



Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Main report and annexes

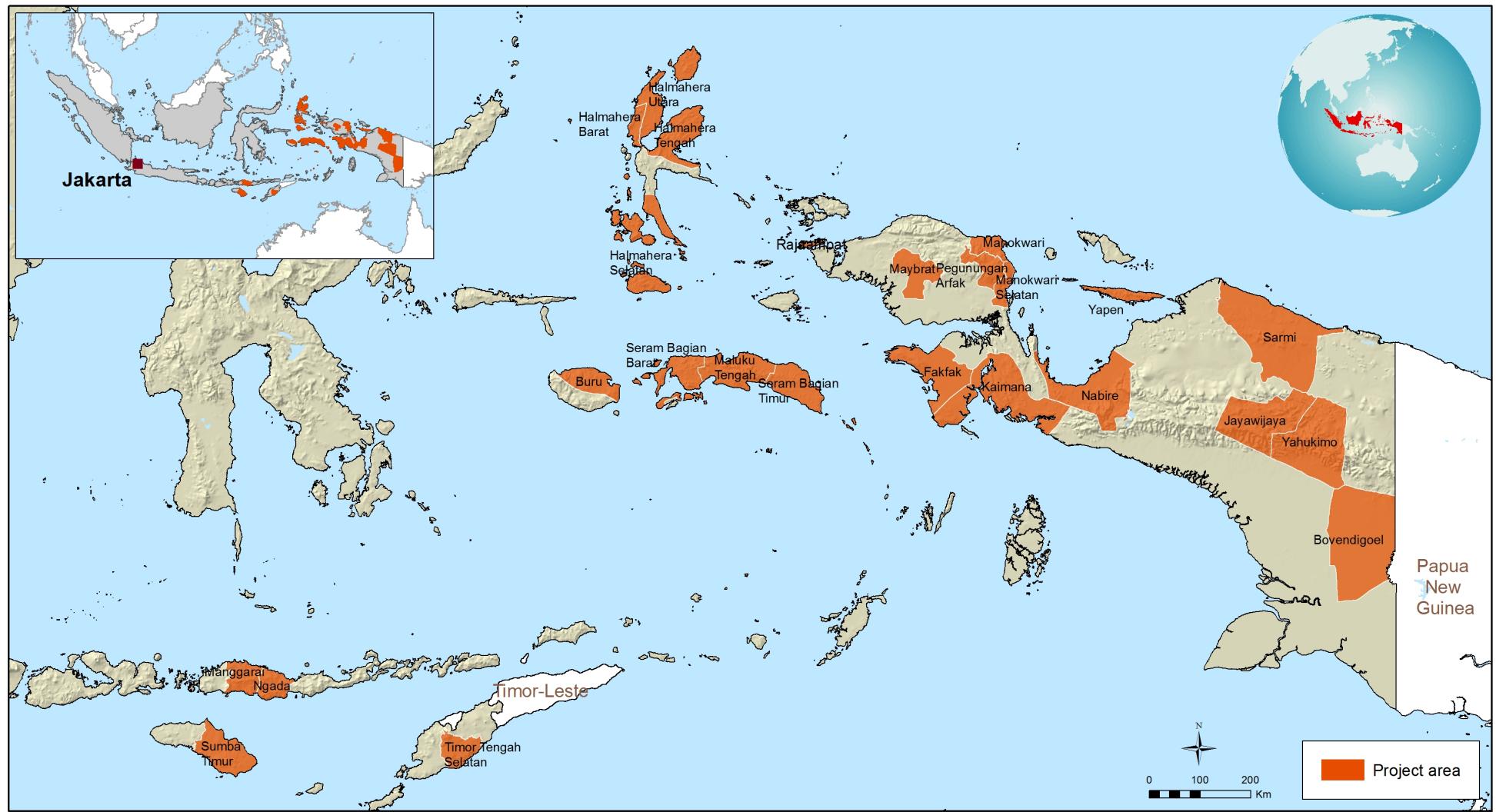
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Map of the Project Area



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

Abbreviations and Acronyms

ASBANDA	Association of Regional Development Banks
AWPB	Annual Work Plan and Budget
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> National Development Planning Agency
BDS	Business Development Services
BDSP	Business Development Service Provider
BPK	Regional Development Bank <i>Badan Pemeriksa Keuangan</i>
BPKP	Supreme Audit Agency <i>Badan Pemeriksa Keuangan dan Pembangunan</i> Financial and Development Audit Agency
BRI	<i>Bank Rakyat Indonesia</i>
CCDP	Coastal Community Development Project
DA	Designated Account
DNRAT	Direktorate of Natural Resources and Applied Technologies
DPIU	District Programme Implementation Unit
FA	Financing Agreement
FM	Financial Management
FMA	Financial Management Assessment
GDP	Gross Development Product
GESI	Gender Equity and Social Inclusion
GoI	Government of Indonesia
IDM	<i>Indeks Desa Membangun</i> Village Development Index
KM	Knowledge Management
M&E	Monitoring and Evaluation
LDH	Loan Disbursement Handbook
LTB	Letter to the Borrower
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoU	Memorandum of Understanding
MoV	Ministry of Village, Underdeveloped Regions and Transmigration
NGO	Non-Governmental Organisation
NPMU	National Programme Management Unit
OJK	<i>Otoritas Jasa Keuangan</i> Financial Services Authority
P3PD	<i>Program Penguatan Pemerintahan dan Pembagunan Desa</i> Improved Village Service Delivery Programme
P4S	<i>Pusat Pelatihan Pertanian dan Perdesaan Swadaya</i> Farmer Agricultural Self-Help Training Centres
PDR	Programme Design Report
PIM	Programme Implementation Manual
PLUT	<i>Pusat Layanan Usaha Terpadu</i> Centres for Integrated Business Services
PNPM	<i>Program Nasional Pemberdayaan Masyarakat (PNPM)</i> National Program for Community Empowerment
POSYANTEK	<i>Pos Pelayanan Teknologi Desa</i> Rural Technology Center
PPIU	Province Programme Implementation Unit

PSC	Programme Steering Committee
PY	Project Year
SDG	Sustainable Development Goals
SOE	Statements of Expenditure
ToR	Terms of Reference
ToT	Training of Trainers
TSA	Treasury Single Account
UKPBJ	<i>Unit Kerja Pengadaan Barang Jasa</i> Procurement Service Unit
VDP	Village Development Programme
VIS	Village Information System
WA	Withdrawal Application

Executive Summary

Transformasi Ekonomi Kampung Terpadu – Integrated Village Economic Transformation (TEKAD) project aims at empowering village communities so they can contribute to rural transformation and inclusive growth in Eastern Indonesia. The programme development objective is to enable rural households to develop sustainable livelihoods, taking advantage of strengthened village and district level governance.

TEKAD will operate in twenty-five districts in the five eastern provinces of Indonesia - Papua, West Papua, Maluku, North Maluku, and East Nusa Tenggara. In these districts, TEKAD will target 1,720 villages and around 412,300 households, benefiting approximately 1,855,350 people.

It builds on the experience gained from GoI's National Program for Community Empowerment -*Program Nasional Pemberdayaan Masyarakat* (PNPM), and from IFAD's past projects supporting PNPM (PNPM Pertanian/Agriculture) and the implementation of the 2014 Village Law (Village Development Programme) in Papua and West Papua.

TEKAD will assist Ministry of Village, Underdeveloped Regions and Transmigration (MoV) in developing an evidence-based approach for empowering villages to better benefit from the Village Law and to make a better use of the Village Fund and other resources in support of economic development by: (i) building village and household capacities in planning, implementing and monitoring a significant share of Village Fund resources for inclusive economic initiatives bringing sustainable revenues; (ii) developing an enabling environment whereby districts/sub-districts will provide support services and better integrate village needs into district economic development planning; market players will be linked to village-based producers; and financial and non-financial service providers will extend services meeting the needs of villages; and (iii) raising MoV capacities to implement TEKAD's innovative approach and to develop evidence-based replicable models for village economic development in Eastern Indonesia.

TEKAD support is conceived as an accelerator of village economic development in underprivileged areas of Indonesia – a temporary intervention that aims at boosting the capacities of existing players, in the villages and in their environment, so they can build on economic opportunities and leverage village resources to generate growth at village level. The programme strategy and activities are therefore driven by the primary concern that, by the end of project implementation, sustainable mechanisms have been established to ensure sustainable planning and implementation of village resources for economic growth. TEKAD includes three interrelated components:

- Component 1 – Village Economic Empowerment will be rooted in the Village Law and will aim at strengthening village governance and developing village economic initiatives. This component will improve the abilities of village governments and communities to promote inclusive and sustainable economic development, building on the local potential and using resources from the Village Fund and from other sources. The expected outcome is that village communities implement profitable economic initiatives, prioritized through participatory planning to ensure that strategic choices rest on broad participation of social and economic groups. Most of the activities under this component will take place at village level and will be complementary to others implemented at district and provincial level.
- Component 2 – Partnerships for Village Economic Development will promote an enabling environment for inclusive and sustainable local economic development, by facilitating access of village households and economic organizations to production support services, markets and commercial financing necessary for their economic initiatives. This component will: (i) strengthen the capacities of districts and sub-districts to provide support services to village governments and better integrate village needs into district economic development planning; (ii) promote villagers' access to qualified technical and business development services; (iii) support linkages with financial services providers, so that villagers access financing to complement public resources. This component will have a key role in ensuring that, by the end of the project, villages keep accessing services, markets and financing to ensure profitable and sustainable economic initiatives.
- Component 3 – Innovation, Learning and Policy Development will promote evidence-based learning, policy development and institutional strengthening in support of village economic development by: (1) documenting innovative practices and achievements from TEKAD implementation, and generating replicable models based on successful experiences; (2) providing evidence-based information to support the consolidation of the policy and regulatory framework for village economic development; and (3) strengthening capacities of the Ministry of Villages to promote village economic development, taking advantage of the positive environment set by Village Law and the Village Fund. The expected outcome is that an enabling policy and institutional environment facilitate village economic development.

TEKAD will be implemented by MoV. The Directorate of Natural Resources and Applied Technologies (DNRAT) will have direct responsibility for programme implementation, under the authority of MoV's Director General of Village Development and Community Empowerment, the Directorate of Natural Resources and Applied Technologies (DNRAT) will have direct responsibility for programme implementation. A National Project Management Unit (NPMU) will have overall responsibility for project coordination and implementation. A Provincial Project Implementation Unit will be established in each of the five target provinces and will be responsible for overall implementation, guidance and coordination support in the province. Every target district will have a District Project Implementation Unit, that will be embedded into the district administration and will work in close collaboration with the District Head and staff involved in the promotion of economic development at district and village level. At both the provincial and district level, multi-stakeholder platforms (Province/District Coordination Teams) will be set up, building on existing systems, to facilitate coordination and knowledge management. Facilitation services will be organised at the sub-district level, in line with current MoV systems.

The total programme cost amounts to US\$ 702.03 million over a six-year implementation period. Out of this costs Component 1 – Village Economic Empowerment absorbs 86.5%, Component 2 – Partnerships for Village Economic Development 10.4%, and Component 3 – Innovation, Learning and Policy Development 3.1%. These costs are going to be financed by an IFAD loan of US\$ 32.85 million, an IFAD grant of US\$ 1.50 million, beneficiary contribution estimated at US\$ 27.08 million, GoI contribution under the Village Fund estimated at US\$ 541.60 million, and GoI contribution in taxes and staff salaries of US\$ 18.99 million. The programme has a financing gap of US\$ 80 million, which will be financed by IFAD with resources from its next funding cycle or by a co-financier willing to partner and acceptable to the GoI.

1. Context

A. National context and rationale for IFAD involvement

a. National Context

1. **A fast-growing country.** A member of the G-20, Indonesia is a fast-growing middle-income country, hosting a population of about 265 million and close to 300 ethnic groups speaking 652 languages. Youth make up 65 million or 26% of the total population, resulting in a median age of 28 years. The country has a stable democracy and an economy that has grown fivefold since the mid-90s, boosted by a rapidly growing middle class pulling domestic consumption, strong investment flows and a boom in commodity exports.
2. **Rising inequalities.** Steady economic growth has led to significant poverty reduction, with the number of poor dropping from 24% of the population in 1999 to 9.66% in September 2018, or 25.67 million people. However, about 20.78% of the population remain vulnerable to falling into poverty, as their income is only marginally above the national poverty line, leaving them extremely vulnerable to shocks such as illness, extreme weather events or price volatility. Moreover, rising inequalities, with a Gini coefficient of 0.384, threatens recent progress in reducing poverty. Poverty is lower in the cities (6.89%) and higher in the rural areas (13.1%), where a majority of smallholders lacking access to services and markets are unable to fully benefit from the strong economic growth. Pronounced regional disparities exist and are accentuating, with the highest poverty rates in Eastern Indonesia, where despite the vast potential of natural resources, lack of connectivity, internally and with the rest of the country, poor logistics and energy shortfalls hamper economic diversification.
3. **Agriculture.** While the GDP share of agriculture has come down to 13%, it is still the main source of income for one third of the population and for 64% of the poor. With rich volcanic soils and a tropical climate suitable for growing a variety of crops, Indonesia is a major global producer of tropical products such as palm oil, rubber and, to a lesser extent, copra, cocoa, coffee and spices. There is enormous potential for increasing crop productivity as a majority of smallholders still operate close to subsistence level. Low availability of modern inputs, competition for land, vulnerability to increasing extreme weather events induced by climate change, lack of appropriate technologies, low access to irrigation, high post-harvest losses and limited access to finance, extension and other support services contribute to low yields and volumes of production, and low returns. In Eastern Indonesia, difficult access to markets due to limited connectivity in remote areas, high transaction costs, lack of farmers' organisations, lack of storage and cold chain infrastructure, and limited access to support services further affect productivity and earnings. ICT can play a major role to improve service delivery to farmers and offset remoteness in areas such as market information, technical advice, deals on input supply or weather forecasting. The recent launch of a new Indonesian satellite is expected to dramatically increase mobile and internet connectivity in Eastern Indonesia.
4. **Fisheries.** Around 6.4 million people in Indonesia are engaged in inland and marine fishing and in aquaculture. Artisanal producers using traditional means account for 95% of the production of 22.31 million tons (2015), of which aquaculture accounts for 72% with a steep annual growth. Aside from constituting an important source of proteins that the government is promoting to improve food security, marine products have considerable potential for exports, which have been steadily growing over the last years. Limited access to boats and fishing gear, practices of destructive and illegal fishing, and poor management by aquaculture operators leave considerable scope for modernising and improving production. Eastern Indonesia also suffers from a lack of infrastructure such as port facilities, electricity, transport facilities and fuel supply for vessels. Furthermore, climate change threatens the livelihoods of people living in low-lying coastal zones - major climate change risks in Papua and Maluku are associated with coastal inundation and the spread of diseases.
5. **Financial inclusion.** Inclusive financial systems are a key ingredient for equitable economic growth, enhanced productive capacity and poverty alleviation. Besides the Regional Development Banks (Bank Pembangunan Daerah), the Indonesian state-owned bank, Bank Rakyat Indonesia (BRI) through its village units (unit desa) by far has the largest outreach in rural areas to more than 40 million rural micro savers and more than 6 million rural micro borrowers. However, despite the rapid development of Indonesia's financial sector and a vast range of rural finance products, service delivery and business models, increased use of technology and a pretty conducive legal and regulatory environment, it is estimated that less than half of the population have access to banking services, particularly in the rural areas. In 2014, only 5.88% of the total bank lending benefitted agriculture and most of it went to larger, commercial plantations. While the microfinance sector is growing fast, the majority of smallholders do not have access to finance, due to inappropriate financial products, outreach, financial literacy and conditionality. At the same time, Indonesia is known for its history as a "living laboratory" that has created numerous types of village savings and loan self-help groups, group lending, savings and credit associations, financial cooperatives, linkage banking and hybrids of these, both in conventional and increasingly sharia-based forms.

National policies

6. **National development plan and poverty reduction.** The current five-year Medium-Term National Development Plan (2015-2019) projects a reduction of the poverty rate from 11% to 7.8% and an annual economic growth rate of 8%. The agricultural, fisheries and forestry sector should grow by 4.5% over the same period. The plan targets four priority areas: food sovereignty, energy sovereignty, marine and maritime development and improved livelihoods for the poor through better access to basic services and to the productive economy. It also promotes a more balanced regional development and gives decentralisation and the strengthening of village empowerment a priority role in addressing poverty. President Joko Widodo's policy 'Develop from the periphery (*membangun dari pinggiran*)' further aims at reducing regional disparities by building up regions and rural areas that are lagging behind, particularly in Eastern Indonesia, and in Papua more specifically. Low capacities at local government level, insufficient targeting, remoteness, limited resources allocated to credit and cooperative empowerment and to promote an enabling environment for productive activities and small-scale businesses still explain low cost-effectiveness.

7. **PNPM and Village Law.** The *Program Nasional Pemberdayaan Masyarakat* (PNPM) or National Program for Community Empowerment was the Government of Indonesia's (GoI) flagship poverty alleviation program, covering 60,000 villages and benefitting over 100 million people. PNPM Rural was launched in 2008, with co-financing from the World Bank and IFAD, and aimed at empowering communities so they could access and implement block grants to improve basic infrastructure. In 2014, GoI closed PNPM, following the approval of the 2014 Village Law, which delegated new responsibilities and resources to villages, which became autonomous legal entities. Building on PNPM lessons, the law incorporates good governance principles of community participation, transparency and downward accountability. It also creates the Ministry of Village, Underdeveloped Regions and Transmigration (MoV), whose role includes the empowerment of rural communities. At the local level, Village and Community Empowerment Offices (*Dinas Pemberdayaan Masyarakat dan Desa*) are responsible for providing guidance, coordination and facilitation, and for recommending technical policies to implement village development programs.
8. **Village Fund and IDM.** The Village Law stipulates seven different sources of revenues available to villages. This includes the Village Fund, which was created in 2015 to channel public resources directly to the village level and meet village basic needs, build rural infrastructure development, and develop the village economic potential. While it amounted to IDR 20 trillion in its first year of operation, it has reached IDR 70 trillion in 2019 (or US\$ 4.95 billion), representing an average amount of US\$ 66,083 per village. The President of Indonesia has recently committed to further significantly this amount during his second presidential mandate (2019-2024). Although the Village Fund has allowed the fast building of infrastructure meeting village needs (including housing, roads, bridges and irrigation schemes), the effective use of Village Fund resources to support poverty alleviation and village growth remains a major challenge. It is estimated that less than 10% of the Village Fund resources are allocated to economic development.
9. In 2016, MoV created the Village Development Index or IDM (*Indeks Desa Membangun*), a composite index that is used to measure village progress and to rank the 74,000 Indonesian villages against five categories, from Highly Disadvantaged to Independent^[11]. West Papua is the province that has the highest rate of Highly Disadvantaged and Disadvantaged Villages – (96.6%), as compared to the country's average of 64%.
10. **Papua Desk.** In recognition of the special developmental challenges facing the remote provinces Papua and West Papua, a Presidential Instruction 9/2017 'Accelerating Welfare Development in Papua Province and West Papua Province' was issued to promote coordination across 25 GoI departments, including MoV, for improved health and education, local economic development, basic infrastructure, digital infrastructure and connectivity, in the respect of Papua culture and social traditions and building on Papua's rich potential. Bappenas, the National Development Planning Agency, is responsible for leading the process, through the establishment of the Papua Desk and a new Roadmap for accelerating the development of the Papua provinces.
11. **P3PD.** GoI and the World Bank are finalising the design of the Institutional Strengthening for Improved Village Service Delivery Project (*Program Penguatan Pemerintahan dan Pembangunan Desa* or P3PD), which aims at strengthening the capacities of village institutions for improved quality of spending, through better support and information systems, under the leadership of the Ministry of Home Affairs (MoHA). P3PD programmes will be essential to build governance capacities at district, sub-district and village level, in partnership with MoV at the community level. However, other important requirements to boost village-based economic development will not be covered, such as building household capacities to undertake profitable activities, developing village linkages to market and services, or improving the capacity of market players and service providers to engage with villages. Besides, P3PD is not planning to cover Papua or West Papua, but for one district in each province. Programme implementation will be closely coordinated with MoHA and P3PD and capacity building for strengthened local will use P3PD tools and guidelines, which will be adapted to the specificities of the target provinces as needed.

b. Special aspects relating to IFAD's corporate mainstreaming priorities

12. TEKAD scales up the GoI and IFAD's experience from the implementation of the earlier PNPM and Village Development Programme. It builds on results and lessons learned of these earlier investments related to IFAD four key thematic priorities: gender, youth, climate and nutrition
13. **Gender equity and social inclusion.** Gender equity and social inclusion (GESI) remain a difficult challenge in TEKAD's five target provinces. Major efforts are required particularly in the Papuan highlands, home to some of the most remote of the Melanesian societies of Eastern Indonesia. There, women are far from having equal opportunities, have limited access to assets and services on their own terms, and are largely excluded from community decision-making. In the rest of Papua, and in the other four target provinces, GESI issues are different and the situation is very heterogeneous. The programme will be able to respond to this diversity by using household methodologies (only in Papua and West Papua) and the in-depth knowledge and community trust of facilitators to empower women and youth, as well as other marginalized groups. During the first three years, facilitators should not be rushed to produce results, but be given time to develop their own well thought out and informed strategies for GESI, targeting and the avoidance of élite capture. Besides, IFAD's strategy of empowering women through economic activities will need to be preceded by assessments of women's daily chores, their role in intra-household decision-making, and their access to assets.
14. **Youth.** Indonesia has a young population, and like in many countries, young people in Indonesia seek to migrate to urban areas without prospects for being able to generate and sustain the livelihood they envisage. Whilst digital agriculture and industrialization 4.0 are powerful attractors of youth, internet access in the five provinces is still low, especially in Papua. TEKAD will gradually build a strategy for agri-business development that should be of interest to youth, with backward linkages to production that can be enhanced with improved technologies. Production linkages should lead to more business opportunities downstream in the value chains, in which young people may engage. TEKAD will be expected to develop potential pathways for young women, especially through engagement being with women groups.
15. **Climate.** Indonesia is highly vulnerable to the impact of climate variation. Prolonged droughts, increased frequency of extreme weather events with heavy rainfall leading to large-scale flooding are likely. As an archipelago with more than 17,000 islands,

Indonesia is also very vulnerable to rising sea levels. These impacts will affect the agriculture, fishery and forestry sectors, reducing food security and damage the livelihoods of the population and in particular the rural poor. Besides, Indonesia is the third greatest polluting country and 60% of Indonesia's greenhouse gas emissions are due to deforestation and forest degradation. The integration of climate smart agricultural practices and measures to increase resilience and reduce risks of natural disasters will be a mainstreamed priority throughout programme activities.

16. **Nutrition.** Although food security has improved in Indonesia, malnutrition remains significant – 37% of the children under five are stunted. The deterioration of the nutritional status is more severe in the rural areas, where access to social and economic infrastructure is lower. Nutrition goals set forth in the government medium-term plan aim for the reduction of stunting among children under five to 28% by 2019. TEKAD will pursue opportunities to support small producers' inclusion in value chains, promote crop diversification to support balanced food consumption, ensure improved storage and processing, and empower communities' to support behaviour changes.

c. Rationale for IFAD involvement

17. TEKAD replicates and scales up results achieved under IFAD's earlier investment in the National Programme for Community Empowerment (PNPM)/Village Development Programme (VDP) (2008-2019).
18. **Strategic engagement.** The GoI and IFAD recognize the importance of sustainable rural transformation and promoting equitable and socially inclusive growth in pursuit of the 2030 Agenda and Sustainable Development Goals. In Indonesia, growing inequality and a widening social and geographic divide between rural-urban and east-west, potentially threatens the country's overall stability and longer-term development. Despite an intensified strategic and policy focus, coupled with a significant increase in public investment, the remote provinces in Eastern Indonesia continue to regress against most key development indices and characteristics. Within these geographic areas, agriculture and fisheries remain the main source of income and livelihoods for the poor. The GoI has therefore requested IFAD's support for developing a longer-term vision and approach to promote the advancement of rural areas in Eastern Indonesia.
19. **Impact and policy engagement.** The 2017 Village Law recognizes the importance of promoting local economic growth and leveraging Indonesia's shift towards decentralization. Through the implementation of the Village Law and distribution of the projected US\$ 40 billion Village Fund, the GoI seeks to empower villages and promote sustainable rural transformation. However, despite the Village Fund's significant success and impact in some parts of Indonesia, the allocation of resources to supporting economic activities remains minimal, particularly in Eastern Indonesia where village-based delivery systems are weaker, villages lack linkages to markets and public/private support services, there is sub-optimal coordination with district-level investment planning, and there is more risk of elite capture due to traditional power systems. As the Village Law represents a long-term commitment to developing an effective policy framework for rural transformation, IFAD's engagement with TEKAD strategically positions it to directly assist Government with its national policy agenda and leverage its potential national impact on marginalized and vulnerable rural people in Indonesia.
20. **Replication and scaling up.** Since 2008, IFAD has supported Government's flagship rural poverty reduction programmes. Through its financing of the PNPM and its successor, the Village Development Programme, which closed in December 2018, IFAD has successfully piloted activities aimed at empowering rural communities and promoting local socio-economic development. Building on these results, and in line with the GoI's objective to expand the distribution of the Village Fund and its strategic focus on eastern Indonesia, there is a distinct opportunity to replicate and scale up IFAD's experience to more of Indonesia's 74,000 villages. There is a strong rationale for IFAD to support livelihoods improvement in the target provinces as they have the highest rate of rural poverty in Indonesia, with low agricultural productivity and market access, and have insufficiently benefitted from investment in agricultural development despite the overall increase in development expenditure.
21. **PNPM and VDP.** Chief among them is the experience gained through PNPM and its successor, VDP. Aside to contributing to PNPM Rural in Sulawesi provinces, IFAD financed a pilot within PNPM Rural, called PNPM Pertanian, or PNPM Agriculture, which focused on Papua and West Papua and aimed at empowering communities to invest PNPM block grants into developing primary productions – agriculture and fisheries. When the Village Law was passed and PNPM was terminated, GoI decided to promote PNPM Pertanian as a model to implement the new legal framework for village development and community empowerment. It requested IFAD to use the remaining funds to redesign a two-year project, the Village Development Programme (VDP), to be implemented in the Papua provinces with that objective. Because of the short duration, which was dictated by the available balance of funds, it was agreed that VDP would only be the start of a longer-term effort and that a full-fledged programme would follow, building on lessons learnt from VDP implementation.
22. **Accelerating village development.** GoI plans to move villages up the IDM scale, mainly by channelling the Village Fund to villages and empowering them to use Village Fund resources in support of local welfare. However, the amount of village resources currently going to supporting economic activities is minimal, mainly because: villages lack market and other strategic information to best exploit their potential and market their productions; the allocation of Village Fund resources in support of economic activities often goes to purchasing short-term inputs, which are not sufficient to improve family's revenues; and households lack knowledge about technologies and receive little technical advisory or other business development services. In fact, village development is envisaged as an issue to be solved at village level through village-based delivery systems exclusively, whereas it requires coordinated strategies and investments at village level and beyond. More generally, village capacities for inclusive and accountable programming of resources are limited and villages lack linkages to markets and public/private support services. In addition, the planning of Village Fund resources is not coordinated with district-level investment planning, and the various technical departments involved in supporting local economic development at district and provincial level also lack coordination. These challenges are further exacerbated by isolation and remoteness in Eastern Indonesia. Furthermore, the risk of elite capture of Village Funds resources and the benefits deriving from their allocation, while present in all of Indonesia, is particularly strong in Eastern Indonesia, because of traditional power systems.

23. **TEKAD's goal.** Against this background, TEKAD's goal is that empowered village communities contribute to rural transformation and inclusive growth in Eastern Indonesia by leveraging the potential of the Village Law and the Village Fund. To this effect, TEKAD will adopt an approach aimed at empowering and building the resilience of village communities, by combining specific support at village level with interventions aimed at fostering an ecosystem whereby villages are connected to knowledge, markets and support services.
24. **TEKAD's value proposition.** TEKAD will assist in developing an evidence-based approach for empowering villages to make a better use of Village Fund and other village resources in support of economic development by: (i) building village and household capacities in planning, implementing and monitoring a significant share of Village Fund resources for inclusive economic initiatives bringing sustainable revenues; (ii) developing an enabling environment, whereby: districts/sub-districts will provide support services and better integrate village needs into district economic development planning; market players will be linked to village-based producers; and financial and non-financial service providers will extend services (including digital ones) meeting the needs of villages; and (iii) raising MoV capacities to implement TEKAD's innovative approach and to develop evidence-based replicable models for village economic development in Eastern Indonesia.
25. **A programmatic approach.** The design of the Village Law built on PNPM achievements to strengthen village governance and autonomy. TEKAD offers an opportunity to build on the specific achievements of PNPM Pertanian and VDP to develop an MoV-owned, replicable approach for promoting village-centered economic development in Eastern Indonesia. TEKAD is conceived as the first stage of a longer-term effort, which will establish the building blocks of a village-centered approach to boost local economic development in under-privileged areas facing specific challenges such as isolation, scattered populations and the weight of traditional social structures. A second phase is already envisaged to support replication at a larger scale, building on innovative models developed in different locations with sufficient scale to demonstrate feasibility and success.

B. Lessons learned

26. **The Village Law and the Village Fund** TEKAD's design builds on two fully interconnected dimensions: the existing Village Law and Village Fund, and the experience gathered from VDP and PNPM projects. The Village Law, approved in 2014, delegates new responsibilities and resources to villages which became autonomous legal entities, incorporates governance principles of community participation and downward accountability and stipulates different sources of revenues available to villages, one of which is the Village Fund created in 2015 to channel public resources directly to the village level, meet village basic needs, build rural infrastructure and develop the village economic potential. Thanks to the Village Law and through the Village Fund, in 2019 each of the 74,000 Indonesian villages was entitled to receive US\$ 66,83, for a total of US\$ 4.95 billion for all villages; furthermore, the President of Indonesia committed to significantly increase this amount during his second mandate (2019-2024). In this context, the Village Law and the Village Fund constitute a fundamental basis for TEKAD, which is conceived to support villages to use the Village Fund resources to catalyse sustainable local development.
27. **PNPM/VDP experience.** The second element on which TEKAD builds is the previous experience of PNPM/VDP project. Its first phase (PNPM) was a source of inspiration for the Village Law, and its second phase (VDP) was an important tool to support, although at small scale considering the country size, the use of resources from the Village Fund during its early steps. Results of the Village Law and Village Fund, and the more specific results of PNPM/VDP, show that the pertinence and replicability of a community-driven development approach is beyond doubt; this is the rationale for TEKAD which design thoroughly incorporated key lessons from this experience.
28. **Short term necessities vs. long term development** The project demonstrated how financial resources planned at village level allowed to meet community most pressing needs, improved access to basic social infrastructure and the fast building of infrastructure including housing, access roads and small irrigation schemes. However, as less than 10% of the Village Fund resources were allocated to economic development, the use of these resources to support sustainable poverty alleviation and village economic growth remains a major challenge. VDP was not exempt of this trend and it focused on supporting annual village planning and budgeting, which led to the selection of short-term priorities, often under the form of inputs. This shows that some of the main challenges for the Village Fund and for TEKAD are promoting the planning of economic investments, adopting a longer-term more strategic perspective, and gradually building a dynamic village-based productive sector instead of focusing on short-term priorities. Some government authorities are aware of these challenges but, even so, there is still much to do.
29. **Effective social inclusion for economic development** While the Village Law does support community participation and accountability, experience show that the risk of elite capture is strong, particularly where village structures are not involved, village capacities are limited and there is no tradition of transparency, inclusion and accountability in the use of public resources. Despite all efforts devoted by VDP to revert this tendency, priorities selected by producers' groups were often not taken into consideration in the village planning process. This lesson from VDP constitutes another fundamental challenge to be faced by TEKAD, to be tackled through community empowerment, capacity building and setting the right incentives to ensure that village resources are programmed based on inclusive participation and that Village Heads are accountable to the community and the district in line with the Village Law. Similarly, capacity building is required at district level so that districts can provide guidance and oversight to villages in the use of public resources, in line with the Village Law. Concurrently, Concurrently, limited familiarity by rural population with the opportunities offered by the Village Law suggest that only bottom-up approaches and effective social inclusion strategies stand a chance for real social inclusion for economic development.
30. **Capacities of village leaders and structures** The design of VDP overestimated the capacities of Village Heads and Village Apparatus, as well as Village Heads' willingness to conform to broad community participation and accountability, and did not include sufficient measures to prevent elite capture in the new context of the Village Law. Moving forward, greater support to village planning activities, improvements to the quality of the facilitation model, greater emphasis on market linkages, and additional check and balances against the risk of elite capture will be need to be put in place by TEKAD to ensure that community empowerment and economic development are inclusive and can be sustained.
31. **Long term capacity building.** Building the capacities required for sustainable and inclusive improvement of livelihoods in remote

and disadvantaged provinces and in traditional Papuan societies requires a phased, long-term approach to sustainable and inclusive rural transformation that is tailored to the specific local context. The limited duration of projects is not sufficient to fully build the necessary capacities, strengthen local institutions and sustainable improvement of livelihoods, especially in traditional Melanesian societies. Expected changes due to the Village Law are substantial and it should not be anticipated that they will happen in the short-term. Therefore, a longer-term approach is needed to support sustainable transformation and to phase it in gradual stages, meaning that the processes to be supported by the new project can't rely only on TEKAD's resources and structure.

32. **Looking at the village and beyond.** Even though VDP activities were entirely village-focused, they counted with limited involvement of village existing structures, whether traditional or created for the implementation of the Village Law. This undermines local empowerment and ownership, which jointly with the development of new capacities at village level should be the foundation for long-term social and economic sustainable development. However, building village actors capacities is not sufficient and should be complemented by improving the capacities of public agencies, service providers and other stakeholders at sub-district, district and provincial level, which in addition to strengthening the institutional fabric would contribute to broaden the social, institutional and economic perspective beyond the strictly local village level.
33. **Access to finance.** Village Fund allocations tend to be used for the purchase of seasonal inputs or for immediate consumption needs, diverting public resources from the financing of needed productive investments. This is prompted by the lack of access to finance, limited financial literacy, and a general expectation to receive free goods from the government. This prevents the utilisation of Village Fund resources for more sustainable productive investment, generates villagers' dependency and hinders the sustainable growth of their farming or fishing enterprises. To revert this tendency, village producers need greater support to be able to access and use working capital in a manner that promote livelihoods diversification, sustainable growth of farming and fishing enterprises, access market opportunities and greater resilience to shocks. This support may be provided in different forms including the provision of financial literacy to villagers, promoting savings and making available suitable financial products, , as well as access to reliable and timely market information.
34. **Access to markets.** VDP offered technical support to develop productive activities selected by villagers. However, improving villagers' production without consideration for market opportunities leaves them with products that cannot be sold beyond traditional traders and since they were not provided with prior information on market opportunities, they had little other options than selling to local middlemen at very low prices. This fails to generate sufficient incentives to keep up with improved agricultural practices, especially where these involve higher production costs. Market information needs to be made available as a tool to help villagers in selecting priority commodities that can meet market demand and that can provide them with a good, sustainable income worth the effort of changing their traditional practices.
35. **Despite of the strategic challenges discussed above, programme achievements have been significant** from the 2.2 million beneficiaries serviced, to the range of infrastructure built under PNPM Rural in Sulawesi, the introduction of new high-value agriculture and aquaculture crops, innovative market linkages in isolated Papua provinces, and, against a poorly conducive environment, women participation. For VDP in particular, the key reasons for success relied on an innovative model to address the specificities of the Papua provinces that combined understanding of the Papua social organization and culture, with new approaches based on alliances with market players or universities.
36. PNPM has specifically shown that **participatory planning** building on farmer groups in Papua and West Papua can be meaningfully supported with public funds and that this can lead to a number of improvements such as, for example, more efficient farming techniques. This major innovation was not scaled up in numbers, as VDP took over from PNPM in the same districts plus one. But it was scaled up institutionally, with GoI deciding to adapt the approach to the new institutional context brought about by the Village Law, with the intent of scaling it up through new project phase.
37. Other **innovations at village level**, though of a lesser scale, open up new opportunities that, in some cases, have already been replicated in the target districts and that will be scaled-up by TEKAD, including the promotion of new marketing arrangements in collaboration with farmer groups, using social media as an advertising and brokering platform (Wamena district); the forging of direct, informal marketing linkages with supermarkets, which was a first in Papua; alternative conflict resolution mechanisms (Wamena district) and subsequently adopted by a number of villages.
38. VDP succeeded in bridging from PNPM to the new environment and laying the first building blocks of **a new approach for developing village capacities to engage into economic development**. VDP (re)design focused project activities on the village level, as was already the case with PNPM, including through the use of the Village Fund. VDP has shown, on the one hand, that village-based initiatives are not sufficient to improve villagers' livelihoods, and, on the other hand, that even in Papua, profitable market linkages can be developed and that locally developed innovative technologies can be accessed.
39. Unfortunately **limited attention was devoted to monitoring and evaluation** and to systematic management of knowledge. The VDP Project Completion Report conclusion from field visits and focus group discussions is that the programme had important achievements and impact, which however were not fully captured in the absence of adequate data.

2. Project Description

C. Project objectives, geographic area of intervention and target groups

40. **Programme objectives.** TEKAD's **overall goal** is that empowered village communities contribute to rural transformation and inclusive growth in Eastern Indonesia by leveraging the potential of the Village Law and the Village Fund. The programme **development objective** is to enable rural households to develop sustainable livelihoods, taking advantage of strengthened

village and district level governance. This is aligned with the overarching goal of IFAD's country strategy for Indonesia, which is to support inclusive rural transformation so that rural families move out of poverty and achieve sustainable livelihoods, and especially with Strategic Objective 1 - Small-scale producers participate in remunerative food markets, and Strategic Objective 3 - Rural institutions deliver responsive services meeting the needs of small producers.

Geographic area of intervention

41. **Target provinces.** TEKAD will focus its interventions on five Eastern Indonesian provinces: Papua, West Papua, Maluku, North Maluku and East Nusa Tenggara. Four out of the five provinces have the country's highest poverty rates, as indicated in Table 1. Although GoI has been concentrating its development efforts on improving infrastructure, especially in remote rural areas, Human Development Indicator (HDI) rates are still among the lowest in the country. Literacy - and numeracy - rates can be as low as 25% in the Papuan highlands (especially among women; the provincial average is 68%) and up to almost 100 percent elsewhere – for example in villages close to urban centres in East Nusa Tenggara. Malnutrition is significantly higher in Eastern Indonesia, and stunting of children under 5 years of age is above 40% in East Nusa Tenggara and Maluku.

Table 1: Percentage of poor people and HDI in the target provinces

Province	Population (million)	Poverty rate (%)	HDI
East Nusa Tenggara	5.071	21.03	0.637
Maluku	1.708	17.85	0.682
North Maluku	1.142	6.62	0.672
Papua	3.486	27.43	0.591
West Papua	877,437	22.66	0.629
National	260.58	9.66	0.694

Source: *Statistics Indonesia (BPS), 2018.*

42. Table 2 further shows that 90% of the 6,072 villages in the target provinces are in IDM more deprived categories.

Table 2: Villages IDM ranking in target provinces

IDM categories	Number of villages
Highly disadvantaged	1,984
Disadvantaged	3,447
Developing	569
Advanced	40
Independent	32
Total	6,072

43. The target provinces are amongst Indonesia's areas most vulnerable to climate change. Significant local micro-climatic differences are expected, due to the complex topography and different altitudes, with average temperatures increasing between 1.0-1.5 C° by 2060. Rising sea levels and coastal flooding will particularly affect the Maluku provinces and East Nusa Tenggara. With respect to the impacts of climate change on agriculture, some of the biggest losses in per capita terms are to be expected in West Papua[2].
44. **Papua and West Papua.** Indonesia's most eastern provinces are also the least developed provinces in the country, with 41% (Papua) and 37% (West Papua) of the rural population living below the official poverty line. Home to 4.3 million people[3], they form a largely undeveloped, sparsely populated area, which is 90 % forested and rich in natural resources - from fisheries and forests to coal, natural gas, copper and gold. The majority of indigenous inhabitants of Papua live in the economically underdeveloped highlands, setting them apart from better educated and generally more affluent coastal and lowland Papuans – especially in West Papua. The topography is rugged, with poor connectivity and remote areas that can only be accessed by plane or several days walking. Over 90% of the population depend on subsistence agriculture and fisheries, with incipient aquaculture. Shifting cultivation as well as hunting and gathering are commonly practiced, especially in the lowlands of the Papua provinces. Low productivity and product quality, lack of value and poor access to markets are compounded by limited support services and difficult and costly access to remote areas. The lack of economic opportunities has prompted youth to migrate to cities, where they face high unemployment. However, tourism has been rising steadily with both sea and highlands sites presenting great potential for international and national tourism and for offering important market outlets for village productions.
45. Papua hosts Indonesia's last active separatist insurgency, the Free Papua Organization (*Organisasi Papua Merdeka* or OPM). Papua's relative calm over recent years is largely due to the co-opting of Papuan élites through a law on special autonomy (*Otonomi Khusus* or *Otsus*), which transferred the responsibility for health, education, and other services to local governments. In the highlands especially, administrative units have been modified to allow clans to create their own districts and sub-districts. The traditional Melanesian system of conflict and exchange persists as a largely parallel customary governance system, dominated by older men, while women and youth are largely excluded from decision-making and economic development.
46. **Maluku, North Maluku and East Nusa Tenggara.** This area is characterized by a diverse geography, with each of the three

provinces covering more than 550 small islands, some of them very isolated. Located in the dryland and dry climate agro-ecological zones of Indonesia, about two thirds of their landscapes are covered by trees, with a mixed topography ranging from flat to hilly and mountainous. Subsistence agriculture is practiced across the three provinces, but traditional export commodities are also grown, including coffee, cocoa, coconut, nutmeg and clove. Coastal areas comprise important fishery and tourism resources. While the remainder of the economy relates mostly to forestry and mining, tourism is rising in importance every year.

47. **Target districts.** TEKAD will operate in 25 districts, of which 13 are the districts where VDP was implemented for two years in Papua and West Papua provinces, and 12 are 'new districts' in Maluku, North Maluku and East Nusa Tenggara (Table 3). Districts were selected by MoV based on demographic density, economic potential, road connectivity, complementarities with other ongoing or previous development programmes (such as IFAD-financed Smallholder Livelihood Development Project/SOLID, which was recently completed in Maluku and North Maluku), low security risk (in Papua and West Papua), and the Village Development Index (IDM) scores of their villages. Most of the criteria guarantee that geographic targeting is based on the latest available data on multi-dimensional poverty indicators at village level.

Table 3: TEKAD target districts

Papua	West Papua	Maluku	North Maluku	East Nusa Tenggara
Boven Digoel	Fak Fak			
Jayawijaya	Kaimana	Buru	Halmahera Barat	Manggarai
Kepulauan Yapen	Manokwari	Maluku Tengah	Halmahera Selatan	Ngada
Nabire	Manokwari Selatan	Seram Bagian Barat	Halmahera Tengah	Sumba Timur
Sarmi	Maybrat	Seram Bagian Timur	Halmahera Utara	Timur Tengah Selatan
Yahukimo	Pegunungan Arfak			
	Raja Ampat			

48. **Target villages.** Within the target districts, TEKAD will implement activities in 1,720 villages, which will be distributed across the five provinces (Table 4).

