibility*	*Agreed Date*
MoUs with banks in pilot districts Five MoUs have been drafted so far with banks in 5 districts. These MoUs need to be finalized, signed and start implementation as soon as possible.	DPIU, Microfinance Specialist under supervision of PMU	12/2022

Human and Social Capital and Empowerment	**Rating: 4**	**Previous rating: 4**

Justification of rating

140. The human and social capital and empowerment are rated moderately satisfactory. The project has mobilised 867 farmers group of which 289 women group. made significant strides in empowering women, as evidenced by the progress in during the field visit. In addition, In total, 36 farmer corporations were established since the project started, comprising 31 cooperatives, a farmers' association, 2 Joint Business Groups or KUB, and 2 limited liability firms (PT). Interestingly, the mission team also observed that youth and women are often active members of Farmer Corporations, especially for marketing, processing and innovation-related activities, which is very encouraging.

Main issues

141. **Additional support to FG/ Farmers corporation and access to finance is needed.** In a number of districts like Minsel,

Subang or Malang, cooperatives are still at a very basic stage and have not yet had transactions with buyers (or very limited). So farmers mostly sell outside the cooperative. And in several other districts mentioned above, not all cooperatives are having these partnerships. Support is still needed for the weaker cooperatives.

142. The mission team identified two critical bottlenecks in the Farmer Corporations: (1) most of them have no access yet to formal working capital, which is crucial to help them start their business and offer services to farmers, and (2) insufficient follow-up by the regional consultants. Indeed, rather than organising one-off training sessions, continuous guidance and coaching would be more helpful. This would include support to (1) refine the very broad business canvass established in 2022, (2) define business model strategies, (3) support the Farmer Corporation's management in compiling all necessary data, (4) assist in identifying, meeting and negotiating with off-takers and other potential private sector partners (e.g., finance institutions, input suppliers). As regional consultants might not all be well qualified for such coaching work, national-level consultants must train and manage their regional teams better.

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

Justification of rating

143. The quality of target group engagement and feedback is rated moderately satisfactory. During the mission's field visits, vulnerable groups such as the elderly were seen participating in the project activities, but the disabled were not apparent. In addition, indigenous people are in the Lebak project area (Citorek village). The project already has FPIC guidelines, and before carrying out any project activity, discussions were held with these indigenous peoples who agreed to participate. However, the agreement was not recorded in a consent letter to prove that the indigenous people agreed to participate. In addition, GRM already exists and is carried out by village facilitators (Fasdes). The complaints handling mechanism were conducted by facilitator and recorded in the monthly reports handed over to District PIU. Complaints are usually resolved, followed up by the Fasdes, and distributed to interested parties.
In terms of engaging the target audience, the project has undertaken outreach efforts through diverse platforms, including YouTube and Instagram, and appeared on news channels like TV, newspapers, or online news. These outreach efforts and their results can be found in the PMU's MTR report. However, despite the progress in these outreach activities, there is currently no clear strategy to further develop these platforms for promoting their project activities.

Main issues

144. The target group engagement in the Farmer Field Schools (FFS) is, in most places, represented by a few of the farmer group members. For example, the FFS and demplots are attended only by one or two delegated group members of each farmer group. These delegated members are expected to share the knowledge gained in the FFS with other members of their farmer group, but it is unclear how the farmers participating in FFS and demonstrations disseminate their knowledge to other group members. In some farmer groups, this arrangement works well, but in other villages, the dissemination of knowledge does not work well. The PIU in Magelang, has solved the gap in knowledge dissemination by allowing each FFS and demonstration to be attended by 25 members of each farmer group. If the members of farmer groups are more than 25, the farmers participating in FFS and demonstration will disseminate their knowledge in the weekly farmer group meeting.

145. The mission recommends that the project arrange follow-up farmer training events in each village, providing a forum for farmer representatives who were trained at an FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group.

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

Justification of rating

146. The responsiveness of service providers is rated moderately satisfactory. Currently, the project has deployed two consulting firms: (1) the Project Management Consultant (PMC) comprising four consultants at the national level to support the PMU, 27 regional consultants to support the DPIUs, and six supporting staff through the consultancy firm; (2) the Design Supervision Consultants (DSC) comprising 29 technical staff and 2 supporting staff. The project also deploys 27 individual consultants, of which 11 are based at the national level and 16 are based at the regional level.
The PMC role is to support the PMU and DPIUs management functions. The DSC supports the project in the design and construction supervision of infrastructure and production support facilities, including farm roads and irrigation facilities. As the project has not finalised yet the selection of the Agriculture Support Consultant (ASC) to be supported by the IsDB, the project recruited national individual consultants (such as the Nutrition and Targeting consultant, Agronomist, Institutional Development Specialist, Value Chain Specialist, Micro-Finance Specialist and Training Specialist). The project recruits facilitators and on-granting support officers. Prior to MTR, the project recruited IPB to conduct the mi-line survey. While some issues exist, Most of the service providers are performing well. The improving performance of the service providers is contributing to the overall improvement in the project performance.

Main issues

147. The overall performance of the PMC at national and regional levels continues to be poor with only few of the PMC consultants, performing well. This poor PMC performance is causing issues for number of project management functions; such as monitoring, reporting and coordination among consultants at the national and regional level, including Village Facilitators. The PMC consulting firm (PT Trans Intra Asia) has replaced some poor-performing consultants as requested by the PMU. It is worth noting that these replacements did not improve the overall performance significantly.

148. The DSC generally performs satisfactorily. While the consultant performed the required duties satisfactorily; e.g. preparation of

designs, providing adequate supervision to the infrastructure works construction, there is still some room for improvement in some of the districts.

149. As there is delay in completing the recruitment of the Agricultural Consultant Services (supported by the IsDB), the project recruited individual consultants to fill the gap. The PMU is able to more easily adjust the composition of the individual consultancy team based on the project needs in each participating district. Other individual consultants, such as the Project Implementation Advisor, MIS Consultant and Nutrition Consultant, has also provided important support to project implementation.

150. At district level, the project used the support of On-Granting Officers and Village Facilitators. The mission visited some districts and noted that most of them performed well. Nevertheless, they still need some guidance from other consultants (PMC, DSC, and individual consultants), particularly in monitoring and data entry into the MIS.

151. The PMU hired the IPB university to conduct a mid-line survey. While the mid-line survey progressed well and provided useful results, it was not fully utilised by the MTR due to some delays.

Environment and Natural Resource Management	**Rating: 4**	**Previous rating: 3**

Justification of rating

152. The environment and natural resources management are rated moderately satisfactory. The project is categorised as “B”, and according to the SECAP Standard, the project at the design stage must have a SECAP review note, including a matrix of the Environmental and Social Management Plan (ESMP). The project complies with this requirement as it has an integrated SECAP Review Note and ESMP (Environmental and Social Management Plan) within the Project Design Report (PDR) document.
146. Concerning the Indonesian environmental regulation (KLHK regulation No. 4/2021), the project would most likely need a relatively simple environmental management plan and environmental monitoring plan (UKL/UPL) or, even simpler, a clarification letter on the capability for environmental management and monitoring (SPPL) as, based on the initial assessment, the project interventions are relatively small in scale and would have a minimal environmental impact. The project will consult with the Ministry of Environment and Forestry to confirm the type of environmental permit.
Currently, the program lacks guidelines for waste and pest management. However, in the Sumbawa district, there are existing practices of utilising natural fertilisers and efficient agricultural waste management within the local community. Notably, in the Batu Lante sub-district, specifically in Dusun Batu Dulang, onion cultivation is conducted naturally with minimal chemical inputs. The community relies on organic fertilisers and dry waste from onion plants, and they only resort to fungicides during the rainy season.
Furthermore, the Ministry of Agriculture has initiated the 'Gerakan Tani Organik,' or the organic farming movement, which advocates for waste and pest management using organic materials. The UPLAND program aligns itself with this movement and uses it as a reference point for developing waste and pest management guidelines within the project.
The project promotes improved environmental and natural resources management. The Demplots demonstrate Good Agricultural Practices (GAP), such as using biopesticides and compost. In 2021 and 2022, several districts have set up compost-making facilities and integrated pest management (IPM) clinics. Since 2022, IPM has been integrated into the FFS curriculum. So far, micro-irrigation was introduced in 2-3 districts only. The project should follow up on this initiative and roll it out to more farmlands and districts. This intervention could be done with the participation of the private sector (e.g., micro-irrigation suppliers). In such partnerships, the private sector could be requested to provide technical guidance to farmers on the use of their products, follow up in the long term, offer discounted prices to farmers and promotional materials (e.g., small starter packs), design cheap drip-irrigation kits (gravity fed) which are more accessible to poorer HHs, and distribute visual leaflets to promote the use of micro-irrigation. The project promotes introduction of irrigation, using environmentally and socially sustainable approach, an approach which contributes to environmental and natural resources preservation. Anecdotal evidence during the mission shows improvement in environment where irrigation was introduced.

Main issues

153. Obtaining an environmental permit from the relevant authority is mandatory for any project or activity that impacts the environment. The project has conducted a Preliminary Screening of Social and Environmental Categories as outlined in the SECAP Review Note. However, the project must also consult with the Environmental Services at the district or provincial level and with the Ministry of Environment and Forestry for guidance on the kind of screening and specific type of environmental permits required.

154. The UPLAND project has identified the coordinates of all project locations and entered them into a GIS, enabling it to conduct a comprehensive desktop screening to determine whether project locations overlap with forest conservation or protected areas. If any overlap is detected, on-site screenings will be conducted to verify whether the project sites and planned activities are located outside the protected areas. If any sites or activities are found to intersect with conservation or protected areas, immediate remedial actions should be taken, and an environmental impact assessment (AMDAL) must be carried out to identify potential impacts and effective mitigation measures to safeguard the environment appropriately.

155. The UPLAND project has introduced animal waste management for producing organic fertiliser. This ongoing activity includes developing 20 organic fertiliser processing units (UPPO). In addition, the project trains farmers in Integrated Pest Management (IPM).

156. The UPLAND project engages in water conservation efforts by constructing reservoirs (both large and small) and small diversion weirs on local water streams. So far, the project completed the construction of 130 units.

157. Based on the evaluation information (see PMU’s MTR Report 2023), women farmers face issues and challenges in carrying out homestead production regarding planting cultivation techniques, pest and disease management, and using environmentally

friendly fertilisers. This is because not all regions have already implemented nutrition awareness activities, which include providing needed material for participants to cultivate nutritious commodities, organic fertiliser, and post-harvest handling using a field school approach.

158. The Project has started to address food security and nutrition in vulnerable communities. Specifically, in villages, the program aims to engage 5,000 women in nutrition awareness training and social marketing events. Based on a field visit to Citorek Village, it's worth noting that the women in the sustainable homestead food crops (*Pekarangan Pangan Lestari*, or P2L) are actively involved, and even households led by women are part of the organisation. This level of participation is valuable for women's education and empowerment. The mission also observed that waste management and integrated pest management have already been introduced in Citorek Village.

Exit Strategy	**Rating: 4**

Justification of rating

159. The exit strategy is rated as moderately satisfactory. Although the project does not have a written exit strategy in place, the basic elements for an exit strategy are present. For example, during the field visits to the Sumbawa and Lombok Timur districts in February 2023 and Lebak, Subang, Magelang, Sumenep and Minahasa Selatan districts during this MTR mission, the farmers showed their gratitude and a high level of enthusiasm for the UPLAND project, explaining how much their productivity and farm incomes have increased due to the introduced cultivation practices, infrastructure development and marketing support. The same high level of support is shown by the village heads, who said that the village government will support the farmer groups in maintaining the infrastructure provided by UPLAND also after the project has closed. Moreover, as most infrastructure development is relatively simple in nature and farmers have contributed in kind towards the construction costs, through the donation of land, labour, and locally available materials (sand, gravel, etc.), the farmer groups are well capable of operating and maintaining the infrastructure.
The climate resilience of the project results is being strengthened through land terracing, the provision of irrigation facilities on the farmlands and the horticulture/vegetable production program (P2L) for women farmer groups (KWT). The knowledge acquired through FFS has been recorded on video and is publicly available on the MoA's website and the YouTube platform, enabling UPLAND farmers to refresh their knowledge and non-UPLAND farmers to learn about GAP and organic farming practices.
To further improve the project's sustainability and exit strategy rating, the mission recommends that the PMU (i) prepares a formal exit strategy, (ii) the project arranges consultations with the village heads where UPLAND operates to discuss the possibilities of involving the village in maintaining the infrastructure investment, (iii) the PMU and DPIUs plan additional FLE, business planning, bookkeeping and (e-)marketing training for managers of the newly formed farmer corporations and (ii) PMU and to arrange the recruitment of regional Microfinance Specialists to assist the DPIUs in activating the micro-finance services.

Potential for Scaling-up	**Rating: 5**	**Previous rating: 5**

Justification of rating

160. The potential for scaling-up is rated as satisfactory. The project has developed an approach that the Government can scale up to achieve its strategic vision for agriculture growth and development in upland areas and to inform future policy and public expenditure. The project goals and activities fit well in the government's medium and long-term development plans (RPJMN 2020-2024 and RPJPN 2005-2025), while the value chain studies for the project commodities show that investment in UPLAND activities is feasible and has good potential to boost the local economy.
The recent progress is boosting confidence that the model of providing irrigation to uplands is feasible, with clear increased demand and interest among potential beneficiaries. The productivity gains and other benefits stemming from value chains interventions are boosting the potential for scaling up. The project offers an opportunity to develop a platform for fostering an approach that can be scaled up by the Government to achieve its strategic vision for agriculture growth and development and also to inform future policy and public expenditure. As indicated earlier, the MoA has indicated the potential participation of other districts.
Following the discussion with DG AIF, it was agreed that the proposed additional new districts may be further explored under a new phase at a later stage (UPLAND phase 2). The success of the UPLAND model has boosted confidence and ongoing attempts to scale up through other projects is already at start up stage (HDDAP). There are also discussions for potential scaling up by IsDB.

c. Project Management

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

Justification of rating

161. The quality of project management is rated as moderately satisfactory. Despite poor support from the PMC team, the mission observed that PMU and DPIUs visited still performed well in the project implementation. The Heads of the Agricultural Offices show high commitment to supporting the project. The coordination between the PMU and DPIUs is working through various meetings held by the PMU, but project coordination should be conducted more systematically and regularly rather than on ad-hoc basis. For example, the implementation of approved AWPB to be pre-financed by districts is supposed to be monitored and recorded by the PMU for follow-up and to ensure that all agreed activities in the AWPB are duly pre-financed by the districts, but currently the PMU only monitors financial records (expenditures) of the districts.