Table 4: Village distribution per province

Province	Number of villages
Papua	566
West Papua	290
Maluku	288
North Maluku	288
East Nusa Tenggara	288
TOTAL	1,720

49. Activities will start being implemented in Papua and West Papua provinces, which present the highest rates of poverty among the five included in the project area, and also because the experience developed in these two provinces by the previous IFAD-supported VDP project constitutes a solid basis for quick start-up and effective implementation. At project start-up it will be decided whether its activities would be also implemented since the beginning in a third province. Activities in the other two provinces will start once the project is ongoing and the main tools for its implementation are developed and available. This gradual incorporation of provinces and districts will contribute to continuous learning and increased effectiveness, taking advantage of the experience to be gained since the beginning in the two/three provinces where project implementation will start.
50. TEKAD will support the development of village clusters that will pool production and resources to facilitate the access to larger and better remunerated markets. Village clusters will also ensure the profitability of collective investments for storage and

processing, facilitate village-to-village learning and increase the efficiency of programme delivery. The following approach will be used for selecting villages participating in clusters:

- Out of the 1,720 villages, a first batch of 500 core villages will be identified in PY1 and start activities in PY2. Criteria for the selection of core villages will include: (i) potential for developing target commodities (see below); (ii) reasonable road access; (iii) levels of social capital (from the IDM database); (iv) low security risk (in Papua and West Papua); and (iv) not participating in P3PD to avoid overload for sub-district staff. Priority will be given to villages that are priority villages in district plans, that have an active BUMDes or cooperative, and that have access to electricity. Consideration will also be given to have a minimum number of villages classified as 'developing' (*berkembang*) against IDM. In addition, in Papua and West Papua, villages involved in VDP will be considered as priority if they fit the other selection criteria. Similarly, in Maluku and North Maluku, former SOLID villages will be considered in the selection.
- Another 1,220 villages will be pre-identified in PY1 and start activities in PY3 (second batch of 610 villages) and PY4 (third and last batch of 610 villages). The main criteria for selecting cluster villages are that: (i) they will be within reasonable distance of a core village; and (ii) they will have potential for developing the same target product as in the core village.
- The participation of both core and cluster villages will hinge on the willingness of their village heads to sign an agreement with TEKAD, whereby they will commit to implement Village Law prescriptions with regard to participation, inclusion, transparency and accountability, as well as to allocate an adequate share of the Village Fund to the development of economic activities^[4].

51. It is expected that village clusters will assemble around 10 villages (depending on potential, connectivity, villages' willingness). One cluster can therefore include several core villages.

Target groups and inclusion/targeting strategy

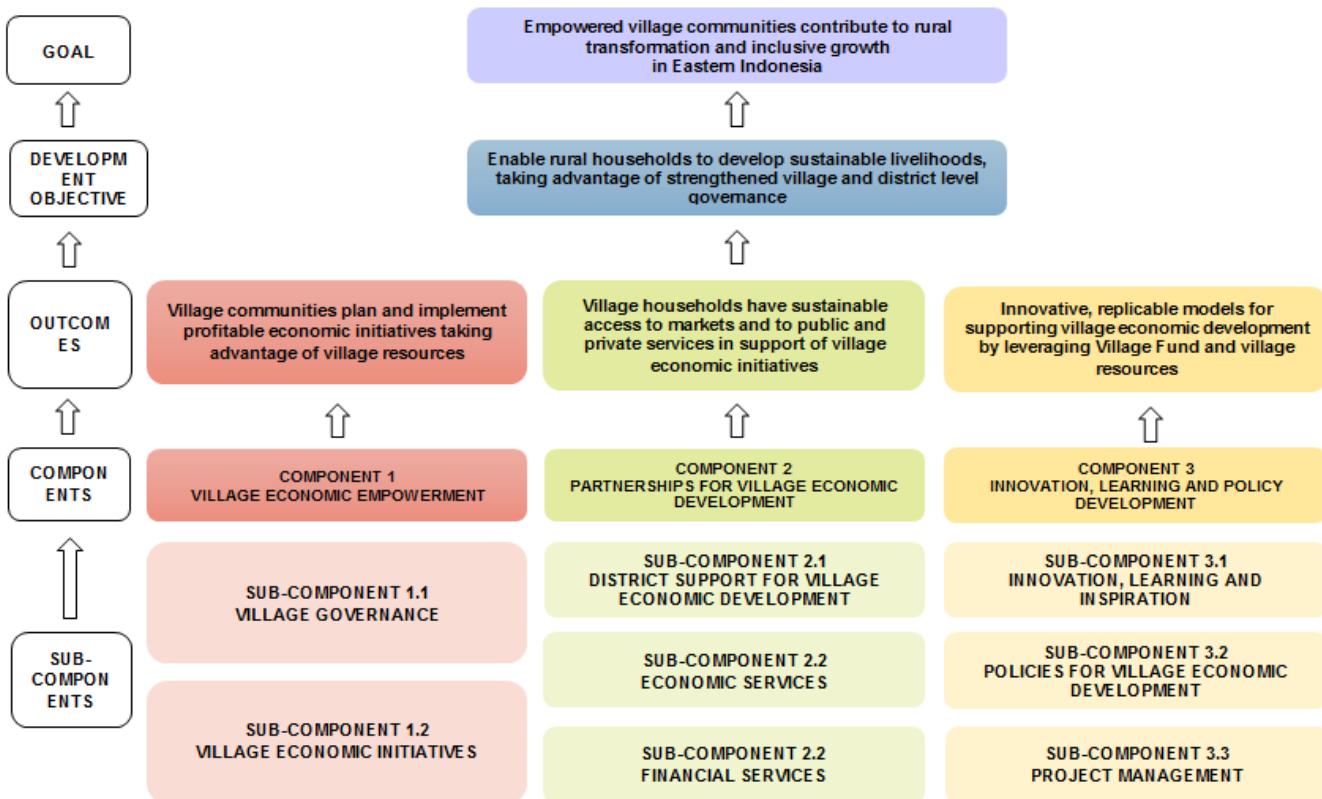
52. **Primary beneficiaries.** Target groups will consist of smallholder farming households, micro-entrepreneurs as well as households in coastal communities involved in fisheries and the production of marine products. Primary beneficiaries will mostly be semi-subsistence households (low input-low output producers with some though limited engagement with the market), who have a minimum range of assets and resources, including labour, required for the production of target products, and who will be willing to enhance their production activities for food security and income generation. It is expected that TEKAD will directly benefit approximately 412,300 households, or 1,855,350 people based on a household of 4.5.
53. The target groups are part of a very heterogeneous universe of population groups in the five provinces - in the case of the Papua provinces alone, it is comprised of over 375 ethnic groups speaking over 250 languages. This wide socio-cultural diversity is furthermore subject to the complex interplay between traditional social structures (including ethnic and clan affiliations), statutory government structures, public sector interventions as well as market forces. Poverty levels among the programme target groups are high, but defy easy standardization: poverty is to some extent correlated with food security and remoteness (road connectivity) as well as origin of the household head (autochthonous, migrant from the same province, 'transmigrant' from another province), but not with family size, asset ownership, or land holding.
54. Women's time poverty is ubiquitous and most severe in the Papuan highlands. Women in all provinces are actively engaged in agricultural production and, in the highland areas, may carry out 80 to 90% of all agricultural activities. Furthermore, in Papua and West Papua, intra-household violence on the part of men is among the most pronounced in the world - a recent report^[5] shows that nearly two in five women aged 14-64 (38%) have experienced at least one form of physical and/or sexual violence by a male intimate partner in their lifetime. Women will therefore constitute a specific target group, because of their disempowerment, lack of access to services and markets as well as elevated gender-based violence, which altogether negatively affect household revenues and well-being. The project will also benefit youth, by creating new economic opportunities in the production and marketing of primary commodities and in agro-tourism, facilitating access to innovation and new technologies and services (including through digital applications), supporting small business growth, and engaging them as agents of change.
55. **Secondary beneficiaries.** TEKAD will also benefit service providers extending business development services (including technical services) and financial services to village producers, as well as buyers of target commodities in the target provinces.
56. **GESI Strategy.** TEKAD will develop a Gender Equality and Social Inclusion (GESI) Strategy to ensure that poor target groups, women, young people and indigenous groups in the target villages participate in TEKAD activities and access programme benefits. The strategy will define objectives, a core set of orientations and mechanisms building on the Village Law to : (i) profile target sub-groups; (ii) ensure gender equitable and social inclusion of the target groups and especially of disadvantaged or isolated groups in the village planning and budgeting process and in the development of village economic initiatives; (iii) develop transparent monitoring mechanisms to measure achievements and identify challenges, such as community audits and grievance mechanisms to assess gender equitable and social inclusion in village processes; (iv) prevent elite capture, for which the main strategy will consist on empowering rural communities, including organizations strengthening and capacity building, emphasizing the poorest and more vulnerable segments, for them to participate and make their rights and priorities prevail in villages' decisions on the Village Fund resources allocation; (v) identify capacity building needs assessment of programme staff and key partners and identify capacity building needs assessment of programme staff and key partners; (vi) ensuring that economic organisations and multi-stakeholders' platforms are inclusive of women, poor and indigenous youth, and that GESI issues are addressed as part of their regular agenda; (vii) develop an implementation plan with outcomes and indicators to be updated annually in conjunction with the AWPB. They will also provide detailed orientations for ensuring that TEKAD activities foster social inclusiveness and accommodate the needs of women, young people and diverse socio-economic groups, building on the above guidance.
57. Expected outcomes, with targets and milestones will be laid out in the strategy and will be monitored as part of TEKAD M&E system. Targets will include the following:
- An overall gender participation rate of 50% of women amongst programme beneficiaries;
 - An overall gender participation rate of 40% qualified women in the NPMU, PPIUs and DPIUs – while it may be harder to achieve in DPIUs, it should strongly be promoted;

- An overall 30% of decision-making positions in economic organisations occupied by women/disadvantaged groups;
 - All of the service providers recruited to support the programme will be required to have experience in the principles and practice of gender and social inclusion;
 - The terms of reference of all programme staff will include responsibility for gender and social inclusion objectives and support will be given to the recruitment of women to ensure gender-balanced programme implementer teams.
58. A GESI consultant will be hired at project onset to prepare GESI guidelines, in close collaboration with the National and Provincial GESI Experts. Given the socio-cultural diversity, while the GESI Strategy will build on core principles, it will be adapted to the specific features of each of the five target provinces. In every district, guidelines will be reviewed by the TEKAD District Coordinator and the team of Village Governance Facilitators and of Economic Initiatives Advisors to take into account the local specificities, under the guidance of the Provincial GESI Expert and building on the outcomes of the Village Information System and the village mapping. The revised guidelines will be reflected into the annual plans of activities of the TEKAD district team. Plans will be approved by the TEKAD Provincial Team Leader and annually updated. TEKAD AWPB will include an annual GESI Implementation Plan.
59. The NPMU Consultant Team Leader will bear direct responsibility for ensuring that the programme meets both economic targeting and social inclusion objectives. The National GESI Specialist and the Provincial GESI Specialists, each within their province, will have overall responsibility for guiding programme stakeholders in implementing the GESI Strategy, providing technical assistance, ensuring monitoring and promoting knowledge management. All agreements, strategies and contracts will specifically promote gender equity and social inclusiveness objectives. Facilitators will be held accountable for achieving the results they have specified for themselves on targeting and GESI in their activity plans.
60. Finally, in Papua and West Papua, a cornerstone of the GESI strategy will be a household-based approach adapted from PNG's Family Team methodology, which is designed to reach out to both wives and husbands to help them to jointly plan their participation in TEKAD activities (Sub-component 1.1).

D. Components/outcomes and activities

61. TEKAD interventions are clustered around three outcomes and three matching components, as presented in Figure 1:
- Component 1 – Village Economic Empowerment will be rooted in the Village Law and will aim at strengthening village governance and developing village economic initiatives. This component will improve the abilities of village governments and communities to promote inclusive and sustainable economic development, building on the local potential and using resources from the Village Fund and from other sources. The expected outcome is that village communities implement profitable economic initiatives, prioritized through participatory planning to ensure that strategic choices rest on broad participation of social and economic groups. Most of the activities under this component will take place at village level and will be complementary to others implemented at district and provincial level.
 - Component 2 – Partnerships for Village Economic Development will promote an enabling environment for inclusive and sustainable local economic development, by facilitating access of village households and economic organizations to production support services, markets and commercial financing necessary for their economic initiatives. This component will: (i) strengthen the capacities of districts and sub-districts to provide support services to village governments and better integrate village needs into district economic development planning; (ii) promote villagers' access to qualified technical and business development services; (iii) support linkages with financial services providers, so that villagers access financing to complement public resources. This component will have a key role in ensuring that, by the end of the project, villages keep accessing services, markets and financing to ensure profitable and sustainable economic initiatives.
 - Component 3 – Innovation, Learning and Policy Development will promote evidence-based learning, policy development and institutional strengthening in support of village economic development by: (i) documenting innovative practices and achievements from TEKAD implementation, and generating replicable models based on successful experiences; (ii) providing evidence-based information to support the consolidation of the policy and regulatory framework for village economic development; and (iii) strengthening capacities of the Ministry of Villages to promote village economic development, taking advantage of the positive environment set by Village Law and the Village Fund. The expected outcome is that an enabling policy and institutional environment facilitate village economic development.

Figure 1: Programme structure



a. Component 1 – Village Economic Empowerment

62. Component 1 will improve villagers' ability to promote inclusive and sustainable local economic development, building on the village potential and using Village Fund and other village revenues. The **expected outcome** is that village communities plan and implement profitable economic initiatives taking advantage of village resources. Main indicators are: (i) 70% of households reporting increase in production; (ii) average 30% increase in both marketed volume and value of sales of agricultural/marine products; and (iii) at least 30% of Village Fund (*Dana Desa/DD*) and District Village Allocation (ADD) budgeted for economic development.
63. Strategic orientations for Component 1 include the following: (i) activities will be rooted in the Village Law and annual planning will be aligned with the regular annual planning cycle; (ii) strategic choices and planning will rest on broad-based participation and agreement of different village social and economic groups; (iii) a village medium-term economic strategy, focusing on a limited number of commodities/trades, will be prepared to orient annual planning, building on village potential and features (agro-ecological zone, remoteness, existence of economic organisations, existence of traditional settlement (*adat*)) and on information on available market opportunities; (iv) clusters of villages pooling production and resources will be promoted to facilitate the access to larger and better remunerated markets, to ensure the profitability of collective investments for storage and processing, to facilitate village-to-village learning and to increase the efficiency of programme delivery. Most importantly, the component will be implemented with maximum flexibility to accommodate different potentials, needs (food security and/or market-driven production), distance to markets, initial levels of capacity and learning paces of participating villages.
64. Component 1 comprises two sub-components: (i) Village Governance; (ii) Village Economic Initiatives. Activities will focus on the village level, with villages phased in over three years, as explained in Section II A b. They will be complemented by activities implemented under Component 2 (especially mapping studies, cluster development, facilitation of market linkages, and facilitation of access to financing) at district and provincial level. Guidelines and tools will be embodied in the Orientation and Capacity Building Packages that will be developed under Component 3.

Sub-component 1.1 – Village Governance

65. This sub-component aims at building the capacities of village communities to envision, plan and implement village resources in support of economic initiatives bringing sustainable revenues, in accordance with the Village Law and through inclusive community participation. Activities will include the following.
66. **Awareness campaign.** In every district a set of potential core and cluster villages will be identified^[6] and will host an awareness campaign to provide information to village groups about: the Village Law and Village Fund; programme objectives, activities and expected benefits; GESI objectives; commodities/trades with highest potential of success and returns (as described in Orientation and Capacity-Building Packages); the village cluster approach; and respective roles and obligations of villages participating in the programme, district/sub-district administrations and TEKAD.
67. **Commitment.** Further to the awareness campaign, villages willing to participate in TEKAD activities will be requested to sign an

agreement, which will outline respective roles and obligations of the signatories - Village, District and Sub-District Heads and TEKAD - in particular with regard to inclusive community participation, the establishment of a Village Information System, monitoring and reporting obligations and engaging with the village cluster. It will also spell out how the community will facilitate access to land, support regular loan recovery and facilitate the implementation of the household-based approach where applicable (see below). Free, Prior and Informed Consent will be required from local indigenous communities. Finally, the agreement will reflect the Village Head commitment to allocate an adequate share of the Village Fund resources to support economic initiatives identified by the village community through the planning process described below. Every village will have a reflection period to allow debate and ratification of the agreement, after which activities will commence.

68. **Village mapping and Village Information System.** Rapid, participatory, gender-sensitive livelihoods and nutrition analysis will be carried out, along with a mapping of natural resources and assessment of land use. Social mapping focusing on the village traditional social structures (including *adat*), lines of power and community groups (farmers', women, youth, religious or others) will also be conducted, along with a review of best ways to reach out to women and youth. The mapping methodology will draw on the 'indigenous food systems appraisal' developed by Aman^[7], the largest organization of Indigenous People in Indonesia (see more details in PIM). A Village Information System (VIS) will be set up to orient village planning and monitor progress, building on KOMPAK successful pilot in Papua and adapted to cover village economic data.
69. **Capacity building and community mobilization.** Building on the mapping, preliminary capacity building will be provided to the village head, government and council, sub-village heads and community group leaders so they can engage in village planning and monitoring and facilitate broad community mobilisation and participation. Modules will cover the Village Law, budgeting, reporting, accountability, good and transparent governance and inclusiveness, as well as leadership and facilitation skills.
70. Capacity building and advisory services will be delivered by a district technical team, which will be led by TEKAD District Coordinator, and will be composed of TEKAD Village Information System/M&E Coordinator and TEKAD Village Governance Facilitators; and of existing sub-district and district staff, namely: (i) Village Community Empowerment Facilitators^[8] and Participatory Development Facilitators^[9] under the district Community Empowerment department; and (ii) sub-district Village Community Empowerment Facilitators^[10]. Village Governance Facilitators will gradually decrease the intensity of their support to villages, as existing sub-district and district staff build their capacities and gradually take over support.
71. The district technical team will receive initial training (under Component 2), building on the Orientation and Capacity-Building Packages. Further to the training, TEKAD will appoint two village cadres selected among community participants, one woman and one man, who will be responsible for implementing the Village Information System, disseminating information and for mobilizing community social and economic groups to participate in the planning, implementation and monitoring of village economic development. Village cadres and community leaders will build on existing social and economic village structures and particularly seek to mobilise young people to promote a network of village activists that will further support broad-based village participation. It is expected that, building on good achievements, a larger number of village cadres could be hired using Village Fund resources.
72. **Economic development strategy.** The district technical team will support village communities in developing a simple medium-term economic development strategy through broad community participation. The strategy will outline how the community intends to promote the production and marketing of a limited number of commodities/trades over the medium-term and what would be expected outcomes. Target products will be selected based on village potential and on the Orientation and Capacity-Building Packages, which will clarify available market opportunities for agriculture, marine, non-timber forest products and/or agro-tourism, technical and economic options, required investments at household and village level, and financial returns that could be expected. The village strategy will define a gradual build-up in developing production, processing/adding value and marketing activities within the village (at household level and on a collective basis through BUMDes or other types of economic organisations), as well as in partnership with villages in the cluster. The respective importance attributed to producing for food security or for income-raising through marketing will also vary according to villagers' priorities and key factors such as remoteness and food availability. Measures to ensure the participation in activities and benefits of women, youth and other special groups identified through the village mapping will also be spelled out.
73. **Annual planning and monitoring.** Every year, as part of the regular village annual planning process, TEKAD will support the preparation of a detailed annual economic development plan and budget, which will describe: activities to be implemented, in line with the village economic development strategy; required investments (collective pre- and post-harvest equipment^[11] and support services); costs and sources of financing, including Village Fund and other village resources. TEKAD will also support the village government and village groups in monitoring plan implementation, building on the Village Information System. Every year a participatory and inclusive review of the plan implementation will be conducted to assess performance and identify success, innovations and constraints, based on which the strategy will be reviewed as required and a new annual plan and budget will be developed.
74. **Implementation of Village Fund resources.** TEKAD will provide capacity building to village governments to support budget implementation and ensure compliance with the Village Law and regulations in carrying out procurement and reporting.
75. **Household-based approach.** The household-based approach will be conducted on a trial basis in Papua and West Papua. It has successfully been tried in Papua New Guinea (and implemented by IFAD in other countries) to propose a more equitable distribution of agricultural and household work done by women, men and youth. Specifically, the household-based approach will aim at: increasing the capacities of household members to jointly taking advantage of programme benefits to improve family welfare, through family planning and budgeting; empowering women so that they access programme benefits alongside men, within the family unit; raising awareness on good nutrition practices; and engaging the community to create a supportive environment for household level activities and for broad inclusion. An international consultant with experience in IFAD-supported household-based approach will assist TEKAD in developing a suitable methodology and manual for Papua and West Papua and in training an Indonesian NGO with relevant experience in those two provinces, which will then be tasked with providing training of trainers and coaching in target villages.

Sub-component 1.2 – Village Economic Initiatives

76. The objective of the sub-component is to enable village households in developing economic initiatives for the production, processing and marketing of target commodities/trades, in line with the annual plan developed under Sub-component 1.1. Economic initiatives will be supported through the following activities.
77. **Capacity building and advisory services.** Village households will receive capacity building and advisory services to help them develop the target products selected in their village economic strategy and plan, so that they can meet market demand in terms of volume and quality, and fetch remunerative prices. Capacity building and advisory services will be based on Orientation and Capacity-Building Packages, which will be organized by product. The Orientation and Capacity-Building Packages will be prepared under Component 3 and will cover good production practices and technologies, sustainable land management practices, pre- and post-harvest management, primary processing/value adding and business management, in relation to selected target products.
78. Capacity building and advisory services will be delivered by a district technical team, which will be led by TEKAD District Economic Initiative Manager, and will be composed of TEKAD-financed Economic Initiatives Advisors; and of existing sub-district and district staff, namely: (i) Village Economic Development Facilitators^[12] and Appropriate Technology Facilitators^[13] under the district Community Empowerment department; and (ii) sub-district Field Agriculture Extensionists^[14] under the district Agriculture department. Economic Initiatives Advisors will gradually decrease the intensity of their support to villages, as existing sub-district and district staff build their capacities and gradually take over support. They will receive initial training (under Component 2) building on the Orientation and Capacity-Building Packages developed under Component 3.
79. Additionally, every target district will have access to an annual programme budget for hiring specialised service providers to complement available skills within the district technical team and offer on-demand support services to producers (see Sub-component 2.2 – Economic services). Finally, district teams will promote the inclusion of embedded technical services in the contract farming arrangements that will be supported under Component 2.
80. **Peer to peer learning.** Different peer to peer learning activities will be conducted to trigger producers' engagement and facilitate the dissemination of information, the adoption of new technologies and the experimentation of new practices. This will include:
- *village-owned training centres*: this will build on a prior district mapping that will assess the capacities of the existing network of farmer/fisherman owned training centres (POSYANTEK)^[15] in the target areas and to identify needs and interest for the establishment of new POSYANTEK centres. The programme will finance: related cost of construction; a small operation allowance to cover transport expenses around villages and a small recognition of their donation of time; training of farmer/fishermen trainers; and capacity building for the planning and delivery of training and exchange activities for both existing and new POSYANTEK centres;
 - *demonstration plots*: they will be established in all of the target villages in their first year of participation. Farmers willing to participate will sign a partnership agreement defining their obligations and will receive a start-up kit in exchange for the organisation of farmers' visits;
 - *district study tours* will enable producers to learn about successes and innovations developed within the district.
81. **BUMDes and village businesses.** Business development functions such as input supply, quality control/certification, collection and aggregation, processing and marketing will require collective action to pool higher volumes of better quality produce, access larger and better remunerated markets and earn better prices. TEKAD will support existing village-based business organisations (primarily BUMDEs and cooperatives, but possibly also other groups such as women or youth groups, or individual businesses such as a lead farmer aggregating and marketing produce, or indigenous types of enterprises) in developing simple business plans, and in setting up, managing and financing business development, in line with the economic strategy/annual planning, and based on annual capacity assessment. Where there are no pre-existing organisations, TEKAD will promote individual (for example lead farmers) or group-owned businesses (for example women group), including BUMDEs where conditions are met.
82. **Access to financing.** Capital investment for collective production, processing and marketing, as well as power generation, water conservation or other climate change mitigation equipment or infrastructure, will be identified in the annual plan and financed by the Village Fund and other village resources. Short-term investment such as seasonal inputs will be financed by producers' own resources or by loans, which will be facilitated under Component 2.
83. **Geo-tagging of infrastructure.** In complement to the Village Information System and to further support planning, monitoring and programme transparency, a geo-tagging system will be developed to map and document village collective infrastructure financed through village resources and their status of achievement. Geo-tagging will assign specific, infrastructure-related data (such as infrastructure sub-project latitude, longitude, place name, cost, progress) to a web-based mapping application such as Google Maps, using a phone or tablet built-in Global Positioning System (GPS). The system will build on the successful experience of the World Bank-financed Philippine Rural Development Project, which developed geo-tagging as a tool for monitoring project infrastructure development.
84. **Implementation arrangements for Component 1.** The implementation of Component 1 will be led by a TEKAD-financed District Implementation Team^[16] comprised of: (i) a District Coordinator, a District Marketing Specialist and an MIS/M&E coordinator; (ii) Village Governance Facilitators, who will support the implementation of activities under Sub-component 1.1 and will work in close collaboration with sub-district Village Community Empowerment Facilitators^[17]; and (iii) Economic Initiatives Advisors, who will support the implementation of activities under Sub-component 1.2 and will work in close collaboration with existing district and sub-district staff as described above, including Field Agriculture Extensionists under the district Agriculture department. These will be redeployed to ensure that their skills match the target products selected by village clusters. The facilitators will be recruited locally and will work as a team. Each facilitation team (composed of one Village Governance Facilitator and one Economic Initiatives Advisor) will initially cover 4 villages with a decreasing rate of intensity^[18], so that by the end of TEKAD support, farmers' access to services is ensured by local players using local resources. Capacity building will be provided to local service providers under Component 2.

85. The household-based approach will be implemented by an NGO, along a methodology that will be developed by international technical consultant with experience in household-based methodologies gained in IFAD projects. The Village Information System will be implemented along an approach that will be developed in partnership with KOMPAK.
86. The geo-tagging system will be designed with support from a service provider, who will also be responsible for producing a manual and organising the training of district teams. The system will be operated and maintained by the district-level staff, with support from the Provincial MIS/GIS Specialist. A study tour for a small team of MoV/TEKAD staff to visit the Philippines Rural Development Project will possibly be organised prior to designing the system.

b. Component 2 – Partnerships for Village Economic Development

87. Component 2 will promote an enabling environment for inclusive and sustainable village economic development, by facilitating village connection to services, markets and commercial financing. The **expected outcome** is that village households will have sustainable access to markets and to public and private services in support of village economic initiatives. Main indicators are: (i) 50% of participating districts integrate investment financing for target districts in district plan; (ii) 75 % of households reporting adoption of improved inputs, technologies or practices; (iii) 80% of households are satisfied with the: a) relevance, b) quality, and c) accessibility of agricultural extension and advisory services provided by the public and private sector; and (iv) 60% of households reporting access to adequate BDS/financial services.
88. Main strategic orientations for Component 2 include the following: (i) building the capacities of districts and sub-districts relevant departments so they can provide support services to village governments and better integrate village needs into district economic development planning; (ii) complementing public support services by building villagers' access to qualified private service providers extending technical and business development services (BDS), whose services can be paid with Village Fund and other village resources; (iii) phasing out programme facilitators' support and building gradual takeover by public and private service providers; (iv) building the awareness of and facilitating linkages with market players so they source from village-based producers and provide embedded services; (v) supporting linkages with selected banks so that villagers have access to financial products meeting their needs and complementing public resources. Component 2 achievements will therefore have a key role in ensuring that, by the end of the programme, villages keep accessing services to ensure profitable and sustainable economic initiatives.
89. Component 2 will be implemented at district and provincial level, and will support and complement village-based activities implemented under Component 1. It is comprised of three sub-components: (i) District Support for Village Economic Development; (ii) Economic Services; and (iii) Financial Services. Guidelines and tools will be embodied in the Orientation and Capacity Building Packages that will be developed under Component 3.

Sub-component 2.1 – District Support for Village Economic Development

90. The aim of this sub-component is to ensure that district and sub-district administration can extend the right mix of technical services and financial assistance to support village economic development. To this end, the component aims at gradually build capacities at district and sub-district level to provide technical assistance and facilitation support for the village economic development planning and the implementation of village economic activities. It will also promote district-level productive investment (such as cold storage or large processing facilities), which will complement investments financed through village resources by addressing constraints that exceed village financing capacity or that are common to several villages. Activities will include the following.
91. **Information.** In the first project year[19], information and awareness will be conducted with the District Head and relevant district departments (*Dinas*) - Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises – with a view to provide information about: programme objectives, activities and expected benefits; GESI objectives; commodities/trades with highest potential of success and returns; the village cluster approach; and respective roles and obligations of the District Head, district/sub-district departments, villages and TEKAD. This would include a start-up workshop at provincial level with all of the District Heads of the target districts and relevant provincial departments (*Dinas*), a district workshop and meetings with the different district and sub-district departments as required.
92. **Commitment.** District Heads will then be invited to sign an agreement, which will outline respective roles and obligations of the signatories - District Head and TEKAD - in particular with regard to: promoting the adoption of increased Village Fund allocations for inclusive economic development; promoting village clusters with common economic development strategies; district participation in and support to TEKAD activities; gradual take-over of facilitation and technical support services by the district departments, and other plans to ensure sustainability; and participation in monitoring and evaluation, including to link district systems with the Village Information System and to hold regular meetings with the TEKAD District Team. It will also spell out the District Head commitment to address village cluster needs in the district planning of investments, to organise a Village Desk offering easy access of Village Governments and villagers to information and services related to economic development and to set up a District Coordination Platform for Village Economic Development that would also involve Village Heads (see below). Finally, this should also include the agreement to redeploy the Field Agriculture Extensionists under the district Agriculture department, to ensure that their skills match target commodities/trades as described under Component 1. A District Head regulation (*Peraturan Daerah – PERDA*) will confirm the terms of the agreement as relevant.
93. **Capacity building.** District/Sub-District Heads and staff of the relevant departments will receive capacity building to strengthen their abilities to provide technical assistance to district/sub-district facilitators and village governments. This will be achieved through: (i) training of trainers (ToT), which will be carried out under a partnership agreement with MoV Community Training Center Department (*Pusat Pelatihan Masyarakat – Puslatmas*). ToT will rest on training modules that will be developed building on the Orientation and Capacity Building Packages to be designed under Component 3, and will be implemented at Puslatmas training centres in Ambon (for Maluku and North Maluku provinces), Jayapura (for Papua and West Papua provinces) and Denpasar (for East Nusa Tenggara province); (ii) district- and province-based training, targeting the departments mentioned above and their sub-district divisions as well as TEKAD District Team; (iii) refreshment ToT/training by PY3, building on TEKAD

implementation progress and TEKAD mid-term review; (iv) broad dissemination of TEKAD capacity building packages within relevant district/sub-district departments; (v) province-based community of practices facilitated by TEKAD Online Platform (Component 3) and access to the Platform.

94. Under the joint leadership of the TEKAD District Coordinator and of the District Head, TEKAD Annual Work Plan and Budgeting will describe how facilitation, technical assistance and coaching activities will be implemented by TEKAD team and district/sub-district staff, in particular Community Empowerment facilitators and Field Agriculture Extensionists. While in the first years of programme implementation, TEKAD District Team will take full responsibility for the implementation of activities with participation of district staff, TEKAD facilitators will be tasked with building the capacities of existing, permanent facilitators, so that responsibility will gradually shift to the latter and by the end of the programme, they will be fully in charge for extending support to villages. Where possible (which will be contingent on TEKAD being able to demonstrate the added value brought by TEKAD facilitators), TEKAD will promote with the District Head/MoV the integration of at least one of TEKAD facilitators^[20] into the regular district Community Empowerment Facilitation Team.
95. Additionally, an annual programme budget for hiring specialised service providers to complement available skills within the district technical team and offer on-demand support services to village clusters will be available under similar modalities as those described for budgeting service providers' services at village level. The annual budget for service providers will gradually phase out as it is expected that district resources will take over.
96. **Village Desk.** Village Desks will be established in every target district, starting from PY4. They will operate as a one-stop-shop for village governments seeking support on village economic development at the district administration, providing easy access to economic information (such as market opportunities and specifications, technologies, roster of service providers, linkages with banks) and information about technical and financial assistance available within the district administration. They will also provide quick referral to the relevant district departments. The Village Desk will be operated by a focal point within the Community Empowerment Department and will not involve any additional costs for the district administration.
97. **Planning integration.** While village resources will finance economic equipment and infrastructure that are economically justified at village level (such as storage or dryers), districts should make financing available for bigger investments that exceed village financing capacity or that are economically justified at a higher scale than the village (such as cold storage or large processing facilities) or for capital investment into inter-village BUMDes. To this effect, TEKAD will support district administrations in integrating village needs into district planning and budgeting by: (i) ensuring that village planning is aligned with the national planning cycle; (ii) making available updated village data through the Village Information System; (iii) promoting clusters of villages involved in the production and marketing of the same commodity (see Sub-component 2.2); and (iv) setting up District Coordination Platforms.
98. **District Coordination Platforms.** TEKAD will establish District Coordination Platforms to support information exchange and coordination of activities related to the promotion of village economic development, and will discuss programme progress, using village-based M&E data. The Coordination Platform will be chaired by the District Head and its secretariat will be ensured by the District Planning Department (Bappeda) with TEKAD support. It will be composed of relevant district departments (Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises) and Village Heads. Market players, development projects, NGOs or other service providers will be called to participate in working sessions as required. District Coordination Platforms will meet every quarter.

Sub-component 2.2 – Economic Services

99. The objective of the subcomponent is to facilitate the access of village-based producers to markets and services through remunerative market linkages and sustainable service delivery systems. Activities will include the following.
100. **Mapping studies.** The development of linkages with market players or service providers will rest on prior mapping studies, which will be carried out in every province in PY1, with a focus on the target districts. They will include:
 - *Market opportunities and value chain analysis:* this study will assess productive resources and market opportunities for primary sector commodities (agriculture, livestock, fisheries, aquaculture, non-timber forest products) with the highest potential for growth and for generating income for male and female village-based producers with different socio-economic profiles in the target districts. Opportunities in agritourism and related economic activities will also be covered given their increasingly important effects in triggering supply chains and generating income and employment. Detailed value chain analysis will be carried out for a number of priority products, to be selected based on pre-agreed selection criteria. It will identify a limited number of inclusive value chains with the highest prospects of return for village-based producers and, for each of them, recommend priority measures to access increasingly remunerative and demanding markets, in line with build-up of villages' capacities;
 - *Access to services mapping:* this study will assess the availability and capacities of: (i) service providers that could extend technical and business development services to village producers and their organisations in the target districts (including PLUTs, P4S, NGOs, consultants, chamber of commerce); and (ii) market players, input dealers or other value chain agents extending or interested in extending services to small producers as embedded services^[21]. The study will make recommendations for strengthening service providers' capacities and facilitating villagers' access to services, and will develop a provincial roster of business development service providers;
 - *BUMDes assessment:* building on the Market Opportunities and Value Chain Analysis above, an assessment of existing BUMDes will be carried out in the target districts, covering their activities, capacities and related BUMDes-ranking, main constraints and opportunities for development, including for upgrading to joint BUMDes (*BUMDes Bersama*);
 - *Climate risk and vulnerability assessment:* this study will: (i) identify areas with climate change risks and other natural hazards (such as drought, flood, hurricanes, earthquakes, tsunamis...) that must be addressed; (ii) establish baseline data and climate change trends; and (iii) identify a suite of appropriate short and medium term risk management strategies and best practices in relation to the target commodities/activities.

101. Studies will build on available material and reflect studies and experience of relevant projects financed by development partners, such as PRISMA, GEGPP and Lestari. Information will be captured in a database, shared with programme stakeholders, reflected in the Orientation and Capacity Building Packages (Sub-component 3.2) and posted on the Eastern Indonesia Gateway (Sub-component 3.1).

102. Provincial workshops gathering TEKAD public and private stakeholders will be organised to present studies outcome, discuss and validate results and make recommendations to orient TEKAD activities in the province and to further support the preparation of Orientation and Capacity Building Packages.

103. **Access to markets.** Building on the mapping studies and on the Orientation and Capacity Building Packages, TEKAD will facilitate formal and informal marketing arrangements with different types of buyers (such as middlemen, larger collectors, traders, processors, exporters or distributors) and for different types of markets (local markets, main commodities export markets, niche markets), in adaptation with the features and capacities of target villages (well-connected or remote) and groups. This will be achieved through the following activities:

- *District Strategies for Access to Markets*: building on the studies and on the product-based Orientation and Capacity Building Packages, District Teams will develop a District Marketing Strategy with support from TEKAD Provincial Implementation Unit. The strategy will be developed in PY2 and will be upgraded annually, based on achievements at district level. It will aim at fostering the development of market linkages between village-based producers and different types of markets (local, export, niche) and different types of off-takers (middlemen, local collectors and traders, processors, exporters...). In particular, it will clarify how to: (i) build a gradual approach to facilitate producers' access to increasingly remunerative markets, as villagers' skills develop and produce increased volumes of increasingly good quality produce; (ii) ensure that villagers can retain an increasingly higher share of the final added value, through primary processing, packaging, branding, certification etc.; (iii) promote contract farming and other marketing arrangements with lead farmers, BUMDes/cooperatives, SMEs and tech start-ups (see below); (iv) encourage villagers to join into village and inter-village collective forms of organization such as BUMDes, other types of economic organisations and village clusters. The strategy will complement Orientation and Capacity Building Packages and will further guide villages and district implementation teams;
- *Facilitation services*: building on the market studies, TEKAD will support the development of market linkages between producers and buyers, whereby producers will have secure and remunerative market outlets justifying that they invest in increased production of better quality products, whereas buyers will obtain reliable and consistent supply in line with market demand. Services will be provided by TEKAD Marketing Specialists at district and Economic Development Specialists at provincial level, in collaboration with TEKAD Economic Initiatives Advisors, BUMDes where relevant, Village Economic Development Facilitators under the district Community Empowerment Department (PED) as well as the district and province Trade and Industry and other relevant departments. TEKAD will also facilitate the negotiation of fair and transparent contracts between buyers and village-based economic organisations, spelling out a clear distribution of responsibilities and a balanced share of risks and benefits. In this respect, based on local current practice and international experience, an international consulting firm/consultant will be contracted by the NPMU to develop guidelines for good practices on contract farming and to train district teams and BUMDes where appropriate;
- *Local market agents*: capacity building will be provided to middlemen and other local market agents who play a vital role in connecting isolated areas to markets, so that they are aware of and can apply quality standards, and increase both their and producers' income;
- *Online and tech start up marketing*: TEKAD-supported online platform under Component 3, will offer the possibility to market products online, by branding them as products from Eastern Indonesia in connection with existing online marketplaces, including those with which MoV already has a partnership^[22]. A study exploring opportunities will be carried out in PY3 and reflected into updated Orientation and Capacity Building Packages, based on which capacity building will be made available as appropriate. A similar approach will be used to promote partnerships between villagers and agritech, marinetech, traveltech startups, building on initial efforts launched by MoV. The study will be complemented by a budget made available at provincial level for sponsoring visits of interested tech startups and initiating contacts.
- *Market promotion*: once the programme villages are able to ensure a steady supply of quality products through organized farming, market diversification will be promoted. TEKAD includes a budget, available at district level, to sponsor villagers' participation in trade fairs and for market exploration activities.

104. **Access to services.** Building on the access to services mapping, TEKAD will conduct the following activities:

- *District Strategies for Access to Services*: the TEKAD District Coordinator, in collaboration with the technical team and the BUMDes where existing, will develop a demand-driven Strategy for Access to Business Development Services for the target villages. It will combine available public and private sources of service delivery, will build on the roster of service providers and will be updated annually. The annual budget for service providers will gradually phase out as it is expected that Village Fund and other village resources will take over;
- *Service provider rosters*: service provider rosters will be established at district level based on the service mapping (see above), and will be regularly updated. Interested service providers will submit a standard application including basic information about areas of expertise, the type and cost of services and their experience (references). A simple system for tracking performance at district level will also be developed;
- *Capacity building for service providers*: capacity building will be provided to selected service providers in specific areas of interest linked to the target commodities supported by the programme (such as postharvest storage and agro-processing, food safety and nutrition and certification) and to delivery modalities adapted to the target groups and in particular women;
- *Embedded services*: TEKAD will also promote the provision of embedded services by market players to village producers, mostly on how to improve product quality to meet market requirements^[23]. The international consulting firm/consultant contracted for developing guidelines for good practices on contract farming will also cover the promotion of embedded services and district teams will be trained accordingly.

105. **Cluster development.** TEKAD will support the development of groups of villages engaged in the production and marketing of the same commodity, or clusters, with a view to improve producers' market access, bargaining power and remuneration through

stronger organisation, increased quantity, quality and delivery reliability, and economies of scale. Village clusters will be promoted building on awareness campaigns conducted from PY2 in core and cluster villages, and with due consideration to anthropological and socio-cultural context, especially in Papua and West Papua. While clusters will initially consist of group of villagers engaging in the production and marketing of the same commodity, as volume increases and village capacities in meeting market requirements develop, TEKAD will provide support to gradually organise the clusters and setting up and building the capacities of cluster-based organisations such as BUMDes Bersama [24]. A detailed approach for cluster development will be developed in PY3, building on experience in Indonesia and elsewhere.

Sub-component 2.3 – Financial Services

106. The objective of the sub-component is to facilitate the access of village-based producers to financial services, for the financing of private assets and working capital, and to foster savings. Activities will include the following.
107. **Survey on demand and supply of financial services.** A survey will be organised in PY2 in every province to: (i) assess villagers' (and different sub-target groups in the village as evidenced by the village mapping) demand of financial services related to productive and non-productive needs, with a focus on productive financing for micro/small business start-up and expansion (working capital and fixed assets), savings and insurance; (ii) identify formal and informal channels through which villagers currently access financing, including remittances, value chain finance and informal loans; and (iii) identify financial and non-financial services and products (especially in relation to productive activities) offered by financial service providers in the programme area, and in particular by BRI and BPDs, through physical or digital solutions. Survey outcomes will be used to support the design of the financial and digital education programme as well as for socialization and product development with partnering financial institutions.
108. **Financial and digital education.** TEKAD-supported financial and digital education programme will build on available material already developed by OJK (which will be assessed and adapted to suit the needs of TEKAD target groups as revealed by the survey and as required to support the production and marketing of TEKAD-supported priority products) and on OJK's know-how in relation to training material adaptation and training logistics (organization of training of trainers, supervision of trainings, trainers' certification and mobilization). Financial education modules will be made available in paper copies and through e-learning, and broadly include: knowledge on savings products, knowledge on loan products and duties/responsibilities as a borrower, use of digital banking, knowledge of other financial products and services such as money transfer or remittances, basic financial management for agri-based activities, basic book-keeping, budget planning for agri-based activities, and overall household budget planning. Financial education will be delivered through village facilitators, BUMDes/cooperatives staff and extension officers, who will be trained, possibly by OJK-certified master trainers. Initial training will be followed by regular coaching, in particular through BUMDes and cooperatives, as well as through partnering financial institutions and their agents in the target districts (see below). In Papua and West Papua, financial education will be implemented in coordination with the household-based approach.
109. **Linking villagers to financial institutions.** MoV has already a MoU with BRI and many districts have partnerships with regional development banks (*Bank Pembangunan Daerah* –BPDs). Activities will therefore be developed in partnership with BRI (along a consolidated MoU) and BPDs (along MoUs to be established at provincial level). They will include the following:
 - *Increased outreach.* TEKAD will support BRI's and BPDs' expanded outreach by supporting existing agents' networks and providing them with capacity building to suit the needs of TEKAD target populations. It will also facilitate network expansion to improve access to financial services in the target areas. Ways to support BUMDes in becoming bank agents under the current legislation will be explored. Socialisation with BRI/BPDs will be organised to familiarise branches in the target areas with the economic activities supported by TEKAD and related financial needs;
 - *Product development.* TEKAD will provide on-demand technical assistance to develop new or adapting existing financial products that meet village producer's needs in the target value chains. This could include: (i) revised loan repayment schedules meeting agriculture production cycle; (ii) savings to loan products; (iii) warehouse receipt financing; (iv) receivables/non-invoice financing, and (v) tripartite agreement financing;
 - *Linking village-based economic organisations to financial institutions.* Building on the mapping and capacity assessment of village-based business organisations (above), TEKAD will support the linking of eligible (i.e. meeting minimal performance criteria and legally recognised) existing organisations (mainly cooperatives) to the partner financial institutions, and will provide them with capacity building as required. Should current legal provisions evolve, BUMDes might also benefit from this activity.
110. **Value chain financing.** Building on value chain analysis and on market arrangements developed under Sub-component 2.2, TEKAD will promote alternative financing sources to loan banking, such as advanced financing through contract farming or input supplier credit. Such models will be developed in partnership with BUMDes or cooperatives, which will be supported to assess opportunities, negotiate arrangements and ensuring compliance by villagers.
111. **Implementation arrangements for Component 2.** The implementation of Sub-Component 2.1 will be led by the TEKAD-financed District Implementation Team [25] comprised of: (i) a District Coordinator, a District Marketing Specialist and an MIS/M&E coordinator; (ii) Village Governance Facilitators, who will support the implementation of activities under Sub-component 1.1 [26] and will work in close collaboration with sub-district Village Community Empowerment Facilitator [27] under sub-district Community Empowerment department; and (iii) Economic Initiatives Advisors, who will support the implementation of activities under Sub-component 1.2 [28] and will work in close collaboration with existing district and sub-district staff as described above, including Field Agriculture Extensionists under the district Agriculture department. These will be redeployed to ensure that their skills match the target products selected by village clusters. To this effect, an MoU will be signed between MoV and MoA. TEKAD-financed services will gradually decrease so that by the end of programme support, farmers' access to services will be ensured by local players using local resources.
112. Sub-component 2.2 mapping studies will take place in PY 1. The Market opportunities and value chain analysis will be conducted under the same contract financed by the IFAD grant for the preparation of the Orientation and Capacity Building Packages (see

Component 3). It will be updated by the end of PY3, by Provincial Economic Development Experts and District Marketing Specialists, with support from technical assistance. Access to services mapping and BUMDes assessment will each be carried out by a team of five province consultants (or provincial universities), under the leadership of an international consultant. The Climate risk and vulnerability assessment will be carried out by an international service provider, in collaboration with provincial universities.

113. The implementation of activities under Access to markets and Access to Services will be led by TEKAD Marketing Specialists at district level and Economic Development Expert at provincial level, with technical assistance from the national TEKAD Economic Development Specialist. Together, they will also design and provide capacity building programmes to local market agents, building on the Orientation and Capacity Building Packages developed under Component 3.
114. Sub-component 2.3 will be implemented by a Financial Inclusion Team composed of national-level Senior Financial Services Specialist and a Financial Services Specialist in every Provincial Programme Implementation Unit. The survey on demand and supply of financial services will take place in PY 2 and will be outsourced to a service provider. Existing financial education modules will be adapted by a specialised consultant, possibly in partnership with OJK. Existing financial education modules will be adapted by with support from a specialised consultant, possibly in partnership with OJK. Furthermore, international technical assistance will be hired at project inception for three months, to assist the Financial Services Team in: (i) identifying new products and services that could be carried out with BRI and the BPDs, building on lessons from other countries; (ii) assisting in the preparation and negotiation of MoUs with BRI and the BPDs; and (iii) assisting in preparing training modules.

c. Component 3 – Innovation, Learning and Policy Development

115. Component 3 aims at fostering innovation and at promoting policy development and institution building in support of village economic development in Eastern Indonesia. This will be achieved by: (i) capturing innovative practices and documenting achievements and successful models from TEKAD implementation; (ii) mobilizing village audiences and opening online access to knowledge and resources; (iii) enhancing the policy and regulatory environment in support of village economic development and strengthening MoV capacities.
116. The **expected outcome** is that an enabling policy, institutional and media environment facilitates village economic development that builds on local opportunities and leverages the Village Fund resources. Main indicators are: (i) districts have plans for continued implementation of TEKAD approach; (ii) innovative, replicable models for supporting village economic development leveraging Village Fund and village resources; (iii) policy/regulatory instruments proposed to policy makers for approval, ratification or amendment.
117. Component 3 has two sub-components: (i) Innovation, Learning and Inspiration; and (ii) Policy Development and Institution Building. While it will mainly be implemented at the national level, it will complement and support activities carried out at village and district level, respectively under Component 1 and Component 2.

Sub-component 3.1 – Innovation, Learning and Inspiration

118. This sub-component will be implemented at the national level and will aim at: (i) setting up an open Management Information System (MIS); (ii) promoting digital solutions and the use of social networks for enhanced transparency and accountability and for facilitating wide access to information and knowledge; (iii) documenting innovation, good practices and successful models; (iv) inspiring and motivating village stakeholders, and in particular youth, by showcasing innovations and successful achievements; and (v) improving the internet connectivity of target villages. Activities will be developed as follows.
119. **MIS.** A web-based Management Information System (MIS), which will be compatible with MoV's systems and will start from the Village Information System developed under Component 1, will track and regularly update gender-disaggregated financial and technical data on programme outputs and outcomes, lessons learnt and good practices. The MIS will display weekly-updated dashboards, showing progress on key outputs and objectives, profiling DPIU and PPIU performance and showing progress towards meeting key programme indicators. The use of mobile applications like WhatsApp, Facebook and Instagram will facilitate the exchange of information throughout wide programme target areas and will foster team building.
120. **Eastern Indonesia Gateway.** An online platform will be developed to engage with large target audiences, including TEKAD stakeholders in the five provinces and interested village and other players nation-wide. It will connect village players to knowledge and innovation, as well as services and markets. The platform will be in the form of both a website and applications, and will give access to TEKAD-generated material and information, but will also direct users to existing websites that would be of interest for the planning and promotion of village economic development in Eastern Indonesia. A mapping of relevant websites^[29] will be carried out as part of the platform design in PY2, with a major objective to avoid duplications and develop original content only where it can bring added value to the existing. A study will be conducted in PY5 to assess the effectiveness of the Eastern Indonesia Gateway and whether it should outlive the programme, in which case a feasibility study for its continuation will be undertaken and TEKAD will support implementation.
121. **Learning and village innovation.** Learning material will be posted on the platform and will also be available offline and in printed form. This will include the Orientation and Capacity Building Packages developed under Component 3.2, other knowledge products, such as mapping studies and surveys, and information about TEKAD achievements and outcomes. Additionally, TEKAD will facilitate the identification, documentation and dissemination of innovative practices developed in the target areas in relation to products and activities supported by TEKAD. A simple system will be designed in PY2, building on World Bank-financed Village Innovation Programme methodology. Facilitators will be trained to assess and document village-based innovations that contribute to enhanced production, processing and marketing. Innovations will be disseminated through: (i) showcasing on the Eastern Indonesia Gateway; (ii) village competitions and awards (see below); (iii) Village Youth Ambassadors (see below); and (iv) study tours and innovation fairs for peer to peer learning. Videos, graphic media and social networks will be widely used for documenting and dissemination innovations.

122. **Inspiration and motivation.** This set of activities will aim at inspiring villagers, especially village youth, in developing rewarding and fulfilling economic activities, as well as generating motivation. A competitive system will be developed for the gender-balanced attribution of annual awards in every province in possibly five main categories: (i) 'Eastern Indonesia Youth Ambassador', for young people from 20 to 35 year old; (ii) village producer; (iii) village; (iv) facilitator/extensionist and village cadres; and (v) BUMDes/cooperative. Nominations will start from sub-district level and up to provincial level, and will be based on criteria such as adoption of innovative technologies, generated benefits, social and environmental impact. Nominees and award recipients will be promoted through communication events (including a roadshow featuring Eastern Indonesia Youth Ambassadors) and on the Eastern Indonesia Gateway. Promotion will also cover information regarding replicability and requirements, including with regard to skills, access to finance or business development.
123. Furthermore, TEKAD will partner with state-owned universities in the target provinces to implement annual Thematic Student Service Programmes (*Kuliah Kerja Nyata – KKN*)[\[30\]](#). TEKAD will replicate VDP good experience in West Papua and will co-finance Thematic KKN for a batch of students in each of the five provinces every year from PY3. Implementation will be carried out in close collaboration with TEKAD Facilitators and Advisors, so that follow-up is ensured once the students have left and outcomes generated are sustainable.
124. **Connectivity.** To enhance village access to internet networks, MoV will establish a partnership with the Ministry of Communication and Information Technology (MoCI) to engage with BAKTI (*Badan Aksesibilitas Telekomunikasi dan Informasi*), a government agency under MoCI that administers and manages the improvement of telecommunication networks mainly in disadvantaged regions, by supporting the installation of connectivity equipment at village level. Every year, MoV will communicate a list of priority villages for connection to grid and equipment installation by BAKTI at no cost[\[31\]](#). While access to electricity is a pre-requisite to benefit from equipment installation, advice will be provided to interested villages as to the type of electricity power installation they could adopt and include in their annual plan and budget.
- #### **Sub-component 3.2 – Policy Development and Institution Building**
125. The Village Law represents the core policy at the root of GoI efforts to support village-based economic development. Therefore, TEKAD efforts with regard to policy development will focus on making the implementation of the Village Law and of the Village Fund more effective and impactful in promoting village economic development. TEKAD strategy with regard to policy development is therefore to: (i) develop approaches and tools to assist village governments and communities in leveraging the Village Fund to promote economic development in different agro-ecological and social contexts in Eastern Indonesia, and potentially throughout the country; (ii) pilot their implementation and monitor results; (iii) share outcomes with stakeholders at village, district, province and national level, including with institution; and (iv) institutionalise them under the responsibility of four main partners: MoV, Bappenas, provincial and district governments.
126. In this respect, one key programme outcomes will be the Orientation and Capacity Building Packages, a set of evidence-based and replicable models for improving the use of village resources and for developing village partnerships with public and private players in support of inclusive and sustainable village economic development.
127. **Orientation and Capacity Building Packages.** An initial set of Orientation and Capacity Building Packages will be developed in PY1 to guide activities and support capacity building of programme staff, district and provincial departments and village stakeholders in the following areas:
- *Village Governance for Economic Development.* This package will build on models and tools developed through World Bank-financed P3PD[\[32\]](#) and will cover the development, monitoring and reviewing of the village economic development strategy, annual planning and budgeting, regular monitoring annual reviews and setting up and running the Village Information System;
 - *Support to Village Economic Initiatives.* This part will build on the mapping studies conducted under Subcomponents 2.2 and 2.3 and will be largely commodity-based. Commodity-based packages will promote multi-benefit approaches that deliver multiple benefits for production, poverty reduction, environment and climate resilience. While agriculture is the dominant sector in the target provinces and therefore will dominate the priority commodities, non-agriculture commodities and services are also important economic development opportunities, including marine products, non-timber forest products (especially in remote villages and indigenous communities), and ecotourism;
 - *BUMDes, economic organisations and village clusters.* This package will focus on the creation and expansion of economic organisations (primarily BUMDEs and cooperatives, but possibly also other groups such as women or youth groups) and (ii) village clusters. It will also provide guidance and capacity-building modules in developing simple business plans and in setting up, managing and financing business development.
 - *Access to financial services.* This package will cover financial and digital education modules, guidance for linking to financial service providers and accessing financing, as well as a range of financial products and services, including innovations promoted by TEKAD with partnering financial institutions (see Sub-component 3.2).
128. Each Orientation and Capacity Building Package will include a guide with step-by-step explanations, which will be linked to practical tools designed in adaptation to different audiences. They will provide solutions for supporting women's inclusion (including labour- and time-saving technologies) and that of marginalised groups, and will promote multi-benefit approaches that deliver multiple benefits for production, poverty reduction, environment and climate resilience.
129. **Orientation and Capacity Building Packages will form the building base for TEKAD model development.** They will be developed through a contract with a specialized international firm with multi-disciplinary competences covering rural inclusive economic planning and business development, along with provincial-based national consultants (possibly through provincial universities). This team will work in partnership with MoV Puslatmas and other relevant departments, provincial universities and public and private provincial stakeholders.
130. They will build on and be fully compatible with instruments developed for MoV's Village Academy 4.0 and P3P[\[33\]](#), which will be complemented to fit the specific needs of village economic planning and the specificities of the target provinces. While there will be a common core of guidance/capacity building modules, adaptations will be introduced for every province as required, to

reflect socio-cultural and product-related specifics to every province and agro-ecological zone. Preparation will associate TEKAD provincial and district teams and will plan an approach for ensuring that they could be adapted to district local conditions.

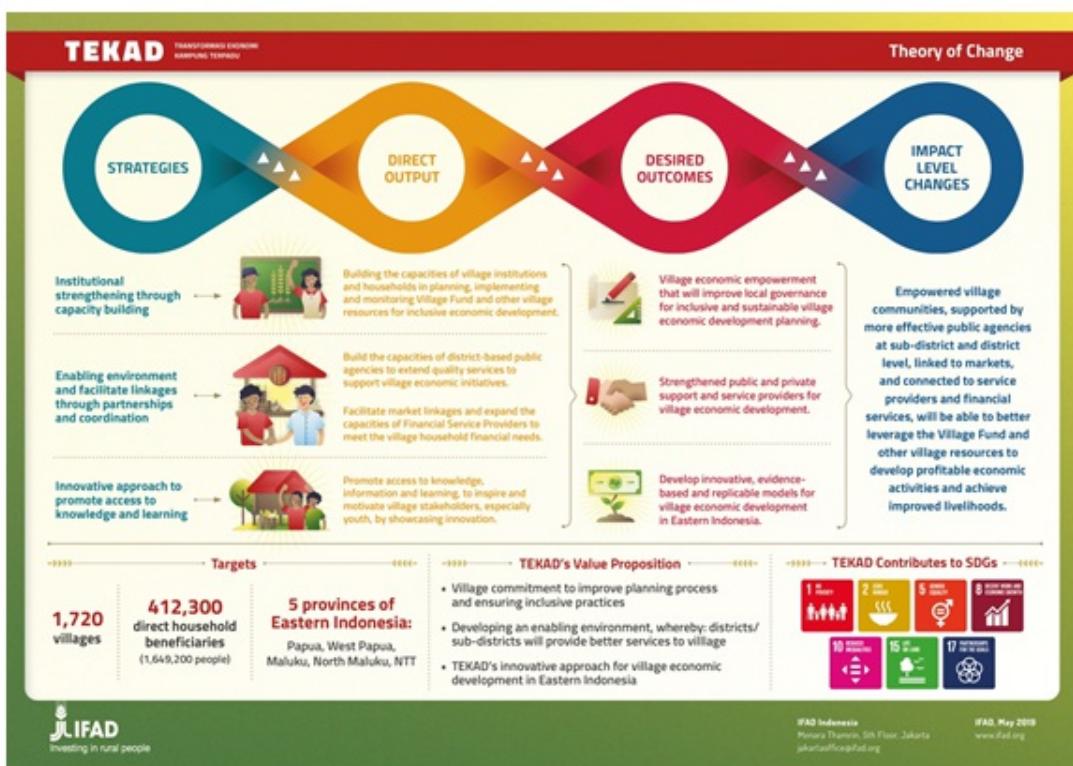
131. Packages designed in PY1 will be tested from PY2 and will be annually updated by Puslatmas to reflect the lessons of experience, innovations developed along with programme implementation, and review of conditions for replication. Package development will therefore be closely linked to programme monitoring and evaluation and knowledge management. Progress and updates will be widely shared through the Coordination Team under MoV Directorate General of Village Community Empowerment and Development, the Joint TEKAD-P3PD Working Group^[34], the coordination platforms at district and provincial level, the Papua Desk, and the Eastern Indonesia Gateway.
132. Orientation and Capacity Building Packages will be available both online, through the Eastern Indonesia Gateway platform, and offline to facilitate wide access to support, including in most remote areas. In recognition of lower literacy and numeracy skills among beneficiary communities, will adopt visual learning tools including graphics and videos. Economic Initiatives Facilitators will be equipped with digital tablets to enable multi-media presentations using the product-based capacity-building packages.
133. **Policy studies.** Additionally, TEKAD will carry out policy studies, to address two objectives. On the one hand, they will contribute to translating innovative approaches and tools developed under the programme into legal and policy instruments, such as: MoV regulations, ministerial instructions, technical guidelines or Puslatmas training programmes; or Papua Desk-sponsored regulations. On the other hand, they will address policy gaps identified through the provincial mapping studies, TEKAD programme operations and recommendations made by District and Provincial Coordination Teams. Areas for policy development identified during programme design include the following: (i) an expenditure/performance review of the Village Fund and of MoV, district and village performance for the promotion of village economic development in Eastern Indonesia; (ii) revised guidelines and legal framework for BUMDes to become a village economic development-supporting organization; and (iii) a survey on participation and accountability in Village Law implementation, building on the model of the Sentinel Villages Study, under the Local Solutions to Poverty programme implemented by the World Bank. Gender equity and social inclusion considerations will be mainstreamed in all of the policy development activities.
134. TEKAD will finance: specialised technical assistance for policy review and policy development; policy workshops with relevant stakeholders, either to support the preparation of policy studies or to present and discuss the results of such studies and dissemination costs.
135. **Institution building.** TEKAD will contribute in strengthening the capacities of MoV, and especially of the Community Empowerment and Development General Directorate, in: (i) implementing the programme in an accountable and transparent manner, in line with GoI and IFAD procedures, and in delivering programme outcomes and outputs according to plans; (ii) promoting inclusive and profitable village economic development; and (iii) tracking achievements and capitalising on good results to improve related performance. Capacity building will be provided on the basis of annual participatory capacity assessments and capacity development plans. This set of activities should also benefit the Association of Indonesian Village Governments^[35], at national and provincial level, and possibly the Papua Desk.
136. **Upscaling facility.** An upscaling facility is available to finance specific operations that would upscale innovative tools successfully implemented by the programme. The facility could be used for any of the following purposes (not exclusive): expand programme operations to additional villages (for example to participate in cluster); scale up specific activities in target districts (for example trainings); finance study tours or other peer-to-peer instruments to disseminate programme knowledge and experience to villages not included in target areas; face increased costs in relation to planned activities in this PDR.
137. **Implementation arrangements for Component 3.** The implementation of Component 3 will be led by the TEKAD-financed KM and Policy Development Expert, who will work in close collaboration with the team of technical experts at the national level and at provincial/district level.
138. Under Sub-component 3.1, service providers will be hired to: (i) develop the TEKAD MIS system and provide support to Provincial MIS/GIS Officers for MIS development; (ii) develop and maintain the Eastern Indonesia Gateway; (iii) implement the annual selection and awarding process for the Eastern Indonesia Youth Ambassadors; (iv) produce videos on the Eastern Indonesia Youth Ambassador Programme. A national consultant will provide support to design the guidelines for the Eastern Indonesia Youth Ambassador Programme. An MoU will be signed between MoV and MoCI to engage with BAKTI for the implementation of the connectivity programme.
139. Under Sub-component 3.2, an international service provider will be hired under the IFAD grant to develop the Orientation and Capacity Building Packages, in partnership with MoV Community Training Center Department (*Pusat Pelatihan Masyarakat – Puslatmas*), based on an MoU to be established by the NPIU, which will also cover the training of TEKAD staff in using the Packages (Sub-component 2.1). The same service provider will be hired to carry out the provincial Market opportunities and value chain analyses (see Component 2). Orientation and Capacity Building Packages will be annually updated by Puslatmas, building on annual assessments and on the specifications of the Annual Plan for Model Development, Innovation and Communication.
140. Priority areas for the development of policy studies and for institution-building will be identified annually by the NPMU and will be validated by the Programme Steering Committee. An international consultant will assist in defining a methodology and in providing guidance for implementation. TEKAD will finance the cost of policy studies, workshops and capacity building.
141. Bappenas, including the Papua Desk, will be closely associated to the implementation of Sub-component 3.2.

E. Theory of Change

142. There are significant opportunities to better leverage the Village Law and the Village Fund to strengthen village-based economic

development and sustainable rural transformation in Eastern Indonesia TEKAD's theory of change assumes that empowered village communities, supported by public agencies at sub-district and district level, linked to markets, able to connect to service providers and using financial services will be able to leverage Village Fund and other village resources to develop profitable economic activities and achieve improved livelihoods.

143. TEKAD's approach is therefore to combine different levels of interventions so that village communities not only can build their capacities to invest in successful economic undertakings, but also can rely on an enabling environment that secures sustainable and inclusive access to markets and services. At the village level, TEKAD will build the capacities of village institutions and households in planning, implementing and monitoring Village Fund and other village resources for inclusive economic development bringing sustainable revenues (Sub-component 1.1.) and in undertaking economic initiatives for the production, processing and marketing of target commodities/trades (Sub-component 1.2). At the district level, TEKAD will promote a dynamic ecosystem to support village-based economic development. It will build the capacities of district-based public agencies to extend quality services to support village economic initiatives (Sub-component 2.1). It will also facilitate market linkages through partnerships between market players and village producers to ensure that villagers' investments can bring sustainable revenues, promote the use of Village Fund resources to hire quality private service providers (Sub-component 2.2), and expand the capacities of Financial Service Providers to meet the financial needs of village households (Sub-component 2.3). Finally, TEKAD will open online access to knowledge and learning, inspire and motivate village stakeholders and especially youth, by showcasing innovation (Sub-component 3.1) and meet GoI request to derive innovative, replicable models for supporting village economic development by leveraging Village Fund and village resources, building on experience in diverse geographical areas and economic settings (Sub-component 3.2). A visual representation of the theory of change is in Annex 2.



F. Alignment, ownership and partnerships

144. The programme has been officially requested by GoI and it is included in GoI's national investment planning and budgeting. TEKAD is in line with the 2015-2019 National Medium-Term Development Plan, which gives the highest priority to reducing inequalities and improving the livelihoods of the rural poor. It is also designed to directly contribute to the anticipated priorities of new 2020–2024 National Medium-Term Development Plan. GoI regards the programme as a strategic investment to trigger the transformation of the rural sector, by creating the conditions for villages to move up the IDM scale through a better use of their resources, including the Village Fund. TEKAD is also in line with Government's objective of boosting agriculture productivity and improving the economic situation of the smallholder farmers in under-developed areas of Eastern Indonesia. Furthermore, TEKAD will directly support the Indonesia United Nations Country Team's efforts to specifically target Papua and will contribute to Sustainable Development Goals 1 – No poverty, 5 – Gender equality, 8 – Decent Work and Economic Growth, and 10- Reduced inequalities. It is also aligned with IFAD's Strategic Framework 2016-2025, which aims at enabling inclusive and sustainable rural transformation, and it will contribute to its three strategic objectives.
145. TEKAD will build on the experience of past investments in village governance and economic development, especially in Papua and West Papua, including the Village Innovation Project financed by the World Bank. It will establish a tight partnership with P3PD and MoHA. It will also establish a partnership with KOMPAK, a project financed by Australia that has successfully piloted a Village Management Information System to orient village planning and monitor progress, in partnership with MoV and Bappenas. Furthermore, it will establish linkages with projects that support access to markets (such as PRISMA, also financed by Australia) and the sustainable and gainful use of natural resources (such as the Green Economic Growth Programme for Papua Provinces

(GEGPP) financed by DFID, as well as USAID-financed Lestari and Sustainable Ecosystems Advanced – SEA). Finally, TEKAD will align activities with the UN Development Assistance Framework (UNDAF), and with UNDP-supported Papua Platform Project.

G. Costs, benefits and financing

a. Project costs

146. Total TEKAD cost inclusive of taxes and duties is estimated at US\$ 702.03 million over a six-year implementation period. Programme investments are organized into three components: Component 1 – Village Economic Empowerment (86.5% of the costs); Component 2 – Partnerships for Village Economic Development (10.4%); and Component 3 – Innovation, Learning and Policy Development (3.1%). Table 5 below presents the summary of project costs by component in United States Dollar and in Indonesian Rupiah.

147. Project sub-components 1.2 Village Economic Initiatives, 2.2 Economic Services and 3.2 Policy Development and Institution Building are partially counted as climate finance. The total amount of IFAD climate finance is preliminarily calculated as US\$ 565 945.

b. Project financing/co-financing strategy and plan

148. TEKAD will be financed from an IFAD loan of US\$ 32.85 million, an IFAD grant of US\$ 1.50 million, beneficiary contribution estimated at US\$ 27.08 million (cash and in-kind), Gol contribution under the Village Fund estimated at US\$ 541.60 million, and Gol contribution in taxes and staff salaries of US\$ 18.99 million. A financing gap of US\$ 80 million has been identified from project year 3, which will be financed by IFAD with resources from its next funding cycle (2022-2024) or by a co-financier willing to partner and acceptable to the Gol; the current IFAD financing is adequate to cover the first 3 years of implementation. Table 6 below presents the structure of components by financier, and table 7 shows the distribution of expenditure accounts by financier.

149. The Gol contribution of Village Fund resources is set up under the framework of the Village Law and is designated to fund village investments, including in economic infrastructure and empowerment.

150. The IFAD grant will be used to finance two different types of activities. On the one hand it will finance all the activities related to policy development (Sub-component 3.2) which is an area of priority for the Gol. On the other hand it will finance key international technical assistance to be fielded at project inception, including for the design of the Orientation and Capacity Building Packages (Sub-component 3.2) for market opportunities and value chain analyses (Sub-component 2.2), a climate risk and vulnerability assessment study (Sub-component 2.2), and the Technical Programme Expeditor. This technical assistance will play a decisive role in shaping the programme economic development strategy , and in providing the tools that will guide village communities' choices of priority commodities, economic development strategies, and planning and capacity building programmes.

Table 5: Components Project Cost Summary

Indonesia Integrated Village Economic Transformation (TEKAD) Components Project Cost Summary	(IDR Billion)						Foreign Exchange	% Base Costs	% Total
	Local	Foreign	Total	Local	Foreign	Total			
A. Village Economic Empowerment									
1. Village Governance	271.0	20.1	291.1	19 282.2	1 431.5	20 713.7	7	3	
2. Village Economic Initiatives	8 161.3	19.7	8 181.1	580 671.9	1 404.7	582 076.5	-	85	
Subtotal Village Economic Empowerment	8 432.4	39.9	8 472.2	599 954.1	2 836.1	602 790.2	-	88	
B. Partnerships for Village Economic Development									
1. District Support for Village Economic Development	733.1	38.3	771.4	52 157.4	2 728.3	54 885.6	5	8	
2. Economic Services	50.3	4.3	54.6	3 578.5	303.0	3 881.5	8	1	
3. Financial Services	94.2	2.1	96.3	6 703.6	150.0	6 853.6	2	1	
Subtotal Partnerships for Village Economic Development	877.6	44.7	922.3	62 439.5	3 181.3	65 620.7	5	10	
C. Innovation, Learning and Policy Development									
1. Innovation, Learning and Inspiration	43.6	5.3	48.8	3 098.8	374.1	3 472.9	11	1	
2. Policy Development and Institution Building	45.1	0.8	46.0	3 210.6	59.3	3 269.8	2	-	
3. Programme Management	159.1	25.6	184.6	11 318.3	1 818.3	13 136.7	14	2	
Subtotal Innovation, Learning and Policy Development	247.8	31.8	279.4	17 627.7	2 251.7	19 879.4	11	3	
Total BASELINE COSTS	9 557.7	116.2	9 673.9	680 021.2	8 269.1	688 290.3	1	100	
Physical Contingencies	77.8	6.2	84.0	5 538.9	440.3	5 979.3	7	1	
Price Contingencies	156.4	9.4	165.8	7 317.0	440.6	7 757.6	6	1	
Total PROJECT COSTS	9 791.9	131.8	9 923.8	692 877.1	9 150.0	702 027.1	1	102	

Table 6: Components by Financier

Indonesia Integrated Village Economic Transformation (TBKAD) Components by Financiers (US\$ 000)														
	IFA D Loan		IFA D Grant		Financing Gap		The Government		Beneficiary		Village Fund		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Village Economic Empowerment														
1. Village Governance	5 713	24.7	-	-	15 086	65.3	2 289	9.9	-	-	-	-	23 087	3.3
2. Village Economic Initiatives	2 438	0.4	-	-	11 323	1.9	1 529	0.3	27 080	4.6	541 800	92.7	583 971	83.2
Subtotal Village Economic Empowerment	8 151	1.3	-	-	28 409	4.4	3 818	0.6	27 080	4.5	541 800	89.2	607 058	86.5
B. Partnerships for Village Economic Development														
1. District Support for Village Economic Development	15 783	25.8	-	-	38 424	59.6	8 932	14.6	-	-	-	-	61 119	8.7
2. Economic Services	1 108	25.8	354	8.3	2 461	57.5	380	8.4	-	-	-	-	4 280	0.6
3. Financial Services	2 630	34.8	-	-	4 195	55.5	740	9.8	-	-	-	-	7 585	1.1
Subtotal Partnerships for Village Economic Development	19 498	26.7	354	0.5	43 079	59.0	10 033	13.8	-	-	-	-	72 984	10.4
C. Innovation, Learning and Policy Development														
1. Innovation, Learning and Inspiration	865	17.0	-	-	2 882	73.0	392	10.0	-	-	-	-	3 918	0.6
2. Policy Development and Institution Building	392	10.7	1 047	28.5	1 970	53.7	282	7.1	-	-	-	-	3 671	0.5
3. Programme Management	4 149	28.8	100	0.7	5 880	39.4	4 487	31.1	-	-	-	-	14 416	2.1
Subtotal Innovation, Learning and Policy Development	5 208	23.7	1 147	5.2	10 512	47.8	5 141	23.4	-	-	-	-	22 008	3.1
Total PROJECT COSTS	32 855	4.7	1 500	0.2	80 000	11.4	18 992	2.7	27 080	3.9	541 800	77.1	702 027	100.0

Table 7: Expenditure Accounts by Financier

Indonesia Integrated Village Economic Transformation (TBKAD) Expenditure Accounts by Financiers (US\$'000)	PROJECT COSTS													
	IFAD Loan		IFAD Grant		Financing Gap		The Government		Beneficiary		Village Fund		Total	%
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs														
A. Civil Works	689	8.9	-	-	6 266	81.1	773	10.0	-	-	-	-	7 727	1.1
B. Equipment and Materials	2 198	30.4	-	-	4 308	59.6	723	10.0	-	-	-	-	7 230	1.0
C. Vehicles	2 387	56.5	-	-	1 403	33.5	419	10.0	-	-	-	-	4 189	0.6
D. Training and Studies	5 314	29.4	-	-	10 966	60.6	1 808	10.0	-	-	-	-	18 078	2.6
E. Technical Assistance														
International TA	1 454	60.4	-	-	963	39.6	-0	-	-	-	-	-	2 407	0.3
National TA	15 848	26.1	-	-	38 779	63.9	6 070	10.0	-	-	-	-	60 897	8.8
Subtotal Technical Assistance	17 302	27.4			39 732	63.0	6 070	9.6					63 103	9.0
F. Operating Costs	4 986	20.1	-	-	17 335	69.9	2 480	10.0	-	-	-	-	24 801	3.5
G. Village Grants	-	-	-	-	-	-	-	-	-	-	541 600	100.0	541 600	77.1
H. IFAD Grant	-	-	1 500	100.0	-	-	-	-	-	-	-	-	1 500	0.2
I. Beneficiary Contribution	-	-	-	-	-	-	-	-	27 080	100.0	-	-	27 080	3.9
Total Investment Costs	32 855	4.7	1 500	0.2	80 000	11.5	12 272	1.8	27 080	3.9	541 600	77.9	695 307	99.0
II. Recurrent Costs														
A. Incremental Operating Costs														
Other Operating Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Incremental Operating Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Incremental Salaries														
Salaries	-	-	-	-	-	-	-	-	6 720	100.0	-	-	6 720	1.0
Total Recurrent Costs	-	-	-	-	-	-	-	-	6 720	100.0	-	-	6 720	1.0
Total PROJECT COSTS	32 855	4.7	1 500	0.2	80 000	11.4	18 982	2.7	27 080	3.9	541 600	77.1	702 027	100.0

Table 8: Project Components by Year – totals including contingencies

Project Components by Year -- Totals Including Contingencies (US\$ '000)							
	Totals Including Contingencies						
	2020	2021	2022	2023	2024	2025	Total
A. Village Economic Empowerment							
1. Village Governance	119.7	4 636.2	6 647.2	7 938.3	2 365.1	1 380.6	23 087.0
2. Village Economic Initiatives	-	43 529.0	97 657.4	149 519.2	147 750.3	145 514.6	583 970.6
Subtotal Village Economic Empowerment	119.7	48 165.2	104 304.6	157 457.4	150 115.5	146 895.1	607 057.6
B. Partnerships for Village Economic Development							
1. District Support for Village Economic Development	5 915.0	8 781.1	13 286.9	15 756.1	12 914.7	4 464.9	61 118.7
2. Economic Services	798.9	438.1	1 078.7	1 048.9	669.9	245.9	4 280.3
3. Financial Services	53.0	2 419.8	2 544.1	2 369.9	177.9	-	7 564.7
Subtotal Partnerships for Village Economic Development	6 767.0	11 639.0	16 909.6	19 174.9	13 762.5	4 710.8	72 963.8
C. Innovation, Learning and Policy Development							
1. Innovation, Learning and Inspiration	49.0	391.3	1 003.2	807.3	823.5	844.1	3 918.5
2. Policy Development and Institution Building	563.3	304.3	797.0	626.6	683.8	696.2	3 671.1
3. Programme Management	2 986.7	2 207.5	2 373.0	2 172.9	2 320.7	2 355.4	14 416.2
Subtotal Innovation, Learning and Policy Development	3 599.0	2 903.2	4 173.2	3 606.9	3 827.9	3 895.6	22 005.8
Total PROJECT COSTS	10 485.7	62 707.4	125 387.5	180 239.2	167 705.9	155 501.5	702 027.1

c. Disbursement

151. Disbursement detailed arrangements will be outlined in the Letter to the Borrower. There will be three types of disbursement mechanisms: (i) Advance Withdrawal; (ii) Direct Payment; and (iii) Reimbursement. Considering the activities, the project will adopt imprest account arrangements, with advance payment and then followed by replenishment to the DA. The maximum Authorized Allocation will be USD 3,000,000 for IFAD loan, USD 250,000 for IFAD grant and can be amended if required.

152. GoI will open two Designated Accounts (DAs) in USD, in the name of the Ministry of Finance (MoF) at Bank Indonesia (BI). One

account will be for the IFAD loan funds and one for the IFAD grant. Funds in these accounts will be used to pay the eligible programme expenditures incurred by NPMU and PPIUs. Grant financing will be used to finance technical assistance for: developing the Orientation and Capacity Building Packages and related studies, which will be at the core of TEKAD's approach to develop evidence-based and replicable models for improving the use of the Village Fund resources; and for activities related to policy.

153. Before disbursement can begin, (I) a letter designating the name(s) of officials authorized to sign withdrawal applications and Statements of Expenditure, which includes their authenticated specimen signature(s) (ii) Details of the specific names, titles and signature(s) of the persons authorized to operate these accounts must reach IFAD shall reach to IFAD.
154. Although the DA will be under the name of the Director General Treasury, MoF, the NPMU will be the one responsible for reconciling the DA, preparing the application for withdrawal for advances and reporting the use of the DA, duly approved by DG Treasury, before submissions to IFAD. Copies of the DA bank statement will be provided to the NPMU by DG Treasury, MoF on a weekly basis or upon request.
155. Funds from cofinanciers will be deposited in separate bank accounts.

d. Summary of benefits and economic analysis

156. The Economic and Financial Analysis (EFA) of TEKAD programme is based on financial performance of a series of rural level enterprises in four agricultural zones in the five provinces of Eastern Indonesia, namely: Maluku, North Maluku, East Nusa Tenggara, Papua and West Papua. The agricultural zones comprise dryland, coastal, highlands and lowlands for 1,720 core villages (direct beneficiaries) comprising 412,300 households. The financial and economic analyses are only indicative for the reasons that the enterprises in the participating villages would be finalized only during implementation. However, based on reasonable assumptions and a set of agronomically and technically suitable mixture of crops and other enterprises, the EFA analyses conducted at the design stage are good indicators of Programme financial and economic viability.
157. TEKAD is expected to generate multiple benefits. These include enhanced financial and social service delivery capacities of the village institutions; improved technical capacities of the producers; improved animal health (pigs and fisheries); improved productivity of listed enterprises leading to increased farmers' income; increased contribution to the export earnings; and development and expansion of rural businesses. TEKAD will also generate employment opportunities for women and men, particularly the youth through their involvement with the enterprises and related backward and forward linkages. It is not feasible to credibly quantify all the benefits highlighted. As such the financial and economic analyses are conducted for the costs and benefits that are readily measurable and are associated with TEKAD interventions.
158. The programme is reaching out to a total of 412,300 families as its direct beneficiaries and it is assumed that about 70% of them, amounting to 288,610 families, would develop their enterprises. The distribution of the beneficiary producers according to their engagement in enterprises, representing provinces and by the programme year are summarized in Table 9 below. The approximate number of indirect beneficiaries who are mainly engaged in backward and forward linkages are estimates at about 10,000 (5%).

Table 9: Total and cumulative distribution of beneficiary households in VC enterprise receiving full benefits

Crops / Enterprises	Provinces	Total HH Practicing the enterprise	Distribution of HH who start the enterprise by the Programme Year				
			PY 2	PY 3	PY 4	PY 5	PY 6
Seaweed	Papua & West Papua	10,260	2,052	3,078	3,078	1,539	513
Sea Cucumber	Papua & West Papua	71,817	14,363	21,545	21,545	10,773	3,591
Black Pepper	Papua & West Papua	30,779	6,156	9,234	9,234	4,617	1,539
Coffee	Papua & West Papua	20,519	4,104	6,156	6,156	3,078	1,026
Pig production	Maluku, North Maluku, & East Nusa Tenggara	34,518	6,904	10,355	10,355	5,178	1,726
Cocoa production	Papua & West Papua	10,260	2,052	3,078	3,078	1,539	513

Bee Honey Production	Maluku, North Maluku, & East Nusa Tenggara	41,254	8,251	12,376	12,376	6,188	2,063
Sweet Potato	Maluku, North Maluku, & East Nusa Tenggara	20,783	4,157	6,235	6,235	3,117	1,039
Bamboo	Maluku, North Maluku, & East Nusa Tenggara	48,421	9,684	14,526	14,526	7,263	2,421
Total	5 Provinces	288,610	57,722	86,583	86,583	43,292	14,431

159. Representative enterprise models were developed based on information collected during the field visits of the design team and extracted from various publications and other sources of information as listed in the EFA Annex. Table 10 summarise the results indicating that all enterprises are financially viable.

160. The programme direct beneficiaries would be expected to increase their production with technical and financial assistance that they will receive during the programme period. The EFA estimated the annual production levels of the commodities at full development. The market-ready outputs of them are about: 22 thousand tons (mt) of seaweed (115% increase from the base); 160 thousand mt of sea cucumber as a new product; 27 thousand mt of black pepper (345% increase); 30 thousand mt of coffee (1359% increase); 139 mt of pig meat (68% increase); 17 thousand mt of cocoa (360% increase); 12 thousand mt of honey as a new product; 1.3 million mt of sweet potato (2820% increase); and 82 thousand bamboo stems (467% increase).

Table10: Financial viability indicators of all enterprise models used for the EFA of TEKAD

161. The financial analysis indicates that all enterprise, except seaweed, pig production and bees honey, would be generating an annual income which is higher than the poverty line. These enterprises collectively generate employment for about 22,600 hired labour per annum. The Financial Internal Rate of Return (FIRR) is 27%. The net benefit flow was discounted at 9%, which is the current average interest rate, to ascertain the Financial Net Present Value (NPV) of the programme which is US \$ 1,517 million and the break-even point of the programme cash flows. At the 10th year (2029), the programme will be able to breakeven the total programme investment and the beneficiaries' investment and start generating a positive net benefit flow.

162. Economic analysis: The economic analysis, conducted with appropriate adjustments to reflect the economic values of inputs and outputs of all enterprise models and with the economic cost of the programme derived from COSTAB, indicates that the Economic Internal Rate of Return (EIRR) for the 20-years period is 29% with benefit cost ratio of 2.36. The programme earns an Economic Net Present Value (ENPV) of US\$ 2,490 million for the 20-year period with 6.2% discount rate (the current weighted average deposit rate). The sensitivity analyses indicate that the programme is adequately viable under 20% cost increase, 20% benefit decrease, simultaneous increase in cost and decrease of benefits by 10%, and 1-years delay in starting production operations. These scenarios cover all the risk factors identified during the programme design.

e. Exit Strategy and Sustainability

163. The programme strategy is driven by the primary concern that, by the end of project implementation, sustainable mechanisms are in place to ensure sustainable planning and implementation of village resources for economic growth. To this effect, TEKAD approach rests on three pillars: (i) build the capacities of village governments and communities to plan Village Fund resources for economic development and to implement profitable economic initiatives (Component 1); (ii) promote an ecosystem whereby villagers will be able to access profitable markets, to receive support from qualified public and private service providers and to use financial services (Component 2); and (iii) develop evidence-based Orientation and Capacity Building Packages to support village economic development in Eastern Indonesia, to improve the policy framework and to raise MoV capacities to make use of these new instruments (Component 3). Key specific features are as follows:

- *Project implementation set-up:* TEKAD design builds on existing organisations and consolidates them, rather than creating new, project-driven structures. This is aimed both at supporting sustainability and ensuring that models derived from project approaches and successful practices can be mainstreamed into the country's institutional framework and scaled up;
- *Capacity building:* capacity building will be provided to ensure that stakeholders have the right mix of technical and management competences to carry on activities beyond project completion, from village level to district, provincial and national level, for both public and private sector players and, at village level, for both village governments and community groups, including traditional ones;
- *Gradual phasing out of programme support:* while in the first years of programme implementation, TEKAD District Team will take full responsibility for the implementation of activities with participation of district staff, TEKAD facilitators will be tasked with building the capacities of existing, permanent facilitators, so that responsibility will gradually shift to the latter and by the end of the programme, they will be fully in charge for extending support to villages. A similar approach is taken for other programme support instruments at village or district level (including the provision of financial resources for hiring service providers, or allocations to P4S centres), whereby programme support is gradually phased out, with village or district budget

- resources taking over;
- *Orientation and Capacity Building Packages*: evidence-based and tracking programme successful achievements, they will remain available to sustain project achievements, and to guide economic development and to support capacity building in Eastern Indonesian provinces;
 - *Village Desks*: Village Desks will continue to operate beyond project completion to offer village governments easy access to information and support services related to economic development at the district administration;
 - *Financial sustainability*: financial education, business planning, capacity building of key players and linkages to performing financial service providers will support the viability and sustainability of village-based economic initiatives.

164. Furthermore, the Village Fund will keep extending annual allocations that will be available to finance support costs initially paid by the programme, such as the cost of village cadres, additional facilitators, peer-to-peer activities or trainings.

165. The two Interim Reviews will make recommendations with regard to key measures required to further secure the sustainability of project achievements. The NPMU will prepare a detailed exit strategy building on the recommendations of the Second Interim Review.

3. Risks

H. Project risks and mitigation measures

166. Main risks and mitigation measures are identified as follows. An Integrated Risk Framework is in Annex 9. Fiduciary risks are summarised in Section IV A b and a Financial Management Risk Assessment is attached in Annex 9.

Risks	Mitigation measures
Variable GoI implementation capacity	Provide institution-building services to MoV and different levels of local governments. Hire TA to provide methodological guidance and capacity building. Outsource implementation for specific activities.
Management challenge deriving from widespread and dispersed geographical area	Phased programme implementation. Use of ICT tools to facilitate communication and programme monitoring. Close monitoring of performance with dashboards and periodic assessment, building on the lessons of IFAD-financed CCDP, which was successfully implemented with similar geographical dispersion. Capacity building to MoV.
Limited interest of private sector partners to deal with villagers because of risks involved	De-risking measures including: financial and business education; technical advisory services; support to contract farming and business linkages.
Elite capture of programme benefits	Community empowerment, including organizations strengthening and capacity building, emphasizing the poorest and more vulnerable segments, for them to participate and make their rights and priorities prevail in villages' decisions on the Village Fund resources allocation. Support to districts in fulfilling their role of mobilization and empowerment.
Remoteness	In this first phase, focus on villages with reasonable connectivity. Support village clusters to increase impact while minimising management costs. Select high-value commodities that can be stored and easily transported. Use ICT as tool to bridge remoteness.
High turn-over of staff at the local level	Hiring local staff with right set of incentives.
Climate change	Promoting climate smart practices through capacity building packages. Building farmers' resilience through savings.
Insecurity in Papua and West Papua	MoV has selected districts that were risks are minimal and the same criterion will be applied to village selection. Broad and inclusive participatory approach at village level. Inclusion of traditional authorities. Strong involvement of district mayors. Full on-demand approach.