Main issues

162. The mission noted that PMU had no systematic and comprehensive coordination mechanism between the PMU and its

consultants and DPIUs with their regional consultants. No schedule of regular meetings was established to discuss various issues in the project implementation and how to solve these issues. In addition, an assessment mechanism to measure the performance of the consultants at national and regional levels, including measuring their deliverables, is not in place yet. The assessment of the performance of the consultants and their deliverables is crucial for measuring their services before their payment. Currently, the submittal of reports forms the basis for payment of the consultants as indicated in their TOR without assessing the quality of the reports.

163. Project staff. The PMU and DPIUs have several government staff who work for the project as part-time staff, as they are also tasked with other non-project duties. The recommendation of the previous supervision missions, namely, to appoint government staff to the project full-time, has not been followed. To fill the gap in the availability of government staff, the project contracted a number of supporting staff to work full-time for the project. The mission noted that the contracted supporting staff worked well in helping the project team.

Agreed Action	*Responsibility*	*Agreed Date*
Strengthening project management at PMU level Provide sufficient and qualified project staff to work full time for the project Project Director to engage more actively in providing oversight and guidance to the Project Manager, PMU and service providers Improve the working mechanism specially on reporting procedures (including report template max. 25 pages) and meeting arrangements across PMU, PMC, DSC, TAs, and PIU where the PMU M&E officer should lead the main M&E activities.	DG AIF, Director of Irrigation, PMU	03/2023
Strengthening PMC support to PMU and DPIUs' for implementation and reporting PMU and PT Trans Intra Asia should conduct performance evaluation of the consultants, any vacancies must be filled, and non-performing consultants replaced immediately. The consultant firm needs to ensure the consultants are fully supported and able to deliver their work (including provision to travel)	DG AIF, Director of Irrigation, PMU, PT TIA	03/2023

Knowledge Management **Rating: 5** **Previous rating: 4**

Justification of rating

164. The knowledge management (KM) is considered to be satisfactory. The project has a KM plan, with activities included and budgeted for in the AWPB. Responsibilities are assigned for KM implementation. However, some staff have limited ability and would benefit from guidance and training. The learning systems are satisfactory. Lessons and good practices are often analysed, documented, and used in project implementation, are discussed and shared with project stakeholders, brought to higher levels and shared with broader audiences. Lessons are not always validated to ensure quality. Data from project M&E are usually used to inform KM initiatives, and information management is satisfactory. Communication efforts are planned but not always well-targeted, and little attention is paid to quality.
The project has a dedicated KM individual consultant, a third-party publication team, and a KM Plan in place. The Upland project has started a Media Publication Work Program to communicate successes, developments, and challenges in highland agriculture to various stakeholders, the general public, and related agencies. It covers several main aspects, namely (i) Media Publication using television, online media, and social media platforms; (ii) Printed Media Publications such as newspapers, brochures, etc.; (iii) Video production of upland agricultural activities, innovations, and impacts; (iv) Website management; and (v) Implementation and technical guidelines. To produce that publication, the KM consultant conducts a meeting with the team 2-3x per month with the publication team for evaluating and planning on the content that will be developed and to be published. For future benefits, the mission recommends that the KM consultant works closely with the project team, specifically M&E and MIS teams, and the individual consultants to generate success stories and lessons learned.
For 2023, the project has allocated a budget of IDR 1.5 billion for knowledge management. In addition to the above regular activities, the project already has a plan to start writing 5-7 success stories which will be started in September 2023. To maximise the process, the mission recommends the project conduct Knowledge Management training for the field team to increase their skills and knowledge, thus enabling them to capture the success stories and lessons learned from the ground. As a follow-up from the training, the field team should write at least one success story or lesson learned each quarter/semester thus could be used as the basis for the KM consultant to develop a good product.

Agreed Action	*Responsibility*	*Agreed Date*
Knowledge management Prepare KM plan to generate stories, experience and lesson learned from the project implementation in the ground and hold dissemination workshop to invite wide range stakeholders	PMU	05/2023

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

Justification of rating

165. The value for money is considered to be moderately satisfactory for the following reasons:
Table 10 presents the value for money indicators for the design and midterm stage of the project. The results indicate the progress relative to targets in terms of costs, inputs, outputs and outcomes. If design efficiency and effectiveness targets will be achieved, adjustments will have to be made on the project strategies to ensure the successful completion of the project as designed.
For the economy element of VfM, the indicator unit cost per unit of input was segregated into crops and livestock. For crops, the indicator shows that the unit cost per unit of input in the midterm is slightly efficient compared to that of design. However, for livestock, the opposite is true. The input to output ratio indicates that compared to design estimate, more inputs are required to produce the same unit of output in the midterm. But for the unit cost per direct beneficiary, the midterm figure is only 76% that of the design. However, the midterm revenue per beneficiary is only half of design estimate. So, in two of four indicators, the midterm performance falls short of the expectations at design.
In terms of capacity to convert project resources into results (efficiency element). The additional indicator on unit cost per result or benefit shows that in the midterm, the project is inefficient than as designed with 50% higher cost in generating a unit of benefit.
As to effectiveness intended to ensure delivery of expected outcomes and impacts, the midterm performance falls in four of five indicators. Specifically, the benefit-cost ratio, while still above one, is a lot lower than design. Also, the project value per beneficiary and unit cost, are less than 50% of the design targets. So, even if the midterm cost per beneficiary is only 75% of design, the midterm evaluation indicates that performance is falling short of design expectations.
The midterm performance in terms of all the VfM indicators suggests that there is much room for improvement. The project implementation appears to be reaching more than the desired number of direct beneficiaries leading to better performance in terms of cost per beneficiary. However, in all other indicators, the project is less efficient or cost-efficient than designed. A major factor in the gap is the crop productivity data used at design, which were provided by the relevant agencies in each of the 14 project districts, compared to the data gathered during the MTR mission. These results warrant careful review of the project in terms of the indicators where midterm performance falls short of design targets.
The estimated EIRR (at MTR) for the project (based on achievements so far) is 17.20%, and the NPV (at the discount rate of 6.85%) is IDR 886.76 million. An increase in project cost or a decrease in project benefit by 20% would lead to an EIRR of 14.37% and 13.77%, respectively, while the two scenarios together would result in an EIRR of 11.18%. With project expansion, the estimated EIRR for the project is 17.60%, and the NPV (at the discount rate of 6.85%) is IDR 1.211 billion. An increase in project costs or a decrease in project benefits by 20% would lead to an EIRR of 14.76% and 14.15%, respectively, while the two scenarios together would result in an EIRR of 11.53%. The results indicate that the project is economically viable, and resilient to any likely variations affecting benefits and costs both with current achievements and with achieving the full design targets.

Main issues

166. The EFA at MTR stage provide reasonable results. Without extension of completion date, the estimated EIRR for the project is 17.20% and the NPV (at the discount rate of 6.85%) is IDR 886.76 million. An increase in project cost or a decrease of project benefit by 20% would lead to an EIRR of 14.37% and 13.77%, respectively, while the two scenarios together would result in an EIRR of 11.18%.

167. With project extension, the estimated EIRR for the project is 17.60% and the NPV (at the discount rate of 6.85%) is IDR 1.211 billion. An increase of project costs or a decrease of project benefits by 20% would lead to an EIRR of 14.76% and 14.15%, respectively, while the two scenarios together would result in an EIRR of 11.53%.

168. The results indicate that the project will be economically viable, and resilient to any likely variations affecting benefits and costs both in with and without project expansion.

169. **Table 10. Value for Money Indicators, Midterm vs Design (justification for rating)**

VfM element	Indicator	Design	Midterm
(1)	(3)	(3)	(4)
1. Economy, cost-efficiency	Crops: Unit cost per unit of input (or activity)[a]	78,490	**71,749**
	Livestock: Unit cost per unit of input (or activity)[b]	5,499	5,913
	Input to output ratio[c]	262	442
	Unit cost per direct beneficiary[d]	15,386	**11,632**

VfM element	Indicator	Design	Midterm
2. Economy, Efficiency	Unit revenue per beneficiary[e]	40,544	20,438
3. Efficiency, Effectiveness	Unit cost per result (benefits)[f]	0.38	0.57
4. Effectiveness	Benefit-cost ratio[g]	2.03	1.19
5. Effectiveness	Project value per beneficiary[h]	1,619	563
6. Effectiveness	Project value per unit of cost[i]	0.94	0.44
7. Effectiveness, cost-effectiveness	Cost per beneficiary[j]	1,720	**1,290**

170. *Notes: (**green** fonts indicate better performance than designed; **red** fonts poorer performance)*

171. *a - Refers to the input cost divided by the no. of input or activity; for the UPLAND project, input cost refers to the overall production cost of all crops for the 20-year project life; the no. and type of input widely varies for the UPLAND project and is difficult to derive due to lack of data; for crops, the area planted was used as a proxy to the no. of inputs.*

172. *b - Refers to the input cost divided by the no. of input or activity; for the UPLAND project, input cost refers to the overall production cost of livestock for the 20-year project life; for livestock, the no. of production units was proxied as the number of inputs.*

173. *c - Refers to the ratio of input cost over the number of outputs.*

174. *d - Refers to the ratio of total cost over the project life, which is the sum of the project costs and production costs, over the number of direct beneficiaries of the UPLAND project.*

175. *e - Refers to the total revenues of all commodities for the 20-year project life divided by the number of direct beneficiaries.*

176. *f - Refers to the total costs of the project, which include both the project costs and production cost of all commodities over the total revenues of all commodities for the 20-year project life.*

177. *g - Refers to the ratio of the total present value of the incremental benefits for the 20-year project life over the present value of the project costs.*

178. *h - Refers to the net present value of the project with a 9% discount rate at design and 6.85% discount rate at MTR divided by the no. of direct beneficiaries.*

179. *i - Refers to the net present value of the project with a 9% discount rate at design and 6.85% discount rate at MTR divided by the total project costs.*

180. *j - Refers to the total project cost over the no. of direct beneficiaries.*

Coherence between AWPB and Implementation	**Rating: 4**	**Previous rating: 5**

Justification of rating

181. The coherence between the AWPB for 2023 and implementation is rated moderately satisfactory. Overall implementation against approved budget is only approximately at 14.90% for this financial year after 50% (6 months) of the fiscal year-2023 passed. This is because the project had to wait for the designs and support from the DSC team, whose contract extension was delayed. It is expected that the project will catch up in the second half of 2023 and project implementation will be close to the AWPB at the end of the year.

AWPB Inputs and Outputs Review and Implementation Progress

182. **Table 11. FM January to June 2023 (unaudited)**

		IFAD Loan			
		Planned (AWPB)	Actual Expenditure from DA	Variance*	
		A	B	C=A-B	D=C/A (%)
Expenditure by Components:					
1	Comp. 1. Productivity Enhancement & F	6,035,955.66	858,672.57	5,177,283.09	86%
	1.1 Land and Infrastructure Developme	333,101.13	3,681.35	329,419.78	99%
	1.2 Production and Farm Management	5,702,854.53	854,991.22	4,847,863.31	85%
2	Comp. 2. Agri-business and Livelihoods	1,681,669.16	196,387.13	1,485,282.03	88%
	2.1 Farmer Institutional Development	411,626.88	24,780.40	386,846.48	94%
	2.2 Market Infrastructure & Equipment	748,796.00	167,385.31	581,410.69	78%
	2.3 Strengthening Market Linkage & Al	521,246.28	4,221.42	517,024.86	99%
	2.4 Access to Financial Services				0%
3	Comp. 3. Strengthening Institutional De	938,635.93	63,825.77	874,810.16	93%
	3.1 Capacity building and institutional c	938,635.93	63,825.77	874,810.16	93%
	3.2 Adaptive Research				
4	Comp. 4. Project Management Support	3,867,871.57	748,012.63	3,119,858.94	135%
	4.1 Technical Assistant	211,196.25	99,803.33	111,392.92	53%
	4.2 Project Management and Implemen	3,656,675.32	648,209.30	3,008,466.02	82%
TOTAL	**II (must be equal to I)**	**12,524,132.32**	**1,866,898.10**	**10,657,234.22**	**85%**

183. **Table 12. FM January-December 2022 (un-audited)**

		IFAD Loan			
		Planned (AWPB)	Actual Expenditure from DA	Variance*	
Expenditure by Components:					
1	Comp. 1. Productivity Enhancement & F	7,961,112.48	6,557,151.20	1,403,961.28	18%
	1.1 Land and Infrastructure Developme	890,697.23	857,987.64	32,709.59	4%
	1.2 Production and Farm Management	7,070,415.25	5,699,163.56	1,371,251.69	19%
2	Comp. 2. Agri-business and Livelihoods	1,926,954.14	1,326,855.60	600,098.54	31%
	2.1 Farmer Institutional Development	568,488.38	447,347.97	121,140.41	21%
	2.2 Market Infrastructure & Equipment	672,062.11	353,832.15	318,229.96	47%
	2.3 Strengthening Market Linkage & All	686,403.65	525,675.48	160,728.17	23%
	2.4 Access to Financial Services				0%
3	Comp. 3. Strengthening Institutional Deli	938,743.59	686,079.79	252,663.80	27%
	3.1 Capacity building and institutional d	938,743.59	686,079.79	252,663.80	27%
	3.2 Adaptive Research				
4	Comp. 4. Project Management Support	4,403,755.30	3,604,108.41	799,646.89	54%
	4.1 Technical Assistant	209,296.43	131,316.84	77,979.59	37%
	4.2 Project Management and Implemen	4,194,458.87	3,472,791.57	721,667.30	17%
TOTAL	**II (must be equal to I)**	**15,230,565.51**	**12,174,195.00**	**3,056,370.51**	**20%**

184. **AWPB Review**

185. The cumulative expenditures of the IFAD loan fund were EUR 15.32 million or 34.16% till 30 June 2023 and the total AWPB-2023 of EUR 12.52 million, the project currently spent EUR 1.86 million (14.90%) under loan financing. The previous year, i.e., AWPB-2022 performance was 79.93%. Project mainly focusing on activity under Component 1 (Productivity Enhancement & Resilience Building) and Component 4 (Project Management Support) of the project.