167. The inherent risk is deemed to be medium. Indonesia was ranked 89th out of 180 countries in the 2018 TI Corruption Perception

Index, with a medium score of 38.

168. The latest PEFA report for Indonesia was published in 2017. It described a reasonably well-functioning PFM system, with significant improvements from 2011 to 2016. The assessment over time shows significant improvements in the quality of PFM including: (i) Aligning the legislative and regulatory framework to the latest international budget, accounting and reporting standards with the adoption of the COFOG classification and accrual accounting standards; (2) Establishing a multi-year budgeting framework and a robust macroeconomic fiscal framework to optimize expenditure management in line with revenue mobilization; (iii) Rolling out the FMIS SPAN as a platform for the integration of the Treasury system and the consolidation of cash management operations at the central government level; and (iv) Strengthening the effectiveness of the oversight function by the internal audit and external audit institutions. in PFM systems linked to predictability and control over budget execution, particularly PEFA performance scores are slightly below B, which is above the basic level of performance broadly consistent with good international practices.
169. The Indonesian Corruption Perception Index (CPI) score for 2018 according to Transparency International website is 38 (2017: 37; 2016: 37; 2015: 36; 2014: 34; 2013: 32), scale 0-high and 100-low risk
170. The Indonesia portfolio consists of six investment projects, with a disbursement ratio of 5.1% in 2018 (USD 8.19 Million out of USD 162 Million). Three projects are in completion or closing stage (CCDP, VDP &SOLID). Three projects are on the second year of implementation (IPDMIP, co-financed with ADB, READSI and SMPEI) and one project in preparation stage of implementation (YESS). The disbursement performance of IPDMIP & READSI are unsatisfactory.
171. MoV through the Directorate of Natural Resources and Applied Technology, under the Directorate General of Village Community Empowerment and Development will be the leading agency which has experience in implementing IFAD project.
172. The Financial Management Assessment (FMA) for TEKAD was undertaken based on IFAD requirement and Guidance Notes on Undertaking Financial Management Assessment at Design. The assessment was conducted by reviewing government regulations and documents, interview several government officials at national, 2 provinces and 2 districts.
173. The Directorate of Natural Resources and Applied Technology, under the Directorate General of Village Community Empowerment and Development, Ministry of Villages as experience in implementing international funding project from World Bank and IFAD through VDP. However, VDP audit report 2017 states that the internal control of the project was not adequate due to the capacity of the government in the fiduciary aspect of the project. Under these circumstances, the overall FM risk rating is Medium (M).

<p>1.Organization & Staffing</p> <ul style="list-style-type: none"> - Inadequate dedicated government official to implement the project, in financial management aspect in particular - Remoteness might create issue in coordination and communication 	H	<p>-Government commitment to have a stronger and dedicated team to manage the project.</p> <p>-Financial Management consultants will be hired at national, provincial and district level to support FM function</p> <p>-FM consultants will be hired individually. Not through service provider/company</p> <p>MOV is a new ministry with capacity issue that need to be addressed at the beginning of implementation. LPA has experience in implementing internal funding projects, including VDP. Project location: Papua and Papua Barat are the most challenging provinces in the country. For risk mitigation, use VDP lesson learned to improve financial management system and provide better and clearer guideline for TEKAD"</p>
<p>2.Budgeting</p> <ul style="list-style-type: none"> - 	M	

<p>3. Funds Flow & Disbursements</p> <ul style="list-style-type: none"> Delay from the date of entry into force to the date of first disbursement, resulting in slow start-up. Delay in disbursement due to delay in submitting withdrawal application ADB cofinancing might be effective in 2020 and can only start disbursed in 2021 	H	<p>To the extent possible, new financing should build on existing structures and mechanisms, and early and continuous consultation with Government is essential to mitigate delays.</p> <p>To ensure a smooth start-up of the project including early recruitment of service providers and implementation of construction activities in PY1, preparatory planning, establishment of the PSU, recruitment of staff and procurement of service will take place at earlier stage.</p> <p>Financial management consultants recruited to assist day today project financial management at national and district level</p> <p>IFAD to provide training on financial management procedures, including disbursement requirements</p> <p>Take ADB condition itu implementation plan. First year implementation will be funded by IFAD and GOI only</p>
<p>4. Internal Control</p> <ul style="list-style-type: none"> Staff turnover especially of government staffs can lead to poor management of project financial documents 	H	<p>Internal control including financial document management and storage are documented in the project manual</p>
<p>5. Accounting Systems, Policies & Procedures</p> <ul style="list-style-type: none"> Reliability of government accounting system for IFAD and project monitoring purposes No component identity in the government financial system. 	M	<p>The project will develop an automation financial reporting system. Meanwhile a spreadsheet-based reporting system will be use to process the data derived from the government accounting system into project financial reports for monitoring and reporting purposes</p>
<p>6. Reporting & Monitoring</p> <ul style="list-style-type: none"> The project might not be able to produce reliable and timely financial report Unclear system to capture GOI & community contribution in the project financial report 	H	<p>Automation financial reporting system will be developed</p> <p>Provide guidance on how to capture GOI and community contribution in the project financial report</p> <p>IFAD to conduct additional fiduciary supervision mission for the first 2 years to ensure that FM systems are in place</p>
<p>7. Internal Audit</p> <ul style="list-style-type: none"> The project not included in to Itjen internal audit program VDP internal audit was weak. Itjen involved in budgeting process only 	H	<p>The project to include the internal auditor in designing the internal audit framework for the project</p> <p>To propose to MOF to include BPKP as internal audit for the project</p>
<p>8. Auditing</p> <ul style="list-style-type: none"> Integrity of the Auditor BPK is relatively new for IFAD project. They have not yet familiar with IFAD procedure and/or system Poor follow up of auditor findings 	M	<p>BPK will be assigned for the audit.</p> <p>The project to create a tool to monitor follow up progress and status of auditor findings, and included in the PIM</p> <p>Public discloser will be included in the Auditor TOR</p>

I. Environment and Social category

174. TEKAD is assessed as a Category "B" programme as it is expected to contribute positively to improving the livelihoods of rural communities. Furthermore, by supporting climate-smart agriculture and by offering channels to widely advertise on successful business models and approaches (through an online platform, applications and social networks), TEKAD is expected to positively contribute to climate change adaptation and sustainable use of natural resources. Potential social impacts will be mitigated by

offering channels to widely advertise on successful business models and approaches (through an online platform, applications and social networks) and in this manner being more inclusive. The project will also follow a community-based approach where the communities will have a key role in decision making on project interventions. By this approach, TEKAD is expected to positively contribute to climate change impact and promotion of the sustainable use of natural resources.

J. Climate Risk classification

175. TEKAD is expected to be highly sensitive to climate risks, mainly climatic variability and occasionally weather-related hazards. Climate risk assessments will be conducted in target provinces at project onset with a view to identify major risks and fully integrate mitigation measures in capacity building packages. Preliminary focus areas identified include awareness, dissemination and skills development on climate-smart practices (e.g. building farmer's resilience towards climate change impacts through insurance and savings), which will be provided through the Orientation and Capacity Building Packages, project partners', digital technologies and communication.

4. Implementation

K. Organizational Framework

a. Project management and coordination

176. As mentioned above in the section on geographic targeting, the project will start being implemented in Papua and West Papua provinces, which present the highest rates of poverty among the five included in the project area, and to take advantage of the experience developed in these two provinces by the previous IFAD-supported VDP project. At start-up it will be decided whether a third province would be incorporated since the beginning; activities in the other two provinces will start once the main implementation tools are developed and available. This gradual incorporation of provinces and districts will contribute to continuous learning and increased effectiveness, taking advantage of the experience to be gained since the beginning in the two/three provinces where project implementation will start.

177. The main features of the programme organizational framework are as follows:

- A *National Steering Committee* will provide overall guidance and oversight. As part of the Steering Committee, a Joint TEKAD-P3PD Working Group will ensure optimal coordination between the two programmes;
- MoV is the Executing Agency. Under the authority of MoV's Director General of Village Development and Community Empowerment, the Directorate of Natural Resources and Applied Technologies (DNRAT) will have direct responsibility for programme implementation. A Coordination Team will be set up to secure coordination and collaboration between DNRAT and the other directorates composing the Directorate General for Village Development and Community Empowerment;
- A *National Programme Management Unit (NPMU)* will assist MoV in carrying out programme implementation responsibilities;
- A *Provincial Programme Implementation Unit (PPIU)* will be established in every target province to support the implementation of programme activities at the provincial level, provide technical assistance to district units and ensure knowledge management across the province;
- A *District Programme Implementation Unit (DPIU)* will be established in every target district to support the implementation of activities at village level;
- *Coordination Platforms* will be established at the provincial and district levels, and will provide a venue for stakeholders involved in the promotion of village development to agree on objectives, review progress, ensure coordination and seek measures for addressing challenges.

178. The organizational chart in Annex 8, Section V presents the programme institutional structure. Implementation responsibilities are outlined below.

Key Implementing Institutions

179. **Programme Steering Committee.** A Programme Steering Committee (PSC) will be set up at the national level to provide overall guidance and oversight, to ensure that TEKAD programming is aligned on national sector priorities, to offer a venue for sharing TEKAD good practices and for channelling policy issues to the appropriate policy making bodies. The PSC will also approve Annual Work Programs and Budgeting (AWPBs) and annual progress and financial reports. It will include representatives from government structures - Ministry of Finance, Ministry of Village, Ministry of Agriculture, BAPPENAS, Papua Desk and other departments as deemed relevant – and other stakeholders, such as the Association of Indonesian Village Governments (*Asosiasi Pemerintah Desa Seluruh Indonesia*) or the Village Peoples' Association (*Persatuan Rakyat Desa*), BRI and the Association of Regional Development Banks (ASBANDA).

180. **Joint TEKAD-P3PD Working Group.** This Working Group will convene TEKAD and P3PD Programme Managers and representatives from MoHA and MoV, and will mainly aim at ensuring that TEKAD activities under Component 1 - Village Economic Empowerment, and those related to village governance in particular, build on and align with the guidelines and tools developed by P3PD for MoHA and MoV.

181. **MoV.** The Lead Executing Agency will be the Ministry of Village, Underdeveloped Regions and Transmigration through the Directorate of Natural Resources and Applied Technologies (DNRAT). The NPMU will be operated under the authority of MoV's Director General of Village Development and Community Empowerment, which will be delegated to the Director of Natural

Resources and Applied Technology.. MoV will be responsible for the overall programme management, coordination, and oversight. This will involve the following: (i) ensuring the management and timely implementation of programme activities, with support from the NPMU (see below); (ii) prepare Annual Work Programs and Budgeting (AWPBs), jointly with the NPMU, for submission to the Programme Steering Committee; (iii) ensure the integration of programme activities within DNRAT overall programme of activities and the coordination of programme activities with other DNRAT initiatives; (iv) supporting provincial and district governments' participation in programme implementation, the fulfilment of their responsibilities and the channelling of resources as planned; (iv) approve technical and financial reports and Withdrawal Applications prepared by the NPMU; and (v) support coordination between TEKAD and other relevant initiatives in the promotion of village economic development and facilitate programme access to knowledge generated by such initiatives. A Coordination Team will be established within the Directorate General of Village Community Empowerment and Development, which will gather DNRAT and all of its other directorates, to exchange information and quickly mainstream successful tools and approaches.

182. **NPMU.** A National Programme Management Unit (NPMU) will be established to assist DNRAT in implementing the programme and will be fully accountable for the performance of programme implementation and the use of funds. It will be responsible for programme management, the coordination of government and non-government agencies participating in the programme and the promotion of inclusive approaches and mainstreaming of targeting and gender requirements in all of the programme activities in accordance with the GESI Strategy. The NPMU will be headed by a full-time National Programme Manager.
183. **PPIUs.** A Provincial Programme Implementation Unit (PPIU) will be established within the Dinas Village and Community Empowerment (provincial department) in every target province. PPIUs will be under the direct supervision of the NPMU Director and will be responsible for providing guidance, coordination, management-support services and technical assistance to District Programme Implementation Units (DPIUs) in the implementation of Component 1 – Village Economic Empowerment and for jointly implementing Component 2 – Partnerships for Village Economic Development with DPIUs. PPIUs will also be responsible for the management of programme funds, M&E and KM and the implementation of the GESI strategy.
184. **DPIUs.** One District Programme Implementation Unit will be established in every target district. DPIUs will be responsible for implementing Component 1 – Village Economic Empowerment and for participating in the implementation of Component 2 - Partnerships for Village Economic Development along with PPIUs.
185. **Composition.** Table 11 shows the composition of the NPMU, PPIUs and DPIUs.

Table 11: Staffing of NPMU, PPIUs and DPIUs

Management	Technical Staff	Administrative Staff
National Programme Management Unit		
- National Programme Manager - National Team Leader*	<ul style="list-style-type: none"> - Regional Coordinator I (Papua) - Regional Coordinator II (West Papua) - Regional Coordinator III (Maluku) - Regional Coordinator IV (North Maluku) - Regional Coordinator V (NTT) - GESI Specialist* - Senior M&E/KM Officer - Senior M&E Expert* - Senior Village Governance Expert* - Senior Economic Development Expert* - Senior Financial Services Expert * - KM and Policy Development Expert* 	<ul style="list-style-type: none"> - Financial Management Officer - Procurement Officer - Accountant - Administrative Officer - Financial and Administrative Management Expert * - Procurement Expert* - Administrative Assistant - Translator - Driver
Provincial Programme Implementation Units (per Unit)		

Management	Technical Staff	Administrative Staff
- PPIU Manager - Provincial Team Leader*	- GESI Expert* - Village Governance Expert * - Economic Development Expert* - Financial Services Expert* - M&E/KM Officer - M&E/KM Expert * - MIS/GIS Expert *	- Financial Management Officer - Accountant - Planning Officer - Procurement Officer - Administrative assistant - Financial Management Expert* - Procurement Expert* - Driver
District Programme Implementation Units (per Unit)		
DPIU Manager District Coordinator *	- District Marketing Specialist* - MIS/M&E Specialist* - Village Governance Facilitators* - Economic Initiatives Advisors*	

Staff marked with * are TEKAD-financed consultants. Other staff are government-financed staff.

186. The NPMU and PPIUs should include at least 40% of qualified women, and women participation in DPIUs, while it may be harder to achieve, should strongly be promoted. Staff identified for the positions financed by government resources will require IFAD no-objection. Consultants financed by programme resources will be selected based on competitive bidding (with IFAD no-objection) and have performance-based contracts.

187. **Programme expeditors.** Two Programme Expeditors (international) will be fielded at programme onset to expedite programme start-up. One will support programme management, will have knowledge of IFAD management procedures and will assist in: setting up all the administrative and financial management procedures; preparing the first AWPB and Procurement Plan; expediting compliance to pre-conditions for the release of the first fund disbursements; supporting the finalization of the PIM; hiring programme staff; and preparing MoUs. The other one will have technical responsibilities, a background in rural economic development and will assist with the tendering for the international consulting firm that will lead the development of Orientation and Capacity Building Packages; hiring of international technical assistance; preparing the first AWPB; finalising the PIM. They will both provide capacity building to the NPMU/PPIUs, with a view to support fast programme start-up.

188. Cost tables include a total of ten months (six months for the Expeditor/programme management and four months for the Expeditor/technical) that can be used at once or in split assignments.

189. **Partner institutions.** Partnership agreements will be established to support implementation with the following organisations:

- *MoV Community Training Center Department (Pusat Pelatihan Masyarakat – Puslatmas):* TEKAD will partner with this MoV agency for the development of the Orientation and Capacity Building Packages (Sub-component 3.2) as well as for the training of TEKAD staff (Sub-component 2.1);
- *Ministry of Agriculture:* a partnership agreement will be signed with the Agency of Agricultural Extension and Human Resource Development within the Ministry of Agriculture to facilitate the participation of Agriculture Field Extensionists (PPLs) and ensure their redeployment so that their skillsets match the priority products supported by village annual plans (see Sub-component 1.2);
- *Ministry of Communication and Information Technology (MoCI):* a partnership agreement will be signed to engage with BAKTI (*Badan Aksesibilitas Telekomunikasi dan Informasi*), a government agency under MoCI that administers and manages the improvement of telecommunication networks mainly in disadvantaged regions, by supporting the installation of connectivity equipment at village level.

190. Close collaboration and coordination will be established with MoHA so that the implementation of TEKAD builds on and aligns with guidelines and tools developed for village governance and that coordination and exchange of information proceed smoothly between the two programmes. This will be supported by the Joint TEKAD-P3PD Working Group set up at the national level.

191. Close collaboration will also be developed with the Papua Desk for the implementation of activities in Papua and West Papua, particularly with regard to the mapping studies under Component 2, and to the development of Orientation and Capacity Building Packages and other policy development activities under Component 3.

192. It is also anticipated that partnership agreements will be signed with BRI and with the five Regional Development Banks for the implementation of Sub-component 2.2 – Financial Services.

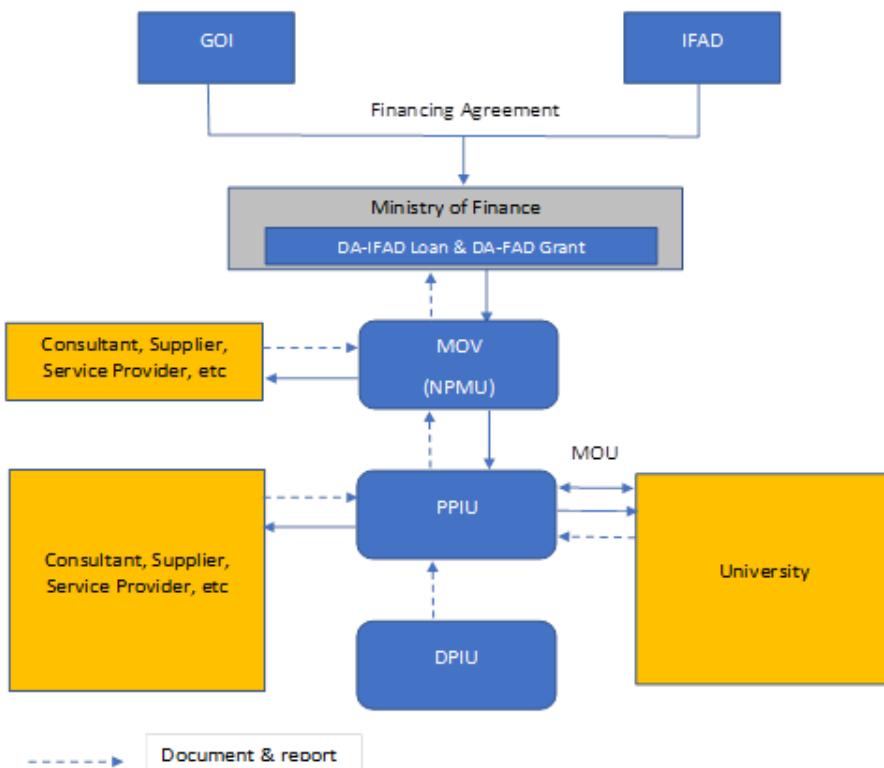
193. **Provincial and District Coordination Platforms** Coordination Platforms will support information exchange and coordination of activities related to the promotion of village economic development. They will also review and validate AWPBs prepared by PPIUs/DPIUs, provide guidance to PPIUs/DPIUs, monitor programme implementation, and discuss TEKAD achievements, challenges and bottlenecks, including policy gaps, and agree on measures required to lift them. They will be composed of provincial/district departments involved in the promotion of economic development: Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises. District platforms will be chaired by the District Head and will also include Village Heads. Market players, business associations, development projects, NGOs or other service providers, as well as universities at provincial level, will be called to participate in working sessions as required. Coordination Platforms will meet every quarter.

194. **Service providers.** All service providers' contracts will stipulate clear deliverables with a timeframe and quantified expected outputs/outcomes, and they will specify responsibilities with regard to monitoring and reporting, including the information of progress indicators as set forth in the contract. Terms of reference for service providers will require gender-balanced teams with prior experience of gender mainstreaming, and that contract deliverables reflect gender and inclusion target and indicators.

b. Financial Management, Procurement and Governance

195. **Financial management.** TEKAD's financial management arrangements follow the government system, especially on budgeting, flow of funds, and the auditing mechanism. Overall, the financial management risk is rated as Medium before and after mitigation respectively. The project faces a major risk in staff capacity to manage project implementation and to improve the internal control mechanism based on lesson learn from VDP audit findings. To minimize the risks, a team of qualified financial management consultants will be hired to assist NPMU and PPIUs in financial management. The Directorate of Natural Resources and Applied Technology, under the Directorate General of Village Community Empowerment and Development, Ministry of Village will have the overall accountability for the project, including fiduciary aspects. The flow of funds for the project will be determined by the implementation strategies adopted by the Implementing Agencies which will consist of APBN-funded (*Anggaran Pendapatan dan Belanja Negara* – national revenue and budget) activities and would then be passed on to the provincial and district government using Dekonsentrasi mechanism. The flow of fund is described in Figure 2 hereafter.

Figure 2 - Flow of Funds



DA : Designated Account

MOU : Memorandum of Understanding

196. **Designated accounts.** After loan entry into force, the Government will open two Designated Accounts (DA) in USD, in the name of the Ministry of Finance (MoF) at Bank Indonesia. One account will be for the IFAD loan funds and one for IFAD grant. Funds in

these accounts will be used to pay eligible programme expenditure incurred by NPMU and PPIUs. The modalities of the DA for the IFAD resources will be detailed in the Letter to the Borrower. The following are designated as additional general conditions precedent to withdrawal: (i) the opening of DA with details of specific names, titles and signature(s) of the persons authorized to operate these accounts must have reached IFAD; (ii) the NPMU will have been duly established; and (iii) The PIM will have been finalized and approved.

197. **Accounting and reporting.** All financial transactions will be recorded in the computerized government accounting system and included in government accountability reports. The project will develop an automated reporting system for the preparation of the project financial reports that is suitable for project monitoring purposes and reporting purposes to IFAD and Auditor. The NPMU will be responsible to prepare the aggregate Interim Financial Reports (IFR) and submit them to IFAD quarterly on an agreed format within 45 days after the period end. The programme will also submit an unaudited consolidated financial statement for each fiscal year, stating all programme operations, resources and expenditure, within 4 months after the end of the fiscal year. All financing resources (IFAD, GoI contribution and beneficiary contribution) will be accounted in the report.
198. **Auditing and public disclosure.** The audit of TEKAD's consolidated financial statements will be carried out by the Audit Board of Indonesia (*Badan Pemeriksa Keuangan BPK*). The audit will include the assertion on the reliability of the programme financial statement, review and reconciliation of DA and examination of aspects of compliance and governance, internal control, and detection of fraud and corruption. IFAD requires that the programme accounts be audited (by approved independent auditors) in accordance with international auditing standards consistent with IFAD Handbook on Auditing and Reporting. The auditor will visit the various implementation units as considered necessary for the audit. The audit coverage will consider the risk of material misstatement as a result of fraud or error. The annual audit report will be furnished to IFAD no later than six months after the end of the fiscal year. After review, IFAD will disclose the Project financial statements and the opinion of the auditors on the financial statements. Internal audit for the project will be conducted by Inspectorate General (*Itjen*) who is reporting to the Minister of Village. Preliminary discussion has been made with MoF to include BPKP in the project internal audit function. This will allow the internal auditor to conduct internal monitoring of programme performance, financial management and administration, through audit, review, evaluation and supervision.
199. **Governance.** Indonesia is ranked 89th out of 180 countries, with a score of 38/100 in the Corruption Perceptions Index (CPI) published by Transparency International in 2018, which indicates substantial corruption risk. IFAD will apply a zero-tolerance policy on appearances of corruption. The NPMU will prepare a program framework for transparency and public notice and ensure that procurement is carried out in accordance with GoI and IFAD regulations (including the Policy on Preventing Fraud and Corruption) and with project design specifications. It will be included in the Project Implementation Manual (PIM) and published on TEKAD website. Provisions will include: (i) compliance with internal procedures and controls for project activities, following international best practice standards for the purpose of preventing corruption, money laundering and the financing of terrorists; (ii) the publication/posting of all procurement, calls for proposals, contract awarding and business partnership details on local newspapers, at district and provincial offices and on TEKAD website, including assessment criteria and weighing; (iii) the participation of representatives of end-users in bid assessments; (iv) the prompt communication to bidders of bid evaluation outcomes; (v) contracts will include a provision requiring suppliers, contractors and consultants to ensure compliance with IFAD zero tolerance anticorruption policy and to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors; (vi) annual financial audits, with a random sample transaction, will be performed in accordance with International Standards of Auditing by an independent auditor accepted to IFAD; (vii) IFAD's direct supervision process will specifically address fiduciary compliance and the implementation of the Project framework for transparency and public notice; (viii) programme stakeholders will be directly involved in programming, implementing and M&E of the project activities; (ix) evaluation and impact assessment will be outsourced to professional independent institutions; and (x) rules will allow potential project beneficiaries and other stakeholders to channel and address any complaints they may have on TEKAD implementation.
200. This framework will also include an internal code of conduct to be signed by all NPMU, PPIU and DPIU staff and consultants, and a code of business ethics, to be signed by all partners and beneficiaries of TEKAD activities. The draft framework and codes will be prepared with support from the Programme Expeditor and subsequently discussed and agreed upon at the project inception workshop.
201. Other measures reflected in project design to ensure transparency include the following: (i) IFAD's direct supervision process will specifically address fiduciary compliance and the implementation of the project framework for transparency and publicity; (ii) project stakeholders will be directly involved in programming, implementation and M&E of TEKAD activities; (iii) Coordination platforms will provide a forum for raising issues affecting the implementation of activities, including transparency.
202. The procurement of goods, works and services financed from resources provided or administered by IFAD will be undertaken in accordance with Presidential Regulation 16/2018 on Procurement for Government Goods and Services and with Presidential Regulation 17/2019 on the Procurement of Goods and Services for the Acceleration of Welfare Development in Papua and West Papua Provinces. The National Public Procurement Agency (LKPP) has disseminated technical guidance detailing mechanisms to implement the Presidential Regulation. Procurement procedures are now simpler and the guidelines for procurement are more complete. Procurement for goods and services are done through e-purchasing such as electronic catalogues or online stores that managed by LKPP so procurement does not always have to be done through a tender/selection process. Therefore, procurement procedures are categorized as moderate to low risk. Since 2017, LKPP has developed a PSU Maturity Level Measurement model that is defined and used as a measurement instrument in implementing PSU institutional management. PSU Maturity Level Measurement describes the ability of PSU and be a reference for PSU in an effort to develop/ strengthen institutions towards a center of excellence in Procurement of Goods/ Services. Maturity Level Measurement of the PSU is based on a model consisting of 4 domains and 9 variables where each variable is targeted to meet a minimum level of 3 (Proactive), namely as a PSU which becomes a Procurement Center for Excellence by the ability to function goods / services procurement oriented to meet customer needs through collaboration, strengthen the planning function with internal and external customers. (<https://siukpbj.lkpp.go.id/>).

203. Procurement at the national level of TEKAD Project. Refer to supervision/project completion missions for previous IFAD Funded Project, i.e. Village Development Programme (VDP), which was managed by the MoV General Directorate for Village Development and Community Empowerment showed that the performance of procurement was moderate unsatisfactory. The BPKP noted in audit report the weaknesses of internal control in the project implementation during fiscal year 2017 and 2018. The Directorate of Natural Resources and Applied Technologies who will responsible for TEKAD management needs to improve the performance of the whole procurement process, its including but not limited to development of procurement plan, quality of bidding document, disclosure of evaluation process and appropriate draft contract. To this end, the Directorate will require to have a project procurement specialist with proficient knowledge and experience in Government Procurement Regulation to support PSU in order to manage TEKAD Project procurement. Procurement specialist at NPMU or one in each PPIU has the main task of providing support for the procurement commitment officer (or Project Director) work. In accordance with the prevailed regulations, procurement specialists are not the parties involved in the procurement process (as stated in presidential regulation number 16 of 2018 in article 8).

204. The maturity level of PSU at MoV is 1 (lowest level in a scale of 5) based on self-assessment in 2017 (https://siukpbj.lkpp.go.id/history_maturity). The low level of maturity correlates with performance, proactivity, and the ability to carry out continuous improvements that can encourage the creation of added value and benefits in the procurement of goods / services. The PSU has the task of organizing support procurement of goods/services at Ministry/ Institution/ Regional Government. The procurement committee for tender/selection, hereinafter referred to as Working Group is defined as human resources assigned by the Head of PSU to manage the selection of Services Provider or Vendor. The working groups are still serving as ad-hoc for the PSU. Learned from the VDP Project, its strongly recommended for PSU of MoV to assign procurement officer who has proficient knowledge and experience in Government Procurement Regulation or alternatively involving procurement agent for complex procurement that has high risk.

205. Procurement at sub-national level. TEKAD will also be implemented and managed by sub-national governments at five provinces. i.e. Papua, West Papua, Maluku, North Maluku and Nusa Tenggara Timur (NTT) Provinces. Based on self-assessment of PSU in respective province as published by LKPP at <http://siukpbj.lkpp.go.id>, the latest risk rating are as follow:

Province	Targeted 9 variables at level 3	Maturity Rate (scale 1-5)
Papua Province	1 of 9	1
West Papua Province	0 of 9	1
Maluku Province	1 of 9	1
North Maluku Province	2 of 9	1
East Nusa Tenggara	4 of 9	2

206. The maturity measure of the PSU goes to the center of excellence in the procurement of goods/ services carried out in stages through 5 (five) levels of maturity of the PSU, which consist of:

- Level 1: Initiation, namely PSU which is passive in responding to every request with a form that is still ad-hoc and has not reflected the integrity of the expansion of functions in the goods / services procurement organization.
- Level 2: The essence, namely the PSU which focuses on the basic functions of the PSU in the selection process, has a pattern of work that is segmented and has not yet formed collaboration between the actors of the effective procurement process.

207. Presidential Regulation number 16/2018 is applied for the whole province and district governments in Indonesia. However, particular for Papua and West Papua Province, there is Presidential Regulation number 17 year 2019 which released to accelerate welfare development in these two Provinces. Therefore, both governments in these two Provinces have more flexibility in carry out procurement for goods and services. Hence, there's no specific assessment of PDR team to respective province and district project implementer. Refer to above rating and to mitigate the potential risk. The following recommendations are addressed to Directorate PPDM as coordinator of the whole project implementation:

- Internal control: Involving the inspectorate or Indonesia's National Government Internal Auditor to conduct probity audits. The probity concept is used to ensure that the process of carrying out public sector activities, such as the process of procurement of goods / services is carried out fairly, objectively, transparently and accountably. Therefore, to control the weakness of internal controls that affect the procurement of goods / services that are considered to be necessary, audit procedures are needed starting at the time of identifying the needs in the preparation of the General Procurement Plan which is part of the preparation of work plans and budgets.
- Procurement at planning process: Lowering thresholds to define IFAD Prior or Post Review for procurement of goods, works and/or services;

- The process of vendor preparation and selection:
 - Carried out by procurement agent services for complex procurement that has high risk, need technology high, use specially designed equipment, and / or difficult to define technically and to meet the needs and objectives of Procurement.
 - Carried out by working group for procurement with medium to low risk or budget value equal to US\$ 200,000, and for the procurement of consultancy with a budget value equal to US\$ 100,000;
 - Carried out by procurement officials or officials of procurement commitments (*Pejabat pengadaan*) for low risk and low value procurement or special procurement as stated by NPPA No. 12 of 2018.

208. **Procurement Plan.** The National Project Management Unit (NPMU) will initially prepare an 18-month Procurement Plan, building on the preliminary Procurement Plan attached in Annex 7, and will update it annually or as required to reflect actual implementation needs. Procurement will be undertaken as per the consolidated Procurement Plan submitted by the NPMU for no objection by IFAD. The application of different methods of procurement for goods, works, services or other services will be in accordance with the methods of procurement for goods, works, other services and services as established and approved in the Procurement Plan. Unapproved variations and non-compliance will be considered as mis-procurement. IFAD will undertake to review the provisions for the procurement of good, works and services to ensure that the procurement process is carried out in conformity with the applicable rules and regulations consistent with IFAD's Procurement Guidelines.

209. **Governance.** Indonesia is ranked 89th out of 180 countries, with a score of 38/100 in the Corruption Perceptions Index (CPI) published by Transparency International in 2018, which indicates substantial corruption risk. IFAD will apply a zero-tolerance policy on appearances of corruption. The NPMU will prepare a program framework for transparency and public notice and ensure that procurement is carried out in accordance with GoI and IFAD regulations (including the Policy on Preventing Fraud and Corruption) and with project design specifications. It will be included in the Project Implementation Manual (PIM) and published on TEKAD website. Provisions will include: (i) compliance with internal procedures and controls for project activities, following international best practice standards for the purpose of preventing corruption, money laundering and the financing of terrorists; (ii) the publication/posting of all procurement, calls for proposals, contract awarding and business partnership details on local newspapers, at district and provincial offices and on TEKAD website, including assessment criteria and weighing; (iii) the participation of representatives of end-users in bid assessments; (iv) the prompt communication to bidders of bid evaluation outcomes; (v) contracts will include a provision requiring suppliers, contractors and consultants to ensure compliance with IFAD zero tolerance anticorruption policy and to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors; (vi) annual financial audits, with a random sample transaction, will be performed in accordance with International Standards of Auditing by an independent auditor accepted to IFAD; (vii) IFAD's direct supervision process will specifically address fiduciary compliance and the implementation of the Project framework for transparency and public notice; (viii) programme stakeholders will be directly involved in programming, implementing and M&E of the project activities; (ix) evaluation and impact assessment will be outsourced to professional independent institutions; and (x) rules will allow potential project beneficiaries and other stakeholders to channel and address any complaints they may have on TEKAD implementation.

210. This framework will also include an internal code of conduct to be signed by all NPMU, PPIU and DPIU staff and consultants, and a code of business ethics, to be signed by all partners and beneficiaries of TEKAD activities. The draft framework and codes will be prepared with support from the Programme Expeditor and subsequently discussed and agreed upon at the project inception workshop.

211. Other measures reflected in project design to ensure transparency include the following: (i) IFAD's direct supervision process will specifically address fiduciary compliance and the implementation of the project framework for transparency and publicity; (ii) project stakeholders will be directly involved in programming, implementation and M&E of TEKAD activities; (iii) Coordination platforms will provide a forum for raising issues affecting the implementation of activities, including transparency.

L. Planning, M&E, Learning, KM and Communication

a. Planning, M&E, Learning, Knowledge Management and Communication

212. **M&E system.** The Monitoring and Evaluation (M&E) and Knowledge Management (KM) system will: (i) provide programme stakeholders at the three levels of intervention with information and analyses to assess programme achievements and support decision-making to improve programme performance; (ii) allow villagers and other programme beneficiaries to assess the return brought by innovation, and to make informed decisions for the development of profitable and sustainable economic activities; and (iii) develop scalable models for Eastern Indonesia, whilst inspiring innovation by prompting stakeholders to try out new approaches.

213. TEKAD will organise access to information and knowledge sharing through a web-based Management Information System (MIS) that will be developed based on interaction with users, and will start from village-owned Village Information System, building on KOMPAK successful pilot in Papua and West Papua. TEKAD MIS will track and regularly update gender-disaggregated financial and technical data on project outputs and outcomes, lessons learnt and good practices. A service provider will set up the system along indications to be provided by the M&E/KM consultant hired at project onset and provide training to relevant staff.

214. The MIS will generate weekly dashboards showing progress on key outputs and objectives, profiling DPIU and PPIU performance and showing progress towards meeting key project indicators. Regular meetings will be held at the various levels to review progress, discuss issues, and update project status. The use of mobile applications like WhatsApp, Facebook and Twitter will facilitate the exchange of information throughout wide project target areas and will foster team building. The Eastern Indonesia Gateway will facilitate transparent access to project achievements and innovations.

215. **M&E and KM plans.** The M&E plans will be prepared by the NPMU in line with IFAD and GoI requirements, drawing on, and

consolidating, inputs received from the district and provincial levels. The system will be harmonized with that of MoV, and in particular with the Smart Village data system to be developed under P3PD, so that TEKAD-related data can be easily used by GoI. Short-term international TA will be hired by the NPMU as part of the start-up process to produce a detailed M&E/KM manual, to be translated into easy-to-grasp guidelines in Bahasa Indonesia, and a first M&E Annual Implementation Plan, which will be largely shared and matched with capacity building at provincial and district level. Annual planning KM for KM will be part of the Annual Plan for Model Development, Innovation and Communication described under Sub-component 3.2. The Annual Implementation Plan will be revised every year and will make part of the Annual Work Plan and Budget.

216. **Baseline and completion survey.** The NPMU will undertake a baseline study, measuring the status of impact and outcome indicators at programme onset, with assistance from an outsourced qualified consulting firm. The baseline study will be updated during the first year of programme implementation through the mapping studies (Subcomponent 2.2). Impact surveys will be carried out at three points during project implementation, at baseline in 2018/19, in preparation to the second interim review (end of PY 4) and prior to project completion. The M&E/KM cycle will start with the preparation of the programme's Annual Work Plans and Budget (AWPB), which, except in Year 1, will build on AWPBs prepared by the districts.
217. **KM agenda.** One of the programme outcomes is that an enabling policy, institutional and media environment facilitates village economic development. Given the strong policy focus, it is necessary for the programme to develop KM strategy to ensure that knowledge generated within the project is systematically identified, analyzed, documented and shared, and that it is used to: (i) improve project performance and delivery; (ii) document and share innovations, best practices and stories of successes and failures to improve project intervention and support mainstreaming in national processes and upscaling; and (iii) identify important issues to convey to policy makers. Particular attention will be given to the regular development and update of Orientation and Capacity Building Packages (Subcomponent 3.2), which will provide a set of evidence-based and replicable models for improving the use of village resources and for developing village partnerships with public and private players in support of inclusive and sustainable village economic development.
218. In consultation with project stakeholders and in collaboration with the Senior M&E Specialist and the Policy Development and KM Specialist, the same consultant hired to design the M&E system will prepare a detailed KM framework and implementation plan. The framework will include objectives, responsibilities and methodology, including the development of Annual Plans for Model Development, Innovation and Communication.
219. Online communication approach utilizing the Eastern Indonesia Gateway, instant messenger, social media and short videos, will be used to reach wider audience, communicating the programme objectives, efforts and outcomes, also inspiring the local youth on economic opportunities that they could start in their own village. The Eastern Indonesia Gateway will be connected to GoDesa, the online platform that will be developed by MoV, with support from P3PD.

b. Innovation and scaling up

220. **Innovation.** Main innovative features brought by TEKAD are as follows:

- *A new approach for supporting the planning of Village Fund resources for village economic development*, designed to boost village growth and improve the impact of the Village Fund on village livelihoods. The approach rests on: (i) the provision to villages of useful economic information, particularly with regard to market opportunities and opportunities to retain a larger portion of the final value added along target value chains; (ii) the development of a medium-term economic strategy to guide gradual development in line with potential and capacities; (iii) District Marketing Strategies to support villagers' market access;
- *A new approach for promoting villagers' access to public and private service providers in support of village economic development at district level*, based on: (i) District Strategies for Access to Business Development Services; (i) setting up rosters of qualified service providers at district and provincial level; promoting the use of Village Fund and district budget resources to finance the cost of service providers;
- *Village Desks*, or a mechanism within the district administration ensuring easy access to economic information and quick referral to district departments;
- *Village cluster development*, whereby groups of villages will engage in the production and marketing of the same commodity, which will improve producers' market access, bargaining power and remuneration through stronger organisation, increased quantity, quality and delivery reliability, and economies of scale;
- *Innovative financial products and services*, meeting the financing needs of villagers in the target value chains, including alternative solutions to bank financing;
- *Orientation and Capacity Building Packages*, which will guide economic development and support capacity building through multi-media presentations accessible online and offline and reflecting TEKAD innovations;

221. *The Eastern Indonesia Gateway*, which will connect village players to knowledge and innovation, as well as services and markets.
222. Additionally, TEKAD will facilitate the identification, documentation and dissemination of innovative practices developed in the target areas in relation to products and activities supported by TEKAD, through a simple system building on World Bank-financed Village Innovation Programme methodology.
223. **Scaling up.** GoI has attributed high priority to leveraging Village Fund resources to promote economic development, which sets up a conducive political and institutional framework for replicating and scaling up programme achievements. Besides, TEKAD has been designed with the purpose of developing evidence-based and replicable models for improving the use of village resources and for developing village partnerships with public and private players in support of inclusive and sustainable village economic development. Elements specifically designed to support scaling up include: (i) a solid M&E and KM system allowing to track achievements, document approaches and outcomes and disseminate them to public and private stakeholders in Eastern Indonesia; (ii) Orientation and Capacity Building Packages, which will remain available to orient scaling-up and the building of

new capacities; (iii) implementation through existing organisations personnel, building on existing systems, which will enable scaling-up throughout districts and provinces; (iv) involvement of policy makers at national and provincial levels in implementation and through evidence-based policy dialogue; (v) coordination platforms at the provincial and national level, which will disseminate knowledge on programme achievements and advocate central and local authorities for policy changes; and (vi) strengthening national and provincial capacities.

M. Implementation plans

a. Implementation readiness and start-up plans.

224. GoI is expecting implementation to start in January 2020.

225. To enable fast start-up once the project is approved, MoV has started organising socialisation activities at provincial level about TEKAD to share programme plans with provincial and district stakeholders. Additionally, it is expected that MoV will start with preparatory activities even before the Financing Agreement is signed, including with regard to appointing programme staff and preparing for hiring programme consultants. These will include two Programme Expeditors/supporting consultants to facilitate project start-up - setting up programme management systems and initiating tenders in support of technical activities. It is anticipated that TEKAD will start in the first quarter of 2019.

226. **Start-up workshops.** A national start-up workshop will be organized with all project stakeholders and implementing partners, including from the five target provinces, to ensure broad-based understanding and adherence to TEKAD scope and implementing modalities, and to introduce key processes, tools, strategies as well as the M&E and KM system. Start-up workshops will subsequently be organized in every participating province.

b. Supervision, Mid-term Review and Completion plans.

227. The project will be directly supervised by IFAD. Following IFAD standards, joint supervision missions will be conducted with the Government of Indonesia once a year, complemented by implementation support missions as needed but not less than once a year. An early implementation support mission will be mobilized within the first three months of project effectiveness. Continuous follow-up to implementation will be provided by the IFAD sub-regional office. Supervision and implementation support missions will offer an opportunity to assess achievements and lessons jointly, to review innovations, and to reflect on improvement measures; these missions will therefore be an integral part of the KM cycle, playing a supportive and coaching role.

228. **Mid Term Review.** A Mid Term Review will take place at the end of PY 3 with a view to: (i) assess the results, efficiency and effectiveness of the project; (ii) identify key lessons learnt and good practices; (iii) review institutional arrangements; and (iv) provide recommendations for improved performance and the achievement of impact.

229. Supervision missions and the Mid Term Review will focus on the following themes:

- Overall project implementation and performance.
- Best performing models and opportunities for scaling up .
- Performance in attributing Village Fund and other resources to support village economic development.
- Progress in engaging women, youth and marginalised groups in village development planning and in all project activities;
- Performance of the NPMU, PPIU and DPUI in terms of required reporting, disbursement targets, implementation schedule and resolving implementation issues
- Performance of key implementation partners in delivering services to project beneficiaries within the framework of TEKAD, including technical assistance, business development services and financial services among others.
- Linkages and synergies between the three components;

230. The Mid Term Review will also be a key milestone to assess the prospects for sustainability of the processes triggered by the project, including the extent to which a conducive ecosystem has been developed whereby public and private programme stakeholders are geared to take over from project interventions and support village economic development.. This Mid-Term Review will make recommendations with regard to key measures required to secure the sustainability of programme achievements, based on which the NPMU will prepare a detailed exit strategy.

231. **Impact and outcome assessments.** As per the current practice, three surveys will be carried out during project implementation aimed at assessing the project impact and outcomes: at baseline, in PY 4 and at project completion.

232. **Completion Review.** By the end of the project, an in depth Completion Review will be undertaken with two main objectives: reporting on project outputs, outcomes and achievements, and systematizing and sharing the learnings emerging from the implementation experience. The themes to be included will be basically the same included along the supervision and mid-term review, although the learning dimension of the completion review will require deepening on a number of key topics to be selected prior to completion.

Footnotes

[1] IDM is based on 22 variables and 52 indicators that focus on four dimensions, namely social, economic, ecological and environment. IDM classifies villages into the following categories: Highly Disadvantaged Villages (IDM value <0.491); Disadvantaged

Villages (IDM value 0.491 - 0.599); Developing Villages (IDM value 0.599 - 0.707); Advanced Villages (IDM value 0.707 - 0.815); and Independent Villages (IDM value > 0.815).

[2] Unless justified by extraordinary events such as, for example, natural disasters or other emergencies.

[3] UNDP 2016. "Study on Women's and Men's Health and Life Experiences in Papua, Indonesia".

[4] Policy brief: Indonesia: costs of climate change 2050, USAID 2016.

[5] 2019 estimate based on 2010 population census, BPS.

[6] Selection criteria are in Section II A b Geographic area of intervention.

[7] *Aliansi Masyarakat Adat Nusantara* or Indigenous Peoples Alliance of the Archipelago (AMAN) represents 2,332 communities and 17,000 individuals.

[8] *Pemberdayaan Masyarakat Desa* - PMD.

[9] *Pembangunan Partisipatif* - PP.

[10] *Pendamping Desa Pemberdayaan* – PDP.

[11] Such as nurseries, storage sheds, processing equipment, pack houses, transport equipment, start-up kits...

[12] *Pengembangan Ekonomi Desa* – PED.

[13] *Technologi Tepat Guna* – TTG.

[14] *Penyuluhan Pertanian Lapangan* – PPL.

[15] *Pos Pelayanan Teknologi Desa* or Rural Technology Center, as stipulated in PERMENDES (Minister of Village Regulation) No. 23/2017.

[16] Budgeted under sub-component 2.1 – District Support for Village Economic Development.

[17] *Pendamping Desa Pemberdayaan* – PDP.

[18] See Annex 5.

[19] And at any rate prior to carrying the awareness campaign in village districts described in Sub-component 1.1.

[20] Most likely the Economic Development Facilitator, who would complement currently existing facilitator positions at sub-district level (Village Community Empowerment Facilitator and Village Technical Infrastructure Facilitator).

[21] Embedded services are technical or other types of services (including credit, in kind or in cash) that are provided within the framework of a business transaction between a buyer or an input dealer, and village-based producers, without any direct payment charged to the producers. For example, a buyer, in addition to marketing products, can provide technical assistance, training, finance and/or inputs to its village-based suppliers. The buyer provides these services because it makes good business sense to do so and it ensures the exporter receives high-quality goods from the producers. This type of embedded services often occurs in the frame of contract farming. Another example is where technical advice is linked to the sale of agricultural inputs (e.g. seeds, fertiliser, pesticides, veterinary drugs) and the costs of the advice are inbuilt in the price of the sold input.

[22] Bukalapak.com and Shopee.co.id.

[23] On the model of Ransiki cocoa cooperative (Manokwari) or the approach supported by WANTANAS (National Defence Council) on sago.

[24] Joint BUMDes covering several villages.

[25] Budgeted under sub-component 2.1 – District Support for Village Economic Development.

[26] One Village Governance Facilitator for 4 villages, gradually phasing out – see Annex 5.

[27] *Pendamping Desa Pemberdayaan* – PDP.

[28] One Economic Initiatives Facilitator for 4 villages, gradually phasing out – see Annex 5.

[29] Such as GoDesa and other digital applications to be developed by P3PD, as well as online marketplaces with which MoV already has a partnership.

[30] KKN is a university programme across Indonesia that links academic study with the practical experience of [community service](#).

[31] A similar model currently applies for Ministry of Education and Ministry of Health.

[32] Expected to be available end of 2019.

[33] Currently being developed and to become available by end of 2019.

[\[34\]](#) See Section IV A a – Programme Management and Coordination.

[\[35\]](#) Asosiasi Pemerintah Desa Seluruh Indonesia (APDESI).



Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 1: Logframe

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
Programme Management Department

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions				
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility					
Outreach	1.b Estimated corresponding total number of households members				Project M&E system	Annual	PMU					
	Household members	0	618450	1855350								
	1.a Corresponding number of households reached											
	Women-headed households											
	Non-women-headed households											
	Households	0	123696	412300								
	1 Persons receiving services promoted or supported by the project											
	Females											
	Males											
	Young											
	Not Young											
	Indigenous people											
	Non-Indigenous people											
	Total number of persons receiving services	0	247392	824640								
	Male											
	Female											
	Young											

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions	
	Name	Baseline	Mid-Term	End Target					
	Villages receiving services supported or promoted by the project				Project M&E system	Annual	PMU		
	Villages receiving services supported or promoted by the project	0	680	1720					
Project Goal Empowered village communities contribute to rural transformation and inclusive growth in Eastern Indonesia	Percentage of households receiving services promoted by TEKAD increase: Real income in at least 30%; HH asset ownership index (CI1 and COSOP)				Project M&E system	Mid-term review and project end	PMU		
	Households	0	30	60					
Development Objective Enable rural households to develop sustainable livelihoods, taking advantage of strengthened village and district level governance	Percentage of villages, where smallholders' farm and off-farm businesses supported by the Village Fund and by the Project are functioning effectively.				Project M&E system	Mid-term and project end	PMU	Limited internal or external shocks to the economy Sufficient viable economic opportunities to attract interest in developing marketed production Crop failure resulting from extreme weather conditions	
	Villages	0	20	70					
Outcome 1. Village communities plan and implement profitable economic initiatives taking advantage of village resources	At least 30% of Village Fund (DD) and District Village Allocation (ADD) budgeted for economic development				Village Fund, village plans and records on District Village Allocation, Project M&E system and Village Information System	Annual	PMU, district and village authorities	Economic development is not considered a priority for Village Fund Crop failure due to weather events or to lack of market opportunities	
	Village Fund	5	15	30					
	1.2.4 Households reporting an increase in production				Village Fund, village plans and records on District Village Allocation, Project M&E system and Village Information System	Annual	PMU		
	Households	0	20	70					

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions
	Name	Baseline	Mid-Term	End Target				
	Average 30% increase in marketed volume and value of sales of agricultural/marine products (COSOP)				Village Fund, village plans and records on District Village Allocation, Project M&E system and Village Information System	Annual	PMU	
	Average increase	0	10	30				
Output Output 1.1 Governance and capacities of village communities to envision, plan and implement village resources improved	Persons engaged in village governance and administration receiving capacity-building for preparing and implementing development plans (COSOP)				Project M&E system	Semi-annual	PMU	
	Number of persons	0	6880	8600				
Output Output 1.2 Village households enabled to develop economic initiatives	Villages receiving capacity-building for economic initiatives				Project M&E system	Semi-annual	PMU	In preparing village development plans prevails a short term vision not inclusive of economic development
	Villages receiving capacity-building support	0	688	1720				
	Village development plans including activities and resources in support to economic activities				Viallge Fund and village plans	Annual	PMU	
	Village development plans	0	688	1720				
Outcome 2. Villages households have sustainable access to markets and to public and private services in support of village economic initiatives	Districts integrating investment financing for target villages in district plans				District plans	Annual	PMU	BDSPs and agribusiness interested in partnering with villages Internet coverage on target area
	Participating districts		10	20				
	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices				Project M&E system, Village Information System	Annual	PMU	
	Households		30	70				
	Households satisfied with the relevance, quality and accessibility of extension services provided by public and private sector (COSOP)				Project M&E system, Village Information System	Annual	PMU	
	Households satisfied with services provided by public and private sector		20	80				
	Percentage of households reporting access to adequate financial services (COSOP)				Project M&E system, Village Information System	Annual	PMU	

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions
	Name	Baseline	Mid-Term	End Target				
	Households reporting access to financial services		20	60				
Output Output 2.1 District and sub-district capacity strengthened to extend technical services in support to village economic development	District administrations receiving capacity-building for supporting economic activities (COSOP)				Project M&E system and Village Information System for all indicators	Semi-annual	PMU and PPIU	
	District administrations receiving capacity-building support	0	10	25				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				Project M&E system and Village Information System for all indicators	Semi-annual	PMU and PPIU	
	Females							
	Males							
	Young							
	Indigenous people							
	Persons in rural areas trained in financial literacy and/or use of financial products and services		123500	329840				
Output 2.2 Access to markets and business development services for village-based producers improved	1.1.5 Persons in rural areas accessing financial services				Project M&E system and Village Information System for all indicators	Semi-annual	PMU and PPIU	
	Women in rural areas accessing financial services - savings							
	Young people in rural areas accessing financial services - savings							
	Not young people in rural areas accessing financial services - savings							
	Indigenous people in rural areas accessing financial services - savings							

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions				
	Name	Baseline	Mid-Term	End Target								
Men in rural areas accessing financial services - savings	Men in rural areas accessing financial services - savings				Project M&E system and Village Information System for all indicators	Semi-annual	PMU and PPIU					
	Non indigenous people in rural areas accessing financial services - savings											
	Men in rural areas accessing financial services - credit											
	Women in rural areas accessing financial services - credit											
	Young people in rural areas accessing financial services - credit											
	Not young people in rural areas accessing financial services - credit											
	Indigenous people in rural areas accessing financial services - credit											
	Non indigenous people in rural areas accessing financial services - credit											
	Persons accessing financial services - savings		80000	206150								
	Persons accessing financial services - credit		80000	206150								
	People receiving services from BDSPs											
	People receiving services from BDSPs		80000	206150								
	Households											

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions	
	Name	Baseline	Mid-Term	End Target					
Output 2.3 Access to financial services by Village-based producers improved	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas				Project M&E system and Village Information System for all indicators	Semi-annual	PMU and PPIU		
	Service providers	0	2	5					
Outcome 3. Enabling policy and institutional environment facilitate village economic development that builds on local opportunities and leverages the Village Fund resources	Policy analytical documents prepared and disseminated, and regulatory instruments proposed to policy makers				Project reports, policy briefs and proposals	Annual	PMU jointly with MoV	Continuous support from MoV	
	Policy analytical documents prepared and disseminated	0	3	6					
	Districts applying replicable models developed by TEKAD for supporting village economic development leveraging Village Fund and village resources				Project M&E system	Annual	PMU jointly with MoV		
	Districts applying replicable models developed by TEKAD	0	8	20					
Output Output 3.1 Innovation, learning and knowledge being documented and promoted	Policy 1 Policy-relevant knowledge products completed				Project M&E system, District MIS, MoV	Annual	PMU jointly with MoV		
	Number	0	3	6					
Output Increased impact of Village Law and Village Fund on village economic transformation	Districts with MIS and KM systems operational (COSOP)				Project M&E system, District MIS, MoV	Annual	PMU jointly with MoV		
	Districts with MIS and KM systems operational	0	10	25					
	Policy 2 Functioning multi-stakeholder platforms supported				Project M&E system, District MIS, MoV	Annual	PMU jointly with MoV		
	Number	0	8	20					



Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 2: Theory of change

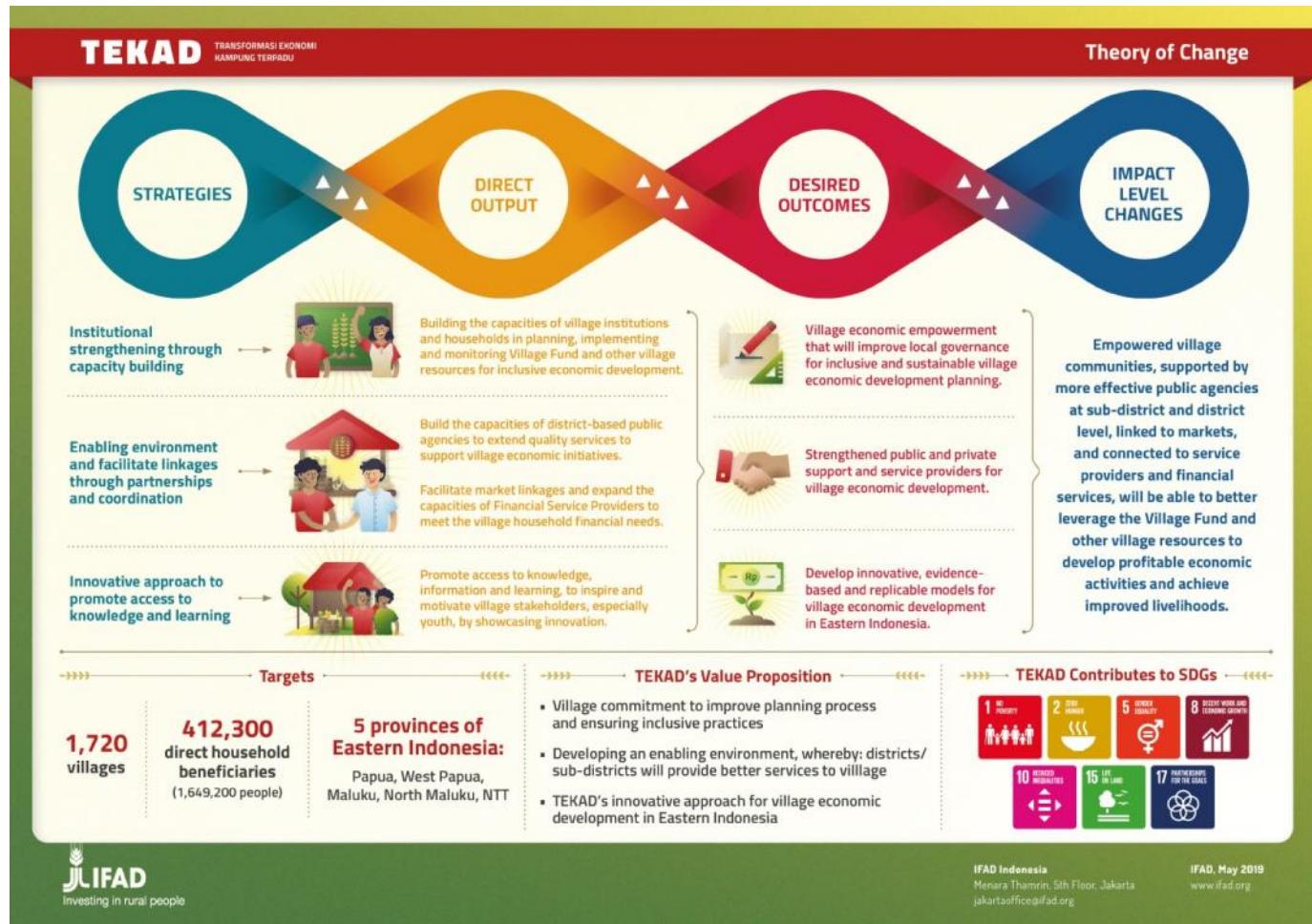
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Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
Programme Management Department

ANNEX 2: THEORY OF CHANGE





Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 3: Project cost and financing: Detailed costs tables

Document Date: 08/10/2019

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ANNEX 3: PROJECT COST AND FINANCING: DETAILED COST TABLES

A. Programme Costs

Main assumptions

220. **Introduction.** This annex describes the assumptions underlying the derivation of costs, estimated costs and financing plan for the programme. Total programme costs are based on November 2017 prices.
221. **Programme Period.** The programme will be financed over a six-year period starting from beginning 2020.
222. **Inflation.** The base rate of inflation has been set at 4 percent up to programme start-up, reaching 3.6 per cent for the last years of the programme.
223. **Exchange Rate.** The exchange rate was fixed at US\$ 1 = IDR 14,000 as per average situation in 2018. Programme costs are presented in both IDR and US\$ currency.
224. **Physical and price contingencies.** Both types of contingencies have been taken into account and included in the costing of programme.
225. **Taxes and Duties.** There is VAT of 10% levied on all imported and locally procured goods and services. The Government would finance the cost of all taxes on goods and services procured under the Programme. Most items procured under the Programme would be purchased locally.
226. **Expenditure Accounts.** Programme expenditure accounts will be the following:
- i. Civil works
 - ii. Goods
 - iii. Consulting services
 - iv. Training
 - v. Operating costs
 - vi. Grants
 - vii. Beneficiary contributions
 - viii. Recurrent costs
227. **Total costs.** Total TEKAD cost inclusive of taxes and duties is estimated at US\$ 702.03 million over a six-year implementation period. Programme investments are organized into three components: Component 1 – Village Economic Empowerment (86.5% of the costs); Component 2 – Partnerships for Village Economic Development (10.4%); and Component 3 – Innovation, Learning and Policy Development (3.1%). Tables 1 to 8 below present the distribution of costs by component, category of expenditure and disbursement account, and their distribution along the project life.
228. In conformity with the principle that no taxes or duties would be financed out of the proceeds of the IFAD Loan/Grant, any future changes in the rates and/or structures of taxes and duties would have to be met by the Government. The estimate of taxes and duties was based on the rates prevailing at the time of programme design.
229. **Financing.** TEKAD will be financed from an IFAD loan of US\$ 32.85 million, an IFAD grant of US\$ 1.50 million, beneficiary contribution estimated at US\$ 27.08 million (cash and in-kind), Gol contribution under the Village Fund estimated at US\$ 541.60 million, and a Gol contribution in taxes and staff salaries of US\$ 18.99 million; the financing structure presents a gap of US\$ 80 million, which will be financed by IFAD with resources from its next funding cycle (2022-2024) or by a co-financier willing to partner and acceptable to the Gol. The current IFAD financing is adequate to cover the first 3 years of implementation.
230. The Gol contribution of Village Fund resources is set up under the framework of the Village Law and is designated to fund village investments, including in economic infrastructure and empowerment.

231. The IFAD grant will be used to finance two different types of activities. On the one hand it will finance all the activities related to policy development (Sub-component 3.2) which is an area of priority for the GoI. On the other hand it will finance key international technical assistance to be fielded at project inception, including for the design of the Orientation and Capacity Building Packages (Sub-component 3.2) for market opportunities and value chain analyses (Sub-component 2.2), a climate risk and vulnerability assessment study (Sub-component 2.2), and the Technical Programme Expeditor . This technical assistance will play a decisive role in shaping the programme economic development strategy , and in providing the tools that will guide village communities' choices of priority commodities, economic development strategies, and planning and capacity building programmes.
232. The foreign exchange component is estimated at US\$ 9.15 million. Taxes and duties are estimated at US\$ 12.27 million. Funds allocated to Programme Management amount US\$ 14.42 million. Tables below summarize programme costs and financing.

Table 1: Components Project Cost Summary

Indonesia
 Integrated Village Economic Transformation (TEKAD)

Components Project Cost Summary

A. Village Economic Empowerment

1. Village Governance
2. Village Economic Initiatives

Subtotal Village Economic Empowerment

B. Partnerships for Village Economic Development

1. District Support for Village Economic Development
2. Economic Services
3. Financial Services

Subtotal Partnerships for Village Economic Development

C. Innovation, Learning and Policy Development

1. Innovation, Learning and Inspiration
2. Policy Development and Institution Building
3. Programme Management

Subtotal Innovation, Learning and Policy Development

Total BASELINE COSTS

- Physical Contingencies
- Price Contingencies

Total PROJECT COSTS

	(IDR Billion)			(US\$ '000)			Foreign Exchange	% Base Costs	% Total
	Local	Foreign	Total	Local	Foreign	Total			
A. Village Economic Empowerment									
1. Village Governance	271.0	20.1	291.1	19 282.2	1 431.5	20 713.7	7	3	
2. Village Economic Initiatives	8 161.3	19.7	8 181.1	580 671.9	1 404.7	582 076.5	-	85	
Subtotal Village Economic Empowerment	8 432.4	39.9	8 472.2	599 954.1	2 836.1	602 790.2	-	88	
B. Partnerships for Village Economic Development									
1. District Support for Village Economic Development	733.1	38.3	771.4	52 157.4	2 728.3	54 885.6	5	8	
2. Economic Services	50.3	4.3	54.6	3 578.5	303.0	3 881.5	8	1	
3. Financial Services	94.2	2.1	96.3	6 703.6	150.0	6 853.6	2	1	
Subtotal Partnerships for Village Economic Development	877.6	44.7	922.3	62 439.5	3 181.3	65 620.7	5	10	
C. Innovation, Learning and Policy Development									
1. Innovation, Learning and Inspiration	43.6	5.3	48.8	3 098.8	374.1	3 472.9	11	1	
2. Policy Development and Institution Building	45.1	0.8	46.0	3 210.6	59.3	3 269.8	2	-	
3. Programme Management	159.1	25.6	184.6	11 318.3	1 818.3	13 136.7	14	2	
Subtotal Innovation, Learning and Policy Development	247.8	31.6	279.4	17 627.7	2 251.7	19 879.4	11	3	
Total BASELINE COSTS	9 557.7	116.2	9 673.9	680 021.2	8 269.1	688 290.3	1	100	
Physical Contingencies	77.8	6.2	84.0	5 538.9	440.3	5 979.3	7	1	
Price Contingencies	156.4	9.4	165.8	7 317.0	440.6	7 757.6	6	1	
Total PROJECT COSTS	9 791.9	131.8	9 923.8	692 877.1	9 150.0	702 027.1	1	102	

Table 2: Components by Financier

Indonesia
 Integrated Village Economic Transformation (TEKAD)

Components by Financiers

(US\$ '000)

	IFAD Loan		IFAD Grant		Financing Gap		The Government		Beneficiary		Village Fund		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Village Economic Empowerment														
1. Village Governance	5 713	24.7	-	-	15 086	65.3	2 289	9.9	-	-	-	-	23 087	3.3
2. Village Economic Initiatives	2 438	0.4	-	-	11 323	1.9	1 529	0.3	27 080	4.6	541 600	92.7	583 971	83.2
Subtotal Village Economic Empowerment	8 151	1.3	-	-	26 409	4.4	3 818	0.6	27 080	4.5	541 600	89.2	607 058	86.5
B. Partnerships for Village Economic Development														
1. District Support for Village Economic Development	15 763	25.8	-	-	36 424	59.6	8 932	14.6	-	-	-	-	61 119	8.7
2. Economic Services	1 106	25.8	354	8.3	2 461	57.5	360	8.4	-	-	-	-	4 280	0.6
3. Financial Services	2 630	34.8	-	-	4 195	55.5	740	9.8	-	-	-	-	7 565	1.1
Subtotal Partnerships for Village Economic Development	19 498	26.7	354	0.5	43 079	59.0	10 033	13.8	-	-	-	-	72 964	10.4
C. Innovation, Learning and Policy Development														
1. Innovation, Learning and Inspiration	665	17.0	-	-	2 862	73.0	392	10.0	-	-	-	-	3 918	0.6
2. Policy Development and Institution Building	392	10.7	1 047	28.5	1 970	53.7	262	7.1	-	-	-	-	3 671	0.5
3. Programme Management	4 149	28.8	100	0.7	5 680	39.4	4 487	31.1	-	-	-	-	14 416	2.1
Subtotal Innovation, Learning and Policy Development	5 206	23.7	1 147	5.2	10 512	47.8	5 141	23.4	-	-	-	-	22 006	3.1
Total PROJECT COSTS	32 855	4.7	1 500	0.2	80 000	11.4	18 992	2.7	27 080	3.9	541 600	77.1	702 027	100.0

Table 3: Expenditure Accounts by Financier

Indonesia
 Integrated Village Economic Transformation (TEKAD)

Expenditure Accounts by Financiers

(US\$ '000)	IFAD Loan		IFAD Grant		Financing Gap		The Government		Beneficiary		Village Fund		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs														
A. Civil Works	689	8.9	-	-	6 266	81.1	773	10.0	-	-	-	-	7 727	1.1
B. Equipment and Materials	2 198	30.4	-	-	4 308	59.6	723	10.0	-	-	-	-	7 230	1.0
C. Vehicles	2 367	56.5	-	-	1 403	33.5	419	10.0	-	-	-	-	4 189	0.6
D. Training and Studies	5 314	29.4	-	-	10 956	60.6	1 808	10.0	-	-	-	-	18 078	2.6
E Technical Assistance														
International TA	1 454	60.4	-	-	953	39.6	-0	-	-	-	-	-	2 407	0.3
National TA	15 848	26.1	-	-	38 779	63.9	6 070	10.0	-	-	-	-	60 697	8.6
Subtotal Technical Assistance	17 302	27.4	-	-	39 732	63.0	6 070	9.6	-	-	-	-	63 103	9.0
F. Operating Costs	4 986	20.1	-	-	17 335	69.9	2 480	10.0	-	-	-	-	24 801	3.5
G. Village Grants	-	-	-	-	-	-	-	-	-	-	541 600	100.0	541 600	77.1
H. IFAD Grant	-	-	1 500	100.0	-	-	-	-	-	-	-	-	1 500	0.2
I. Beneficiary Contribution	-	-	-	-	-	-	-	-	27 080	100.0	-	-	27 080	3.9
Total Investment Costs	32 855	4.7	1 500	0.2	80 000	11.5	12 272	1.8	27 080	3.9	541 600	77.9	695 307	99.0
II. Recurrent Costs														
A. Incremental Operating Costs														
Other Operating Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Incremental Operating Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Incremental Salaries														
Salaries	-	-	-	-	-	-	6 720	100.0	-	-	-	-	6 720	1.0
Total Recurrent Costs	-	-	-	-	-	-	6 720	100.0	-	-	-	-	6 720	1.0
Total PROJECT COSTS	32 855	4.7	1 500	0.2	80 000	11.4	18 992	2.7	27 080	3.9	541 600	77.1	702 027	100.0

Table 4: Project Components by Year – totals including contingencies

	Totals Including Contingencies						Total
	2020	2021	2022	2023	2024	2025	
A. Village Economic Empowerment							
1. Village Governance	119.7	4 636.2	6 647.2	7 938.3	2 365.1	1 380.6	23 087.0
2. Village Economic Initiatives	-	43 529.0	97 657.4	149 519.2	147 750.3	145 514.6	583 970.6
Subtotal Village Economic Empowerment	119.7	48 165.2	104 304.6	157 457.4	150 115.5	146 895.1	607 057.6
B. Partnerships for Village Economic Development							
1. District Support for Village Economic Development	5 915.0	8 781.1	13 286.9	15 756.1	12 914.7	4 464.9	61 118.7
2. Economic Services	798.9	438.1	1 078.7	1 048.9	669.9	245.9	4 280.3
3. Financial Services	53.0	2 419.8	2 544.1	2 369.9	177.9	-	7 564.7
Subtotal Partnerships for Village Economic Development	6 767.0	11 639.0	16 909.6	19 174.9	13 762.5	4 710.8	72 963.8
C. Innovation, Learning and Policy Development							
1. Innovation, Learning and Inspiration	49.0	391.3	1 003.2	807.3	823.5	844.1	3 918.5
2. Policy Development and Institution Building	563.3	304.3	797.0	626.6	683.8	696.2	3 671.1
3. Programme Management	2 986.7	2 207.5	2 373.0	2 172.9	2 320.7	2 355.4	14 416.2
Subtotal Innovation, Learning and Policy Development	3 599.0	2 903.2	4 173.2	3 606.9	3 827.9	3 895.6	22 005.8
Total PROJECT COSTS	10 485.7	62 707.4	125 387.5	180 239.2	167 705.9	155 501.5	702 027.1

Table 5: Expenditure Accounts by Components

Expenditure Accounts by Components - Totals Including Contingencies									
(US\$ '000)	Village Economic		District		Partnerships for Village		Innovation, Learning and Policy		
	Empowerment		Support for				Development		
	Village	Economic	Village	Village	Economic	Economic	Financial Services	Innovation and	Development
	Governance	Initiatives	Development	Services	Development	Services	Institution	Building	Programme Management
								Total	
I. Investment Costs									
A. Civil Works	-	5 686.0	-	-	-	-	-	2 040.9	-
B. Equipment and Materials	1 140.2	4 751.0	285.7	-	-	-	822.9	40.6	189.2
C. Vehicles	-	-	3 552.4	-	-	-	-	-	636.3
D. Training and Studies	82.8	3 523.3	3 062.1	3 146.3	7 026.7	1 081.8	-	-	155.0
E Technical Assistance									
International TA	201.4	-	344.7	323.0	162.8	-	-	1 374.8	2 406.6
National TA	11 107.4	36.3	42 617.7	425.7	375.2	230.9	-	5 903.7	60 696.7
Subtotal Technical Assistance	11 308.7	36.3	42 962.4	748.7	538.0	230.9	-	7 278.5	63 103.4
F. Operating Costs	10 555.3	1 294.1	8 084.0	31.8	-	1 782.9	543.1	2 509.7	24 800.9
G. Village Grants	-	541 600.0	-	-	-	-	-	-	541 600.0
H. IFAD Grant	-	-	-	353.5	-	-	1 046.5	100.0	1 500.0
I. Beneficiary Contribution	-	27 080.0	-	-	-	-	-	-	27 080.0
Total Investment Costs	23 087.0	583 970.6	57 946.7	4 280.3	7 564.7	3 918.5	3 671.1	10 868.6	695 307.5
II. Recurrent Costs									
A. Incremental Operating Costs									
Other Operating Costs	-	-	-	-	-	-	-	-	-
Equipment O&M	-	-	-	-	-	-	-	-	-
Vehicle O&M	-	-	-	-	-	-	-	-	-
Subtotal Incremental Operating Costs	-	-	-	-	-	-	-	-	-
B. Incremental Salaries									
Salaries	-	-	3 172.1	-	-	-	-	3 547.6	6 719.6
Total Recurrent Costs	-	-	3 172.1	-	-	-	-	3 547.6	6 719.6
Total PROJECT COSTS	23 087.0	583 970.6	61 118.7	4 280.3	7 564.7	3 918.5	3 671.1	14 416.2	702 027.1

Table 6: Expenditure Accounts by Years

Indonesia Integrated Village Economic Transformation (TEKAD)		Expenditure Accounts by Years -- Totals Including Contingencies					
		(US\$ '000)					
	2020	2021	2022	2023	2024	2025	Total
I. Investment Costs							
A. Civil Works	-	112.2	2 103.7	2 485.3	2 535.0	490.7	7 726.9
B. Equipment and Materials	189.2	1 804.5	2 390.6	2 432.0	204.6	208.7	7 229.6
C. Vehicles	1 807.7	676.1	844.1	860.9	-	-	4 188.7
D. Training and Studies	1 241.3	3 523.2	5 561.0	4 507.3	1 968.5	1 276.6	18 077.9
E Technical Assistance							
International TA	968.1	405.6	422.2	123.8	241.1	245.9	2 406.6
National TA	3 729.9	9 759.8	14 329.0	17 423.5	11 456.5	3 997.9	60 696.7
Subtotal Technical Assistance	4 698.0	10 165.5	14 751.2	17 547.3	11 697.6	4 243.8	63 103.4
F. Operating Costs	467.5	3 274.4	5 165.4	6 730.8	5 602.1	3 560.7	24 800.9
G. Village Grants	-	40 000.0	88 800.0	137 600.0	137 600.0	137 600.0	541 600.0
H. IFAD Grant	1 016.8	65.0	223.2	65.0	65.0	65.0	1 500.0
I. Beneficiary Contribution	-	2 000.0	4 440.0	6 880.0	6 880.0	6 880.0	27 080.0
Total Investment Costs	9 420.4	61 620.8	124 279.2	179 108.8	166 552.8	154 325.4	695 307.5
II. Recurrent Costs							
A. Incremental Operating Costs							
Other Operating Costs	-	-	-	-	-	-	-
Equipment O&M	-	-	-	-	-	-	-
Vehicle O&M	-	-	-	-	-	-	-
Subtotal Incremental Operating Costs	-	-	-	-	-	-	-
B. Incremental Salaries							
Salaries	1 065.2	1 086.5	1 108.3	1 130.4	1 153.0	1 176.1	6 719.6
Total Recurrent Costs	1 065.2	1 086.5	1 108.3	1 130.4	1 153.0	1 176.1	6 719.6
Total PROJECT COSTS	10 485.7	62 707.4	125 387.5	180 239.2	167 705.9	155 501.5	702 027.1

Table 7: Disbursement Accounts by Financiers

Indonesia													
Integrated Village Economic Transform													
Disbursement Accounts by Financiers													
(US\$ '000)	IFAD Loan	IFAD Grant	Financing Gap		The Government		Beneficiary		Village Fund		Total		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Civil Works	689	8.9	-	-	6 266	81.1	773	10.0	-	-	-	-	7 727 1.1
2. Goods	4 565	40.0	-	-	5 711	50.0	1 142	10.0	-	-	-	-	11 418 1.6
3. Consulting Services	17 302	27.4	-	-	39 732	63.0	6 070	9.6	-	-	-	-	63 103 9.0
4. Training	5 314	29.4	-	-	10 956	60.6	1 808	10.0	-	-	-	-	18 078 2.6
5. Operating Costs	4 986	20.1	-	-	17 335	69.9	2 480	10.0	-	-	-	-	24 801 3.5
6. Grants	-	-	1 500	0.3	-	-	-	-	-	-	541 600	99.7	543 100 77.4
7. Beneficiary Contribution	-	-	-	-	-	-	-	-	27 080	100.0	-	-	27 080 3.9
8. Recurrent Costs	-	-	-	-	-	-	6 720	100.0	-	-	-	-	6 720 1.0
Total PROJECT COSTS	32 855	4.7	1 500	0.2	80 000	11.4	18 992	2.7	27 080	3.9	541 600	77.1	702 027 100.0



Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 4: Economic and Financial Analysis

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
Programme Management Department

ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

A. INTRODUCTION AND METHODOLOGY

1. Transformasi Ekonomi Kampung Terpadu – Integrated Village Economic Transformation (TEKAD) aims at empowering village communities so they can contribute to rural transformation and inclusive growth in Eastern Indonesia. The programme development objective is to enable rural households to develop sustainable livelihoods, taking advantage of strengthened village and district level governance. The TEKAD design builds on the experience gained from GoI's National Program for Community Empowerment - Program Nasional Pemberdayaan Masyarakat (PNPM), and from IFAD's past programmes supporting PNPM (PNPM Pertanian/Agriculture) and the implementation of the 2014 Village Law (Village Development Programme) in Papua and West Papua.
2. TEKAD will assist MoV in developing an evidence-based approach for empowering villages to make a better use of Village Fund and other village resources in support of economic development by: (i) building village and household capacities in planning, implementing and monitoring a significant share of Village Fund resources for inclusive economic initiatives bringing sustainable revenues; (ii) developing an enabling environment, whereby: districts/sub-districts will provide support services and better integrate village needs into district economic development planning; market players will be linked to village-based producers; and financial and non-financial service providers will extend services meeting the needs of villages; and (iii) raising MoV capacities to implement TEKAD's innovative approach and to develop evidence-based replicable models for village economic development in Eastern Indonesia.
3. TEKAD will operate in twenty-five districts in the five eastern provinces of Indonesia - Papua, West Papua, Maluku, North Maluku, and East Nusa Tenggara. In these districts, TEKAD will target 1,720 villages and around 412,300 households (HH), benefiting approximately 1,855,350 people. The design mission of TEKAD carried out the Economic and Financial Analysis (EFA) to assess the financial and economic viability of the TEKAD investments.
4. **Methodology and Approach of EFA.** The programme support uses a demand-based approach. As such definite communities / villages have not been selected at the design stage. Through a detailed selection process the programme will name the villages and corresponding crops / livestock / fisheries / non-timber forest products (NTPP) etc. during programme implementation. Villages will be phased in three batches, with the first two batches receiving four years support, and the last one only three, in the manner summarised in the following table.

Table 1: Temporal distribution of programme targeted villages for interventions during the programme period

Batches of villages	PY1	PY2	PY3	PY4	PY5	PY6
Core villages	-	500	500	500	500	
Cluster villages first batch	-		610	610	610	610
Cluster villages second batch	-			610	610	610

5. It is also assumed on the basis of documentation and observations that the average number of HH per village is 240. The programme approach would be that one village will focus on one or two crops maximum for development, and also it assumed that about 70% of the total number of households in the villages will adopt that crop. With programme interventions in community mobilization and community capacity building, getting 70% of the HH to adopt improved production practices and obtaining resultant livelihood improvement seems feasible over the programme period.

6. On such assumptions, **Error! Reference source not found.** summarises the distribution of participating HHs in each province by the programme years. Accordingly, 288,610 out of 412,300 direct beneficiary HHs in the five provinces will improve their production systems (crops, livestock, NTPF and fisheries/aquaculture) taking the advantage of the village development that would be

financed by the programme. Out of this 288,610, it is assumed that 57,722 HH will start the improvement to their production systems in the 2nd year of the programme, and 86,583 start in the 3rd year and so on. During the implementation this distribution can change, depending on the effectiveness of social mobilization etc. For the financial and economic evaluation process a conservative estimate of a lower number of HH, about 20% of the total HHs, is assumed at the beginning of the programme.

Table 2: Distribution of participating households

Province	PY 2	PY 3	PY 4	PY 5	PY 6	Total Uptake	Total Nb HH	% of Uptake
Papua	18,995	28,492	28,492	14,246	4,749	94,973	135,675	70%
West Papua	9,732	14,598	14,598	7,299	2,433	48,661	69,516	70%
Maluku	9,665	14,498	14,498	7,249	2,416	48,325	69,036	70%
North Maluku	9,665	14,498	14,498	7,249	2,416	48,325	69,036	70%
NTT	9,665	14,498	14,498	7,249	2,416	48,325	69,036	70%
Total Uptake of HH	57,722	86,583	86,583	43,292	14,431	288,610	412,300	70%

7. The final selection of crops and other enterprises that would be improved would be based on the factors such as (i) local potential and community demand; (ii) market prices and potential for growth; (iii) return to producers and potential for increasing added value. However, a range of commodities that are agronomically and technically suitable for the programme areas have been selected and subjected to a financial analysis to assess their profitability to be promoted. These enterprises are shown in the imbedded table. These nine representative enterprise models were developed using the information collected during the field visits of the design team through direct observation, focus group meetings with producers and the staff of various institution visited; and information extracted from various publications, namely World Bank Commodity Forecast, Tradekey.com website, alibab.com website, UN COMTRADE Data Base (for international prices for processed cocoa and coffee beans), IFAD design reports⁴² and the Economic Report on Indonesia (2018) published by Bank of Indonesia. The main types of data that were used for the EFA include (i) crop and enterprise budgets for farm models; (ii) market prices; (iii) capital and working capital expenditure of cultivation and processing facilities; (iv) land tax (this was used only when new land is used for cultivation, since prevailing land use had to pay it); FAO⁴³; and (v) international prices for computing parity prices of coffee and cocoa.

Agro-Ecology->	High Land, Costal Region and Low Land		Dry Land			
	Crops / Enterprises	Papua	West Papua	Maluku	North Maluku	East Nusa Tenggara
Seaweed	X	X				
Sea Cucumber	X	X				
Black Pepper	X	X				
Coffee	X	X				
Pig			X	X	X	
Cocoa	X	X				
Bee Honey			X	X	X	
Sweet Potato			X	X	X	
Bamboo			X	X	X	

8. The enterprise models were analysed using the partial budgeting approach⁴⁴ to assess their financial viability and their contribution to the family income. Incremental benefits were estimated

⁴² Youth Entrepreneurship and Employment Support Services Programme, IFAD, designed in Nov 2018], IFAD: Rome, Italy

⁴³ Global status of Seaweed production, trade and utilization; FAO GLOBEFISH RESEARCH PROGRAMME, FAO, 2018

⁴⁴ A partial budget only includes those costs of resources and benefits of outputs of an enterprise under analysis that would be changed due to the influence of the programme. It does not consider the resources in the enterprise that are left unchanged. For example, the cost of land (even the rent has not been included since WOP and WP rent is the same), cost of water if applicable, cost of some tools that are not newly purchased but used for farming etc. Only the change under consideration is evaluated for its ability to increase or decrease income in the farm enterprises. Where as in the accounting / book keeping process, the full budget analysis will be used where all the resources and outputs are counted.

based on expected physical outputs during the 6-year implementation period of the programme and potential incremental benefits that would realise during the balance 14-year period of post-implementation programme life.

9. Attribution. The EFA methodology needs to identify a clear linkage between the beneficiaries and one or more programme interventions to elicit benefits and corresponding costs. TEKAD mainly has a village and community development focus. The beneficiaries' investments are assisted by community and infrastructure development. However, the crop model analysis took only the producers' investment into account. The broader development interventions that the EFA recognises as the contributory / facilitative factors to create incremental costs and benefits of the enterprises that were selected for the analysis are:

- Village economic empowerment activities aiming at improving the abilities of village governments and communities to promote and implement inclusive and sustainable village economic development which include village level enterprises, using the Village Fund and leveraging other resources to support such development;
- The programme supported village economic development that promote an ecosystem whereby villages will be connected to their environment and will access services, markets and financing which will finance some of the incremental costs of the enterprises;
- Although implemented at the national level, evidence-based learning, policy development and institutional strengthening would support of village economic development in Eastern Indonesia, which will have a trickledown positive effect on the development of the enterprises.

B. PROGRAMME COST, BENEFICIARIES AND ASSUMPTIONS

10. The estimated cost of the TEKAD, generated from COSTAB, was used as the programme cost. An incremental institutional cost is required after the programme period to continue to support the entrepreneurs who would start production during the programme period. A 5% of the programme cost in the 6th programme year is used as this incremental cost.

11. Error! Reference source not found. shows the distribution of 288,610 direct beneficiaries of TEKAD by the different types of enterprises and by the programme implementation period. The main parameters that determined the yearly distribution of them is the programme management capacity to mobilise the beneficiaries.

Table 3: Total and cumulative distribution of beneficiary households in VC enterprise receiving full benefits

Commodities	Total HH Practicing the enterprise	Distribution of HH who start the enterprise by the Project Year				
		PY 2	PY 3	PY 4	PY 5	PY 6
Seaweed	10,260	2,052	3,078	3,078	1,539	513
Sea Cucumber	71,817	14,363	21,545	21,545	10,773	3,591
Black Pepper	30,779	6,156	9,234	9,234	4,617	1,539
Coffee	20,519	4,104	6,156	6,156	3,078	1,026
Pig production	34,518	6,904	10,355	10,355	5,178	1,726
Cocoa production	10,260	2,052	3,078	3,078	1,539	513
Bee Honey Production	41,254	8,251	12,376	12,376	6,188	2,063
Sweet Potato	20,783	4,157	6,235	6,235	3,117	1,039
Bamboo	48,421	9,684	14,526	14,526	7,263	2,421
Total	288,610	57,722	86,583	86,583	43,292	14,431

12. The adoption rate, which presents the rate at which the full benefits of the improvement is realised by those who started the enterprises, varies with the enterprise. The typical rates applied are: 1st programme year: 50%, meaning only 50% of the beneficiaries reached by the programme in this year would apply all production technologies; 2nd year: 50%; 3rd year: 50-60%; 4th year: 80%; 5th year: 90% and 6th year: 100%. The previous IFAD programmes and their evaluations were used as the basis for this assumption.