186. As of June 2023, the estimated total average physical implementation[8] rate is estimated at about 79% against the overall target, while the actual implementation rate for 2023 is only 27%, which mainly is the construction of the land terracing in Lebak. Other activities are experiencing a delay due to the amendment and extension process of the DSC contract, which results in delays in infrastructure design at district level. In other cases, infrastructure design in Malang, Tasikmalaya, and Magelang was completed in 2022, but the implementation was delayed until June 2023 due to budget availability at the local level. In addition, the project has started the deliveries of the production input to the beneficiaries and project operations, such as salary payments and travel. Please refer to table 7 above under para 88.

187. [8] The overall average physical implementation rate is calculated as the average implementation rate across key outputs. The

respective implementation rates are calculated as the number of achieved output units divided by the number planned output units at design. It does not take into account the budget allocated for the implementation of the output targets.

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

Justification of rating

188. The performance of the M&E system is rated moderately satisfactory. The project has evolved in so many ways, where so many activities have been implemented on the ground and have shown many positive results therefore, it is crucial to have an updated M&E plan. Although the project has conducted an M&E workshop supported by IFAD in early November 2022 to ensure that the team have the same understanding of the M&E plan for each indicator in the logframe, until now. Unfortunately, the M&E plan has not been updated yet. However, the project has continuously improved the MIS and has conducted an M&E roadshow to all 13 districts to provide refresher training on M&E, followed by training on data entry on MIS to the relevant team members, including the OGO and procurement team. Although the data entry has significantly progressed in many districts, it is not completed yet until now, including the data validation process. Therefore, getting reliable quantitative and qualitative data and information is still a huge challenge as the project uses different data sources and poor data management due to a lack of capacity, communication and coordination among the project team. This shows in very little to no M&E regular meetings conducted thus, very little guidance was given to the regional teams, PIUs, TAs, and MIS.

M&E System Review

189. To date, the M&E plan has not been updated since the M&E workshop was completed in November 2022. However, the project M&E team has conducted the district roadshow, which should be the basis for the team to understand the basics of M&E, the logframe with its indicators, and the data input process of the MIS. Overall, the district roadshow took about 2.5 months to complete, with an average of 3 days for each district.

190. The MIS development is progressing well due to the good performance of the MIS team that actively supports the project in accommodating the project needs, including data disaggregation for age and sex. The features have supported the project by providing menus for monitoring the physical and financial progress based on the AWPB, which can be disaggregated by components until the activities level. A dashboard is also provided in the MIS so then the team from the National down to the village level can have the easiness in monitoring the progress based on their needs. The MIS team has actively supported the districts in data entry; thus, the mission team has been able to extract and use the information for feeding the indicators in the logframe. However, since the data input is not completed yet, the mission found some incomplete data and data errors thus, data input should be continued along with the data validation process. To speed up the process, the project should ensure the hiring process for data entry as recommended in the last mission. In addition, the management could benefit more from this MIS if it would provide clear direction to the MIS team specifically on how to analyse the data, including data calculation for improving the dashboard and reporting, and thereby can help the management in decision-making. Overall, the MIS of this project has been able to set a blueprint which can serve as a model for other projects to replicate.

191. Other essential elements to ensure the M&E system can run properly are conducting: (i) proper data management; (ii) regular data analysis and reporting; (iii) regular meetings with the project team for consolidating the quantitative and qualitative information, including capturing lessons learned. Although the project has made good progress on reporting where the current report shows more qualitative information, mainly on the issues and challenges, the main data and information are still inconsistent. Unfortunately, this issue happened due to many reasons but mainly because of a lack of knowledge and skills of the team and lack of guidance from the management on how to manage a vast dataset and team.

192. Data from several resources are not managed properly due to communication and coordination lines being unclear, mainly for communication with external parties. Those situations contribute to a minimum process of data analysis which can be shown in the report that mostly articulates the project implementation at the activity level where data has not been used effectively to support management in decision-making. Although in Subang, the head of Dinas did mention that the MIS has supported her in deciding which area besides UPLAND can receive support using the local budget. However, the project could benefit much more if the data is being analysed. For example, the project could benefit from analysing the design vs actual outreach data for each district so they can know the achievement to decide the future approach. Discussion with the relevant project team members also showed that there is no schedule of regular M&E meetings within the PMC, moreover together with the NPMU, PIUs, and TAs. Meetings were conducted incidentally based on the needs.

Social, Environment, and Climate Standards requirements	Rating: 4	Previous rating: 3

Justification of rating

193. The mission noted that there have been follow-up actions from the previous mission, and the SECAP requirements should now be rated as moderately satisfactory. The project hired a SECAP Specialist as of August 2023 to follow up on SECAP findings, and FPIC has been conducted in the field, although it needs to be better recorded and documented.

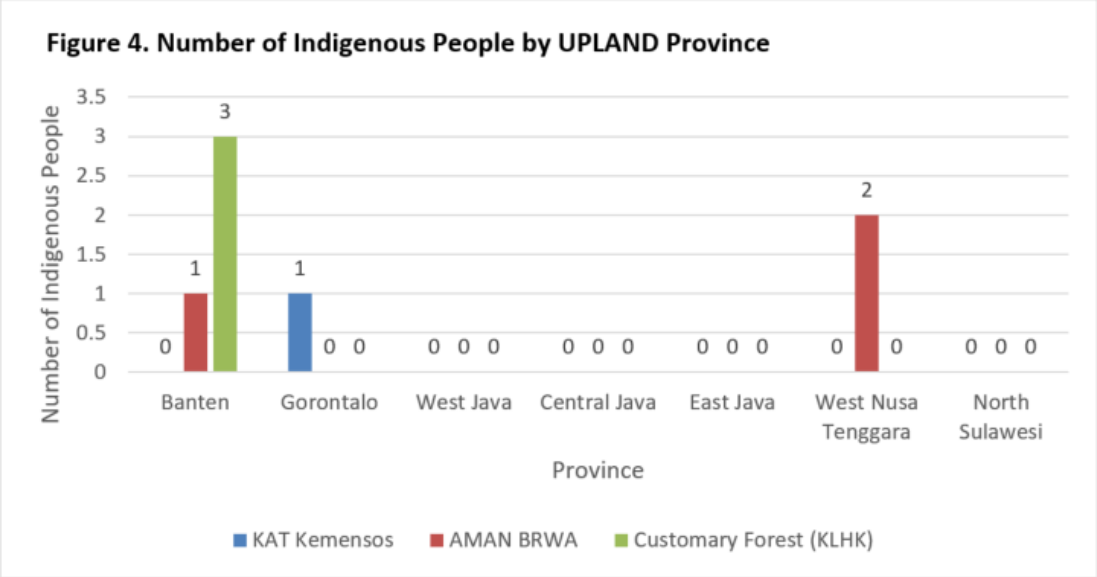
SECAP Review

194. The Stakeholder Engagement Plan (SEP) is being prepared and once completed, needs to be implemented. The GRM process has been prepared, although it would need some adjustments, and the ESMP matrix has been prepared and will be added to the SECAP Review Note. The project has conducted a climate risk analysis and is preparing the Gender Empowerment and Social Inclusion (GESI) report. These are positive indications that the project is well on its way to addressing the shortcomings identified by the previous SM mission.

195. Discussions have been conducted with all relevant districts regarding locations that are indicated to be within protected forests or conservation areas based on the overlay maps prepared by the PMU's GIS experts. In May 2023, the project contacted the concerned district governments to discuss and ascertain whether the project locations overlap with existing forest conservation/protection areas. The local government services have provided clarifications and information on local regulations (*PERDA*).

196. The project held a coordination meeting in mid-May 2023 to discuss and agree on the screening process. The initial findings stated in the PDR indicate the presence of just a few IPs in Lebak but based on the independent screening conducted (through KAT, BRWA, and KLHK databases), IPs were found in several locations such as Kasepuhan Citorek village in the district Lebak (Banten province) and in the Krama Adat Toaq Sjang and Krama Adat Sembalun Bumbung villages in the district Lombok Timur (West Nusa Tenggara province). Further, the results of the independent screening are as follows:

197. **Figure 4. Number of Indigenuous People by UPLAND Province**



198. During the mission's visit to Citorek Village, it was observed that the Kasepuhan Citorek customary law community (MHA) lives in the Citorek District, where the project operates in four villages within the Kasepuhan district. The Kasepuhan Citorek customary community's land was officially acknowledged by the Ministry of Environment and Forestry (MoEF) in 2019 and identified as the Citorek Kasepuhan customary forest. Furthermore, the MoEF eliminated the customary forests from Mount Halimun National Park in the same year. According to the Lebak Agriculture Agency's, in 2019, the project conducted awareness-raising activities in the Kasepuhan Citorek customary law community, but the mission was unable to locate any written evidence of these efforts.

199. The mission suggests that DPIU in Lebak implements the FPIC plan. In case the Project has an impact on indigenous peoples, it is essential to create an indigenous peoples' plan (IPP). The IPP will tackle potential risks and impacts on project-affected indigenous peoples and provide them with culturally appropriate benefits.

200. Among the 18,166 project beneficiaries, only 1,065 individuals (4%) belong to the indigenous communities, and they are all situated in the district of Lebak. The GESI Strategy aims to include 10% of beneficiaries from indigenous communities, but this target has not been met as of 2023. Based on independent assessments and field observations, it is recommended that the project reconsiders the beneficiary targets for areas where indigenous communities have been identified.

201. **Natural Resource**. After visiting Citorek Village, it was observed that waste management and integrated pest management have been introduced. However, these practices need to become common knowledge. Environmental documents like AMDAL, UKL/UPL, and SPPL must be customized according to the activity type and specifications. This will help in identifying potential environmental impacts that may arise from UPLAND infrastructure activities.

202. **Free, Prior & Informed Consent (FPIC)**, The project already has FPIC, and before carrying out any project activity, discussions were held with these indigenous peoples who agreed to participate. The mission observed, the FPIC has already been implemented in the Lebak district, but not well-documented. The FPIC implementation plan must include a comprehensive and compliant procedure for conducting FPIC following the IFAD guidelines on "Seeking Free, Prior, and Informed Consent" in agricultural development/investment Projects[9]. Therefore, adjustments need to be made.

203. IFAD mandates projects to engage stakeholders throughout the project life cycle. One of the instruments/tools used to support this action is the Stakeholder Engagement Plan (SEP). Furthermore, the need for guidelines for stakeholder engagement is also present in the ESMP (Environmental and Social Management Plan). Although, in practice, the project does involve the stakeholders in all project activities, it has not yet prepared a SEP document.

204. Concerning the land needed for project infrastructure and development, the project must ensure that each land donation is well-documented, including its dimensions, as well as the agreement between the (former) landowners, the village, and the district government. The mission's field visits to the districts Madura and Lebak showed that landowner agreements have already been

established. According to the PMU's MTR Report 2023, the land acquisition process can be challenging for the PIU and the DSC team and is a key constraint in infrastructure development. If the land has a grant letter from farmers or landowners, the DSC team can conduct field surveys or await relocation to a new site. In cases where CPCL field surveys and measurements do not align with the infrastructure plans, the DPIU and DSC team have to search for alternative locations, causing a delay in the DSC team's work plan and timeline.

205. To avoid potential disputes, it is crucial to assess the property's ownership status. When land is rented out, it may be necessary to provide either a document verifying the owner's rights to the property or an agreement with the owner and witnessed by the relevant stakeholders. Land use agreements with the landowners are necessary for the construction of infrastructure. According to the project staff, land use agreements with private landowners cover only part of the project area. Similar agreements must be made for infrastructure located on communal or customary land under the authority of villages or individuals. Such agreements were also made for the location of the demonstration plots.

206. The project has conducted awareness campaigns to inform the community about the objectives, targets, and activities of the UPLAND program, particularly those related to infrastructure development. This information is based on feasibility studies and supported by data from CPCL. The socialisation process can sometimes result in changes when measurement surveys are conducted, and farmers may request relocation when further physical activities are implemented.

207. However, there are challenges in the infrastructure work carried out by farmer groups. These challenges include difficulties in preparing Group Activity Proposal Plans (RUKK) and in maintaining proper expenditure records. The main reason for these challenges is that most members of the farmer groups lack experience in construction work. Additionally, many of them are elderly, and some are requesting compensation for allowing the construction of farm access roads through their land.

208. During field visits to the districts Lebak and Subang, the mission observed that existing Mangosteen plantations in 2022 had not yielded good harvests, probably caused by neglect of proper plantation management (lack of pruning, weed and pest control). It is worth noting that (i) some farmers have rented out their Mangosteen trees to a middleman (*tengkulak*) on a 3-year basis, and (ii) the long, hot and dry summer during the Covid pandemic may have contributed to the Mangosteen plants not bearing fruit. In 2023, the Mangosteen demonstration plots were just preparing to start in August.

209. **Grievance Mechanism**. The GRM procedure are incorporated in the PIM document, and based on mission observation, GRM already exists and is carried out by village facilitators (Fasdes). The complaints handling mechanism were conducted by facilitator and recorded in the monthly reports to District PIU. Complaints are usually resolved, followed by the Fasdes, and distributed to interested parties. However, the mission proposes to improve the record of complaint handling and resolve procedure in the future.

210. **Stakeholder Engagement Plan**. IFAD mandates projects to engage stakeholders throughout the project life cycle. One of the instruments/tools used to support this action is the Stakeholder Engagement Plan (SEP). Furthermore, the need for guidelines for stakeholder engagement is also present in the ESMP (Environmental and Social Management Plan). The project still needs to prepare the SEP document.

211. **Land Acquisition**. To acquire land for infrastructure and development, it is important to properly document each land donation. This includes measuring the land and creating agreements between the landowners, the village, and the district government. According to the MTR Report 2023, land acquisition poses a significant challenge for the PIU and DSC team and is a major factor hindering infrastructure development. If the land has a grant letter from farmers or landowners, the DSC team can conduct field surveys or wait for relocation to a new site. However, if the field surveys and measurements do not align with the infrastructure designations authorized in the CPCL, the DSC team's timeline may be impacted as they search for suitable alternative locations.