13. The EFA was based on the following **general assumptions**:

- The current enterprise budgets that were elicited through field discussions held with the producers represent the “without programme - WOP” scenarios. The existing technologies and the prevailing prices of inputs and outputs were used to derive the WOP enterprise budgets. The respective “with programme (WP)” situations were constructed using conservative estimates of potential changes to the costs and benefits of the models. These were provided by the design team.
- All benefits were estimated using 2019 prices. The incremental costs and benefits of the programme-supported enterprises will continue for a 20-year period which include the 6-year programme implementation period.
- For all activities which used labour, a financial rural daily wage rate of Indonesia Rupiah (IDR) 70,000 per person-day for skilled labour and IDR 50,000 per largely unskilled family labour (imputed cost of family labour) were used. These are the prevailing rates in the programme area. The imputed cost of IDR 50,000 was based on the level of skill and also the abundance of the family labour in the programme area.
- Full production of the crops, livestock, bamboo, honey and fisheries models have been valued. It is possible that a part of the production is domestically consumed, and it is in fact encouraged by the programme to do so to provide enhanced nutrition to the family members. This portion is also however valued at the same farm-gate price to reflect the full financial and economic value of the production models.

C. FINANCIAL ANALYSIS

ENTERPRISE BUDGETS

14. The **enterprise budgets** that were used for the EFA analysis are summarised in **Error! Reference source not found..** The net benefits and the total labour used, hence rural employment, of all the enterprises have increased in the “With Programme” case. The size of the enterprise unit is the typical size that was observed in different areas. The information on actual farming systems and the combinations of enterprises that would be practiced by individual HH was not available at the design stage. As highlighted, this is mainly because of the demand-driven nature of the programme where the final selection of villages, beneficiaries and their actual farming systems would be known during the 1st year of the implementation stage. As such the EFA will not develop farm models with combinations of crops/enterprise. Rather, the EFA will be developed on the basis of these enterprise budgets and with the assumption that one HH would practice one enterprise among those that are listed below. A brief description of each enterprise is presented below and all the information about costs and returns are presented in the EFA excel sheets.

15. Seaweed Farming. The model illustrates an investment in constructing structures for floating lines for seaweed cultivation, small-scale sun drying facilities and material for collection and cleaning. The model assumes 50 seaweed lines per participating household which would expand on about 1 ha. Harvesting would be done mostly by family labour with a frequency of every 40-60 days. At maturity about 1500 kg of wet seaweed could be harvested per year (300 kg/harvest). With a 13% conversion rate from wet to dry seaweed, and about 5% post-harvest lost, there will be about 1100 kg per 0.5 ha for selling. Farm-gate price of IDR 7000 / kg is assumed for sale. In the WOP scenario, the entire output is sold for IDR 4,000 to 5000 per kg. The main improvement would come from cleaning (removing sand) and proper drying. Technical assistance needed will be provided by the programme⁴⁵. This will be practiced in Papua and West Papua provinces by estimated 10,260 HHs.

16. Sea Cucumber Farming. This farming is also practiced in the coastal provinces of Papua and West Papua provinces by estimated 71,817 HHs. The grow-out of sea cucumber can either be produced extensively by stocking juveniles into open lagoon areas or semi-extensively in contained areas within lagoons. The latter practice is budgeted for the programme. The common forms of containment are plastic fencing which are budgeted in the EFA. The possibility of using a solid wall

⁴⁵ Ref source: Global status of seaweed production, trade and utilization; FAO GLOBEFISH RESEARCH PROGRAMME, FAO, 2018.

formed by sand-filled geobags is costly and hence not proposed. One ha fencing is proposed with 35,000 cucumbers for harvesting per year. This is possible with initial stocking density of 5 juveniles per m² (10,000 Sqm/ha). Once harvested sea cucumber must be disembowelled, cooked and then dried / salted. Disembowelling needs some skill and thus half of the total labour has to be hired. This results in a 7 to 20% yield and in the analysis 8% conversion is assumed, which will yield about 35 gm weighing dried cucumber. Dried sea cucumbers are then packaged into paper-lined nylon sacks, usually provided by the farm-gate buyer. One bag is about 20 kg net weight. To avoid rehydrating, vacuum packing may be necessary which will not be anticipated at the farm level. It is expected that a good quality product with uniform and non-distorted shape with a pleasing smell will be available at the farm gate to get the 40% of the FOB price of US\$ 77/dry kg.

17. Black pepper. It is assumed that one HH will replant 0.5 ha of old and low productive pepper as an effective land extent. This effective extent could be spread over a larger physical area than 0.5 ha but the for the purpose of EFA, 0.5 ha of effective extent with 900 poly-bags plants is considered. Planting material will be provided by community nurseries. The pepper vine is trained on a live support, usually Glycicidia which are abundant. It is assumed the newly planted pepper will start yielding at the 4th year and have a life cycle of about 30-years. Organic fertilizers and organic pest controls methods would be applied. Harvesting, drying and semi-processing with grading can be done by the family labour. At maturity 0.5 ha produce about 900 kg per year and has about 60% conversion rate. About 30,770 HH will cultivate pepper in Papua and West Papua.

18. Coffee replanting. About 20,500 HH will take coffee cultivation in the same provinces as pepper. It is assumed that 1 ha of effective extent (the physical extent could be more than 1 ha) will be cultivated since it will be mainly replanting of prevailing coffee as a mono crop. The plant density would be brought to 2500 plants from about its 10% in the existing cultivation. Community nurseries will provide the planting material. While the old plants with sporadic density per ha are giving some yield at 100 kg per year, the new plants will have their full production in the 8th or 9th year, producing about 1500 kg of dried beans.

19. Pig production. It is expected that 34,518 HH in the dry land provinces will raise pigs. The model assumes pig productivity improvement through investments in animal health, nutrition, well-constructed pen and sanitation practices. With programme technical support it is expected that the knowledge about best practices related to the animal nutrition, health and care would be improved and thereby the current high mortality rates about 40% would come down to 10%. In this model, each member of the pig producer group assumed to have one sow and share a boar with another member. The herd is assumed to be kept at 2 sows while 1-2-year-old piglets will be sold at a live weight price of IDR. 70,000 per kg. Currently most of pigs are left outside for grazing; the mortality rates for sows and piglets are 20% and 40% respectively; and the birth rate is 3 kidding per sow per year. This model assumes that the mortality rates would drop to 10% for sows and 20% for piglets both starting from the year 2; and the birth rate per sow would increase to 4 piglets per sow per year.

20. Cocoa cultivation. Papua and West Papua province will have 10,260 HH rehabilitating old cocoa lands, with an average effective extent of 1 ha. The investment in the model includes replanting of old cocoa to bring the crop stand to 1125 plants from about 20% of that, washing facility and fermentation boxes for fermentation of cocoa beans. Currently the farmers in the programme areas have limited knowledge about pest control, farm level post-harvest processing and crop management practices. Also, the lands that would be selected for rehabilitation would provide about 300 kg of un-fermented but dried cocoa beans, and about 40% of cocoa would be sold as wet beans. In the rehabilitation model it is expected that the old trees would be rehabilitated or removed and newly planted with seedlings; organic fertilizers and organic pest controls will be used; once the harvesting starts in the 3rd year, it is expected that, with the programme- provided training and technical support, farmers will ferment wet cocoa beans with mucilage, wash and dry them to have 12-13% moisture to get the best price anticipated in the model. At the maximum, it is expected that only 30% of the beans will be sold un-fermented. The full production will be reached in the 8th year.

21. Bee Honey Production About 41,250 HH in the dry land provinces will be expected to take up bee keeping at a scale of producing 300 kg of honey per year with 10 bee hives (10 boxes). It is expected the this is a new enterprise for the HHs. Bee keeping requires small portion of land, capital, labour, knowledge and skills as well as good management practices. As such almost all the work done by the family labour. Initial investment includes purchasing of equipment and tools required for

starting the activity (ten complete beehives, gloves, mask, smoker etc.). About 10 beehives would be managed by one HH. This will give about 300 kg of raw honey per year.

22. Sweet Potato. In the dry land provinces, it is expected that about 20,780 HH will grow sweet potatoes on an average extent of 1 ha. It is assumed that the cultivators with the technical knowledge will improve the productivity and reduce production losses. This is achieved through investments in improved seeds, biological pest control, storage facility and farm practices. Currently sweet potato yields about 50 tons per hectare of which around 15% is lost due to an inadequate storage, pest attacks and crop disease. It is expected that the production will go up to about 65 tonnes, and the production losses will be reduced to 5 percent; and organic fertilizer and biological pest control will be applied.

23. Bamboo cultivation. Bamboo can be established in hilly slopes or on flat lands. It is assumed that the cultivation analyzed for the programme uses fairly flat land. Petung variety is assumed and about 48,420 HH will cultivate. After land preparation by manual labour, clumps of bamboo are planted with a spacing for of 4x5 meters, with effective planting area, this will give 250 clumps per ha. Planting is assumed to be carried by family labour. Plating holes are dug and each hole will have one seedling stake. Fertilizing is required at the plating stage and, thereafter 2-3 times every year. Weeding and clumps cleaning will be assumed to get the maximum production. Harvesting of stems begins at the 5th year and at the maturity, 6-7 stems per clump can be extracted. Extraction needs logging skills and hence the use of hired labour for this operation as well. The average productive period of a clump is about 25 years⁴⁶.

Table 4: Budgets of all enterprise models used for TEKAD EFA

Commodities	Size of the production unit / HH	Unit of Production Volume	Without Project (WOP)			With Project (WP)		
			Production [Sold Volume/Yr]	Total labour use (md/Yr)	Net benefits (USD/Yr)	Incremental Production at FD / Yr	Incremental labour use (md/Yr)	Incremental Net benefits (USD/Yr)
Seaweed farming	1 ha	kg	1,010	147	789	2,206	365	694
Sea Cucumber farming [WOP benefits is alternative labour use]	1 ha	Nb Cucumber (each 350 g)			94	2,240	78	2,539
Black Pepper cultivation	0.5 ha	kg	200	5	577	900	15	2,038
Coffee Replanting	1 ha	kg	100	18	111	1,500	73	3,095
Pig Production Model	2 Sow hrd	Pig - 25 kg each	7	91	154	12	183	527
Cocoa cultivation	1 ha	kg	360	15	53	1,692	63	1,444
Bee Honey Production [Alternate labour use]	1 unit	kg			55	300	110	758
Sweet potato	1 ha	kg	50,000	53	1,485	65,000	147	1,685
Bamboo Production: Spp - Petung	1 ha	Mature Stems	300	2	676	1,750	41	3,128

FINANCIAL VIABILITY OF ENTERPRISES

24. The financial viability of the enterprises was assessed using the several indicators. The financial discount rate of 9% is used and this is the current lending rate as reported by the Bank of Indonesia⁴⁷. A 20-year production period for all the enterprises was used. This period represents one full cycle of production of cocoa, coffee, and pepper; several production cycles for seaweeds, sea cucumber, pig, bees honey and sweet potatoes; and about three quarters for bamboo. All the enterprises listed in **Error! Reference source not found.** are financially viable to be promoted by the programme. The both sets of switching values also demonstrate that these enterprises are quite robust to face decreases in benefits and increases in costs. All enterprises with their operation size as shown in **Error! Reference source not found.** generate return to family labour which is higher than the imputed family labour cost of IDR 50,000 per person-day (details in the EFA excel sheets).

⁴⁶ Husnul Khotimah (2016), Feasibility Study of Bamboo Plantation Forest in Community Forest in Bali: Marketing Analysis and Development Approach, Conference: International Conference Strengthening Indonesian Agribusiness: Rural Development and Global Market Linkages, At Bogor, Indonesia).

⁴⁷ Economic Report on Indonesia, Bank of Indonesia, 2018.

Table 5: Financial viability indicators of all enterprise models used for the EFA of TEKAD

Commodities	Nb HH practicing over the project period	Net income at FD (IDR 1000/HH/Yr)	Net income at FD (USD/HH/Yr)	Financial Profitability Indicators						
				NPV (at 9%, 20-Yrs) (IDR 1000)	NPV (9%; 20 Yrs) (USD)	Financial IRR	B/C Ratio (at 9%, 20- Yrs)	Switching value of Benefits	Switching value of Costs	Return to Family Labour (IDR/md)
Seaweed	10,260	20,847	1,483	18,761	1,335	16%	1.12	11%	12%	88,174
Sea Cucumber	71,817	36,996	2,632	185,704	13,213	53%	3.51	72%	72%	701,426
Black Pepper	30,779	36,745	2,614	92,358	6,571	34%	16.88	34%	578%	130,926
Coffee	20,519	31,026	2,207	84,297	5,998	22%	3.85	21%	83%	781,841
Pig Production	34,518	7,408	527	13,653	971	32%	1.15	13%	15%	40,589
Cocoa	10,260	18,664	1,328	54,246	3,860	26%	2.64	21%	55%	233,197
Bee Honey	41,254	10,656	758	57,395	4,084	61%	1.72	19%	32%	157,636
Sweet potato	20,783	23,684	1,685	136,333	9,700	70%	2.75	30%	81%	295,850
Bamboo	48,421	37,458	2,665	82,797	5,891	20%	3.59	20%	73%	779,146

Note: FD = at Full Development; Net Income is what HH will get; Switching value indicates what % of benefit should go down or % of cost to go up for the Benefit/Cost (B/C) ratio to be one.

PRODUCTION INCREASE IN ENTERPRISES

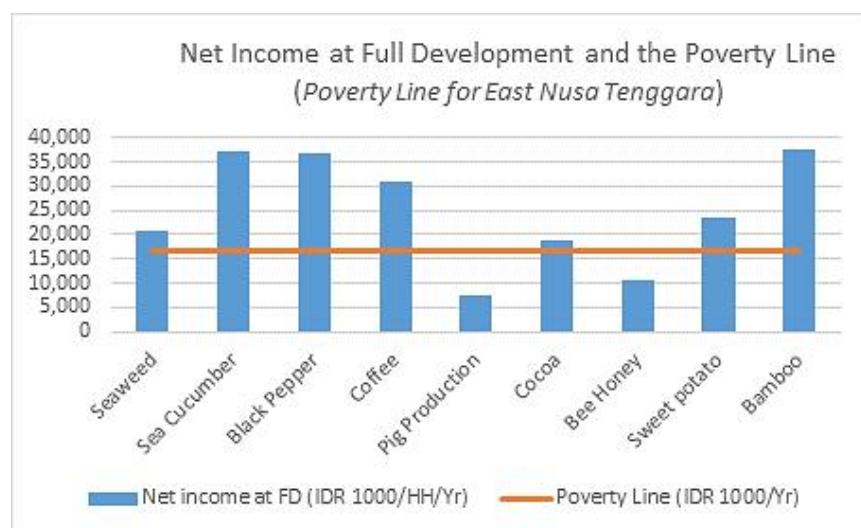
25. The programme direct beneficiaries would be expected to increase their production with technical advice, financial assistance, and marketing support. The EFA estimated the annual production levels of all enterprises at full development. **Error! Reference source not found.** summarises production levels of all enterprises at full development and compares them with that of the levels prior to the programme. The volumes presented in the table are dried and graded products which are ready to sell. The production increase of all enterprises is substantial.

Table 6: Increase in production of commodities at full development

Commodities	Total Production at Full Development: WP (Mt/Yr)	Total Production: WOP (Mt/Yr)	% Increase
Seaweed	22,330	10,363	115%
Sea Cucumber	160,367	New	
Black Pepper	27,393	6,156	345%
Coffee	29,944	2,052	1359%
Pig Production	139	83	68%
Cocoa	16,973	3,693	360%
Bee Honey	12,455	New	
Sweet potato	1,335,295	45,722	2820%
Bamboo	82,316	14,526	467%

IMPACT ON FAMILY INCOME AND POVERTY REDUCTION

26. The net enterprise income that is expected at the full development stage of the programme would vary from US\$ 527 (IDR 7,408,000) per year per household from pig production to US\$ 3,964 (IDR 55,719,200) per year from black pepper production. In comparison to average rural poverty line of IDR 16,659,459 per HH per year in the programme area (NTT an example)⁴⁸, the expected income from most of the enterprises of the TEKAD beneficiaries would be notably higher. As such the programme will have a positive impact on poverty reduction. As indicated in the below graph, pig production, and bee honey, however, would not generate adequate income that is above the annual poverty line. This is due to the smaller scale of production of these two commodities. These commodities are financially viable and as such worth promoting by the programme subject to the fact that, these enterprises are practiced in combination with others to generate adequate HH income.



IMPACT ON EMPLOYMENT

27. The programme has a net gain of employment for 22,630 persons, or about 6.7 million man-days per year (see **Error! Reference source not found.**). This is for the hired labour working for wages. The family labour usage has also increased as shown in the table below. Since most of the family labour as a practice work as wage labours, the incremental demand due to programme activities will also generate an income to add to the family income.

Table 7: Increase in employment due to changes in the enterprises at full development

Commodities	Total Labour Use at Full Development: WP (md/Yr)		Total Labour Use at Full Development: WOP (Mt/Yr)		Rural employment Generation as Wage Labour	
	Hired	Family	Hired	Family	Days/year	Persons/Yr
Seaweed	1,215,758	2,836,768	150,303	1,352,723	1,065,455	3,552
Sea Cucumber	1,685,902	3,933,771	0	New	1,685,902	5,620
Black Pepper	221,606	332,410		153,893	221,606	739
Coffee	674,137	1,011,205		374,063	674,137	2,247
Pig Production		6,299,560		3,149,780	0	0
Cocoa	274,866	412,298		150,134	274,866	916
Bee Honey	453,794	4,084,143	0	New	453,794	1,513
Sweet potato	1,222,028	1,833,043		1,101,488	1,222,028	4,073
Bamboo	1,191,163	794,109		96,843	1,191,163	3,971
Total	6,939,254	21,537,307	150,303	6,378,925	6,788,951	22,630

⁴⁸ As per the data availability of the provincial poverty line (Source: *Poverty Line by Province, 2013 - 2016 (Indonesia)*: <https://www.netli.com/publications/poverty-line-by-province-2013-2016>) NTT, East province was Rp.308,509 / capita / month. Taking the average family size of 4.5 (TEKAD draft PDR: 1,855,350 people in 412,300 households), the annual poverty line per HH is IDR 16,659.

OVERALL FINANCIAL ANALYSIS

28. The cashflows of all the enterprise models that were populated with appropriate targets over the programme period were aggregated to compute the total gross benefit flow of the programme. The total cost is comprised of (i) the TEKAD programme cost, based on 2019 prices; and (ii) the incremental cost, which is the difference between the "WOP" production cost and "WP" production cost of all enterprises. The incremental benefits (same as the difference between "WOP" and "WP") of all enterprise models provided the benefit flow. The EFA excel sheets present the details. The Financial Internal Rate of Return (FIRR) is 27%. The net benefit flow was discounted at 9%, which is the current average interest rate, to ascertain the Financial Net Present Value (NPV) of the programme which is US\$ 1,517 million and the break-even point of the programme cash flows. At the 10th year (2029), the programme will be able to breakeven the total programme investment and the beneficiaries' investment during the programme period and start generating a positive net benefit flow.

D. ECONOMIC ANALYSIS

29. The economic analysis was carried out by adjusting the cost and benefits flows that were used in the financial analysis of the programme to reflect economic values. In addition to the assumptions made in the financial analysis, the following assumptions were used in the economic analysis.

- The economic investment cost is based on the programme cost during the 6-year implementation period generated by COSTAB programme, which deducts the amounts payable for taxes and provisions for price contingencies from the financial costs and applies the shadow exchange rate to convert the cost portion in foreign exchange into local currency. Both taxes and duties are transfer payments which are excluded from the economic analysis.
- The following procedure was used to convert all prices of farm, livestock and fisheries production to economic prices:
 - using border prices, import parity prices were estimated to value the products with large export potential, i.e. processed and dried coffee and cocoa beans. The computation is presented in the EFA excel sheets with the sources of data that were used for the estimation of the parity prices;
 - for all non-tradable goods, standard conversion factor (SCF) of 0.99 was used to adjust the prices – the market distortion includes some degree of protection, high inefficiency of commodity transport and slight over valuation of the real exchange rate. The SCF was computed taking the ratio between the Exchange Rate (ER)⁴⁹ and Estimated Shadow Exchange Rate (SER)⁵⁰ [SCF=ER/SER]; EFA excel sheets presents details;
 - Shadow wage rate factor is assumed at 0.85, which was the rate used by the YESS programme design in November 2018 to account the imperfections in the rural labour market. Labour is idle during some period of the year indicating full employment point has not reached. The same shadow rate was used to value the economic cost of the family labour as well.

30. After making the required adjustments to the cash flows of the financial analysis on the basis of the above assumptions, the economic analysis for the TEKAD was carried out. The Economic Internal Rate of Return (EIRR) for the 20-years period is 29% with benefit cost ratio of 2.36 (**Error! Reference source not found.**). The programme earns an Economic Net Present Value (ENPV) of US\$ 2,490 million for the 20-year period with 6.2% discount rate. The series of switching values for both costs

⁴⁹ Exchange Rate (ER) Feb 2019 – Draft PDR of TEKAD

⁵⁰ Source: Due to lack of data, this analysis used the same SER that was estimated by the YESS PDR (IFAD) in November 2018. SCF is based on the ER and SER that were used in YESS to keep the consistency in the time. The SERF (1/SERF is the SCF) = $(M + Tm - Sm) + (X - Tx + Sx) / (M + X)$; Where M and X are the total value of imports and exports respectively in foreign currency converted to domestic currency at the Official Exchange Rate (OER), and Tm and Tx are total taxes on imports and exports respectively and Sm and Sx are the total subsidies on imports and exports, respectively. It is assumed that these macro figures have not significantly changed from November 2018 to June 2019.

and benefits shows the economic viability of the programme is adequately robust to face changes in decreasing benefits and increasing costs.

31. **Sensitivity analyses** were carried out to assess whether the programme is economically viable to face possible risks that have been identified. **Error! Reference source not found.** lists these risk factors and possible mitigation measures. The sensitivity analyses were designed to assess whether or not the programme is economically viable even under the negative influence of these risk factors where the mitigation measures would not be effective. Several changes are made to the benefit and the cost flow to represent the effect of the risk factors. Such changes are also listed in **Error! Reference source not found.**. These include increasing the economic cost of the programme, decreasing the benefits of all enterprises, and one-year delay in realising programme benefits.

32. The results of the sensitivity analyses are presented in **Error! Reference source not found.**. Both cost increase by 10% and 20%; benefit decrease by 10% and 20%; and both scenario taking place together yield EIRRs that are higher than the opportunity cost of capital and therefore indicate that the enterprise models and the programme as a whole are quite stable to face risky scenarios.

Table 8: Identified potential risk factors and representing sensitivity scenarios

Risks	Mitigation measures	Sensitivity Scenario
Variable MoV implementation capacity	Provide institution-building services to MoV and different levels of local governments. Hire TA to provide methodological guidance and capacity building. Outsource implementation for specific activities.	Benefit delayed by 1 year
Management challenge deriving from widespread geographical area	Phased programme implementation. Use of ICT tools to facilitate communication and programme monitoring. Close monitoring of performance with dashboards and weekly assessment. Capacity building to MoV.	Benefit delayed by 1 year
Limited interest of private sector partners to deal with villagers because of risks involved	De-risking measures including: financial and business education; technical advisory services; support to contract farming and business linkages.	Benefit reduction by 10% and 20%
Elite capture of programme benefits	Community empowerment, including organizations strengthening, mobilization and capacity building, emphasizing the poorest and more vulnerable segments, for them to participate and make their rights and priorities prevail in villages' decisions on the Village Fund resources allocation. Furthermore, districts will be supported to fulfil their role for mobilization and empowerment.	Benefit reduction by 10% and 20%
Remoteness	In this first phase, focus on villages with reasonable connectivity. Support village clusters to increase impact while minimising management costs. Select high-value commodities that can be stored and easily transported. Use ICT as tool to bridge remoteness.	Increase producers' cost by 10% and 20%
High turn-over of staff at the local level	Hiring local staff with right set of incentives.	Benefit delayed by 1 year
Climate change	Promoting climate smart practices through capacity building packages. Building farmers' resilience through savings.	Benefit reduction by 10% and 20%
Insecurity in Papua/West Papua	MoV has selected districts where risks are minimal and the same criterion will be applied to village selection. Broad and inclusive participatory approach at village level. Inclusion of traditional authorities. Strong involvement of district mayors. Full on-demand approach.	Benefit delayed by 1 year

Table 9: Results of the Economic Analysis

Sensitivity Analyses	EIRR	B/C Ratio	NPV (US\$ mn)	NPV (IDR mn)	Switching Value:	
					Benefits	Costs
Base Case	29%	2.36	2,490	34,993,727	58%	136%
All cost increase by 10%	26%	2.15	2,307	32,420,729	53%	115%
All cost increase by 20%	23%	1.97	2,124	29,847,730	49%	97%
All benefits decrease by 10%	25%	2.12	2,058	28,921,356	53%	112%
All benefits decrease by 20%	22%	1.89	1,626	22,848,984	47%	89%
Cost increase by 10% and benefits decrease by 10%	23%	1.93	1,875	26,348,357	48%	93%
1-year delay in getting benefits	22%	2.25	2,039	28,662,715	50%	111%

33. **Qualitative benefits** These include enhanced financial and social service delivery capacities of the implementing agencies; improved technical capacities of service providers, including good, climate-resilient agronomic practices; food safety in the programme area; improved animal health (pig and fisheries); and improved market access, and development and expansion of rural businesses. The programme will support perennials such as cocoa, coffee and bamboo, which will have environmental benefits such as carbon sequestration, watershed improvement and lowering soil erosion etc. TEKAD will also generate employment opportunities for women and men, particularly the youth through their involvement of the enterprise development and related backward and forward linkages.

34. The EFA Excel sheets, both for financial and economic values, provide the detail tables listed below.

List of tables	Description
Parity-Prices!A1	Estimation of Parity Prices for Coffee and Cocoa
Target_Spread!A1	Total targets and distribution of HH as uptake over the programme period
Prices!A1	All input and output prices
Sub_Programmes!A1	Aggregation of all enterprises with total targets
SeaW!A1	Enterprise Budget of Seaweed
SeaCucumber!A1	Enterprise Budget of Sea Cucumber
Pepper_Prod!A1	Enterprise Budget of Pepper cultivation
Coffee_Prod!A1	Enterprise Budget of Coffee cultivation
Pig_prod_Model!A1	Enterprise Budget of Pig production with 5-Year cycles for 20-years
Pig_UnitModel!A1	Unit production parameters of pig farming for 5-year cycle
Cocoa_Prod!A1	Enterprise Budget of Cocoa cultivation
BeeHoney!A1	Enterprise Budget of Bee Honey and Wax Production
SweetPotato_Prod!A1	Enterprise Budget of Sweet Potatoes
Bamboo_Prod!A1	Enterprise Budget of Bamboo production



Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 5: Social Environment and Climate Assessment (SECAP) Review Note

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Project No. 2000002562

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Asia and the Pacific Division
Programme Management Department

ANNEX 5: SOCIAL ENVIRONMENT AND CLIMATE ASSESSMENT (SECAP) REVIEW NOTE

1. The Project will target up to twenty five districts within the following five provinces of Indonesia: Papua, West Papua, Maluku, North Maluku and East Nusa Tenggara. The final selection of districts within these provinces will be decided by the Ministry of Village, Underdeveloped Regions and Transmigration (MoV) and based on demographic density, economic potential, road connectivity, complementarities with other ongoing or previous development programmes (such as the Smallholder Livelihood Development Project or SOLID), and the Village Development Index (IDM) scores of their villages. The latter guarantees that geographic targeting is broadly based on the latest available data on multi-dimensional poverty indicators at the village level. Within the five districts, 1,720 target villages (including 500 core villages and 1,220 cluster villages) will be selected based on a set of project specific criteria explained in the PDR (see PDR Section II.A.b. Geographic area of intervention – target villages).

I. Major landscape characteristics and Issues (Social, natural resources, and climate)

Population

2. Indonesia is the world's fourth most populous country with a current population of approximately 265 million. Provided below are the estimated population of the five target provinces according to the Statistics of the Indonesian Central Statistics Agency (BPS-Statistics):

- Papua: 3,265,202 people⁵¹ based on 2017 estimate
- West Papua: 893,362 people⁵² based on 2016 estimate
- Maluku: 1,715,548 people⁵³ based on 2016 estimate
- North Maluku: 1,209,342 people⁵⁴ based on 2017 estimate
- East Nusa Tenggara: 5,203,514 people⁵⁵ based on 2016 estimate.

Livelihood and Economy

3. Agriculture is the most important sector in the five targets. Based on the BPS-Statistics of provinces cited in the earlier section, the estimated number of households engaged in these sectors is as follow: 306,490 households in Maluku; 199,027 households in Maluku Utara; 1,214,060 households in East Nusa Tenggara; 148,661 in West Papua; and 1,163,328 households in Papua. The second dominant sector in these provinces is community, social and personal services⁵⁶, whilst mining, construction, and trading are also present although in smaller percentage.
4. The Indonesian economy has grown steadily over the past 10 years at 5–6 percent annually (World Bank 2016). The agricultural and marine sectors remain the main source of income for

⁵¹ Statistics of Papua Province, *Papua Province in Figures 2018* (BPS-Statistics of Papua Province: 2018) p121.

⁵² Statistics of Papua Barat Province. *Papua Barat Province in Figures 2017* (BPS-Statistics of Papua Barat Province: 2017) p37

⁵³ Statistics of Maluku Province. *Maluku Province in Figures 2017* (BPS-Statistics of Maluku Province: 2017) p77.

⁵⁴ Statistics of Maluku Utara Province. *Maluku Utara in Figures 2018* (BPS-Statistics of Maluku Utara Province: 2018) p50

⁵⁵ Statistics of Nusa Tenggara Timur Province. *Nusa Tenggara Timur Province in Figures 2017* (BPS-Statistics of Nusa Tenggara Timur Province: 2017) p83

⁵⁶ Personal (or household) service is defined as a personal (or household) business entity wherein the associated risks are borne personally or by the member of the concerned household. It is usually not a legal entity and there is no separation between the owner's and the entity's wealth (e.g. small grocery store, beauty salon, electronics equipment reparation service, electricity token seller, etc. (BPS: National Labor Force Survey 2017 - Guidelines for Enumerators. Retrieved on June 2019 from

https://sirusa.bps.go.id/webadmin/pedoman/2017_5_ped_Pedoman%20Pencacah%20Survei%20Angkatan%20Kerja%20Nasional%20Agustus%202017.pdf

over one third of the population and for 59 per cent of the poor⁵⁷. However, issues relating to the agriculture sector often arise, including the conflicting interests of agricultural (including estate crop) expansion and indiscriminate resource extraction; intensive extraction by local communities often oblivious to environmental impacts; the illegal extraction of resources and the use of toxic chemicals in agricultural cultivation and mining⁵⁸.

Poverty and Nutrition

5. The Central Statistics Agency (BPS) stated that Indonesia's poverty rate in September 2018 of 9.66%, was approximately 0.46% lower than in September 2017. Similarly, the population living in poverty as of September 2018 was 25.67 million people, compared to 26.58 million in September 2017. The poverty line as of September 2018 is estimated at IDR 410,670/capita/month. Since poor households in Indonesia have 4.63 members on average, the average poverty line per poor household is estimated at Rp1,901,402/household/month. (BPS, 2019)⁵⁹.
6. In 2018, Indonesia's Human Development Index has reached 71,39, increasing by 0.58 points compared to 2017. Since 2016, the status of human development in Indonesia remains as "high". In 2018, as many as 21 provinces have achieved "high" human development status or at intervals of 70,1 – 79,9 (except of DKI Jakarta Province which had very high status). Papua, West Papua, Maluku, North Maluku and East Nusa Tenggara provinces were categorized as medium (between 55,0 – 69,0), with the growth rate between 0,83 – 1,64, which is above the national growth rate.

HUMAN DEVELOPMENT INDEX IN THE TEKAD PROVINCES

Province	Human Development Index								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
MALUKU	64.27	64.75	65.43	66.09	66.74	67.05	67.60	68.19	68.87
NORTH MALUKU	62.79	63.19	63.93	64.78	65.18	65.91	66.63	67.20	67.76
WEST PAPUA	59.60	59.90	60.30	60.91	61.28	61.73	62.21	62.99	63.74
PAPUA	54.45	55.01	55.55	56.25	56.75	57.25	58.05	59.09	60.06
EAST NUSA TENGGARA	59.21	60.24	60.81	61.68	62.26	62.67	63.13	63.73	64.39
INDONESIA	66,53	67,09	67,70	68,31	68,90	69,55	70,18	70,81	71,39

Source: BPS, 2019 – Human Development Index by Province⁶⁰

7. The number of people deemed to be in poverty in the TEKAD provinces are increasing in North Maluku, Papua and West Papua, and decreasing in Maluku and East Nusa Tenggara, but the overall percentage of the population in poverty has decreased for all TEKAD provinces from 2017 – 2018.

POVERTY POPULATION IN THE TEKAD PROVINCES

Province	Poverty Population (in 000)					
	City		Village		TOTAL	
	2017	2018	2017	2018	2017	2018
	Semester 2 (September)	Semester 2 (September)	Semester 2 (September)	Semester 2 (September)	Semester 2 (September)	Semester 2 (September)
MALUKU	47.83	46.92	272.59	270.92	320.42	317.84
NORTH MALUKU	12.93	14.90	65.35	67.03	78.28	81.93

⁵⁷ Country Strategic Opportunities Programme (Executive Board 118th Session, 21-22 September 2016. Retrieved June, 2019, from <https://webapps.ifad.org/members/eb/118/docs/EB-2016-118-R-13.pdf>

⁵⁸ <https://crawford.anu.edu.au/acde/ip/research/agriculture/>

⁵⁹ Badan Pusat Statistik 2019, Retrieved May, 2019, from <https://www.bps.go.id/pressrelease/2019/01/15/1549/> persentase-penduduk -miskin-pada-september-2018-sebesar-9-66-persen.html

⁶⁰ Badan Pusat Statistik, 2019, Retrieved June 2019, from Badan Pusat Statistik 2019, Retrieved June 2019, from <https://www.bps.go.id/dynamictable/2016/06/16/1211/indeks-pembangunan-manusia-menurut-provinsi-2010-2018-metode-baru-.html>

WEST PAPUA	19.02	21.25	193.83	192.42	212.86	213.67
PAPUA	41.06	37.78	869.36	877.44	910.42	915.22
EAST NUSA TENGGARA	119.04	114.06	1015.70	1020.05	1134.74	1134.11
INDONESIA	10,272.55	10,131.28	16,310.44	15,543.31	26,582.99	25,674.58

Source: BPS, 2019 – Number of Poor People by Province

The poverty percentage in the TEKAD provinces can be seen in the table below (BPS, 2019)⁶¹.

POVERTY PERCENTAGE IN THE TEKAD PROVINCES

Province	Poverty Percentage					
	City		village		TOTAL	
	2017	2018	2017	2018	2017	2018
	Semester 2 (September)					
MALUKU	6.58	6.15	26.60	26.61	18.29	17.85
NORTH MALUKU	3.70	4.21	7.55	7.58	6.44	6.62
WEST PAPUA	5.16	5.57	35.12	34.29	23.12	22.66
PAPUA	4.55	4.01	36.56	36.65	27.76	27.43
EAST NUSA TENGGARA	10.11	9.09	24.59	24.65	21.38	21.03
INDONESIA	7.26	6.89	13.47	13.10	10.12	9.66

Source: BPS, 2019 - Percentage of Poor Population by Province⁶²

8. The double burden of malnutrition in Indonesia entails high social costs: stunting which can reduce an individual's productivity at a young age and increases risks of developing non-communicable diseases when older. It is estimated that out of the 24.5 million children under 5 years of age in Indonesia, approximately 9.2 million (37 percent) are stunted.⁶³ People do not only feel the effects of the double burden of malnutrition, they are also felt by the economy. Losses due to stunting and malnutrition are estimated to be 2-3 percent of Indonesia's GDP. Traditionally, Indonesia has paid more attention to severe underweight as a way to determine the country's state of nutrition. By this measure alone, nutritional issues appear largely resolved, as the prevalence of severe underweight is just 5.4 percent in children under five-years. However, the fact that 37.2 percent of children under five are stunted and 12 percent are wasted⁶⁴ should be of greater concern, given the life long consequences.

Indigenous People

9. Indigenous peoples in Papua and West Papua consist of 193 tribes with 193 different languages. There are hundreds of regional languages, causing difficulties in communicating between one tribe and another tribe. The number of tribes in Papua also results in a number of community philosophies that are unique in their respective social behaviours and also each tribe has a different knowledge system. For example the Tribe of Asmat, who reside in remote natural muddy environments overgrown with mangroves, palm trees, sago palm, and others, are able to use indigenous knowledge systems to estimate the difference in tides in the Asmat environment and are thus able to relocate from one place to another mindful of tidal fluctuations When the sea

⁶¹ Badan Pusat Statistik 2019, retrieved May 2019, <https://www.bps.go.id/dynamictable/2016/01/18/1120/garis-kemiskinan-menurut-provinsi-2013--2018.html>

⁶² Badan Pusat Statistik 2019, retrieved May 2019, <https://www.bps.go.id/dynamictable/2016/08/18/1219/persentase-penduduk-miskin-menurut-provinsi-2007--2018.html>

⁶³ USAID and FANTA (2014); Indonesia Nutrition Profile; <https://www.fantaproject.org/sites/default/files/download/Indonesia-Nutrition-Profile-Apr2014.pdf>

⁶⁴ According to UNICEF, wasting is defined as moderate and severe - below minus two standard deviations from median weight for height of reference population. See https://www.unicef.org/infobycountry/stats_popup2.html.

water recedes, the tribe of Asmat bounces downstream or to the coast and returns upstream when the sea water rises. Some of the tribes in Papua are Bauzi, Bgu, Citak, Dani, Ekagi, Hattam, Iha, Inanwatan, Kamoro, Korowai, Kupol, Kwerba, Kwesten, Lani, Mairasi, Mandobo, Muyu, Tehid and Yali.

10. East Nusa Tenggara has diverse tribes who live in accordance with local traditions and customs. These tribes inhabit all districts in East Nusa Tenggara Province. The tribes in habitating East Nusa Tenggara Province include Adona, Alor Solor, Bali Aga, Atoni, Belu, Bodha, Nage Keo, Damar, Dawan, Dodongko, Flores, Manggarai, Mambaro, Marea, Ende, Dompo, Kisar, Leti, Helong, Kupang, Lombleng, Lio, Sabu, Boti, Bajawa, Kemang, Ngada, Larantuka, Lamahot and Solor (Solor island), Rote (Rote island), Sawu (Sawu island) and Deing (Pantar island).
11. North Maluku also has diverse tribes, i.e. Mangole (Mangole island), Madole, Pagu, Ternate (Ternate island), Makian Barat, Kao, Tidore (Tidore island), Patani, Sawai, Weda, and Bacan, Galela, Gebe, Buli, Maba, Gane and Wayoli (Halmahera island), Makian Timur, Kayoa, Bacan (Halmahera island), Sula, Ange, Siboyo, Kadai, Galela (Halmahera island), Tobelo (North Halmahera island), Loloda, Tobaru, Togutil / Tobelo Dalam (Halmahera island), and Sahu (data from www.malukuutaraprov.go.id).
12. Tribes in Maluku province include Ambon (Ambon island), Aru (Aru islands), Asilulu (Ambon island), Banda (Banda islands), Wai Apu and Buru (Buru island), Siriatun and Esirin (Geser island, Seram), Kei (Kei islands), Wemale, Alifuru, Huaulu, Lumoli, Manusela, Mausu Ane, Naulu (Seram island), Pelauw (Haruku island), Tanimbar (Tanimbar islands).
13. In general, the socio-economic conditions of customary communities of East Nusa Tenggara, North Maluku, Maluku, West Papua and Papua are less developed than those of the dominant society, particularly communities in remote areas (such as the highlands, coastal areas, and protected forests) with limited transport access, and away from public facilities such as schools and health centers.
14. Most of the rural land in East Nusa Tenggara, Maluku, North Maluku, West Papua and Papua is subject to customary law and managed as customary land (tanah adat or tanah ulayat). From Costum Territory Register Body data, there are 30 Costum territory in East Nusa Tenggara, 6 in Maluku, 3 in North Maluku, 3 in West Papua and 8 in Papua.

Natural resources and NRM

15. Two thirds of Indonesia's area is a water territory. Not surprisingly, Indonesia is included in 10 countries that are rich in water resources (World Bank, 2014). Indonesia has huge water resources potential, reaching 3.9 trillion cubic meters per year. This potential can be utilized to support agricultural, raw water for urban and industrial communities, power plants, to tourism sector. From total 3.9 trillion cubic meters per year, only about 17.69 percent or about 691.3 million cubic meters per year can be utilized.
16. However the 3.9 trillion cubic meters potentially available water in Indonesia, is not evenly distributed in all regions. According to data from the Research Center for Water Resources in 2012, estimated that Papua is ranked second with regard to potential water availability in Indonesia (reaching 1,062.1 billion m³ / year), while Nusa Tenggara is ranked seventh (lowest) in Indonesia (reaching 49.6 billion m³ / year)⁶⁵.
17. Protected forests constitute the largest forest lands Indonesia, which is 29.6 million hectare or about 15.8 percent of Indonesia as a whole. Protected forests in Papua Island cover an area of 9.4 million hectare. Similarly, limited production forests are mostly located in Kalimantan and Papua. On the Islands of Nusa Tenggara, forest areas are smaller than other areas of use (APL). In contrast, forests in Papua and Maluku are larger than APL.

⁶⁵ <http://www.wateranddisaster.org/cms310261/wp-content/uploads/2015/10/04.-Outlook-of-Water-Resources-Management-in-Indonesia-UN-2015%20.pdf>

18. The condition of critical land⁶⁶ is declining though, but it contributes to the decrease in forest cover of Indonesia, or better known as deforestation. In the data of 2013, Papua include in the provinces with the largest critical lands (2.2 million ha), while it is also include as the highest deforestation rate (20.4 ha/year) in 2013-2014.
19. Number of natural disasters in Indonesia in 2016 was as many as 2,382 events, an increase of 83.9 percent compared to 2015 which amounted to 1,295 events. While the relatively rare provinces that experienced less than 10 events were Papua, Papua Barat, Maluku, Maluku Utara, and Sulawesi Barat, while 28 events happened in East Nusa Tenggara. In most instances the disasters were triggered by hydrological disasters (flood and landslide), and 1 event in East Nusa Tenggara is tidal wave /abrasion. Meteorological disaster also happened in East Nusa Tenggara (whirlwind).

Climate

20. Historical climate profile: The climate in most regions of Indonesia is hot and humid, with rainfall occurring mostly in low-lying and mountainous regions. For the purpose of this SECAP, an assessment on historical climate conditions was done using secondary data generated from the Climate Knowledge Portal of the World Bank⁶⁷. Based on the historical data from 1901 to 2016, the mean annual temperature is 25.8° C whilst the mean annual precipitation is 2,858.6 mm. It is also observed that since 1990, the mean annual temperature has increased by about 0.3° C while the overall annual rainfall has decreased by 2-3%. Further, precipitation patterns have changed during the wet and dry seasons, where the average annual rainfall is declining in the southern regions, while an average increase in rainfall is coupled with decreased dry season rainfall in the northern regions.
21. Projected climate profile: Projected climate changes by 2050 include: (i) Increased temperature of 0.8–2.0°C, with greater warming over large western islands (i.e., Sumatra, Java, Borneo); (ii) Increased duration of heat waves; (iii) Projections for rainfall differ, but point to increased rainfall during the wet season; (iv) Slight increase in duration of dry spells (+ 2 days); (v) Increased frequency (3–23 percent) and intensity (2–7 percent) of heavy rainfall events; (vi) sea level rise of 150–450 mm by 2056; (vii) Disappearance of Papua glaciers⁶⁸. This is aligned with the rate of averaged global temperature increase which is about $0.7^{\circ}\text{C} \pm 0.2$ per century based on IPCC AR-4. The increase in temperature is seen as the main climate change issue caused by the anthropogenic driven increase of CO₂ and other greenhouse gas emissions. Meanwhile, the projected rainfall changes in Indonesia during the period of 2010-2020 (relative to 1980-2007 period) is predicted to increase particularly in December and March, including in Maluku, Nusa Tenggara and Papua. In Nusa Tenggara, the rainfall changes based on the similar prediction are not very significant with the majority of months (April-August) remaining unchanged. However for Papua, it is predicted that the rainfall will increase in most months.
22. Although given the abundance of water resources, Indonesia has already experienced water shortage in some areas during dry season, and flood events during rainy season. 80% of its rain falls during rainy season within five months while the remaining 20% occur within seven months or even shorter because of rainfall pattern variation due to climate change. In addition, there is a large variation in the rainfall all over the country. It ranges from very arid areas of Nusa Tenggara, Maluku and some parts of Sulawesi Islands (less than 1,000 mm), to very wet areas in parts of Irian Jaya, Java and Sumatra (more than 4,000 mm).
23. Water scarcity issues will become a significant problem throughout Indonesia, especially in urban areas. Northern Java, Bali, East and West Nusa Tenggara, North and South Sulawesi, Gorontalo, Lampung and South Sumatra are expected to be exposed to long periods of water deficits. Decreased rainfall during critical times of the year may translate into high drought risk, uncertain

⁶⁶ Critical land is defined as land which is located within or outside of the forest area that has been damaged, wherein the loss or decrease in its function has reached a certain/specified limit (BP-DAS Unda Anyar, 2019) Retrieved on 27 June 2019 from <http://www.bpdas-undaanyar.net/data-informasi/lahan-kritis/>.