212. [9] IFAD, How to Do Note, Seeking, Free, Prior, and Informed Consent in IFAD Investment Projects, document can be accessed trough https://www.ifad.org/documents/38714170/40197975/htdn_fpic.pdf/7601fe69-3ada-4b9d-a30d-95ae4c98216b

Agreed Action	*Responsibility*	*Agreed Date*
SECAP note Review, comment on and complete the SECAP Review Note and its associated attachments (SEP and FPIC Plan) and commence implementation; Develop and implement a Grievance Reporting Mechanism and FPIC Plan; Hire/designate a SECAP Focal Person/Consultant for the Environment and Climate Change dimensions of SECAP, and Add to the current GESI TOR the Social dimensions of SECAP.	PMU	05/2023

d. Financial Management & Execution

Acceptable Disbursement Rate	**Rating: 3.0**	**Previous rating: 3**

Justification of rating

213. Based on information provided by project team, as of June 30, 2023, the cumulative disbursement of the IFAD loan funds was EUR 18.95 million or 42.25% including advances and with justified project expenditure of EUR 15.32 million or 34.16% till 30 June 2023.

Main issues

214. The designated accounts of the project have been maintained for IFAD and IsDB financing separately. IFAD DA is in EUR whilst the IsDB is in USD.

215. Low disbursement rate can be partly explained reason due to COVID-19 pandemic, and bulk of project activities are in districts (through on-granting mechanism) and most project activities started in FY 2021, also due to long process of signing on-granting agreements (with 1 district dropped off). Since the project activity completion date is 31 December 2024, at the current pace of disbursement and project expenditures, utilization of remaining IFAD loan in next 1.5 years is not possible without the project improvement and adjustment.

216. The project has submitted 8 withdrawal applications (WAs) and the last WA of EUR 2.25 million was submitted in May 2023 to cover expenditures until June 30, 2023. However, mission noted that the WA is still pending/not submitted for justification of expenditure for Q1-2023 period.

Fiduciary aspects

Quality of Financial Management	Rating: 3	Previous rating: 4

Justification of rating

217. The mission assessed the soundness of the FM arrangements of the project and found inherent risk as high. Mission identified the project is lacking proper internal control systems and financial monitoring mechanism: project's operating cost exceeds 57.06% (EUR 1.11M) of the total project cost category allocation; lack of adequate planning of budget and regular monitoring; fund flows-disbursement (counterpart funding and overall slow pace of absorption) and internal control by utilizing reconciliations (i.e., Bank, Tax and Counterpart funding etc.); no internal audit in place and non-maintenance of track sheets/log of audit observations and recommendations; non-implementation of previous SM recommendations action plan and high volume of Ineligible expenditures for Fiscal Year-2022.

Main issues

218. **Organization & Staff**: The project's FM staff require capacity building and skill improvement in various areas. The performance-based evaluation system is not yet in place for national consultants, and their performance assessment by the consulting firm (PMC) isn't happening as intended. Additionally, there is a lack of formal approach to performance-based evaluations for supporting staff, hindering potential growth and work gap assessment.

219. **Budgeting**: The project's AWPB preparation process lacked participation from all project parties and the finance management team. While the AWPB is prepared, there's no proper monitoring for project management, leading to overspending on operating expenses and misaligned allocation. As of June 30, 2023, the project spent 14.90% of the total fund allocation. Inadequate budget planning and monitoring for FY23 were noted. Project management expenditure was at 91%, contrasting with 38% of total project expenditures by June 30, 2023, due to slow fund disbursement.

220. **Internal Controls**: An approved PIM by IFAD exists, but it lacks details on counterpart funding and its recording mechanism. The project lacks proper internal control systems and financial monitoring mechanisms. Monthly bank reconciliation statements are not prepared, reviewed, or approved. Contract registers and monitoring forms are in Excel format and not effectively maintained. Legal covenant compliance, particularly related to overrun expenditure, hasn't been followed. The project's operating cost category exceeded allocated funds by 57.06%, risking ineligible expenditures. Due to these issues, project staff lack understanding of planned activities and procedures. The project lacks proper internal audit arrangements, relying on the MoA IG for internal audit. Internal Control Systems are insufficient, with no effective method for tracking external audit observations or previous recommendations. Asset records and management procedures are incomplete, leading to insufficient control and potential waste or theft. VAT inclusion in vehicle rent payment contradicts the Financing Agreement, making such payments ineligible.

221. **Accounting & Financial Reporting**: The project uses the SAKTI government accounting system for monitoring but maintains a separate Excel-based reporting system. The financial statements are cash-based, recognizing revenue and costs upon cash receipt and disbursement. The accuracy and reconciliation of counterpart funding data provided by the project management are in question. Details of counterpart contributions (GOI in kind and Beneficiaries co-financing) are unavailable, undermining authenticity. Capacity-building is needed to ensure accurate and fair information presentation. Delays occurred in submitting Q1-IFR 23 and unaudited FS FY22. The unaudited and audited FS of UPLANDs project counterpart funding for FY22 were reported as "NIL," leading to inaccurate and incomplete financial statements.

Agreed Action	*Responsibility*	*Agreed Date*
Implementation of FM Action plan to be followed The Project provided its FM Action Plan for Q3-2023 and Q4-2023 to IFAD in August 2023 with indicating all IFAD requirements to the FM area (staff, AWPB, Disbursement, Internal control, Reporting and Auditing) as well as Action Plan for resolving IEs and IFAD accepted this Plan. Jointly with IFAD, the project management started monitoring the FM action plan in September 2023, this monitoring and implementation by the project need to be done on a regular basis.	PMU	08/2023
NOL Required for the overrun Project operating expenditure The project needs to provide proper justification of Operating expenditure and documents to IFAD and seek IFAD NOL on overran (i.e. by 57.06%: EUR 1.11 million) of project operating cost as per Financing Agreement total allocation amount of project operating cost.	PMU	09/2023
Reallocation of project budget/appraisal Project management needs to take immediate action to ensure that its internal controls are suitably strengthened to avoid recurrence of the situation found in the previous year. Furthermore, the project also needs to prepare, and deep analysis of categories wise project cost and reallocation of project budget/appraisal should be done by project management and presented to IFAD for review and NOL.	PMU	09/2023
Project management to develop plan for measurable action The Project management team should develop plan for measurable actions to achieve the remaining objectives and monitor the operations for completing project activities and accelerate the implementation in 2023 and prepare a realistic timeline to catch up with the target in revised AWPB-2023.	PMU, DPIUs	09/2023
On-granting Application To accelerate the implementation of on-granting application, to provide training/refresher to the district and regional units	NPMU, PMC	

Quality and Timeliness of Audit	**Rating: 5**	**Previous rating: 4**

Justification of rating

222. Audited FS were received on time.

Main issues

223. - Audit report 2022 was received on time.

224. - Auditing standards used (ISAs) are acceptable to IFAD.

225. - EOM para is missing.

226. - Audit opinion para refers to accounting basis in section 7 (b) of Notes to FS, which do not provide any name of the Accounting standards the auditors refer to.

227. - In the rest, audit report and ML are of a good quality.

Counterparts Funds	**Rating: 3**	**Previous rating: 3**

Justification of rating

228. The GOI will contribute EUR 15.33 million in a form of taxes on project expenditure, staffing costs, & other in-kind contributions as per financing agreement and based on information provided from PMU-FM team during the mission, the total GOI contribution is EUR 4.62 million (30.19%) till 30 Jun 2023. In addition, the project beneficiaries are expected to contribute approximately EUR 12.58 million to co-finance the purchase of machinery and equipment, and building storage and production facilities as per financing agreement and the project recorded co-finance from beneficiaries totaling EUR 2.75 million (21.91%) contributions till 31 Dec. 22. Therefore, the counterpart contribution & co-finance indicators have remained at low level since the start of the project to the date of the mission

Main issues

229. Mission noted that counterpart funding recorded as per MIS system (IDR 38.93 billion) does not match the information provided by PMU in Excel sheet (i.e. IDR 43.55 billion). However, mission also noted that the counterpart (GOI & Beneficiaries) contributions detail data/information are unavailable for our verification purpose and there is no proper system of Counterpart funding tracking for GOI in kind contribution and beneficiary co-financing of project. Therefore, the mission is unable to conclude whether the GOI contribution and beneficiaries co-finance amounts are authentic, accurate and complete for project counterpart contributions. Furthermore, the mission noted that the Audited Financial Statements of UPLANDs project counterpart funding i.e., GOI contribution and Beneficiaries co-financing for the FY 2022 amount is reported as “NIL".

Compliance with Loan Covenants	Rating: 4	Previous rating: 5

Justification of rating

230. The compliance with loan covenants is rated as moderately satisfactory. The project is compliant with most of legal covenants of the FA and GC, with the exception of the timely submission of IFR and counterpart financing progress, overrun in expenditures of categories and components in IFR, updated MIS and monitoring mechanism for follow up on audit (internal/external) results. It is also noted that most covenants are not yet due or continuous.

Procurement

Procurement	Rating: 4	Previous rating: 4

Justification of rating

231. The procurement activities are rated as moderately satisfactory. The overwhelming majority of big-ticket contracts are correctly identified in the project’s PPS. There are some shortcomings in the procurement unit’s staffing and ability to deal with high-risk and complex contracts which may have some limited negative impact on project implementation and performance, but prompt resolution of these issues is likely with additional staffing or training.

Procurement Review

232. Procurement Plan and Process: The procurement plans and AWPB were reviewed and updated during the project implementation period and received NO approval from IFAD. However, the missions found that the Procurement Plan does not provide an estimated timeline for each step of the procurement process for goods, services and works. Therefore, it is recommended to include realistic timeframes for each step of the procurement process as a reference for implementation. Procurement activities are planned individually by the implementing partners and the NPMU prepares a consolidated PP. The actual timelines in the PP are not kept updated; it is required to update the 'actual' column after completing the signing of each contract. Starting from July 2023, the new OPEN system has been implemented. Currently, the project staff is transferring the entire procurement plan data to the OPEN system, including the estimated timeline, budget, procurement method, and requirements identification. The procurement process is conducted for goods, services, and works using several methods such as shopping, E-Catalogue, and Force Accounts (Swakelola). While the Force Account methods comply with government procurement regulations, it is necessary to consider the capacity of NPMU staff, particularly in handling procurement activities in parallel. Therefore, it is recommended to utilise competitive procurement methods to reduce the workload on NPMU.

233. **Contract Management**: The overall completeness and timelines referred to the contracts are well documented. There is evidence of receipt and acceptance of contractual outputs in all contract files. The payments are made based on the contract terms, the contract, deliverables, invoices, and payments are documented in the files. However, from the sample of documents reviewed, the instalments of the term of payment need to be considered. The delivered progress should be in line with the payment instalments or proportional to the delivery/completed service. During the field visits, the mission conducted random inventory checks for procurement activities. The documentation for the inventory, such as three-wheel vehicles, trucks, and pick-up vehicles, is well-kept. Contract Management is an important task in procurement to ensure compliance with the terms and conditions of both parties, providing proof that both parties fulfil their agreed-upon obligations. Contact information and data are managed using the ICP Contract Monitoring Tool, which needs updated data entry on a monthly or bi-monthly basis, with at least one review per quarter.

234. **Record Retention:** The record retention at the UPLAND project is somewhat well maintained. The current procurement records need more space. A dedicated folder should be established for all documents related to a single procurement process. Documents should be stored securely, in a safe location or on shelves, for all procurement processes. It is recommended that electronic files be made available on a 'shared' folder drive to facilitate sharing with authorised users and ensure greater security for project procurement documents. Maintaining the procurement records includes all documents relevant to starting from the procurement plan, procurement process, contract administration phases and invoices or other relevant documents. It should be possible to reconstruct the entire procurement and contract administration processes from these records. Keeping accurate and complete records of procurement activities helps ensure compliance with laws and regulations related to procurement, taxation, auditing, and other relevant areas. Maintaining proper records enhances transparency and accountability in procurement processes. It allows stakeholders, auditors, and oversight bodies to review and verify the legality and fairness of procurement decisions and actions.

Procurement Plan Procurement plan is should be made to cover 12 months. Needs to provide the realistic time schedule for each step. Each activity should be in one line instead of one package activities.	Project Manager, NPMU, Procurement Specialist	30 Aug 2023	Agree
Procurement Strategy It is recommended the award contracts through competitive process except the exceptions for direct contract. The method Force Account Type One (Swakelola Tipe 1) (Self Manage procurement arrangement conducted and implemented by the PSP Directorate) is compliance with government procurement regulation, however it is also need to be considered the capacity of NPMU Staff. Reduce and limit the use of swakelola type I and provide other competitive procurement methods to reduce the workload in NPMU.	Project Manager, NPMU, Procurement Specialist	15 Sept 2023	Agree
Contract Management The data in the Contract Monitoring Tool (CMT) is need to enter correctly and regularly updated to ensure contract implementations progress, for coverage of National and sub-national level.	Project Manager, NPMU, Procurement Specialist	15 Sept 2023	Agree
Record Retention Procurement records needs to be improved, kept in the safe place or shelves for all the procurement process. The current space is limited	Project Manager, NPMU, Procurement Specialist	15 Sept 2023	Agree
Regional Procurement Assistant – 6 regional Each regional has one Procurement Assistant, it is required to have clear TOR and support the procurement process in district by involving for all procurement activities, from Procurement Plan up to the contract implementation to ensure compliance all the procurement activity under on granting mechanism.	Project Manager, NPMU, Procurement Specialist, Regional Procurement	15 Sept 2023	Agree
OPEN implementation Procurement Plan and procurement activities to continue entering the data to OPEN system.	Project Manager, NPMU, Procurement Specialist	20 Aug 2023	Agree

Agreed Action	*Responsibility*	*Agreed Date*
Procurement Improve the procurement planning to select the proper procurement method for 2023 and avoid frequent revisions Modify TOR of Procurement consultant to include contract monitoring role and providing oversights and support to DPIU for their procurement process Improve record management and file keeping The project to justifiy the car specification following the project need identification requirement for 2023 procurement plan	PMU	03/2023
Additional Recruitments to be completed by Q2 2023 1. Agriculture Support Consultant (ASC) 2. Social Inclusion specialist (Individual) 3. District level M&E data entry staff (individual)	PMU, MoA	05/2023

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	**Rating: 4.44**	**Previous rating: 4.0**

Assessment of the Overall Implementation Performance	Rating: 3.92	Previous rating: 3.83

F. Relevance

Relevance	Rating: 5	Previous rating: 5

Justification of rating

235. The relevance is considered to be satisfactory The UPLAND design and objectives remain relevant and consistent with the needs of the target group and the government priorities. However, achieving project objectives and impacts has some implementation challenges. The project had had a slow start, but has picked up speed in 2022 and the project outreach in terms of direct beneficiaries, women and youths involvement exceeds the mid-term target. In view of the project's slow start-up, several changes are instituted at MTR to optimize implementation.