⁶⁷ Climate Change Knowledge Portal: Indonesia. Retrieved June 2019 from

<https://climateknowledgeportal.worldbank.org/country/indonesia/climate-data-historical>

⁶⁸ USAID Climate Risk Profile Indonesia Fact Sheet August 2017. Retrieved May, 2019.

https://www.climatelinks.org/sites/default/files/asset/document/2017_USAID_ATLAS_Climate%20Risk%20Profile_Indonesia.pdf

water availability, and consequently, uncertain ability to produce agricultural goods, economic instability, and higher level of undernourishment. Farm labourers and the urban poor are expected to be disproportionately impacted, as are rice farmers.

II. Potential project's social, environmental, and climate change impacts and risks

24. The potential environmental, social and climate related impacts and corresponding mitigation measures of each subcomponent are detailed in the table below.

Figure 1 below presents the TEKAD Project Components as detailed in the PDR.

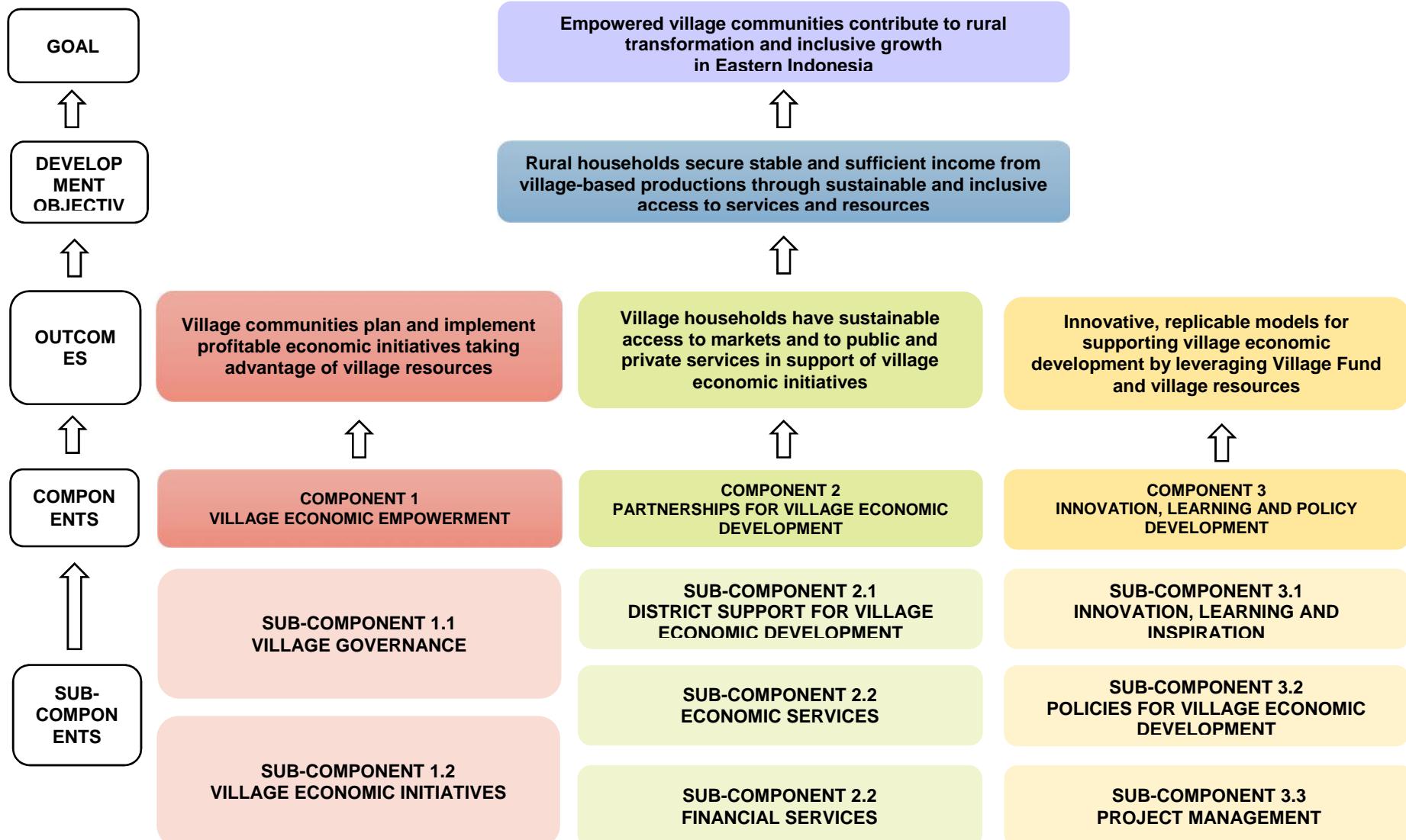


Table 1. Environment and Social Mitigation Plan

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
Outcome 1. Village Communities Plan And Implement Profitable Economic Activities Taking Advantage Of Village Resources		
Component 1. Village Economic Empowerment		
1.1. Village Governance	<p>Social :</p> <p>lack of community interest in participating in village fund planning</p> <p>Lack of mechanisms for participative and consultative planning involving communities vulnerable and disadvantaged groups, youth and women.</p> <p>process of monitoring and reporting the planning process and the use of the village and other funds not transparent</p> <p>Perspectives of vulnerable, youth and women, and Indigenous people, if any, not adequately incorporated into village fund planning and management.</p>	<p>Social :</p> <p>Awareness campaign, capacity building and facilitation for government and community leaders for community participation and inclusiveness.</p> <p>Village Facilitators trained to identify vulnerable groups, ensure they are represented and build capacities of communities to manage their groups more effectively especially to facilitate the inclusion of women and youth in groups</p> <p>prepare guidelines that contain all the processes of village fund planning and the importance of community involvement in the local language, and are easy to understand</p> <p>A gender-sensitive livelihoods and nutrition analysis along with an assessment of the village social structure will be undertaken. In addition livelihood and economic activities will follow a household approach, with focus on the family unit in order to empower women decision making alongside the men.</p> <p>An FPIC plan is being developed specifically for the local indigenous communities, and the will have strong coordination with head of IP (<i>ketua adat</i>)</p>

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
	<p>Rejection of women and youth, and IP, if any, to participate in village fund planning</p> <p>Not representative village mapping</p> <p>Social gap between the rich and the poor community and between the indigenous people and the transmigrant</p>	<p>Village facilitators must aim to understand the existing social conditions and provide problem solving in accordance with local wisdom while being respectful to local culture and social norms. It is recommended that community / cultural leaders are involved fully in the process.</p> <p>Campaign on the importance of community as a whole including men and women, as well as the role of youth in participating in village development</p> <p>When conducting village mapping, some steps have to be done, such as the incorporation of the results from the participatory ranking process which should be used to make a base map of the village area. Then use codes (symbols) to represent relative indicators (or ranking) of the households in the village area.</p> <p>Facilitation of village/community leaders' participation in village fund planning and implementation processes through a mentoring system.</p> <p>Facilitator must involve all village communities including the poor, rich, IP, and transmigrant in all stages of the village economic development strategies</p> <p>Facilitators liaise regularly with Village Head, Village Council and Community Leaders to keep them informed and involved with village fund activities</p>
1.2. Village Economic Initiatives	<p>Social :</p> <p>The TEKAD district team skills do not match with the target products selected by village clusters</p>	<p>Social :</p> <p>The capacities of the TEKAD district Team will be built in line with the priority commodities selected by village clusters, building on the Orientation and Capacity Building Packages</p>

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
	<p>Reluctance to learn and change from traditional to modern farming/ fisheries/ business systems</p> <p>Farmers are reluctant to take on the risk of more intensive farming in a prevailing context of uncertain climate and other scenarios.</p> <p>Lack of community participation/engagement and empowerment that will ensure the operation and maintenance of the machineries Existing experts are not in line with what is needed by the community</p> <p>Farmers / fisheries / small business are reluctant to learn new methodology because they don't know the market</p>	<p>The facilitator needs to provide not only technical information but also information about expected benefits of modern agriculture, fisheries and livestock by providing a comparison of the results obtained by traditional methods and modern methods, building on the Orientation and Capacity Building Packages. Awareness of the issues surrounding unsustainable extractive uses and environmentally sensitive activities will also be employed.</p> <p>The formation of farmer groups to help enable small-holder farmers to aggregate their produce and have easier access to markets</p> <p>Capacity building for village government and farmers/fisheries/ business groups on challenges and opportunities and modernized agriculture/ fisheries/ business following the value chain approach, and on climate smart technologies</p> <p>The machine given should be selected to be responsive to community needs</p> <p>TEKAD will introduce a demand driven approach to source additional support from a range of government line agencies, the private sector or the technical support that will be made available through the project. The need for additional specialists can be identified at various stages and through various channels,</p> <p>Promote business mentoring systems.</p> <p>The project will provide business development training to facilitate bottom-up business model approach.</p>

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
	Environment / Climate: Farmers / fisheries / small business are reluctant to learn new methodologies because they are afraid that the methods proposed cannot be applied to their location due to unpredictable weather conditions.	Environment / Climate : Awareness programme and capacity building training programmes designed to educate participating communities on the potential risks of climate change and natural disaster impacts and how these may be mitigated against using more sustainable and 'informed' practices.
Outcome 2. Village Households Have Sustainable Access To Markets And Services In Support Of Economic Initiatives		
Component 2: Partnerships for Village Economic Development		
2.1. District Support For Village Economic Development	Social : The lack of coordination between district departments (<i>dinas</i>) and differing opinions about the program Annual budget for ToT already phase out by MoV (TEKAD) while the district resources are not allocated	Social : Focal points within key participating district departments will be trained by the project to take the lead for undertaking coordination among respective district departments (<i>dinas</i>) The district must prepare a budget for further training to ensure sustainability of activities
	Environment / Climate: The number of extension agents in the district are limited and they don't have adequate time to train farmers on good agricultural methods that may lead to more sustainable farming practices such as using organic pesticides and employing other ecosystem based approaches	Environment / Climate : Strong coordination and liaison with extension agents will be required including identifying champions with strong knowledge regarding climate change adaptation and also indigenous practices which are noted to be environmentally sustainable that may be rolled out as part of the project interventions.
2.2. Economic Services	Social : Lack of support from village officials for the program Limited small holders' capacity on business development	Social : Facilitators liaise regularly with Village Head and Community Leaders to keep them informed and involved with village fund activities Giving more training on business development

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
	<p>The mapping process does not go well so it does not get good results</p> <p>Lack of interest from government personnel and lack of capacity and interest to take up new approaches.</p>	<p>All parties participating in the mapping process must actively participate and provide the correct data</p> <p>Clear guideline and training for every government personnel, facilitator, and extension agent before approaching the village</p>
2.3. Financial Inclusion	<p>Social :</p> <p>The existence of middlemen causes unfair financial access to farmers and fishermen, and it will give impact to the community welfare</p> <p>The financial risks to the individual in undertaking loans from financial institutions often exclude farmers and fishermen obtaining financial assistance</p>	<p>Social :</p> <p>provision of alternatives for financial services</p> <p>To access loans in financial institutions farmers or fishermen need to form a group that consist of fishermen or farmers. In this way the risk is evenly distributed amongst the group as opposed to one individual.</p>
Outcome 3. Innovative, Replicable Models For Supporting Village Economic Development Are Generated From TEKAD Experience		
Component 3. Innovation, Learning and Policy Development		
3.1. Innovative, Learning and Inspiration	<p>Social :</p> <p>The process for identification of investment opportunities, individual farmers, groups, enterprises is not effective i.e. due to weak community participation - more top down approaches etc.</p> <p>Women & vulnerable households lack capacities to take up full potential on their own.</p> <p>Inadequate opportunities for participation of women, youth and disadvantaged groups, and also indigenous people</p>	<p>Social :</p> <p>To start the identification process a needs assessment is required which would seek to incorporate farmers, fisheries and small business holders (women, men and youth) on their needs; and incorporate their feedback to the design.</p> <p>Campaign on the importance of all people, both men and women, as well as the role of youth in participating in village development</p> <p>Understand the local context and ensure participation of local people/small holder farmers including women, indigenous people and disadvantage group</p>

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
	There is a chance that the lessons learned are applied to the same person/groups. Thus chances of uptake limited.	<p>Equal opportunity to get lessons in the form of training and mentoring, comparative studies and others</p> <p>Understand the local context and ensure participation of local people/small holder farmers including women, indigenous people and disadvantaged group</p> <p>Every single person has the same opportunity to have the same lesson learned</p>
	<p>Environment / Climate :</p> <p>Lack of understanding of environmental impacts and climate change impacts and risks in farming activities / changed and more uncertain rainfall erosion, land degradation, contamination from fertilizer and pesticides</p> <p>Increased use of fertilizer and pesticides and increased use of pumped irrigation thereby depleting water resources</p> <p>Move to more intensive agriculture results in higher risk of climate change and water uncertainty impacting agricultural production</p> <p>Environmental impacts due to improper handling of processing waste and oil from equipment</p> <p>Environmental impacts due to improper handling of agricultural waste</p>	<p>Environment / Climate :</p> <p>Provincial Climate Risk and Vulnerability Assessments</p> <p>Awareness and stakeholder engagement in relation sustainable and environmentally appropriate and climate resilient farming systems.</p> <p>Promote water efficient irrigation and water conservation and management including catchment management and restoration activities</p> <p>Promote efficient and environmentally sound management systems relating to agrochemical inputs. Where appropriate develop organic farming and non-chemical fertilizer and pesticides.</p> <p>Develop and encourage environmentally sound processing and other waste management technologies.</p> <p>Improve capacities for waste production and management.</p>
3.2. Policy development and institution Building	<p>Social :</p> <p>The Community is not aware of the program to be implemented, in addition there is a possibility that the program is not accordance with the custom culture</p>	<p>Social :</p> <p>The project is based on a community approach where the interventions will be discussed and approved by the local community before implementation.</p>

Project Intervention	Social/Environmental/ Climate Risk Factors	Mitigating Measure
		Decision making involves the local customary council
	<p>Environment / Climate :</p> <p>Lack of or weak awareness of environmental risks in project areas including climate, land, water and seismic risks.</p> <p>Poor technical capacity to plan and design</p> <p>Lack of clarity on local land and water resource access rights</p>	<p>Environment / Climate :</p> <p>Capacity building and technical support for government and farmers /fisheries / small business holders on best practices of farm management and land development and management, and how to reduce impact to the environment</p> <p>Development of an independent grievance redresses mechanism.</p> <p>A participatory approach will be adopted to ensure consent of participants through village meetings, formation of inclusive farmer/fisherman's/small business holders groups and building government capacity to facilitate and enhance community participation</p>

25. Key potential social and environmental impacts of the project.. This project will enhance the ability of villagers to promote inclusive and sustainable local economic development, and build village potential, hence it can improve the welfare of the villagers. Capacity building carried out in stages starting from the Village Government and the existence of district/sub-district facilitators will assist villagers in increasing the capacity of village communities so that they can actively participate in planning and managing village resources. The ability and understanding of the community in cultivating farms, livestock, fisheries and aquaculture organically and environmentally friendly will also increase which will have an impact on improving the quality of the environment at the project site, and also on the health of rural communities and consumers in general. The project will also improve food security by increasing production, understanding nutrition and increasing villagers' income.
26. By facilitating access to land, farming (with mechanization), TEKAD will also have an impact on the return of young people to their original villages to be able to work in developing villages. For women with gender sensitive activities can increase their capacity, also all household members to jointly utilize the benefits of the project to improve family welfare, as well as raise awareness about good nutrition practices and be involved in creating a supportive environment for home-level activities stairs and for broad inclusion. With the provision of technical advisory services, training, business development and facilitation services (in various fields such as good agricultural practices, climate smart agriculture, nutrition education, nursery management, production planning, post-harvest management, value addition and processing, marketing) encourage the community play an active role in developing the region, and indirectly also create harmony between citizens.
27. Climate change and adaptation. The impacts of climate change are well recognised in the east of Indonesia which covers the project location. In recent years, coast lines in this region have been eroded. In West Papua, highland frosts and blizzards have claimed the lives of villagers. Lowland river country people have been affected by floods. In the south, people's drinking water has been contaminated by sea water. The extreme heat and cold have vastly impacted food production, making staple crops like sago, sweet potatoes and taro hard to come by. Village community discussion groups conducted as part of the project design in Papua highlighted prolonged dry seasons and strong winds, prolonged rains and floods, long droughts, and some extreme events having been experienced.
28. Climate change does not only represent a risk for the country as a whole but also specifically for the project locations. As a result of the increasing temperature, water and agriculture sectors are facing the greatest risk. The increased variability of monsoons, the increased risks of floods and droughts and the severe water-stressed conditions in arid and semi-arid region of East Nusa Tenggara -have been exacerbated. It is estimated that the drop in crop yields due to rising temperatures is likely to cause shortfall in rice production and vegetables. The land resources have been degraded due to water logging and salinity, water and wind erosion, and are likely to experience further degradation due to existing farming practices. Most of the population depends on shallow wells, hand pumps and even in many cases open ponds for drinking water. Water borne diseases are especially prevalent in the rural areas, and rural sanitation remains a challenge.
29. This project will have a number of environment, social and climate risks, where mitigation measures have been proposed in order to mitigate these as can be seen in the above table 1.
30. Environmental and social category
31. Based on preliminary screening for Environmental and Social Categorisation (attachment 1), TEKAD is assessed to be a Category "B" project. Overall the project is expected to contribute positively to strengthen village-based economic development, by focusing on limited priority commodities and promotion of sustainable rural transformation in Eastern Indonesia. The overall approach of the project would be based on promoting different levels of interventions so that village communities not only can build their capacities to invest in successful economic undertakings, but they also can rely on an enabling environment that secures sustainable and inclusive access to markets and services. Any potential adverse environmental impacts that may occur due to increased levels of agricultural intensification can be readily remedied by supporting climate-smart agriculture and ecosystem based approaches to mitigate against them. Similarly potential social impacts may be mitigated by offering channels to widely advertise on successful

business models and approaches (through an online platform, applications and social networks) and in this manner being more inclusive. The project will also follow a community-based approach where the communities will have a key role in decision making on project interventions. By this approach, TEKAD is expected to positively contribute to climate change impacts and promotion of the sustainable use of natural resources.

III. Climate Risk Category

32. Some regions in Indonesia, including parts of western and northern Sulawesi, and south eastern Papua Islands are highly vulnerable to multiple climate hazards, including drought, floods, landslides and sea level rise. According to the World Bank (2019)⁶⁹, sea level rise has threatened 42 million Indonesians who live less than 10 meters above sea level. It is noted that one meter rise in sea level could potentially inundate 405,000 hectares of land which can contribute to the loss of Indonesia's territory by flooding low-lying islands. Sea level rise and other oceanic climate change will result in salinization, flooding and erosion and affect human and ecological systems, including freshwater, biodiversity, agriculture, fisheries, and other services.
33. Climate change will also have adverse impacts on Agriculture. Due to shifting rainfall, evaporation, run-off water and soil moisture, production of crops and thus food security will be severely affected. These are exacerbated by the El Niño occurrence, whereby its effects have also been experienced through the reduction in average rainfall and water storage capacity, while imposing large regions to drought and fire. In 1997, the El Niño-related droughts have adversely impacted 426,000 hectares of rice, reduced the yields of coffee, cocoa, and rubber, and caused widespread water shortages and wildfires. In 2011, a subsequent El Niño event in Indonesia was estimated to cause an increasing drought in the paddy rice areas from 0.3-1.4% to 3.1-7.8%. Additionally, the La Niña event has also contributed to an increase in areas with crop failure from 0.004-0.41% to 0.04-1.87%, and an increase in the flood-affected areas from 0.75-2.68% to 0.97-2.99%. Eventually, the decrease in production due to flooding and drought will increase 2.4-5% to more than 10% (IAARD, 2011). Specifically in the project target areas, there is a fairly high climate variation in East Nusa Tenggara where rainfall occurs only at most 3 months a year. In Maluku, a study conducted by the Maluku Institute of Agricultural Technology Assessment Centre (2016) shows that soybean is the most sensitive crop to climate change, wherein it had the biggest impact on production with declining yields on both El Niño (10.7%) and La Niña (11.4%) occurrences.
34. Based on the above information and the preliminary screening on Climate Risk Category (attachment 1), TEKAD is expected to fall within the High category in terms of climate risks, mainly due to climatic variability and occasionally weather-related hazards. In light of this TEKAD will undertake an in-depth climate risk assessment in project target provinces during the project implementation phase, with a view to identify major risks and in order to fully integrate mitigation measures in capacity building packages. This will be achieved largely through secondary sources of information and where necessary with field studies and ground truthing for verification purposes. A thorough literature/desk review and analysis of existing climate-related secondary data that are widely available for Indonesia will be undertaken during the early phase of project implementation to inform TEKAD interventions and to ensure they are robust and climate resilient. For example, the detailed historical and projected climate data as well as general information on climate vulnerabilities and impacts can be sourced from the Climate Change Knowledge Portal developed by the World Bank and the website⁷⁰ of the Indonesian Meteorological, Climatological and Geophysical Agency or BMKG. This will be supplemented by local studies that have been conducted in the target provinces and with inputs from project beneficiaries. Preliminary focus areas identified in this assessment will include awareness, dissemination and skills development on climate-smart practices (e.g. building farmer's resilience towards climate change impacts through insurance and savings) provided through project partners and digital technologies.

⁶⁹ Climate Change Knowledge Portal, the World Bank. Retrieved July 2019 from <https://climateknowledgeportal.worldbank.org/country/indonesia/vulnerability>

⁷⁰ <https://www.bmkg.go.id/iklim/?p=proyeksi-perubahan-iklim&lang=EN>

IV. Recommended Features of Project Design and Implementation

35. Environment and social mitigation measures. TEKAD will promote climate smart practices through the implementation of capacity building packages (e.g. promoting savings and insurance) in support of climate resilience. Through the facilitator and trainings, communities should be supported to be better cognizant of climate risks, environment and natural resources management and thereafter be suitably trained in order to (self)-identify adaptation/mitigation measures.
36. The other things that TEKAD will do to introduce best practices and technologies in support of climate resilience will be undertaken in partnership with the relevant research centres and university for identification and introduction of climate-adapted varieties of crops and horticulture and other high value crops for various agro-ecological zones, climate adapted crop-rotation and crop cycles, including contributing to improve resilience and mitigate vulnerability at community level with regard to agricultural area. The relevant partners will be identified during consultations with the various communities, local governments, MoV, MoA and other stakeholders. IFAD also has a longstanding partnership with ICIMOD and ICRAF that can potentially be tapped into. In that regard the following could be recommended: practical trainings for preparation of small composting sites at Village and Community levels, climate Change Adaptation Trainings on Natural Resource Management, Infrastructure, Livelihoods, awareness raising seminars and sessions on climate change and environmental issues and their solutions at district and community levels.
37. There are no infrastructure activities envisaged as part of the project.
38. Climate change adaptation and mitigation. The programme will also include capacity building initiatives on climate risks to reinforce the community awareness at field level on the threat of climate change hazards on agriculture, livestock and fisheries. In overall and finally the design and implementation process will be taking into consideration any possible cumulative environmental impacts and propose adaptation/mitigation measures for any possible negative impact to be monitored through regular direct supervision by IFAD and the Government
39. Multi-benefit approaches. TEKAD design and implementation should encourage and promote more rigorous planning, practices of farming at household level despite smallness of the plot, agriculture, and horticulture, so as to avoid widespread erosion, mitigate desertification, deforestation, loss of biodiversity, resource depletion. Foster communities to protect environment by reducing the level of fire wood consumption and then stopping tree cutting and land use change on steep slopes. In that regard, people should be allowed to continue to practice all suitable land use forms and should be encouraged to do so in a scientific manner and policies and practices should be developed that reduce social pressures on natural resources and benefit of environment services.
40. Incentives for good practices. Most of the project challenges related to environment protection can be met by developing some appropriate adaptive measures such as alteration in sowing dates, use of new crop varieties, introduction and adoption of irrigation methods/technologies as for example, drip irrigation, changes in planting techniques for rice if any, tillage practices, precision land levelling techniques, and use of technologies such as planters, training for and better use of chemical and insecticide treatment, use of animal dejection to replace chemical fertilizers, etc. The current project should introduce these technologies where appropriate in the project area through an intensified awareness programme. The project funding should take in consideration some of these actions which go beyond the initial activities proposed to be financed by the TEKAD additional financing.
41. Participatory processes. In conformity with IFAD's emphasis on participation in programme/project design and implementation, greater consultation and involvement of communities (especially the marginalized poor) and stakeholders have been employed during the TEKAD design, and will continue during implementation. Consultations have generated feedback as well as broad community support to the project and have ensured that affected people in the project area endorse the proposed mitigation/ risk reduction and management measures. Strategies on targeting, gender equality and women's empowerment, improvement of livelihood and modalities of access to project benefits must be applied. Particularly, on the strengthening of the local

institutions (village organizations) to ensure their sustainability and their maturity to take part in development planning and implementation of project-supported activities.

42. Furthermore the TEKAD will apply a participatory approach where the local communities will play a central role in defining and planning the interventions. In addition, an FPIC plan is being developed to ensure that local indigenous communities are fully on board with the project. As such, project activities will not be implemented in targeted areas until the FPIC is obtained from the communities.

V. Analysis of Alternatives

43. It is generally admitted that climate change adaptation is consistent with good development practice and therefore the research of alternatives could be oriented towards these five categories of adaptation activities: Climate risk reduction, Policy and administrative management for climate change, Education, training, and awareness on climate change, Climate scenarios and impact research, coordination on climate change measures and activities across relevant actors.

VI. Institutional Analysis

44. Institutional framework. As a signatory to the UNFCCC and a country that has ratified the Kyoto Protocol on climate change, Indonesia is under obligation to contribute to efforts to mitigate climate change throughout all the country.
45. Given its pivotal geographic position in the global ocean conveyor belt (thermohaline circulation), and its extensive tropical rainforests, with high biodiversity, high carbon stock values and energy and mineral resources, Indonesia recognizes its role to play in combatting global climate change. Nevertheless, Indonesia is also vulnerable to natural disasters that will likely be exacerbated by climate change, especially in low-lying areas throughout the archipelago. Therefore Indonesia views integrated land- and ocean-based climate change adaptation and mitigation efforts as a critical strategic consideration in achieving climate resilience in food, water and energy.
46. Indonesia has also enacted legislation and established institutional mechanisms aimed at translating its commitments under the MEAs as well as for protecting and developing its environment and natural resources. In 2011, Indonesia finalized its Presidential Regulation for the National Action Plan for Reducing Greenhouse Gas Emissions (Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca - RAN-GRK) which serves as the foundation for relevant Ministries/Institutions, as well as the Regional Governments, to implement greenhouse gas (GHG) emission reduction activities. And as complement the RAN-GRK, Golkar have the Indonesian Climate Change Sectoral Roadmap (ICCSR) guides policy instruments and regulations, programmes and projects, funding schemes and capacity building for investments in clean energy, improved forestry and improved resilience. To this end, the ICCSR serves as a policy guide for mainstreaming and implementing national adaptation and mitigation responses to climate change into national mid-term development plans for 2010 – 2030 (RPJMN).
47. TEKAD will build on the existing institutional and implementation arrangements in-place. Following on the basis of the strong partnership and institutional arrangements of TEKAD, the MoV will continue to be the lead programme agency, with overall oversight and responsibility for programme implementation through a Programme Steering Committee (PSC). Day to-day implementation is delegated to be managed by the Programme Management Unit, established under the supervision of the MoV, and based in Jakarta.
48. Capacity building. Overall, all components in TEKAD include capacity building, both for the village community, as well as the MoV and the district government. Within the scope of component 1, it is expected to include capacity building on environmental activities and climate change. This can be in the form of implementation training and climate change adaptation measures such as activities to improve clean water and water for livestock and fisheries, organic farming activities and so on. In addition to training, a field visit to pilot model location is also needed.
49. Additional funding. Proposed measures do not need additional funding at this stage of the development (though this will be confirmed during project implementation).

VII. Monitoring and Evaluation (M&E)

50. The project uses an integrated participatory rural development approach. Details of community participation throughout the project cycle from initial social mobilization and formation of community organizations to the identification, selection, design, implementation, supervision, and operation and maintenance stages will be described in the PIM. Under the project design, the process of environmental monitoring through the communities will built in. The social mobilization and community organization formation will include capacity building, training and sensitization on environmental and health issues. The training will be supported by an effective information, education and communications activity. Monitoring of projects will be carried out throughout the project life cycle and reported in quarterly reports and also directly through regular IFAD supervision missions to ensure issues highlighted in this review note are addressed.

VIII. Budgetary Resources and Schedule

51. TEKAD is assessed to be a Category "B" project as it is expected to contribute positively to improving the livelihoods of rural communities. TEKAD is expected to be highly sensitive to climate risks, mainly due to climatic variability and occasionally weather-related hazards. Given those rating, a full-scale ESIA is not necessary, however TEKAD will undertake an in-depth climate risk assessment in project target provinces during the project implementation phase in order to identify major risks and to fully integrate mitigation measures in capacity building packages. Such assessment will be undertaken largely through secondary sources of information that are widely available for Indonesia, and where necessary with field studies and ground truthing for verification purposes. Mid-term assessments on environmental and climate relevant indicators will inform the need to revise the environment and climate strategy.

IX. Stakeholder Consultations

52. The SECAP review notes were compiled by drawing literature and discussions with institutional stakeholders and community members and their reunited organizations, especially women and youth, during this design mission in the field. The mission met with several potential beneficiary communities during field missions in Papua (January 2019) and East Nusa Tenggara (April 2019). In addition, the Design Team conducted detailed consultations with all key stakeholders in the Stakeholder Workshops in Jayapura (Papua Province) and Kupang (Nusa Tenggara Province). The mission also consulted staff from the Office of Environment and Forestry of East Nusa Tenggara Province, Desk Papua, and also with the Indigenous Peoples Alliance of the Archipelago (AMAN) in Jakarta(April2019).

Attachment 1: Check List and Preliminary Screening for Environmental and Social Categories and Climate Change

53. IFAD classifies all projects into one of three environmental and social categories (A, B or C) and one of three climate risk classifications (high, moderate and low). Where IFAD is jointly financing a project with other agencies, IFAD will cooperate with the partner agency and agree on a common approach for the assessment and the categorization of the project.
54. A positive response to any question between 1 and 23 will categorize the project as A. Similarly, a positive response to question 24 to 40 will categorize the project as B. In case all answers are negative, the project will be categorized as C.
55. This list of questions can be used at different stages of the project design and should be used in conjunction with the respective guidance statements.
56. The checklists for environmental and social and climate risks:
 - Initially be filled in during concept development to help guide in the identification of opportunities and possible risks and activities that will need to be considered in the project design;
 - Be attached to the SECAP review note; and
 - Be reviewed during project design phases and updated as required.

Project title:	(Transformasi Ekonomi Kampung Terpadu)TEKAD Project		
IFAD project no.:		Version of checklist:	Version 2
Country:	Indonesia	Date of this version:	21/05/2019
Checklist prepared by (name, title and institution)	Ratih Widyaningsih, IFAD Consultant		

57. In completing the checklist both short- and long-term impacts should be considered. This list of questions can be used at different stages of the project cycle and should be used in conjunction with the respective guidance statements. Capitalize on information based on reports and field visits during design. The details of the elaboration on issues that arise as a result of screening should be clearly articulated in the SECAP review note.

Guiding questions for environment and social screening	Yes/No	Comments/explanation
Category A – the following may have significant and often irreversible or not readily remedied adverse environmental and/or social implications.		
Project location		
1. Would the project develop any wetlands? (Guidance statement GS1)	No	The project does not intend to develop any wetlands.
2. Would the project cause significant adverse impacts to habitats and/or ecosystems and their services (e.g. conversion of more than 50 hectares of natural forest, loss of habitat, erosion/other form of land degradation, fragmentation, and hydrological changes)? (GS 1, 2 and 5)	No	Project would work only in existing or abandoned areas of agricultural land and in the case of the latter seek to rehabilitate existing agricultural lands.
3. Does the proposed project target area include No ecologically sensitive areas, ⁷¹ areas of global/national significance for biodiversity conservation and/or biodiversity-rich areas and habitats depended on by endangered species? (GS1)		All the investments and activities will be located in existing agriculture lands, which do not fall within ecologically sensitive areas.
4. Is the project location subjected to major destruction as a result geophysical hazards (tsunamis, landslides, earthquakes, volcanic eruptions)?	No	Indonesia and some of the locations are vulnerable to earthquakes and volcanic eruptions. Risks of impact to project investments in agriculture and small scale infrastructure are however considered minimal.
Natural resources		
5. Would the project lead to unsustainable natural resource management practices (fisheries, forestry, livestock) and/or result in exceeding carrying capacity. For example, is their development happening in areas where little up-to-date information exists on sustainable yield/carrying capacity? (GS 4, 5 and 6)	No	Project design is to develop improved and sustainable agricultural, fisheries, livestock. The scale of the interventions and the current low levels of productivity mean that the interventions will not lead to unsustainable natural resource management practices
6. Would the project develop large-scale ⁷² aquaculture or mariculture projects, or where their development involves significant alteration of ecologically sensitive areas?	No	
7. Would the project result in significant use of agrochemicals which may lead to life-threatening illness and long-term public health and safety concerns? (GS 14)	No	The project will promote the safe and efficient use of agrochemicals including review of requirements, safety, health. In parallel the project will promote the use of organic pesticides.
8. Does the project rely on water-based (ground and/or surface) development where there is reason to believe that significant depletion and/or reduced flow has occurred from the	No	The scale of potential activities will not lead to significant depletion or reduced flow of water based resources.

⁷¹ "Sensitive areas" include: protected areas (national parks, wildlife/nature reserves, biosphere reserves) and their buffer zones; areas of global significance for biodiversity conservation; habitats depended on by endangered species; natural forests; wetlands; coastal ecosystems, including coral reefs and mangrove swamps; small island ecosystems; areas most vulnerable to climate change and variability; lands highly susceptible to landslides, erosion and other forms of land degradation and areas that include physical cultural resources (of historical, religious, archaeological or other cultural significance) and areas with high social vulnerability.

⁷² The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations on minimum size (usually ranging from a unit area of 10 to 50 hectares) and these will be adopted where they exist. However, where there are no standards, it is proposed to use 25 hectares as an aquaculture unit size to trigger ESIA.

Guiding questions for environment and social screening	Yes/No	Comments/explanation
effects of climate change or from overutilization? (GS7)		
9. Does the project pose a risk of introducing potentially invasive species or GMOs which might alter genetic traits of indigenous species or have an adverse effect on local biodiversity? (GS1)	No	
10. Does the project make use of wastewater (e.g. industrial, mining, sewage effluent)? (GS7)	No	
Infrastructure development		
11. Does the project include the construction/rehabilitation/upgrade of dam(s)/reservoir(s) meeting at least one of the following criteria? (GS8) more than 15 metre high wall or more than 500 metre long crest or more than 3 million m ³ reservoir capacity or incoming flood of more than 2,000 m ³ /s	No	There will be no big infrastructure funded in this project
12. Does the project involve large-scale irrigation schemes rehabilitation/development (above 100 hectares per scheme)?⁷³ (GS7)	No	The project will not fund any development or rehabilitation of irrigation schemes.
13. Does the project include drainage or correction of natural water bodies (e.g. river training)? (GS7)	No	
Social		
14. Would the project result in economic displacement⁷⁴ or physical resettlement of more than 20 people, or impacting more than 10 per cent of an individual household's assets? (GS13)	No	Project interventions will focus on existing agricultural land and will not result in economic displacement or physical resettlement
15. Would the project result in conversion and/or loss of physical cultural resources? (GS9)	No	
16. Would the project generate significant social adverse impacts to local communities (including disadvantaged and vulnerable groups and indigenous people) or other project-affected parties? (GS13)	No	The project activities will have a positive social effect as the project aims to include vulnerable groups such as women, women-headed households, youth, and also indigenous people in community's groups through a well-designed social mobilization strategy. In addition, the project is based on a community approach where the communities will be fully involved in the definition of the interventions in their villages. Nonetheless an FPIC plan will be prepared to ensure that there are no adverse effects on local and indigenous communities.
Other		
17. Does the project include manufacture and transportation of hazardous and toxic materials which may affect the environment? (GS2)	No	

⁷³ The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations determining size of irrigation development requiring a full ESIA and these will be adopted where they exist. However, where there are no standards, it is proposed to use 100 hectares as an irrigation development unit size to trigger an ESIA.

⁷⁴ Economic displacement implies the loss of land, assets, access to assets, income sources or means of livelihoods (guidance statement 13).

Guiding questions for environment and social screening	Yes/No	Comments/explanation
18. Does the project include the construction of a large or medium-scale industrial plant?	No	Project investment would be restricted to small scale fisheries, livestock and agro-processing, at village level.
19. Does the project include the development of large-scale production forestry? (GS5)	No	
Rural finance		
20. Does the project support any of the above (Q1 to Q22) through the provision of a line of credit to financial service providers? (GS12)	No	
Category B – the following may have some adverse environmental and/or social implications which can be readily remedied.		
Location		
21. Does the project involve agricultural intensification and/or expansion of cropping area in non-sensitive areas that may have adverse impacts on habitats, ecosystems and/or livelihoods? (GS1, 2 and 12)	No	The project will involve agricultural intensification on existing agricultural lands. In addition, the current levels of productivity are low and this the intensification will not lead to adverse impacts on habitats, ecosystems or livelihoods.
Natural resource management		
22. Do the project activities include rangeland and livestock development? (GS6)	No	TEKAD is not expected to invest in large scale rangeland or livestock activities. Rather, it is expected that demand for support will focus mainly on small scale homestead production of poultry and small livestock (pigs and goats).
23. Does the project involve fisheries where there is information on stocks, fishing effort and sustainable yield? Is there any risk of overfishing, habitat damage and knowledge of fishing zones and seasons? (GS4)	No	The project will include support to small scale aquaculture (inland), marine fisheries and mariculture (seaweed, sea cucumber etc.) The impact of these small scale interventions will be minimal. Nonetheless, the project will provide sensitization workshops, environment assessment (mapping), and capacity building on sustainable marine resource management, also based on experiences with CCDP.
24. Would the project activities include aquaculture and/or agriculture in newly introduced or intensively practiced areas? Do project activities include conversion of wetlands and clearing of coastal vegetation, change in hydrology or introduction of exotic species? (GS4)	No	The planned aquaculture and agriculture activities will take place in existing practiced areas that are not intensively used. Furthermore the scale of the interventions will not require conversion of wetlands, clearing of coastal vegetation or changes in hydrology.
25. Do the project activities include natural resources-based value chain development? (GS 1, 6 and 12)	No	
26. Do the project activities include watershed management or rehabilitation?	No	
27. Does the project include large-scale soil and water conservation measures? (GS 1 and 5)	No	Minor initiatives for soil and water conservation
Infrastructure		
28. Does the project include small-scale irrigation and drainage, and small and medium (capacity < 3 million m³) dam subprojects? (GS 7 and 8)	No	
29. Does the project include small and microenterprise development subprojects? (GS 12 and 13)	Yes	
30. Does the project include the development of	Yes	Small scale agriculture processing

Guiding questions for environment and social screening	Yes/No	Comments/explanation
agro processing facilities? (GS 2, 6 and 12)		
31. Would the construction or operation of the project cause an increase in traffic on rural roads? (GS10)	Yes	Some increase in traffic but this would be farm access traffic
Social		
32. Would any of the project activities have minor adverse impacts on physical cultural resources? (GS9)	No	
33 Would the project result in physical resettlement of less than 20 people, or impacting less than 10 per cent of an individual household's assets (GS13)?	No	Some land may be required for small farm roads but this would be small and less than 10% of an individual households land holding. Land for storage and other buildings would in most cases use village or government land. In all cases land would be donated. The project would ensure that any land donation is properly documented including measurement and agreement by landholder, culture head and village and district government.
34. Would the project result in short-term public health and safety concerns? (GS14)	No	The project is promoting a gender and nutrition sensitive approach to value-chain development. In case there is any potential health concern in the production or post-harvest processing of commodities, this will be systematically identified in the proposed Nutrition value-chain studies and measures implemented to address it through the nutrition intervention.
35.Would the project require a migrant workforce or seasonal workers (for construction, planting and/or harvesting)? (GS13)	No	The project is working with small-holder farmers with family members working on the farms and or other villagers hired as wage labourers
Rural finance		
36.Does the project support any of the above (Q24 to Q37) through the provision of a line of credit to financial service providers?(GS12)	No	

Guidance for categorization:

"Yes" response to any questions between 1 and 22	Environmental and social category is A	<p>Environmental and Social Impact Assessment or an Environmental and Social Management Framework (full or specific) are required depending on availability of information.</p> <p>Also some specific questions would require the below specific actions:</p> <ul style="list-style-type: none"> • Yes to Q16 – A Resettlement Action Plan or a Resettlement Action Framework is required depending on availability of information. • Yes to Q17 – A Physical Cultural Resources Management Plan is required that includes provisions for managing chance finds at implementation. • Yes to Q18 – Free, prior and informed consent should be obtained/Free, Prior and Informed Consent Implementation Plan is required depending on whether the affected communities are identifiable. In instances where indigenous peoples are affected an Indigenous Peoples Plan is required. A Social Impact Assessment is required. • Yes to Q8 and/or Q15 – A water resources management plan for the project is required. • Yes to Q7, Q9 and/or Q19 – A Pest Management Plan is required.
"No" responses to all Q1-Q22 and "Yes" response to any questions between 23 and 38 "No" response to all questions between 1 and 38	Environmental and social category is B Environmental and social category is C	<p>An environmental and social analysis to develop an Environmental and Social Management Plan (ESMP) is required.</p> <p>No further analysis is required.</p>

58. In case projects fall under both Category A and B, the highest category will be taken as reference. The determination of the project category and classification will depend on the magnitude of impacts and would depend on the scale of such activities; a cautious approach to the concern of cumulative impacts is considered essential. In such cases, the necessary environmental and social analysis and associated budget should be incorporated into project design. Such projects may be considered for Category B.
59. Determining the environmental and social Category A, including the extent of assessments and studies to be conducted, will also take into account available information, i.e. recent studies and assessments, including other initiatives in the country, to the extent these are relevant to the proposed project.
60. Declassification (from A to B or from B to C) may also be possible in case negative externalities are being addressed by other projects or activities implemented by third parties.