Main issues

236. Accordingly, minor changes are proposed at this MTR to improve relevance, achieve project objectives and impact. These changes are elaborated in the Sections C and D above and include: i) structuring follow up sessions of FFS training, and ii) further strengthening of the managers of farmer corporations by adding training in FLE, business planning, bookkeeping, marketing, and facilitating participation in international agricultural fairs.

237. While the logframe seeks to track relevance (households satisfied with the relevance, quality and accessibility of extension services provided by public and private sector), no data have been collected yet on this indicator.

G. Project Modifications

Responsibility	Modification type	Description
IFAD, PMU	Logical Framework	The mission team observed that the project uses a narrow definition to count the number of persons receiving services from the project, i.e., mostly counting the number of farmers receiving production inputs (referred to as “CPCL”). However, by adopting a more inclusive definition that considers other participants in the value chain who benefit directly from project activities such as infrastructure, pre-/post-harvest equipment, and cooperative services, it becomes evident that the project has a far broader impact. To determine the number of additional (non-CPCL) farmers, the mission team requested two districts (Minahasa Selatan and Sumenep) to conduct a rapid survey (piloting) in the project location. Based on this survey in two districts, the mission team concludes that besides the UPLAND (CPCL) farmers, roughly a similar number of non-CPCL farmers in the value chain benefit directly from the project. *Describe the elements of the Logframe that need changes*
IFAD, IsDB, MoA and Bappenas	Completion Date	Given the initial delays, which are attributed to starting up the project during the COVID-19 pandemic (late 2019 to end-2021) and the positive progress made since 2022, there is a need for a 2-year extension of the project completion date. IFAD, IsDB, MoA and Bappenas agree that a 2-year extension would allow the project to meet its original development objectives and implement activities that are necessary to increase sustainability prospects. Furthermore, the 2-year extension would also allow the project to build on the positive results linked to the extension activities and improve market linkages while continuing to expand the project activities to reach the design targets, such as the area that receives irrigation improvement. The proposed 2-year extension will be financed from the existing IFAD and IsDB loans and does not involve additional financing.

H. Lessons Learned

Project design needs to be further streamlined and owned by Implementing Agencies

238. Overall, the MTR team observed limited understanding of the project at all levels of project implementation (from national to village level). This, combined with limited human resources and changing/unclear governance mechanisms, resulted in delays in

implementation, divergent strategies applied in different areas (e.g., for clustering, coordination platforms, etc.), etc.

A clear monitoring and evaluation system needs to be in place from project start.

239. It is essential for projects to establish a comprehensive Monitoring and Evaluation (M&E) system right from the start, ensuring that M&E data is collected and stored consistently throughout all stages of project implementation. In the case of the UPLAND project, the MIS (Management Information System) was developed after the project had already started. To facilitate effective utilization of the MIS, multiple staff training workshops, known as road shows, were conducted to educate project personnel at all levels, including the PMU (Project Management Unit), PIUs (Project Implementation Units), and village facilitators. However, the introduction of the MIS encountered several challenges that needed to be addressed. These included limited human resources allocated for M&E activities, as well as a lack of understanding of the logframe and the specific indicators that needed to be monitored and tracked. Additionally, it is worth noting that while the Ministry of Agriculture (MoA) mandates systematic reporting of financial progress, there is no explicit requirement for reporting the physical progress of project activities.

240. To improve the M&E process, it is crucial to ensure the early development and implementation of an effective M&E system. This includes providing adequate resources and training to project personnel, enhancing their understanding of the logframe and tracking requirements. Furthermore, it may be beneficial to advocate for the inclusion of physical progress reporting as a mandatory component of the reporting framework of the MoA.

Weak TA support for project management staff at the PMU and DPIUs

241. The project acquired TA support for project management (PMC) and technical design and construction supervision (DSC). The Project Management Consultant (PMC) performed poorly, both at the national and regional levels. Also, the coordination was poor between the consultant staff working at the national and regional levels. The DPIUs reported that some of the regional consultants were rarely providing support. The last mission recommended that PMU and DPIUs conduct performance evaluations to ensure that the PMU and DPIUs receive effective and satisfactory support from the consultant services (consulting firms and individual consultants)

Integration of multi-sector project

242. UPLAND was designed as a value chain project for selected potential commodities in the participating districts. Value chain projects need coordination and engagement of various actors involved in the value chain of the commodities including off takers, processors, financial services, and regulators for exports.

In districts where only representative farmers are trained in FFS and demplots, the project should arrange follow-up training events to ensure that the knowledge is disseminated to other farmers who did not participate in the FFS or demplot.

243. Farmer field schools (FFS) are implemented at demonstration plots and on thematic subjects (e.g., cultivation methods, IPM, production and application of organic fertilisers). In some districts (e.g., Subang) only a few representatives of the farmer groups are trained at the FFSs, and these trainees are expected to train the other farmers in their farmer group. However, this second step of knowledge dissemination does not always happen by itself. Therefore, for those districts that train farmer representatives, the mission recommends including follow-up farmer training events, providing a forum for the farmer representatives who were trained at an FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group. This is to ensure that the FFS training is rolled out to at least 65% of UPLAND group members.

Farmer corporations need further support to strengthen their market linkages and alliances.

244. The project interventions on market access and financial services will largely drive the Project's outcome impact. The production interventions through FFS and related activities are the starting point to enable increased production, productivity and quality. Many Farmer Corporations were just recently established and must be strengthened to become profitable and enable them to provide services to their member farmers. To deliver responsive interventions and activities required by the business models, the project (DPIUs) should be able to rely on individual consultants stationed in the district and with experience in agribusiness marketing, business modelling, financial structuring, food production and food safety standards and certification.

The timeline for UPLAND's interventions using on-granting funds needs to be fully aligned with the district government planning process.

245. Working mechanisms between various levels were unclear resulting confusion among the project implementers, in particular related to the data & reporting submission. Nevertheless, in few districts the working mechanism between various project implementers, particularly district consultants and district offices were working well.

I. Agreed Actions

Agreed Action	*Responsibility*	*Agreed Date*
Overview and Project Progress		

Monitoring Evaluation and Reporting Improve data quality. Validate all data in all levels and start input process to MIS with disaggregated all data by gender and age (ethnicity – IPs). CO-TL PMC need to lead the data consolidation at regional/district level before submission to National level	PMU/PMC/DPIU, M&E officer in coordination with PMC and individual consultant	03/2023
Monitoring Evaluation and Reporting Incorporate Outcome Indicators 1.2.8 into the logframe adding the baseline value (55,4% of women meeting the minimum diet diversity score) as well as the end-term targets (expressed in percentage of women and in number of women)	PMU M&E officer/PMC M&E specialist	03/2023
Additional Recruitment to be completed by Q2 2023 1. 1. Agriculture Support Consultant (ASC) 2. Social Inclusion specialist (Individual) 3. District level M&E data entry staff (individual)	PMU, MoA	05/2023
Development Effectiveness		
Youth employment Identify opportunities of employment (VCs and O&M), skill development and access to relevant resources and match these with the youth profiles in each district (male/female/geography, education etc).	VC expert, Infrastructure expert (O&M)	06/2022
Nutrition action plan The action plan will provide a road map for the implementation of nutrition-sensitive interventions and mainstreaming across the project components. The nutrition study will provide key input to assist in the development of the action plan	Nutrition Specialist	08/2022
Targeting and social inclusion specialist The project to recruit a specialist/focal point to lead on targeting, gender, youth and social inclusion across all project components.	PMU	03/2023
Consider revising the guidelines for demplots and FFS and enforce its application by third parties in charge of these activities The NPMU might rethink the way demplots are FFS are budgeted and implemented to increase efficiency. The main objective will be to conduct more demplots and FFSs that are closer to farmer groups and where more farmers can participate. It will also be to ensure proper monitoring of participation and progress by the facilitators	PMU/Agriculture Specialist	03/2023
Prepare scenarios for expansion of target areas by DPIUs and start the process for scaling up from before Mid Term Review PMU to prepare a realistic scenario/ simulation for expanding the target area by up to 2,477 ha based on DPIU proposals (ref. Table 3), including area coverage, budgets and human resources needs. PMU to follow up the process required to expand areas within districts, including the revision of on-granting agreement.	MoA, PMU, DPIU, MoF, DJPK	04/2023
Farm insurance: The project needs to follow up on the conclusions and recommendations of the adaptive research studies for insurance of shallot farming and goat/sheep farming and come up with an action plan with concrete steps toward setting up insurance facilities for shallot farmers and goat/sheep farmers.	DG PSP, PMU PMU consultant	05/2023

Nutrition Assessment and evaluation of homestead production activities Conduct and finalise the nutrition assessments of the nutrition challenges and opportunities specific to each district, also in light of the progress and achievements resulting from the homestead production.	PMU/Nutrition Specialist	06/2023
Prepare a workshop on social marketing: Target a selected group of women having a sufficient capacity to produce and link them to VCs. The selected group will receive business orientation and be trained in food safety and food labelling to strengthen their capacity for the commercialisation of homestead products.	Nutrition Specialist	06/2023
Recruit Gender Specialist Recruitment of the gender specialist position to develop GESI and to support the implementation of the gender mainstreaming activities.	PMU	10/2023
Increase FFS outreach to a wider target of farmers Facilitate follow-up farmer training events, providing a forum for farmer representatives who were trained at FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group	PMU, DPIUs, Village Facilitators	10/2023
Increase FFS outreach to a wider target of farmers Facilitate follow-up farmer training events, providing a forum for farmer representatives who were trained at FFS to disseminate the newly acquired knowledge to their fellow farmers in a farmer group	PMU, DPIUs, Village Facilitators	10/2023
Provide GESI training to District Facilitator, Village Facilitators and PPL	PMU, DPIU	11/2023
Sustainability and Scaling up		
MoUs with banks in pilot districts Five MoUs have been drafted so far with banks in 5 districts. These MoUs need to be finalized, signed and start implementation as soon as possible.	DPIU, Microfinance Specialist under supervision of PMU	12/2022
Project Management		
Strengthening project management at PMU level Provide sufficient and qualified project staff to work full time for the project Project Director to engage more actively in providing oversight and guidance to the Project Manager, PMU and service providers Improve the working mechanism specially on reporting procedures (including report template max. 25 pages) and meeting arrangements across PMU, PMC, DSC, TAs, and PIU where the PMU M&E officer should lead the main M&E activities.	DG AIF, Director of Irrigation, PMU	03/2023
Strengthening PMC support to PMU and DPIUs' for implementation and reporting PMU and PT Trans Intra Asia should conduct performance evaluation of the consultants, any vacancies must be filled, and non-performing consultants replaced immediately. The consultant firm needs to ensure the consultants are fully supported and able to deliver their work (including provision to travel)	DG AIF, Director of Irrigation, PMU, PT TIA	03/2023

SECAP note Review, comment on and complete the SECAP Review Note and its associated attachments (SEP and FPIC Plan) and commence implementation; Develop and implement a Grievance Reporting Mechanism and FPIC Plan; Hire/designate a SECAP Focal Person/Consultant for the Environment and Climate Change dimensions of SECAP, and Add to the current GESI TOR the Social dimensions of SECAP.	PMU	05/2023
Knowledge management Prepare KM plan to generate stories, experience and lesson learned from the project implementation in the ground and hold dissemination workshop to invite wide range stakeholders	PMU	05/2023
Financial Management & Execution		
Procurement Improve the procurement planning to select the proper procurement method for 2023 and avoid frequent revisions Modify TOR of Procurement consultant to include contract monitoring role and providing oversights and support to DPIU for their procurement process Improve record management and file keeping The project to justifiy the car specification following the project need identification requirement for 2023 procurement plan	PMU	03/2023
Additional Recruitments to be completed by Q2 2023 1. Agriculture Support Consultant (ASC) 2. Social Inclusion specialist (Individual) 3. District level M&E data entry staff (individual)	PMU, MoA	05/2023
Implementation of FM Action plan to be followed The Project provided its FM Action Plan for Q3-2023 and Q4-2023 to IFAD in August 2023 with indicating all IFAD requirements to the FM area (staff, AWPB, Disbursement, Internal control, Reporting and Auditing) as well as Action Plan for resolving IEs and IFAD accepted this Plan. Jointly with IFAD, the project management started monitoring the FM action plan in September 2023, this monitoring and implementation by the project need to be done on a regular basis.	PMU	08/2023
NOL Required for the overrun Project operating expenditure The project needs to provide proper justification of Operating expenditure and documents to IFAD and seek IFAD NOL on overran (i.e. by 57.06%: EUR 1.11 million) of project operating cost as per Financing Agreement total allocation amount of project operating cost.	PMU	09/2023
Reallocation of project budget/appraisal Project management needs to take immediate action to ensure that its internal controls are suitably strengthened to avoid recurrence of the situation found in the previous year. Furthermore, the project also needs to prepare, and deep analysis of categories wise project cost and reallocation of project budget/appraisal should be done by project management and presented to IFAD for review and NOL.	PMU	09/2023

Project management to develop plan for measurable action The Project management team should develop plan for measurable actions to achieve the remaining objectives and monitor the operations for completing project activities and accelerate the implementation in 2023 and prepare a realistic timeline to catch up with the target in revised AWPB-2023.	PMU, DPIUs	09/2023
On-granting Application To accelerate the implementation of on-granting application, to provide training/refresher to the district and regional units	NPMU, PMC	

IFAD
Investing in rural people

Indonesia

The Development of Integrated Farming Systems in Upland Areas

Mid-term Review

: Logical Framework

Mission Dates:	24 July - 15 October 2023
Document Date:	30/11/2023
Project No.	2000002234
Report No.	6698-ID

Asia and the Pacific Division
Programme Management Department

The Development of Integrated Farming Systems in Upland Areas

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Outreach	1.a Corresponding number of households reached							PMU reports	Annual	PMU & PIUs	
	Women-headed households										
	Non-women-headed households										
	Households		15 000	30 000							
	1.b Estimated corresponding total number of households members							PMU reports	Annual	PMU & PIUs	
	Household members										
	1 Persons receiving services promoted or supported by the project							PMU reports	Annual	PMU & PIUs	
	Males										
	Females		5 000	15 000							
	Young		5 000	7 500							
	Indigenous people										
	Total number of persons receiving services		5 000	15 000							
Project Goal Reduce poverty and enhance food security in upland areas through remunerative, sustainable and resilient livelihoods.	Population below the poverty line in the 14 project districts							Indonesia Bureau of Statistics	Mid-term review & project closing	PMU	Continued GoI commitment to promote uplands agriculture
	People	13.9		13							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Development Objective Assist rural households to increase smallholders' agriculture productivity, incomes, livelihoods and resilience in the targeted uplands	Households that have increased their asset ownership							Third Party Survey by the Project	Mid-term review & Project Completion survey	PMU	Local and international demand for key crops does not suffered prolonged collapse in prices or demand volumes. Farmers do not suffer from prolonged or repeated draughts or other adverse climate conditions or natural disasters.
	Households										
	Households		5 000	20 000							
	UPLANDs HHs receiving project investments, technical support and/or services (including nutrition)							Third Party Survey by the Project	MId-term review & Project Completion survey	PMU	
	Households		10 000	30 000							
	Women		5 000	15 000							
	Youth		5 000	7 500							
Outcome 1. Increase in poor rural people's productive capacities	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices							Project survey	Semi-annual	PMU & project partners	Sufficient numbers of upland smallholder are interested in improving their production rather than leaving farming or switching to other production systems entirely. Good quality genetics and other critical are available in sufficient quantities to allow widespread adoption.
	Households		8 000	20 000							
	1.2.4 Households reporting an increase in production							Project survey	Semi-annual	NPMU & project partners	
	Households		6 000	22 000							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Output 1.1 Physical Infrastructure schemes constructed or rehabilitated	3.1.4 Land brought under climate-resilient practices							Project reports	Semi-annual	PMU & project partners	Sufficient numbers of upland smallholder are interested in improving their production rather than leaving farming or switching to other production systems entirely. Good quality genetics and other critical are available in sufficient quantities to allow widespread adoption.
	Hectares of land		5 000	14 000							
	1.1.4 Persons trained in production practices and/or technologies							Project reports	Semi-annual	PMU & project partners	
	Men trained in crop										
	Women trained in crop	2 800	12 000								
	Young people trained in crop										
	Men trained in livestock										
	Women trained in livestock										
	Young people trained in livestock										
	Men trained in forestry										
	Women trained in forestry										
	Young people trained in forestry										
	Total persons trained in crop	2 800	12 000								
	Total persons trained in livestock										
	Total persons trained in forestry										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Output 1.2 Production technical support and machinery provided on sustainable basis	Farmer groups operating & maintaining machinery & equipment							Project reports	Semi-annual	PMU & project partners	Sufficient numbers of upland smallholder are interested in improving their production rather than leaving farming or switching to other production systems entirely. Good quality genetics and other critical are available in sufficient quantities to allow widespread adoption.
	Farmer groups		200	600							
	1.1.5 Persons in rural areas accessing financial services							Project reports	Semi-annual	PMU & project partners	
	Men in rural areas accessing financial services - credit										
	Women in rural areas accessing financial services - credit		1 200	4 000							
	Young people in rural areas accessing financial services - credit										
	Total persons accessing financial services - credit		1 200	4 000							
	Enterprises										
	Active Borrowers (Enterprises)										
Outcome 2. Increase poor rural people's incomes from enhanced processing and/or market participation	2.2.6 Households reporting improved physical access to markets, processing and storage facilities							Project survey and M&E data	MTR and project Completion surveys	PMU	Agribusiness interested in expanding market links with upland smallholders
	Households reporting improved physical access to markets		50	80							
	Households reporting improved physical access to processing facilities										
	Households reporting improved physical access to storage facilities										
	2.2.5 Rural producers' organizations reporting an increase in sales							Project survey and M&E data	MTR and project Completion surveys	PMU	
	Percentage of rural POs		40	70	**16**						

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
	HHs reporting improved incomes from improved processing/market linkages							Project survey and M&E data	MTR and project Completion surveys	PMU	
	Households		5 000	22 000	**1 494**						
	Female		2 000	4 000							
Output 2.1 Farmer post-harvest business established, equipped and supported on sustainable basis	2.1.6 Market, processing or storage facilities constructed or rehabilitated							Project reports	Semi-annual	PMU & project partners	Private entrepreneurs and businesses are interested to run service businesses in programme districts development. Willingness of key parts of MoA to have genuine PPP with private firms.
	Total number of facilities		30	180							
	Market facilities constructed/rehabilitated		30	180							
	Processing facilities constructed/rehabilitated										
	Storage facilities constructed/rehabilitated										
Output 2.2 Business management and technical training delivered	2.1.2 Persons trained in income-generating activities or business management							Project reports	Semi-annual	PMU & project partners	Private entrepreneurs and businesses are interested to run service businesses in programme districts development. Willingness of key parts of MoA to have genuine PPP with private firms.
	Females		50	200							
	Persons trained in IGAs or BM (total)		50	200							
Output 2.3 Commodities with higher value participation in markets											

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Output 2.4 Famer/businesses with enhanced access to finance	1.1.5 Persons in rural areas accessing financial services							Project reports	Semi-annual	PMU & project partners	Private entrepreneurs and businesses are interested to run service businesses in programme districts development. Willingness of key parts of MoA to have genuine PPP with private firms.
	Men in rural areas accessing financial services - credit										
	Women in rural areas accessing financial services - credit		2 000	8 000							
	Young people in rural areas accessing financial services - credit										
	Total persons accessing financial services - credit		2 000	8 000							
	Enterprises										
	Active Borrowers (Enterprises)										
Outcome 3. Enhanced delivery of UPLANDs services and research	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices							Project survey and M&E data	MTR and Project Completion surveys	PMU	Smallholders wiliness to engage in commercialization of target commodities
	Households		33	80							
	PIUs on schedule with on-granting, procurement targets							Project survey and M&E data	MTR and Project Completion surveys	PMU	
	PIUs on schedule		50	95							
Output 3.1 Commodity training courses prepared and delivered	Extension receiving commodity specific training							Project reports	Semi-annual	PMU & project partners	Capacity building and technical support timely and of adequate quality
	Extension		231	231							
Output 3.2 Intensive PIU on-granting and procurement mentoring	PIU staff trained in on-granting and procurement							Project reports	Semi-annual	PMU & project partners	Capacity building and technical support timely and of adequate quality
	PIU staff trained		28	28							

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Indonesia

The Development of Integrated Farming Systems in Upland Areas

Mid-term Review

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

Mission Dates:	24 July - 15 October 2023
Document Date:	30/11/2023
Project No.	2000002234
Report No.	6698-ID

Asia and the Pacific Division
Programme Management Department

Country: Indonesia
Project: The Development Of Integrated Farming Systems In Upland
Loan and Grant Number : 200000323000 (LOAN)
Supervision mission dates: **24 July - 07 August 2023**

# - 200000323000 (LOAN)	EUR
IFAD Loan total	44,850,000.00
Deposit (250001: Advance account)	3,627,151.93
Accumulative Disbursement	18,949,118.13
Remaining Loan	**25,900,881.87**

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

Dated: **As of 30 June 2023**

Table 1A: **Financial performance by financier**

# - 200000323000 (LOAN)			
Financier	**Appraisal**	**Disbursements**	**Percent disbursed**
	EUR		
200000323000 (LOAN)	44,850,000	18,949,118	42.25%
National Government (Appraisal based on FMDB, PDR and Previous SM Report; Dated:15 Feb 2023)	15,336,000	4,629,298	30.19%
Beneficiaries (Appraisal based on FMDB, PDR and Previous SM Report; Dated:15 Feb 2023)	12,589,000	2,758,077	21.91%
Private Sector (Appraisal based on FMDB, PDR and Previous SM Report; Dated:15 Feb 2023)	22,000	-	
Total	**72,797,000**	**26,336,492**	**36.18%**

* Including the initial advance

Utilization of IFAD portion from IFAD sources (incl. initial advance)	44,850,000	18,949,118	42.25%
Utilization of IFAD portion from overall resources (incl. initial advance)	72,797,000	18,949,118	26.03%
Factual utilization of all Project funds from overall resources (excl. initial advance factually spent)	72,797,000	24,291,548	33.37%
Factual utilization of IFAD portion from overall resources (excl. initial advance factually spent)	72,797,000	16,904,173	23.22%
Factual utilization of IFAD portion from IFAD resources (excl. initial advance factually spent)	44,850,000	16,904,173	37.69%

Country: Indonesia

Project: The Development Of Integrated Farming Systems In Upland Areas (UPLANDS)

Loan Number 200000323000 (LOAN)

Supervision mission dates: **24 July - 07 August 2023**

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

As of 30 June 2023

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

All figures are in EUR

Component	200000323000 (LOAN)			National Government (Appraisal based on FMDB, PDR and Previous SM Report; Dated:15 Feb 2023)			Beneficiaries (Appraisal based on FMDB, PDR and Previous SM Report; Dated:15 Feb 2023)			Private Sector (Appraisal based on FMDB, PDR and Previous SM Report; Dated:15 Feb 2023)			Total		
	Appraisal*	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Component 1: Productivity Enhancement & Resilience Building	32,337,000	9,010,102	28%	10,346,000	1,918,346	19%	10,614,000	2,518,220	24%	-	-	0%	**53,297,000**	**13,446,668**	25%
Component 2: Agri-business and Livelihoods Facilitation	4,051,000	1,569,907	39%	1,245,000	326,163	26%	1,975,000	239,857	12%	22,000	-	0%	**7,293,000**	**2,135,927**	29%
Component 3: Strengthening Institutional Delivery Systems	2,452,000	831,058	34%	415,000	189,235	46%	-	-	0%	-	-	0%	**2,867,000**	**1,020,293**	36%
Component 4: Project Management Support	6,010,000	5,493,106	91%	3,330,000	2,195,554	66%	-	-	0%	-	-	0%	**9,340,000**	**7,688,660**	82%
TOTAL	**44,850,000**	**16,904,173**	**38%**	**15,336,000**	**4,629,298**	**30.19%**	**12,589,000**	**2,758,077**	**21.91%**	**22,000**	**-**	**0%**	**72,797,000**	**24,291,548**	**33.37%**
				-			-			-					

Note:

1. IFAD loan disbursements are without initial deposits.

2* Appraisal based on PDR and Previous SM Report; Dated:15 Feb 2023

Country: INDONESIA
Project: The Development Of Integrated Farming Systems In Upland Areas (UPLANDS)
Loan Num 200000323000 (LOAN)
Supervisi **24 July - 07 August 2023**

Appendix 1 **Disbursement by financier, financial performance by component and disbursement category**
Dated: **As of 30 June 2023**
Table 1C: **Financial performance per disbursement category - Cash at Bank and on Hand**

All figures are in EUI

Category	Category description	LOAN Number: 2000001604						
		Original Allocation	Disbursed	WA Pending for Justificatiion of Expendiures	Actual Expenditure Justified as per FMDB	Actual Expenditure as per SOE and Project DA	Actual Balance as per FMDB	Per cent spent (justified exependitures) as per FMDB
		A	B	C	D	E (C+D)	F (A-B)	G (D/A))
	Advance to DA		3,627,151.93				-3,627,152	
Category I:	Consultancies	370,000.00	1,102,057.75	-	88,231.89	88,231.89	-732,058	24%
Category II:	Grant and Subsidies	4,510,000.00	4,799,805.46	171,066.66	1,610,471.45	1,781,538.11	-289,805	36%
Category III:	Goods, Services, Input	29,600,000.00	4,901,028.37	732,978.94	7,383,232.86	8,116,211.80	24,698,972	25%
Category IV:	Training, Workshop & Meeting	8,240,000.00	1,717,923.32	402,406.69	3,438,410.63	3,840,817.32	6,522,077	42%
Category V:	Equipment and Material	180,000.00	1,090,678.19	6,369.44	8,347.37	14,716.81	-910,678	5%
Category VI:	Operating Costs	1,950,000.00	1,710,473.11	269,385.32	2,793,272.00	3,062,657.32	239,527	143%
	sub Total	**44,850,000.00**	**18,949,118.13**	**1,582,207.05**	**15,321,966.20**	**16,904,173.25**	**25,900,882**	**34.2%**

Balance of Designated Account and cash should be (Total Dibs. - Total Exp) **2,044,944.88**

Actual Balance in Designated Account: As of 23 June 2023 **2,049,134.21**

		Differences	**-4,189**
note	**description**	**amount**	
a	Mischarged to IFAD for IsDB related cost, and dated:16 Dec, 2022, SP2D number: 221391303051948, IDR 350m, considered as IEs and project need to refund to IFAD DA (EUR 21,169.37)	-21,169.37	
b	Less: Refund of previous years IEs : Dated 05 June 2023 As per Project DA Bank Statement)	25,358.70	
	total		**4,189**
	diff		**0**

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The Development of Integrated Farming Systems in Upland Areas

Mid-term Review

Appendix 2: Physical progress measured against AWP&B

Mission Dates:	24 July - 15 October 2023
Document Date:	30/11/2023
Project No.	2000002234
Report No.	6698-ID

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

Type of infrastructure	unit	Overall target	Total Cumulative		2021			2022			2023		
			Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual
1.1 Land & Infrastructure Development													
1.Farm roads	Km	372	225	60%	86,9	102	117%	118	123	104%	87		0%
2.Land terracing	Ha	901	781	87%	276	255	92%	232	207	89%	357	320	89%
3.Retention basins	Ha	200	100	50%				100	100		100		0%
4. Water resorvoir	unit	136	107	79%	41	47	115%	63	60	95%	21		0%
5.irrigation system	Ha	2.500	1.800	72%	691	650	94%	1349	1.150	85%	817		0%
6 Irrigation channel	Unit	1.022	516	50%				1051	516		67		0%
7.Pumping/pipe	unit	629	247	39%	113	121	107%	143	126	88%	160		0%
8. Pumping &pipe	Ha	351	185	53%	124	54	44%	171	131	77%	36		0%
9. Irrigation channel	Km	290	134	46%	82	78	96%	68	56	82%	100		0%
1.2 Production and Farm Management													
Plantation/Food Crops/Horticulture	ha	8.416	6.939	82%	3.787	1.771	47%	3.883	3.245	84%	2.254	1.923	85%
Livestock	tile	3.154	2.748	87%	368	37	10%	3.053	2.711	89%	495		0%
2.1. Farmer Institution Development													
Forming and Strengthening Farmer Institutional/Corporate	unit	36	36	100%	13	13	100%	23	23	100%			
Farmer Corporation Trainings	person	180		0%	39-	-		180	161	89%	180		0%
2.2. Market Infrastructure & Equipment													
Pra-harvest Machinery	unit	11.663	9.767	84%	26.517	1.208	5%	8.729	8.545	98%	4.222	14	0,3%
Building Warehouse	unit	247	85	34%	25	5	20%	86	80	93%	57		0%
Post-harvest Machinery	unit	315.135	197.829	63%	91.022	85.165	94%	113.169	112.664	100%	58.488		0%
Agricultural Transportation	unit	307	115	37%	65	10	15%	110	104	95%	81	1	1,2%
Certificate/Organic Rice	ha	1.455	1.455	100%				2.500	1.455				
2.3. Strengthening market linkage													
Partnership	pack	13	13	100%	13	13	100%	13	13	100%	13		0%

Type of infrastructure	unit	Overall target	Total Cumulative		2021			2022			2023		
			Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual	Target	Actual	% Actual
Promotion Business Plan	unit	36	36	100%	13	13	100%	36	36	100%	36		0%
2.4. Access to Financial Services													
Facilitation Microfinance	person	19.523		0%	5,55			4.223		0%	4.269		0%
3.1. Strengthening the Capacity of Government staffs													
Training govt. staffs Workshop Comparative study	person	200	111	56%	50	50	100%	61	61	100%	100	0	0%
3.2. Adaptive Research													
Adaptive Research	pack	19	15	79%				16	15	94%	3		0%
4.1. Technical Assistant													
Consultant Support	person	623	623	100%	591	591	100%	623	623	100%	623	623	100%
Manager Fasdes	person	36	36	100%	12	12	100%	12	12	100%	12	12	100%
Fasdes	person	204	192	94%	192	192	100%	192	192	100%	192	192	100%
OGO	person	104	78	75%	26	26	100%	26	26	100%	26	26	100%
4.2. Operational Support/Cost													
Travel expenses stationary	Month	36	30	83%	12	12	100%	12	12	100%	12	6	50%
Rent Car	unit	17	51	300%	17	17	100%	17	17	100%	17	17	100%
Total		**367.805**	**224.254**	**61%**	**124.055**	**90.442**	**73%**	**140.259**	**132.464**	**94%**	**72.825**	**3.134**	**4%**
Average				**76%**			**81%**			**91%**			**27%**

Investing in rural people

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The Development of Integrated Farming Systems in Upland Areas

Mid-term Review

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates:	24 July - 15 October 2023
Document Date:	30/11/2023
Project No.	2000002234
Report No.	6698-ID

Asia and the Pacific Division
Programme Management Department

Appendix 2: Compliance with legal covenants: status of implementation

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
Financing Agreement				
B 6	There shall be one Designated Account in EURO, opened and maintained by the Ministry of Finance (“MOF”), at Bank Indonesia (“BI), or any other bank assigned by the Ministry of Finance for the exclusive use of the Project. The Borrower shall inform IFAD of the officials authorized to operate the Designated Account	Program launch	Complied	DA details as follows: Loan: BI Account number: 601005991980 Account name: REKSUS KHUSUS UNTUK PROYEK THE DEVELOPMENT OF INTE
B 7	The Borrower shall provide counterpart financing to the project in the amount of approximately fifteen million three hundred thousand euro (EUR 15 300 000) in the form of taxes on project expenditure, staffing costs and other in-kind contributions. The Project beneficiaries are expected to contribute approximately twelve million six hundred thousand euro ((EUR 12,600,000) to co-finance the purchase of machinery and equipment and building storage and production facilities.	Continuous	On-going	The project developed a mechanism to capture government and beneficiaries in-cash and in-kind contribution for the project. However, maintenance of data needs to be improved so that it is updated and consistent.
C3	A Mid Term Review will be conducted early in year three of the Project and as specified in Article VII, Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid Term Review of the implementation of the Project	2022	Not yet due	The joint Mid Term Review will be undertaken from the 24th of July to the 20th of August 2023 due to delay of implementation due to COVID-19 pandemic, however two precedent supervision mission taken place between Jan 2022 to February 2023.
C4	The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement and the Financing Closing Date will be established as specified in the General Conditions	31-Dec-2024	Not yet due	
C5	Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.	On-going	Complied	Government asset management is following the government system and regulation PP 27/2014. The procurement section was verified by IFAD Procurement consultant during the mission.

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
E 2 (a)	The IFAD no objection to the PIM shall have been obtained;	Conditions precedent to withdrawal	Complied	The document initially presented by the project team was incorrect document (implementation guideline, not project implementation manual). This represents poor relevant document management. The project then revised the document by providing PIM in Bahasa version (with signature of DG) and matching English version during interview taken 16 Aug 2023. The English version is matching with PIM under PDR Annex 8. Project Implementation Manual received IFAD approval on 16 July 2020.
E 2 (b)	PMU shall have been established and key staff in the PMU shall have been appointed, (Project Manager/Director, Financial Officer and Monitoring and Evaluation Officer); and	Conditions precedent to withdrawal	partially	During the mission, it was noted that in National Level, 4 Civil servants (PM, Planning assistant, M&E assistant and Admin/Finance assistant) are available, as per Ditjen PSP decision letter number 02.1/KPTS/KL.230/B/01/2023.
E 2 (c)	The designated Account shall be dully opened and the names of the authorized signatories shall have been submitted to IFAD	Conditions precedent to withdrawal	Complied	Designated Account is available (see section B 6) and names of authorised signatories were submitted to IFAD under letter number S-77/PB.3/2020 comprising 2 authorised signatories/approver role and 6 others segregated as authors, verificators and viewers.
Schedule 2, Part II, number 1	Advisory Group (AG). The Project will be overseen by an Advisory Group, composed of senior government officials, which will provide overall policy guidance and oversight to the Project Management Unit.	Conditions precedent to withdrawal	Partially complied	No document presented during the mission suggesting the availability of the advisory group and products of. However, an establishment of technical group was made available, based on Ditjen PSP decision letter number 30.5/KPTS/OT.050/B/07/2022 of which administered its function on providing overall policy guidance and oversight to the Project Management Unit.
Schedule 2, Part II, number 2	Project Management Unit (PMU). The Ministry of Agriculture will establish a Project Management Unit (PMU), with overall responsibility for Project implementation. The PMU will coordinate the District Project Implementation Units (DPIUs), and will be staffed by dedicated full time technical and administrative staff to ensure timely and quality Project implementation.	Conditions precedent to withdrawal	Complied	Ditjen PSP decision letter number 02.1/KPTS/KL.230/B/01/2023

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
Schedule 2, Part II, number 3	District Project Implementation Units (DPIUs). As the main Project activities will be undertaken at district level, in each District where the Project will be implemented a District Project Implementation Unit (DPIU) will be established. The DPIUs will be coordinated by the NPMU, and will be staffed by dedicated full time technical and administrative staff to ensure timely and quality Project implementation.	Conditions precedent to withdrawal	Complied	All 13 DPIUS grant agreement (PHD) were presented during the mission. Namely: Banjarnegara, Garut, Gorontalo, Lebak, Lombok Timur, Magelang, Malang, Minahasa Selatan, Purbalingga, Subang, Sumbawa, Sumenep, and Tasikmalaya.
Schedule 2, Part II, number 4	Project Implementation Manual (PIM). The Borrower through the PMU shall prepare, in accordance with terms of reference acceptable to IFAD the PIM, which shall include, among other arrangements: (i) institutional coordination and day-to-day implementation of the Project; (ii) Project budgeting, disbursement, financial management, procurement monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project component; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project. The PMU shall forward the draft PIM to IFAD for comments and approval. The PMU shall adopt the PIM, substantially in the form approved by IFAD, and the PMU shall promptly provide copies thereof to IFAD. The PMU shall carry out the Project in accordance with the PIM and shall not amend, abrogate or waive the aforementioned manual, or any provision thereof, without the prior written consent of IFAD.	Conditions precedent to withdrawal	Complied	The document initially presented by project team was incorrect document (implementation guideline, not project implementation manual). This represents poor relevant document management. The project then revised the document by providing PIM in Bahasa version (with signature of DG) and matching English version during interview taken 16 Aug 2023. The English version is matching with PIM under PDR Annex 8. Project Implementation Manual received IFAD approval on 16 July 2020.
GC Section 4.07 (i)	The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines.	On-going	Partially completed	Expenditures recorded are within related approved AWPBs for audited FS However, for FY 2023 Q2, as per IFR reported, the project overrun of the followings: a. Category 5 : Equipment and Material by 5% b. Component 2.2: Market Infrastructure & Equipment by 14% c. Component 4.1: Technical Assistant by EUR 99.8k, with no budget. The procurement section was verified by IFAD Procurement consultant during the mission.

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
GC Section 4.07 (ii)	The expenditure shall be incurred during the Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date.	On-going	NA	Project completion date is 31 Dec 2024 and financial closure date is 30 June 2025.
GC Section 4.07 (iii)	The expenditure shall be incurred by a Project Party.	On-going	Completed	All expenditure incurred by MoA
GC Section 4.07 (iv)	If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing, the expenditure must relate to a category whose allocation has not been depleted and shall be eligible only up to the percentage applicable to such category.	On-going	Not completed	Total project expenditures under loan instrument are not in compliance with GC Section 4.07 (iv) which shall be eligible only up to the percentage applicable to such category. For example, during the mission, it was observed that: a. Component 4: Project Management Support actual allocation of percentage as per FA was 13.40%, however the actual expenditure was at 64.80% of total project expenditure. b. Category 2: Grant and Subsidies actual allocation of percentage as per FA was 10.06%, however the actual expenditure was at 10.54% of total project expenditure. c. Category 4: Training, Workshop & Meeting actual allocation of percentage as per FA was 18.37%, however the actual expenditure was at 22.72% of total project expenditure. d. Category 6: Operating Costs actual allocation of percentage as per FA was 4.35%, however the actual expenditure was at 18.12% of total project expenditure.
GC Section 4.07 (v)	The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.	On-going	Completed	No additional activities presented during the mission and on all audited FSs.
GC Section 7.01 (b) (ii) AWPB	The Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year.	31 October of each year	Complied	The AWPB 2023 was submitted on 10 October 2022 and approved by IFAD NOL dated 21 October 2022.
GC Section 8.01	Maintenance of records and documents adequate to reflect project operations until project completion date and for at least ten years thereafter.	Continuous	Partially complied	During the mission, counterpart funding of this project information data/supporting document are not fully available for verification purpose.

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
GC Section 8.02	Establishment and maintenance of information management system	Continuous	Not complied	MIS for on-granting was recognised as complete in previous mission, however during this mission we acknowledged that the mentioned MIS is not up to date. One example is inconsistency of information on beneficiaries' contribution provided to M&E consultant and FM consultant.
GC Section 8.03 a	Submission of periodic progress reports to IFAD	Continuous	Partially complied	Unaudited FY 2021 was not submitted. Unaudited FY 2022 submitted on 13 April 2023 (not complied with 90 days dateline) IFR Q1 FY 2023 submitted 27 April 2023 (complied with 90 days dateline) IFR Q2 FY 2023 submitted 27 July 2023 (complied with 90 days dateline)
GC Section 9.01	Maintenance of separate accounts and records until the Financing Closing Date, and at least ten (10) years thereafter.	Continuous	Complied and on-going	SP2D (payment vouchers) hardcopies are maintained & documented on original copies by each implementing unit (PMU and DPIU). This on granting mechanism is written in the Project Implementation Manual. During the mission, we observed that the on-granting mechanism procedure were that the provincial/district governments pre-financed the activities using their own budget. The local governments will request their treasurers to utilize available budget from the local government's general treasurer account. After final verification of all documents, followed with bill of payment (SPP), instruction to pay (SPM) and instruction to liquidate (SP2D) to Bank Indonesia for payment through DA account to dedicated province/district treasury account. These will later be submitted to PMU for final verification to start reimbursement process from DA. Identified personal in charge in PMU: PMU treasury: Widyastuti Djumakking (Direktorat Irigasi Pertanian)

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
				PMU commitment maker (PPK): Farakka Sari (Sub Koordinator Sub Kelompok Perkumpulan Petani Pengguna Air, Direktorat Irigasi Pertanian) PMU proxy of budget user (KPA): Rahmanto (Direktur Irigasi Pertanian)
GC Section 9.02	Submission to IFAD of detailed financial statements for each Fiscal Year within four (4) months of the end of each Fiscal Year.	Continuous	Not complied	Unaudited FY 2021 was not submitted. Unaudited FY 2022 submitted on 13 April 2023 (not complied with 90 days dateline).
GC Section 9.03	Audit of accounts for each Fiscal Year and submission to IFAD of audit report and management letter within six (6) months of the end of each Fiscal Year	Continuous	Complied	Previous FMAQ note: The first audit report covers 2020 and 2021 will be due on June 30, 2022. Result: Audited FS for FY 2020, accepted by IFAD on 30 Jul 2022 (complied due to extension) Audited FS for FY 2021, accepted by IFAD on 30 Jul 2022 (complied due to extension) Audited FS for FY 2022, accepted by IFAD on 30 Jun 2023 (complied).
GC Section 11.01 (a)	Financing shall be exempt from all taxes	Continuous	Complied	Few transactions were identified including taxes from previous audited FYs and already refunded to DA has yet to be made (as per FMDB record). No additional taxes payment found in the latest audited FS and SoE review.
Letter to Borrower				
Para 24	As provided in Section 7.05 of the General Conditions, procurement of goods, works and services shall be carried out in accordance with the National Procurement Laws (Perpres 16/2018) and any subsequent amendments to the extent such are consistent with IFAD Procurement Guidelines	Continuous	Complied	The procurement section was verified by IFAD Procurement consultant during the mission.
Para 36	Submission of interim financial reports within 45 days of the end of each quarter	Continuous	Complied	IFR Q1 FY 2023 submitted 27 April 2023 (complied with 30 days dateline) IFR Q2 FY 2023 submitted 27 July 2023 (complied with 30 days dateline).
Para 39	Log of Audit Observations to be maintained and updated regularly. A copy of this log is to be included as part of supervision and mid term review reports	Continuous	Not complied	No logbook of external/internal audit observations were made available during the mission

Investing in rural people

Indonesia

The Development of Integrated Farming Systems in Upland Areas

Mid-term Review

Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates:	24 July - 15 October 2023
Document Date:	30/11/2023
Project No.	2000002234
Report No.	6698-ID

Asia and the Pacific Division
Programme Management Department

Overall Summary

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

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

Country Context	**Substantial**	**Substantial**
Political Commitment		***No risk envisaged - not applicable***
Not relevant for this project.		
Governance		***No risk envisaged - not applicable***
Not relevant for this project.		
Macroeconomic	***Substantial***	***Substantial***
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, the available resources to provide counterpart to international financing from IFAD and other development partners have been reduced in 2020 and will be reduced even more in 2021. This situation will affect the whole project implementation and represents a substantial risk on which IFAD has no control.	Substantial	Substantial
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		***No risk envisaged - not applicable***
Not relevant for this project.		
Sector Strategies and Policies	**Moderate**	**Moderate**
Policy alignment		***No risk envisaged - not applicable***
Not relevant for this project.		

Policy Development and Implementation	***Moderate***	***Moderate***
Risk: Institutional capacities in the agricultural sector at national, province and district levels are not sufficient to implement the policies to which the project is aligned, namely diversification of small farmer's production and access to markets.	Moderate	Moderate
Mitigations: Adequate staffing and budget allocation at Ministry of Agriculture, jointly with strengthening institutional capacities at national, province and district levels are essential to mitigate this risk. The project foresees concrete actions in this direction.		
Environment and Climate Context	**Moderate**	**Moderate**
Project vulnerability to environmental conditions	***Moderate***	***Moderate***
Risk: Many of the sub-projects involve irrigation schemes. The project also strengthens road infrastructure. As (a) Indonesian governance is weak, historically road infrastructure has led to forest degradation and deforestation / land conversion and (b) forested watersheds are necessary in the production of water, there is a risk of project failure without additional support for increased environmental law enforcement governance and, if necessary, land rehabilitation of existing damaged watershed.	Moderate	Moderate
Mitigations: Co-ordination with district level KLH Dinas Kehutanan should be made through Bappeda. Further support from KLH may be required on the provincial level. Initial activities should include community support for forest estate gazettement and boundary marking in project areas, and other possible outreach from KLH to gain community support for governance and enforcement. Activities involving rehabilitation of upland watershed are not included in the project design and may warrant further consideration if needed. The feasibility studies should include land legality and land cover analysis in the areas adjoining the proposed project sites to identify possible re-existing environmental risks.		
Project vulnerability to climate change impacts	***Moderate***	***Moderate***
Risk: Climate change is affecting water availability and rain predictability in the uplands, what is a risk considering the kind of crops and plantations to be supported by the project.	Moderate	Moderate
Mitigations: Climate change adaptation will be carefully planned and implemented including; (i) undertaking climate change analysis with focus on adaptation; (ii) embedding into the project adaptation activities based on this analysis, prioritizing sustainable soil and water management; (iii) promoting access to seeds and varieties better adapted to ongoing climate impacts; (iv) improving access to climate information to enhance the preparedness to face extreme climate events.		
Project Scope	**Substantial**	**Moderate**
Project Relevance		***No risk envisaged - not applicable***
Not relevant for this project.		
Technical Soundness	***Substantial***	***Moderate***

Risk: The project aims at supporting small farmers in the Uplands to diversify their production by incorporating crops with higher market and nutritional value, while ensuring the sustainable management of water, land and soil. This is the essence of the project and by definition entails risks linked to difficulties to be faced by small farmers to switch from their traditional rice production to new more market oriented crops, due to their insufficient knowledge on the new crops, and the necessary change in their economic approach towards more commercial agriculture.	Substantial	Moderate
Mitigations: Capacity building of small farmers to develop the necessary skills to successfully engage on higher market value and more commercial crops. This requires availability of and access to qualified technical services.		
Institutional Capacity for Implementation and Sustainability	**Substantial**	**Moderate**
Implementation Arrangements	***Substantial***	***Moderate***
Risk: Decentralization and on-granting mechanism The project will be 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 will be applied, meaning that the provinces and districts have to implement project activities using their own resources and the Ministry of Finance will reimburse them after activities completion. Acknowledging the importance of decentralization and of the on-granting mechanism as one of its instruments, they entail the following risks: (i) the on-grating is relatively new and many local governments don't have sufficient knowledge to implement it; (ii) many provinces and districts don't have enough incentives to allocate their own resources upfront; (iii) the expected reimbursement from the national government to local governments creates some uncertainty and could discourage local governments to allocate their own resources to the project; (iv) the national government didn't provide the necessary training to local governments on this mechanism.	Substantial	Moderate
Mitigations: (i) Strengthen PMU support to provinces and districts on the on-granting mechanism. (ii) Ministry of finance to strengthen its own capacity for a faster reimbursement of spent resources to provinces and districts.		
Monitoring and Evaluation Arrangements	***Moderate***	***Low***
Risk: (i) M&E data is not collected regularly and is not used for management purposes (ii) Baseline is not available	Moderate	Low
Mitigations: The project includes provisions for M&E staff, an M&E software system and capacity building for national and sub-national level staff. Additionally, IFAD is providing technical assistance to the PMU strengthen their capacity to set up a solid M&E system and to manage it.		
Project Financial Management	**Moderate**	**Low**
Project Organization and Staffing	***Moderate***	***Low***

Risk: At the national level, the FM project team consists of six personnel: one government official is in charge as project finance and administration as well as treasurer. There are 5 supporting staffs are helping and ensure that segregation of duties is maintained. The responsibilities of supporting staffs are ranging from payment request processing, disbursement monitoring, and report preparation. These six personnel are handling other projects as well as can quickly adjust to prepare the financial report and other pending issue. There are also 6 regional FM consultants, with each consultant handling 2-3 districts. They coordinate directly with on-granting officers at district level and report to FM consultant at central level. All 13 districts have appointed on-granting officers (1 IFAD, 1 IsDB) to support implementation and reporting at district level. There are also 2-3 government personnel of each district managing the project (finance officer, treasure, and commitment officer).	Moderate	Low
Mitigations: Training for FM staff on FM manual		
Project Budgeting	***Moderate***	***Low***
Risk: The MOA's Finance Planning officer (Ministry's staff) is responsible for preparing the budget which then is approved by the project management and Steering Committee and submitted to IFAD NOL. The AWPB for 2023 was submitted to IFAD in October 2022 and received IFAD NOL in the same period. Mission noted the Project FM consultant does not participate in the AWPB preparation process and that is why he could not respond to the mission about how this budgeting process is arranged and what financial assumptions are taken in consideration during that process. Operating costs for incurred expenditures along with pending WAs can shortly exceed the cost category allocation and would require special attention of the project management and IFAD country team.	Moderate	Low
Mitigations: It was noted during the mission, the project delays with procurement and main activities and overall disbursement reached 37,2% whilst the Operating costs reached 87% and with expenditures incurred but not claimed it can exceed 130% on this Operating cost category which would require IFAD NOL. The project needs to suggest AWPB 2023 with bearing in mind the cost category allocation and if needed to seek IFAD NOL for exceeding certain cost categories. Before upcoming MTR the analysis of required reallocation should be done by project and presented to IFAD for review and comments.		
Project Funds Flow/Disbursement Arrangements	***Moderate***	***Moderate***

Risk: The designated accounts of the project have been maintained for IFAD and IsDB financing separately. IFAD DA is in EUR whilst the IsDB is in USD. The submission of WAs through the ICP system faced delays in the 2nd semi-annual 2022 mostly because the project submitted 2 WAs in Q4 2022 for replenishment instead of one, FM Action Plan was not in place as well as some errors were in preparation of WA (wrong numbering). For on granting mechanism, the main reason for some delays in processing disbursement is in the long way of agreeing of disbursement request that comes from Local authority to MOA and then to the MOF. Due to lack of transparent tracking system it's not clear exactly in which point of this chain of reviewing and agreeing the documents for disbursement (reimbursement from the central MOF) the real delay happens. The project attached IFRs to their WAs since August 2022 as per IFAD's communication in July 2022 of a new disbursement change where SOEs are not required any more to support their WAs but only IFRs. IsDB financing was not analysed during the remote mission as it was not part of the TOR. There are also other reasons indicated by the project team: - The procurement was not carried out timely; - Several expenditures (SP2D) of the districts have not submitted a request for reimbursement; - Some activities in the district were not carried out caused the completion of DED is not on time.	Moderate	Moderate
Mitigations: All WAs should be supported by IFR and bank statements. Government contributions should have clear monitoring tool.		
Project Internal Controls	***Substantial***	***Moderate***
Risk: There is the Project Implementation Manual approved by IFAD in place. Only eligible activities are financed by the project, which were included in the approved AWPB and procurement plan. All goods, works and services funded by the project is confirmed by written documents with signature and stamps. For the payment approval processes, there is effective segregation of duties at central and regional level. However, there were some observations of the external auditors (audit report on July 2022) on the weaknesses in internal control regarding overpayment and insufficient documentation. The total amount of Ineligible Expenditures found by auditors for 2020-2021 from IFAD funds is 368,8M IDR along with outstanding IE for previous periods of 2,6M IDR. In October 2022 IFAD FMD and Country team met the project management and asked strengthen the internal control and refund pending IEs, the project refunded significant part of IEs to Treasury account in Nov-Dec 2022. During mission on 8 Feb 2023 IFAD FMD team met the project to monitor the progress about IEs, on 9 Feb 2023 the MOA submitted the letter to Treasury advising them to transfer the funds from Treasury Account to DA. As per the bank statements, IFAD notes the amount transferred to Treasury account as refund of IE is 63M IDR more than was reported by auditors. Project explains this by some amounts mixed from IsDB IEs.	Substantial	Moderate
Mitigations: 1) Strengthen internal control with approval of payments to vendors; 2) Follow the FM Action Plan regarding the IEs.		
Project Accounting and Financial Reporting	***Substantial***	***Moderate***
Risk: Despite the fact the Ministry applies the Gov accounting system for their ministry reporting, the project itself does not have any component and category wise automated accounting and maintains the accounting manually whilst the GOV accounting software SAS generates payment data which are than migrated by MOA's SAIBA program for producing financial statements. It's not clear exactly how SAIBA prepares the reporting for IFAD purposes as it's an accrual accounting system whilst the project states they prepare the financial statements on a cash basis as per IPSAS Cash basis requirements.	Substantial	Moderate

Mitigations: The project to prepare the draft unaudited annual FS 2022 as per IPSAS cash basis and IFAD requirements and provide it to IFAD within 3 months following the end of the reporting year for clearance.		
Project External Audit	***Moderate***	***Low***
Risk: The audit reports for 2021 and 2020 were submitted on time to IFAD on 30 July 2022 as the extension was granted by IFAD for 30 days. The unaudited FS for 2020-2021 were not provided to IFAD, the audited FS 2020-2021 were not complete as per the IFAD Handbook for FR and Auditing (annual FS 2020-2021 missed a range of required statements).	Moderate	Low
Mitigations: The project should submit an audit report in June 30, 2023 covering audit of implementation year 2022.		
Project Procurement	**Moderate**	**Low**
Legal and Regulatory Framework	***Moderate***	***Low***
Risk: 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.	Moderate	Low
Mitigations: 1). Review periodically the application procurement in accordance with national procurement law, regulations and project implementing arrangements. 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)		
Accountability and Transparency	***Substantial***	***Moderate***
Risk: The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption; 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. A recent case of corruption was uncovered in 2023 in the executing ministry. So far, it does not seem to have impacted the project. The country anti-corruption mechanism seems to be effective.	Substantial	Moderate
Mitigations: 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		
Capability in Public Procurement	***Moderate***	***Low***

Risk: The PMU does not appoint the necessary qualified staff to properly and timely conduct all procurement processes.	Moderate	Low
Mitigations: 1). IFAD to demand that the PMU appoints the procurement qualified staff. 2). Close follow up to procurement processes through no objections and during supervision and implementation support missions.		
Public Procurement Processes	***Moderate***	***Low***
Risk: 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.	Moderate	Low
Mitigations: 1). To be updated during 2020 supervision mission		
Environment, Social and Climate Impact	**Moderate**	**Low**
Biodiversity Conservation		***No risk envisaged - not applicable***
Not relevant for this project.		
Resource Efficiency and Pollution Prevention	***Moderate***	***Low***
Risk: Risk of some increased used of pesticide is envisaged due to agriculture intensification.	Moderate	Low
Mitigations: Guidance and training will be provided in safe and environmentally sound practices for pesticide use.		
Cultural Heritage		***No risk envisaged - not applicable***
Not relevant for this project.		
Indigenous People	***Moderate***	***Low***
Risk: There is already an identified risk in Lebak District for inclusion of the indigenous highlander Kasepuhan people being excluded from the design. Similar possibilities may also exist in Lombok Timur for the highland Sasak Budo (traditional belief systems practitioners) community. Feasibility studies and the M&E framework should include identification of ethnic and religious affinity, including consideration of practitioners of adat belief systems. Similarly, considerations over economic status of participants regardless of ethno-religious status is a concern for the risk of elite capture.	Moderate	Low
Mitigations: Existing status of the social-ethnic profile should be included in design and M&E of the project, to monitor risks.		

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 for 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***
Risk: The three levels of decentralized implementation (national, province and district), with diverse stakeholders at each level, add complexity to project implementation and require particular support for an adequate project management.	Substantial	Moderate
Mitigations: Strengthen mechanisms to ensure fluent interaction and complementarities between the PMU at national, provincial and district governments. Provision of consistent support to PMU by IFAD and IsDB to establish effective project management with capacity to lead and interact with the province and district stakeholders.		
Stakeholder Grievances		***No risk envisaged - not applicable***
Not relevant for this project.		