Guiding questions for climate risk screening

	Yes	No	Additional explanation of “yes” response*
1. Is the project area subject to extreme climatic events such as flooding, drought, tropical storms or heat waves?	X		Climate change and El Niño events will further challenge water and agriculture, here remains uncertainties in the projections however it is concluded that extreme climatic events will occur and more detailed climate change analysis adaptation initiatives must be incorporated into the project design
2. Do climate scenarios for the project area foresee changes in temperature, rainfall or extreme weather that will adversely affect the project impact, sustainability or cost over its lifetime?	X		
3. Would the project make investments in low-lying coastal areas/zones exposed to tropical storms?	X		
4. Would the project make investments in glacial areas and mountains zones?	X		The TEKAD project includes land at higher levels. Some projects would be in foothills of mountains however no projects would be in the mountain zones.
5. Would the project promote agricultural activity in marginal and/or highly degraded areas that have increased sensitivity to climatic events (such as on hillsides, deforested slopes or floodplains)?	X		
6. Is the project located in areas where rural development projects have experienced significant weather-related losses and damages in the past?	X		
7. Would the project develop/install infrastructure in areas with a track record of extreme weather events?	X		
8. Is the project target group entirely dependent on natural resources (such as seasonal crops, rainfed agricultural plots, migratory fish stocks) that have been affected by in the last decade by climate trends or specific climatic events?	X		
9. Would climate variability likely affect agricultural productivity (crops/livestock/fisheries), access to markets and/or the associated incidence of pests and diseases for the project target groups?	X		
10. Would weather-related risks or climatic extremes likely adversely impact upon key stages of identified value chains in the project (from production to markets)?	X		

11. Is the project investing in climate-sensitive livelihoods that are diversified?	X	The project will promote climate smart practices through capacity building packages. These will include promoting savings and insurance to build farmer's resilience among others.
12. Is the project investing in infrastructure that is exposed to infrequent extreme weather events?	X	
13. Is the project investing in institutional development and capacity-building for rural institutions (such as farmer groups, cooperatives) in climatically heterogeneous areas?	X	
14. Does the project have the potential to become more resilient through the adoption of green technologies at a reasonable cost?	X	
15 Does the project intervention have opportunities to strengthen indigenous climate risk management capabilities?	X	Farmers have developed basic capacities to adjust to climatic uncertainties.
16. Does the project have opportunities to integrate climate resilience aspects through policy dialogue to improve agricultural sector strategies and policies?	X	
17. Does the project have potential to integrate climate resilience measures without extensive additional costs (e.g. improved building codes, capacity-building, or including climate risk issues in policy processes)?	X	Yes adaptation initiatives would be carefully targeted and can be incorporated into the mainstream initiatives for production, processing and marketing.
18. Based on the information available would the project benefit from a more thorough climate risk and vulnerability analysis to identify the most vulnerable rural population, improve targeting and identify additional complementary investment actions to manage climate risks?	X	

*The additional explanation, where possible, will provide the justification for classification. Consideration should be given particularly to provide additional explanations for questions 13 to 17.

Guidance for classification:

Yes response to any of the questions 1 to 7	The climate risk classification is high	A detailed analysis is required
Yes response to any of the questions 8 to 17	The climate risk classification is moderate	A basic analysis is required
Yes response to question 18	GHG assessment	For example, EX ACT tool
No response to almost all questions	The climate risk classification is low	No further analysis is required, but voluntary measures can be incorporated

Attachment 2: Environmental and Social Management Plan (ESMP)

Key Requirements	Actions	Indicator	Responsibility	Time Frame	Budget Source
Gender equitable approaches are developed for improving income, food and nutrition.	Gender-sensitive livelihoods and nutrition analysis along with an assessment of the village social structure. Livelihood and economic activities will follow a household approach, with focus on the family unit in order to empower women decision making alongside the men. A Gender Equality and Social Inclusion consultant will prepare guidelines HH methodologies.	PIM includes guidelines on Household methodologies Monitoring and evaluation of the HH methodology program.	PIU and consultants DPIU	2019 2020-2024	Subcomponent 1.1 and 1.2 Sub-Component 3.2
	The mobilization of customary governance systems structures and of community activists (such as youth as well as women's, farmers' or religious groups) to facilitate broad community participation The setting up of a Village Management Information System run by village youth, building on KOMPAK successful pilot in Papua	Initiatives to support disadvantaged and youth identified and programmed. Monitoring and evaluation of disadvantaged and youth programs.	PIU DPIU	2019 2020-2024	Sub-component 1.1 Sub-Component 3.2
Institutional					
Local governments have the capacity to assess, supervise and monitor social and environmental requirements.	Guidelines of responsibilities at District level for ensuring social and environmental requirements. Capacity building will rest on guidelines and tools developed by P3PD ⁷⁵ , which will be adapted to match the specificities of economic planning in the primary sector as well as specific features of the target provinces	Social and Environmental Guidelines Training and institutional strengthening of BLH and other related agencies	PIU/DPIU and consultants. BLH	2019	Sub-Component 2.1
Project requires an independent grievance redress	Requirements and approach exist under the current government	Approved GRM	DPIU	2019	Village development fund/ Ministry

⁷⁵ Program Penguatan Pemerintahan dan Pembangunan Desa (Improved Village Service Delivery Program) of the World Bank.

Key Requirements	Actions	Indicator	Responsibility	Time Frame	Budget Source
mechanism.	Village Development Fund mechanism Grievance redress mechanism (GRM) is place and effective	GRM reports	Independent Agency to be defined	2020-2024	of Villages
Need an active institutional framework for the participation of disadvantaged groups, women and youth..	Institutional framework defined and approved within the planning process of the VDF.	Monitoring and evaluation of institutional framework for disadvantaged, women and youth	PIU and consultants DPIU	2020-2024	Sub-components 1.1 and 2.1
Monitoring					
Overall monitoring and evaluation needs to be coordinated and effective to meet project evaluation requirements.	Monitoring and evaluation requirements would be defined; requirements to include expenditure, physical progress, production	Approved plan for monitoring and evaluation. Monitoring and evaluation reports.	PIU and consultants DPIU	2019 2020 - 2024	Sub-Component 3.2
Routine monitoring of social and environmental activities especially progress of ESMP implementation and active participation of disadvantaged groups.	Quarterly and annual reports Requirements to be defined	Routine ESMP Reports	DPIU PIU	2020 to 2024	Sub-Component 3.2
Notes:	<ul style="list-style-type: none"> AMAN-Alliance of Indigenous Communities; BLH-District Environment Offices; ESMP-Environmental and Social Management Plan, PIU-Project Implementation Unit , DPIU-District Project Implementation Unit, MOEF-Ministry of Environment and Forests. TEKAD budget includes allocations for all of the abovementioned actions. If needed, additional funds will be provided by the Government under the Village Development Fund program or from TEKAD government contributions. 				



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Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 6: First Annual Work Plan and Budget (AWPB)

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
Programme Management Department

ANNEX 6: FIRST ANNUAL WORK PLAN AND BUDGET

Total Budget for FY1 (2020)

	(IDR'000,000)	International Fund for Agricultural Development (Loan)		International Fund for Agricultural Development (Grant)		The Government		Beneficiaries		Total	
		IDR	US\$	IDR	US\$	IDR	US\$	IDR	US\$	IDR	US\$
1 Village Economic Empowerment											
11 Village Governance		1 735 650.0	119.7	-	-	-	-	-	-	1 735 650.0	119.7
12 Village Economic Initiatives		-	-	-	-	-	-	-	-	-	-
2 Partnerships for Village Economic Development											
21 District Support for Village Economic Development		85 767 772.0	5 915.0	-	-	7 291 379.4	502.9	-	-	93 059 151.4	6 417.9
22 Economic Services		11 584 195.0	798.9	5 125 750.0	353.5	-	-	-	-	16 709 945.0	1 152.4
23 Financial Services		768 862.5	53.0	-	-	-	-	-	-	768 862.5	53.0
3 Innovation, Learning and Policy Development											
31 Innovation, Learning and Inspiration		711 149.9	49.0	-	-	-	-	-	-	711 149.9	49.0
32 Policy Development and Institution Building		8 167 516.5	563.3	15 174 256.4	1 046.5	-	-	-	-	23 341 772.9	1 609.8
4 Project Management		35 152 526.4	2 424.3	1 450 000.0	100.0	8 154 555.7	562.4	-	-	44 757 082.1	3 086.7
		143 887 672.3	9 923.3	21 750 006.4	1 500.0	15 445 935.1	1 065.2	-	-	181 083 613.8	12 488.5
Categories by Financiers											
I. Investment Costs											
A. Civil Works		-	-	-	-	-	-	-	-	-	-
B. Equipment and Materials		2 742 840.1	189.2	-	-	-	-	-	-	2 742 840.1	189.2
C. Vehicles		26 211 401.3	1 807.7	-	-	-	-	-	-	26 211 401.3	1 807.7
D. Training and Studies		17 998 950.3	1 241.3	-	-	-	-	-	-	17 998 950.3	1 241.3
E. Technical Assistance		-	-	-	-	-	-	-	-	-	-
International TA		14 037 232.5	968.1	-	-	-	-	-	-	14 037 232.5	968.1
National TA		54 083 662.4	3 729.9	-	-	-	-	-	-	54 083 662.4	3 729.9

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 Annex 6: First Annual Work Plan and Budget

Subtotal Technical Assistance	68 120 894.9	4 698.0	-	-	-	-	68 120 894.9	4 698.0
F. Operating Costs	6 778 722.4	467.5	-	-	-	-	6 778 722.4	467.5
G. Village Grants	-	-	-	-	-	-	-	-
H. IFAD Grant		14 743 266.5	1 016.8	-	-	-	14 743 266.5	1 016.8
I. Beneficiary Contribution	-	-	-	-	-	-	-	-
Total Investment Costs	136 596 075.5	9 420.4	14 743 266.5	1 016.8	-	-	151 339 342.0	10 437.2
II. Recurrent Costs								-
A. Incremental Operating Costs								-
Other Operating Costs	-	-	-	-	-	-	-	-
Equipment O&M	-	-	-	-	-	-	-	-
Vehicle O&M	-	-	-	-	-	-	-	-
Subtotal Incremental Operating Costs	-	-	-	-	-	-	-	-
B. Incremental Salaries								-
Salaries	-	-	-	15 445 935.1	1 065.2	-	-	1 065.2
Total Recurrent Costs	-	-	-	15 445 935.1	1 065.2	-	-	1 065.2
Total PROJECT COSTS	136 596 075.5	9 420.4	14 743 266.5	1 016.8	15 445 935.1	1 065.2	-	11 502.4



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Project Design Report

Annex 7: Procurement Plan for first 18 months

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
Programme Management Department

ANNEX 7: PROCUREMENT PLAN FOR FIRST 18 MONTHS

LOAN

Procurement Plan for GOODS (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost 000		Comp	Year	Goods/ Works/ Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/ Post)	Method of Selection	#	Pack/ Lot	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domestic Preference (yes/no)	Prequalification (yes/ no)	
		Unit	Total	(Rp)																	
NPMU																					
	Tablets for village cadres	Per cadre	1 000	4 216 500	DT 1.1	2020	Goods	MoA			4 216 500 000	300 000	Prior	NCB	1000	Pack	4 216 500	300	Yes	No	
	Demonstration Plots /d	Demo plot	5 000	3 513 750	DT 1.2	2020	Goods	MoA			17 568 750 000	1 250 000	Post	e-Purchasing	5000	Pack	3 513 750	250	Yes	No	
	4x4 /b	Province	15	562 200 000	DT 4	2020	Goods	MoA			8 433 000 000	600 000	Post	e-Purchasing	5001	Pack	562 200 000	40 000	Yes	No	
	Office furniture and filing cabinet /c	set	49	28.531.650	DT 4	2020	Goods	MoA			1 398 050 850	99 470	Post	e-Purchasing	5002	Pack	28.531.650	2 030	Yes	No	
	All electrical equipment /d	set	6	70.275.000	DT 4	2020	Goods	MoA			421 650 000	30 000	Post	Shopping	5003	Pack	70.275.000	5 000	Yes	No	
	Laptops /e	laptop	49	12.649.500	DT 4	2020	Goods	MoA			619 825 500	44 100	Post	e-Purchasing	5004	Pack	12.649.500	900	Yes	No	
	Desktop computers /f	unit	6	11.244.000	DT 4	2020	Goods	MoA			67 464 000	4 800	Post	e-Purchasing	5005	Pack	11.244.000	800	Yes	No	
	TOTAL										32 725 240 350	2 328 370.0									
DISTRICT																					
	4x4 Vehicle	Per District	25	562 200 000	DT 2.1	2020	Goods	District			14 055 000 000	1 000 000	Post	e-Purchasing	25.0	Pack	562 200 000	40 000	Yes	No	
	Motorcycles for facilitators /c	Motorcycle	250	35 137 500	DT 2.1	2021	Goods	District			8 784 375 000	625 000	Post	e-Purchasing	250	Pack	35 137 500	2 500	Yes	No	
	Tablets for facilitators /d	tablets	250	4 216 500	DT 2.1	2021	Goods	District			1 054 125 000	75 000	Post	e-Purchasing	250	Pack	4 216 500	300	Yes	No	
	Laptops	Per District	4	12 649 500	DT 2.1	2021	Goods	District			50 598 000	3 600	Post	e-Purchasing	4	Pack	12 649 500	900	Yes	No	
	Office furniture and filing cabinet	Set per district	25	28 531 650	DT 2.1	2020	Goods	District			713 291 250	50 750	Post	e-Purchasing	25	Pack	28 531 650	2 030	Yes	No	
	TOTAL										90 107 869 950	1 754 350.0									
	TOTAL OVERALL GOODS										122 833 110 300.0	4 082 720.0									

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 Annex 7: Procurement Plan

Procurement Plan of Firm Selection for Consulting Services (2020-2021)																		
SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost 000	Comp	Year	Goods/Work s/Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/P ost)	Method of Selec-tion	# Pack	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domestic Prefer-ence (yes/no)	Prequa-lifica-tion (yes/no)
		Unit	Total	(Rp)														
NPMU																		
	NGO for implementing family-based approach /b	Village	248	21 082 500	DT 1.1	2020	Cons.Serv	MoA		5 228 460 000	372 000.0	Prior	Community for Participation	248	21 082 500	1 500.00	Yes	Yes
	Consulting Firm for District Implementation Team (DIT)	Package	5	22 862 887 047	DT 2.1	2020-2021	Cons.Serv	District		22 862 887 047	1 626 672.9	Prior	QCBS	5	22 862 887 047	1 626 672.86	Yes	No
	District Coordinator																	
	District Marketing Specialist																	
	MIS/M&E Specialist																	
	Village Governance Facilitator																	
	Economic Initiatives Advisor																	
	Communications - District																	
	Office rental - District																	
	Travel allowances - District																	
	Vehicle O&M																	
	Communications - Sub District																	
	Office rental - Sub District																	
	Travel allowances - Sub District																	
	M. Bike O&M																	
	Cost of meetings																	
	National consultancies - Market opportunities and value chain analyses	Study	5	421 650 000	DT 2.2	2020	Cons.Serv	MoA		2 108 250 000	150 000.0	Prior	QCBS	5	421 650 000	30 000.00	Yes	No
	National consultancies - Services mapping	Study	5	210 825 000	DT 2.2	2020	Cons.Serv	MoA		1 054 125 000	75 000.0	Prior	QCBS	5	210 825 000	15 000.00	Yes	No
	BUMDes assessment study	Study	5	210 825 000	DT 2.2	2020	Cons.Serv	MoA		1 054 125 000	75 000.0	Prior	FBS	5	210 825 000	15 000.00	Yes	No
	Climate risk and vulnerability assessment + Database	Study	1	1 827 150 000	DT 2.2	2020	Cons.Serv	MoA		1 827 150 000	130 000.0	Prior	QCBS	1	1 827 150 000	130 000.00	Yes	No
	Training modules for local market agents	Provice	5	210 825 000	DT 2.2	2020	Cons.Serv	MoA		1 054 125 000	75 000.0	Prior	QCBS	5	210 825 000	15 000.00	Yes	No
	Consulting Firm for National Project Management Unit (NPMU)	Package	1	10 715 981 760	DT 4	2020-2021	Cons.Serv	MoA		10 715 981 760	762 432.0	Prior	QCBS	1	10 715 981 760	762 432.00	Yes	No

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 Project Design Report
 Annex 7: Procurement Plan

National Team Leader												2					
Financial Management and Administrative Expert												2					
Procurement Expert												2					
Senior GESI Specialist												2					
Senior M&E Expert												2					
KM and Policy Development Expert												2					
Senior Village Governance Expert												2					
Senior Economic Development Expert												2					
Senior Financial Services Expert												2					
Office rent												2					
Communications												2					
Travel allowances												2					
Office Consummables												2					
Car rental allowances												2					
Consulting Firm for Province (Province Project Implementation Unit)	Package	1	12 097 166 610	DT 4	2020-2021	Cons.Serv	MoA		12 097 166 610	860 702.0	Prior	QCBS	1	12 097 166 610	860 702.00	Yes	No
Provincial Team Leader																	
Financial Management Expert																	
Procurement Expert																	
M&E/KM Expert																	
MIS/GIS Expert																	
GESI Expert																	
Village Governance Expert																	
Economic Development Expert																	
Financial Services Expert																	
Office rent																	
Communications																	
Travel allowances																	
Office Consummables																	
Vehicle Operating costs /a																	
Baseline Survey	Lumpsum	1	1 405 500 000	DT 4	2020-2021	Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	FBS	1	1 405 500 000	100 000.00	Yes	No
TOTAL OVERALL CONSULTING FIRM									59 407 770 417.3	4 226 806.9							

Indonesia
 Integrated Village Economic Transformation (TEKAD)
 Project Design Report
 Annex 7: Procurement Plan

Procurement Plan of Individual Consultant (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Comp	Year	Goods/W orks/Non. Cons/Con s. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/ Post)	Method of Selection	# Pack	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domes- tic Pre- ference (yes/no)	Pre- qualifica- tion (yes/ no)
		Unit	Total	(Rp)															
NPMU																			
	Adapting KOMPAK/developing methodology	PM	4	210 825 000	DT 1.1	2020		Cons.Serv	MoA		843 300 000	60 000	Prior	QBS	4	210 825 000	15 000	No	No
	Village cadres /a	Cadre	1000	12 143 520	DT 1.I	2020		Cons.Serv	MoA		12 143 520 000	864 000	Post	Individual Selection	1000	12 143 520	864	Yes	No
	International technical assistance - Family-based approach	PM	4	351 375 000	DT 1.1	2020-2021		Cons.Serv	MoA		1 405 500 000	100 000	Prior	QBS	2	351 375 000	25 000	No	Yes
	International technical assistance - Market opportunities and value chain analyses	PM	4	351 375 000	DT 2.2	2020		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351 375 000	25 000.0	No	No
	International technical assistance - Services mapping	PM	5	351 375 000	DT 2.2	2020		Cons.Serv	MoA		1 756 875 000	125 000.0	Prior	QBS	5	351 375 000	25 000.0	No	No
	International Technical Assistance - District marketing strategies	PM	5	351 375 000	DT 2.2	2020		Cons.Serv	MoA		1 756 875 000	125 000.0	Prior	QBS	5	351 375 000	25 000.0	No	No
	Adaptation of existing training modules	PM	5	351 375 000	DT 2.3	2020		Cons.Serv	MoA		1 756 875 000	125 000.0	Prior	QBS	5	351 375 000	25 000.0	No	No
	Programme expeditor (programme management)	PM	6	351.375.000	DT 4	2020		Cons.Serv	MoA		2 108 250 000	150 000.0	Prior	QBS	6	351.375.000	25 000.0	No	No
	Programme expeditor (technical)	PM	4	351.375.000	DT 4	2020		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351.375.000	25 000.0	No	No
	TA for GESI strategy and follow-up	PM	4	351.375.000	DT 4	2020-2021		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351.375.000	25 000.0	No	No
	International consultant to set-up M&E/KM system	PM	4	351.375.000	DT 4	2020-2021		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351.375.000	25 000.0	No	No
	TA on demand	PM	2	351.375.000	DT 4	2020-2021		Cons.Serv	MoA		702 750 000	50 000.0	Post	QBS	2	351.375.000	25 000.0	No	No
TOTAL INDIVIDUAL CONSULTANT											28 095 945 000.0	1 999 000.0							

Indonesia

Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 7: Procurement Plan

Procurement Plan of Non-Consulting Services (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Year	Goods/ Works/ Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/ Post)	Method of Selection	# Pack	Avg. value per pack (Rp)	Avg. value per package (\$)	Domestic Preference (yes/no)	Prequalification (yes/no)	No Objection from Bank for Draft Prequalification doc. (Date)*
		Unit	Total	(Rp)	Comp														
NPMU																			
Awareness Campaigns	District	25	14 055 000	DT 1.1	2021	Non. Cons	MoA			351 375 000	25 000	Post	Shopping	25	14 055 000	1 000.00	Yes	No	No
Capacity Building	Village	500	1 405 500	DT 1.1	2021	Non. Cons	MoA			702 750 000	50 000	Post	Shopping	500	1 405 500	100.00	Yes	No	No
TOT of Facilitators for Household Methodology	Per facilitator	1 000	35 137 500	DT 1.1	2021	Non. Cons	MoA			35 137 500 000	2 500 000	Prior	NCB	1000	35 137 500	2 500.00	Yes	No	No
Economic development strategy - Facilitation Expenses	per district	25	70 275 000	DT 1.1	2021	Non. Cons	MoA			1 756 875 000	125 000	Prior	Direct Purchase	25	70 275 000	5 000.00	Yes	No	No
Study tour to Philippines /f	Lumpsum	6	70 275 000	DT 2.1	2021	Non. Cons	MoA			421 650 000	30 000	Prior	NCB	6	70 275 000	5 000.00	No	No	No
TOTAL										38 370 150 000.0	2 730 000.0								
DISTRICT																			
Provincial Start Up Workshops	workshop	5	140 550 000	DT 2.1	2020	Cons.Serv	District			702 750 000	50 000.0	Post	NCB	5	140 550 000	10 000.00	Yes	No	No
Skills Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000	1 400.00	Yes	No	No
Trainee accomodation 2 week course /i	District	1.0	245 962 500	DT 2.1	2020	Non. Cons	District			245 962 500	17 500	Post	Direct Purchase	1.0	245 962 500	17 500.00	Yes	No	No
Trainee accomodation 2 week course /i - Village Governance Facilitators	District	556.0	11 664 245	DT 2.1	2020-2021	Non. Cons	District			6 485 320 220	461 424	Prior	Direct Purchase	556.0	11 664 245	829.90	Yes	No	No
Trainee accomodation 2 week course /i - Economic Initiative Advisors	District	556.0	11 664 245	DT 2.1	2020-2021	Non. Cons	District			6 485 320 220	461 424	Prior	Direct Purchase	556.0	11 664 245	829.90	Yes	No	No
Trainee accomodation 2 week course /i - PPLs	District	556.0	11 664 245	DT 2.1	2020-2021	Non. Cons	District			6 485 320 220	461 424	Prior	Direct Purchase	556.0	11 664 245	829.90	Yes	No	No
Delivery support	District	1.0	28 110 000	DT 2.1	2020	Non. Cons	District			28 110 000	2 000	Post	Shopping	1.0	28 110 000	2 000.00	Yes	No	No
Course materials	District	1.0	14 055 000	DT 2.1	2020	Non. Cons	District			14 055 000	1 000	Post	Shopping	1.0	14 055 000	1 000.00	Yes	No	No
District Start Up Workshops	workshop	25	70 275 000	DT 2.1	2021	Non. Cons	District			1 756 875 000	125 000.0	Post	NCB	25	70 275 000	5 000.00	Yes	No	No
Village Governance Facilitators - Skill Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000	1 400.00	Yes	No	No
Village Governance Facilitators - Trainee accomodation 2 week course	District	250.0	11 664 245	DT 2.1	2020	Non. Cons	District			2 916 061 250	207 475	Post	Direct Purchase	250.0	11 664 245	829.90	Yes	No	No
Economic Initiative Advisors - Skill Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000	1 400.00	Yes	No	No
Economic Initiative Advisors - Trainee accomodation 2 week course	District	250.0	11 664 245	DT 2.1	2020	Non. Cons	District			2 916 061 250	207 475	Post	Direct Purchase	250.0	11 664 245	829.90	Yes	No	No
PPLs - Skills Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000				
PPLs - Trainee accomodation 2 week course	District	250.0	11 664 245	DT 2.1	2020	Non. Cons	District			2 916 061 250	207 475	Post	Direct Purchase	250.0	11 664 245	829.90	Yes	No	
Meetings of Value Chain Analysis Reference Group	Province	5.0	42 165 000	DT 2.2	2020	Non. Cons	MoA			210 825 000	15 000	Post	Shopping	5.0	42 165 000	3 000.00	Yes	No	
Provincial Validation Workshops	Province	5.0	140 550 000	DT 2.2	2020	Non. Cons	MoA			702 750 000	50 000	Post	Shopping	5.0	140 550 000	10 000.00	Yes	No	
Translation and publication	Province	1.0	421 650 000	DT 2.2	2020	Non. Cons	MoA			421 650 000	30 000	Post	Shopping	1.0	421 650 000	30 000.00	Yes	No	
Training for data input and system operation	Province	1.0	200 000 000	DT 3.1	2020	Non. Cons	MoA			200 000 000	14 230	Post	Shopping	1.0	200 000 000	14 229.81	Yes	No	
Project & Fiduciary Management Training	Lumpsum	1.0	281 100 000	DT 4	2020	Non. Cons	MoA			281 100 000	20 000	Post	Direct Purchase	1.0	281 100 000	20 000.00	Yes	No	
Project Steering Committee meetings	meeting	4.0	70 275 000	DT 4	2020-2021	Non. Cons	MoA			281 100 000	20 000	Post	Shopping	4.0	70 275 000	5 000.00	Yes	No	
National Start-up Workshop	workshop	1.0	281 100 000	DT 4	2020	Non. Cons	MoA			281 100 000	20 000	Post	Shopping	1.0	281 100 000	20 000.00	Yes	No	
TOTAL										35 298 121 910.0	2 511 428.1								
TOTAL NON CONSULTING SERVICES										73 668 271 910.0	5 241 428.1								

GRANT

Procurement Plan of Firm Selectin for Consulting Services (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost 000		Comp	Year	Goods/W orks/Non. Cons/Con s. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimate d Cost (\$)	Review Bank (Prior/Post)	Method of Selection	# Pac k	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domesti c Pre ference (yes/no)	Pre qu a-lifica tion (yes/ no)
		Unit	Total	(Rp)															
NPMU																			
	National consultancies - Market opportunities and value chain analyses	Study	5	421 650 000	DT 2.2		2020	Cons.Serv	MoA		2 108 250 000	150 000.0	Prior	QCBS	5	421 650 000	30 000.00	Yes	No
	Climate risk and vulnerability assessment	Study	1	1 405 500 000	DT 2.2		2020	Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QCBS	1	1 405 500 000	100 000.00	Yes	No
	Orientation and Capacity Building Packages	Lumps	1	7 838 473 500	DT 3.2+H10:WH10:I10		2020	Cons.Serv	MoA		7 838 473 500	557 700.0	Prior	QCBS	1	7 838 473 500	557 700.00	Yes	No
	Policy development	PA	1	702 750 000			2021	Cons.Serv	MoA		702 750 000	50 000.0	Post	LBS	1	702 750 000	50 000.00	Yes	No
	TOTAL OVERALL CONSULTING FIRM										12 054 973 500	857 700							

Procurement Plan of Individual Consultant (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Comp	Year	Goods/W orks/Non. Cons/Con s. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Revie w Bank (Prior/ Post)	Method of Selection	# Pac k	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domes tic Pre ference (yes/no)	Pre qualific a-tion (yes/ no)
		Unit	Total	(Rp)															
NPMU																			
	International technical assistance - Market opportunities and value chain analyses	PM	4	351 375 000	DT 2.2		2020	Cons.Ser v	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351 375 000	25 000.00	No	No
	Programme expeditor (technical)	PM	4	351 375 001	DT 4		2020	Cons.Ser v	MoA		1 405 500 004	100 000.0	Prior	QBS	4	351 375 001	25 000.00	No	No
	TOTAL INDIVIDUAL CONSULTANT										2 811 000 004.0	200 000.0							

Procurement Plan of Non-Consulting Services (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Comp	Year	Goods/ Works/ Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Revie w Bank (Prior/ Post)	Method of Selection	# Pack	Avg. value per pack (Rp)	Avg. value per package (\$)	Domestic Preference (yes/no)	Prequal i-fication (yes/no)	No Objection from Bank for Draft Prequalification doc. (Date)**
		Unit	Total	(Rp)																
NPMU																				
	Policy Workshops	PA	1	140 550 000	DT 3.2	2021	Non. Cons	MoA			140 550 000	10 000	Post	Shopping	1	140 550 000	10 000.00	Yes	No	No
	Printing and dissemination of policy stu	Lumsump	1	70 275 000	DT 3.2	2021	Non. Cons	MoA			70 275 000	5 000	Post	Shopping	1	70 275 000	5 000.00	Yes	No	No
TOTAL NON CONSULTING SERVICE											210 825 000	15 000								



Investing in rural people

Indonesia

Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (TEKAD)

Project Design Report

Annex 8: Project Implementation Manual (PIM)

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
Programme Management Department

ANNEX 8: PROGRAMME IMPLEMENTATION MANUAL (PIM)

I. PROGRAMME SUMMARY DESCRIPTION

1. **Objectives.** TEKAD's **overall goal** is empowered village communities contribute to rural transformation and inclusive growth in Eastern Indonesia by leveraging the potential of the Village Law and the Village Fund. The programme **development objective** is to enable rural households to develop sustainable livelihoods, taking advantage of strengthened village and district level governance.
2. TEKAD will assist MoV in developing an evidence-based approach for empowering villages to make a better use of Village Fund and other village resources in support of economic development by: (i) building village and household capacities in planning, implementing and monitoring a significant share of Village Fund resources for inclusive economic initiatives bringing sustainable revenues; (ii) developing an enabling environment, whereby: districts/sub-districts will provide support services and better integrate village needs into district economic development planning; market players will be linked to village-based producers; and financial and non-financial service providers will extend services meeting the needs of villages; and (iii) raising MoV capacities to implement TEKAD's innovative approach and to develop evidence-based replicable models for village economic development in Eastern Indonesia.
3. TEKAD will operate in twenty-five districts in the five eastern provinces of Indonesia - Papua, West Papua, Maluku, North Maluku, and East Nusa Tenggara. In these districts, TEKAD will target 1,720 villages and around 412,300 households, benefiting approximately 1,855,350 people.
4. **Lessons learnt.** The TEKAD design builds on the experience gained from GoI's National Program for Community Empowerment - Program Nasional Pemberdayaan Masyarakat (PNPM), and from IFAD's past programmes supporting PNPM (PNPM Pertanian/Agriculture) and the implementation of the 2014 Village Law (Village Development Programme) in Papua and West Papua. Main lessons are as follows:
 5. TEKAD's design builds on the experience gathered from VDP and PNPM Pertanian, which points to the following lessons learnt:
 - **Strategic development.** Village economic planning focuses on very short-term priorities, often under the form of inputs. The planning of economic investments should adopt a longer-term, more strategic perspective, with a view to gradually build a dynamic, village-based productive sector;
 - **Access to markets.** Improving villagers' production without consideration for market opportunities leaves villagers with products that cannot be sold beyond traditional traders. This fails to generate sufficient incentives to keep up with improved agricultural practices, especially where these involve higher production costs. Market information needs to be made available as a tool to help villagers in selecting priority commodities that can meet market demand and that can provide them with a good, sustainable income worth the effort of changing their traditional practices;
 - **Access to finance.** Village Fund allocations for productive activities are often used for the purchase of inputs or perishable fishing gear, which is prompted by the lack of access to finance, limited financial literacy, and a general expectation to receive free goods from the government. This prevents the utilisation of Village Fund resources for more sustainable productive investment, generates villagers' dependency and hinders the sustainable growth of their farming or fishing enterprises. Diversified approaches for improving villagers' financial literacy, promoting savings and making available suitable financial products should be promoted, so that village producers can build resilience and access credit for the financing of working capital.
 - **Enabling environment.** VDP activities were entirely village-focused, with limited involvement of village existing structures, whether traditional or created for the implementation of the Village Law. Sustainability rests on the creation of new capacities at village level, building on the existing structures. But it also calls for developing an enabling environment whereby villagers will find support throughout the transformational process and especially once the programme is over. This involves building the capacities of public agencies at sub-district, district and provincial level, developing the capacities of service providers who can provide assistance to villages and be paid

by Village Fund resources, facilitating the clustering of villages around common economic objectives, and strengthening market linkages.

- **Role of facilitators.** Programme facilitators have had a key role in mobilising villagers, building their capacities and in facilitating their access to markets. Both MoV and the Ministry of Agriculture (MoA) have facilitators at district and sub-district level, which offer a good basis to develop a steady supply of support services to villagers. However, their skills are limited and their mobility is constrained by limited operational resources. There is therefore a need to build their capacities and to promote a more efficient planning of district budget resources so that they can become qualified public service providers extending the right mix of services to support village economic development.
- **Accountability and inclusion.** While the Village Law does support community participation and accountability, the risk of elite capture is strong, particularly where village structures are not involved, village capacities are limited and there is no tradition of transparency, inclusion or accountability in the use of public resources. This risks will be mitigated through community empowerment, including organizations strengthening, mobilization and capacity building, emphasizing the poorest and more vulnerable segments, for them to participate and make their rights and priorities prevail in villages' decisions on the Village Fund resources allocation. Villages need capacity building support and incentives to ensure that village resources are programmed based on inclusive participation, that their implementation is monitored, and that Village Heads are accountable to the community and the district, in line with the Village Law. Similarly, capacity building is required at district level so that districts can provide guidance and oversight to villages in the use of public resources, in line with the Village Law.
- **Long term approach.** Programmes have limited durations, which are not sufficient to fully build the capacities and institutions required for the sustainable improvement of livelihoods, especially in traditional Melanesian societies. Expected changes are substantial and it should not be anticipated that they can easily be adopted. A longer-term approach is needed to support sustainable transformation and to phase it in gradual stages.
- **Building sustainability into programme design.** The capacities (institutions, processes and skills) required to ensure that villagers will still be able to access support services beyond programme completion must be built into programme design, so that they can be patiently and solidly supported throughout programme implementation and that related costs are reflected in the initial programme budget.

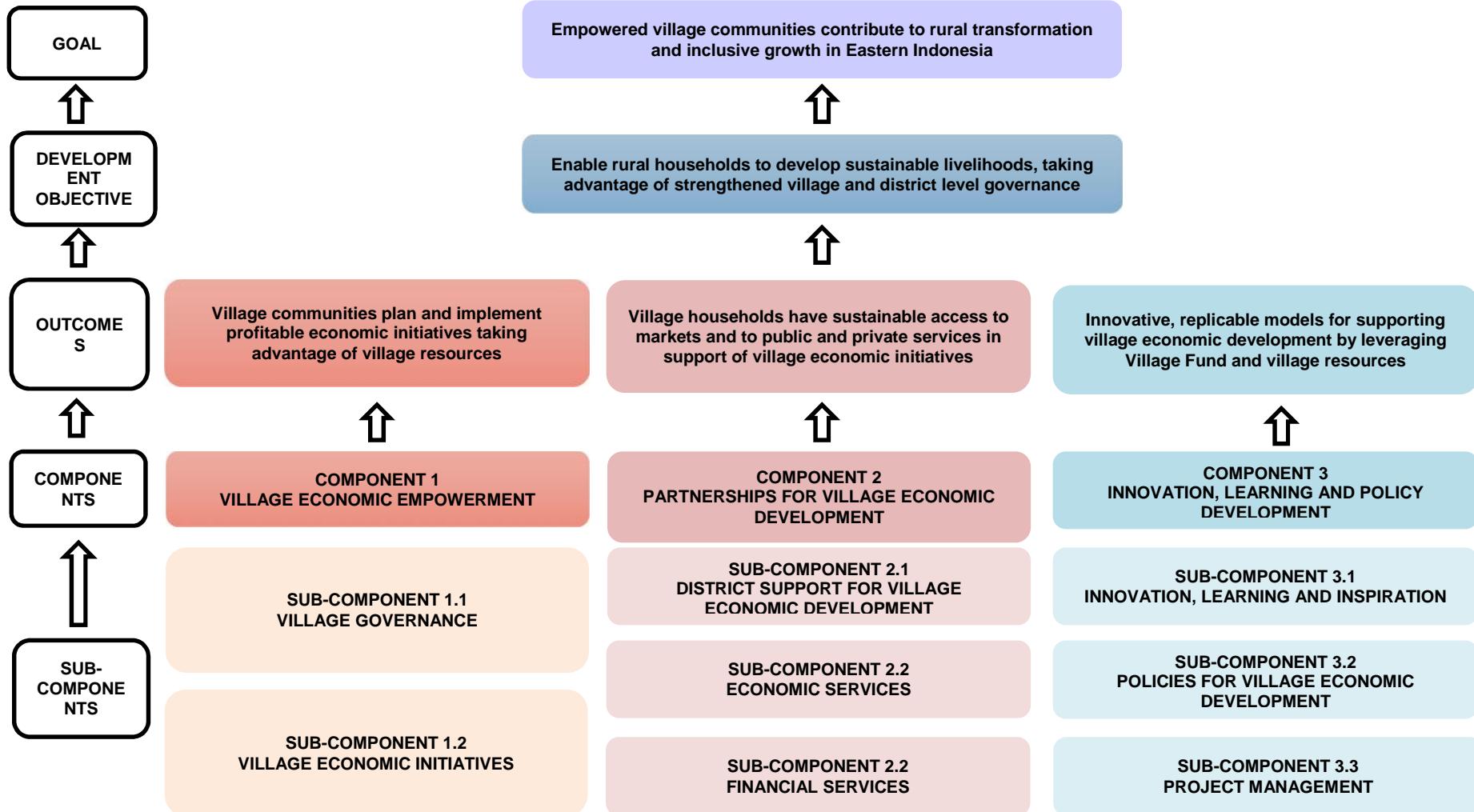
6. **Components.** TEKAD support is conceived as an accelerator of village economic development in underprivileged areas of Indonesia – a temporary intervention that aims at boosting the capacities of existing players, in the villages and in their environment, so they can build on economic opportunities and leverage village resources to generate growth at village level. The programme strategy and activities are therefore driven by the primary concern that, by the end of programme implementation, sustainable mechanisms have been established to ensure sustainable planning and implementation of village resources for economic growth.

7. TEKAD includes three interrelated components:

- *Component 1 – Village Economic Empowerment* will be implemented at village level and will gather activities aimed at improving the abilities of village governments and communities to promote and implement inclusive and sustainable village economic development, leveraging Village Fund and other resources.
- *Component 2 – Partnerships for Village Economic Development* will take place at district and provincial level and will aim at promoting an ecosystem whereby villages will be connected to their environment and will access services, markets and financing;
- *Component 3 – Innovation, Learning and Policy Development* will be implemented at the national level and will promote proof-ready and evidence-based learning, policy development and institutional strengthening in support of village economic development in Eastern Indonesia.

8. Figure 1 represents the hierarchy of goal, development objectives, outcomes, components, sub-components.

Figure 1 – Programme objectives and components



9. **Implementation arrangements.** TEKAD will be implemented by MoV. The NPMU will be operated under the authority of MoV's Director General of Village Development and Community Empowerment, which will be delegated to the Director of Natural Resources and Applied Technology. A Provincial Programme Implementation Unit will be established in each of the five target provinces and will be responsible for overall implementation, guidance and coordination support in the province. Every target district will have a District Programme Implementation Unit that will be embedded into the district administration and will work in close collaboration with the District Head and staff involved in the promotion of economic development at district and village level. At both the provincial and district level, multi-stakeholder platforms (Province/District Coordination Teams) will be set up, building on existing systems, to facilitate coordination and knowledge management. Facilitation services will be organised at the sub-district level, in line with current MoV systems.

10. **Costs.** Total TEKAD cost inclusive of taxes and duties is estimated at US\$ 702.03 million over a six-year implementation period. Programme investments are organized into three components: Component 1 – Village Economic Empowerment (86.5% of the costs); Component 2 – Partnerships for Village Economic Development (10.4%); and Component 3 – Innovation, Learning and Policy Development (3.1%).

11. **Financing.** TEKAD will be financed from an IFAD loan of US\$ 32.85 million, an IFAD grant of US\$ 1.50 million, beneficiary contribution estimated at US\$ 27.08 million, GoI contribution under the Village Fund estimated at US\$ 541.60 million, and GoI contribution in taxes and staff salaries of US\$ 18.99 million; the financing structure presents a gap of US\$ 80 million, which will be financed by IFAD with resources from its next funding cycle (2022-2024) or by a co-financier willing to partner and acceptable to the GoI..

II. TARGET AREAS AND TARGET GROUPS

12. **Target provinces.** TEKAD will focus its interventions on five Eastern Indonesian provinces: Papua, West Papua, Maluku, North Maluku and East Nusa Tenggara. Four out of the five provinces have the country's highest poverty rates, as indicated in Table 1. Although GoI has been concentrating its development efforts on improving infrastructure, especially in remote rural areas, Human Development Indicator (HDI) rates are still among the lowest in the country. Literacy - and numeracy - rates can be as low as 25% in the Papuan highlands (especially among women; the provincial average is 68%) and up to almost 100 percent elsewhere – for example in villages close to urban centres in East Nusa Tenggara. Malnutrition is significantly higher in Eastern Indonesia, and stunting of children under 5 years of age is above 40% in East Nusa Tenggara and Maluku.

13. Table 2 further shows that 90% of the 6,072 villages in the target provinces are in IDM more deprived categories.

Table 2 – Villages IDM ranking in target provinces

IDM categories	Number of villages
Highly disadvantaged	1,984
Disadvantaged	3,447
Developing	569
Advanced	40
Independent	32
Total	6,072

Source: MoV, 2019.

14. The target provinces are also amongst Indonesia's areas most vulnerable to climate change. Significant local micro-climatic differences are expected, due to the complex topography and different altitudes, with average temperatures increasing between 1.0-1.5 C° by 2060. Rising sea levels and coastal flooding will particularly affect the Maluku provinces and East Nusa Tenggara. With respect to the impacts of climate change on agriculture, some the biggest losses in per capita terms are to be expected in West Papua⁷⁶.

⁷⁶ Policy brief: Indonesia: costs of climate change 2050, USAID 2016.

15. **Target districts.** TEKAD will operate in 25 districts, of which 13 are the districts where VDP was implemented for two years in Papua and West Papua, and 12 are ‘new districts’ in Maluku, North Maluku, and East Nusa Tenggara (Table 3). Districts were selected by MoV based on: demographic density; economic potential; road connectivity; complementarities with other ongoing or previous development programmes (such as IFAD-financed Smallholder Livelihood Development Project/SOLID, which was recently completed in Maluku and North Maluku); and the Village Development Index (IDM)⁷⁷ scores of their villages. This guarantees that geographic targeting is based on the latest available data on multi-dimensional poverty indicators at village level.

Table 3 – TEKAD target districts

Papua	West Papua	Maluku	North Maluku	East Nusa Tenggara
Boven Digoel Jayawijaya Kepulauan Yapen Nabire Sarmi Yahukimo	Fak Fak Kaimana Manokwari Manokwari Selatan Maybrat Pegunungan Arfak Raja Ampat	Buru Maluku Tengah Seram Bagian Barat Seram Bagian Timur	Halmahera Barat Halmahera Selatan Halmahera Tengah Halmahera Utara	Manggarai Ngada Sumba Timur Timur Tengah Selatan

16. **Target villages.** Within the target districts, TEKAD will implement activities in 1,720 villages, which will be distributed across the five provinces as shown in Table 4.

Table 4 – Village distribution per province

Province	Number of villages
Papua	566
West Papua	290
Maluku	288
North Maluku	288
East Nusa Tenggara	288
TOTAL	1,720

17. TEKAD will support the development of village clusters that will pool production and resources to facilitate the access to larger and better remunerated markets. Village clusters will also ensure the profitability of collective investments for storage and processing, facilitate village-to-village learning and increase the efficiency of programme delivery. The following approach will be used for selecting villages participating in clusters:

- Out of the 1,720 villages, a first batch of 500 core villages will be identified in PY1 and start activities in PY2. Criteria for the selection of core villages will include: (i) potential for developing target commodities (see below); (ii) reasonable road access; (iii) levels of social capital (from the IDM database); and (iv) not participating in P3PD to avoid overload for sub-district staff. Priority will be given to villages that are priority villages in district plans, that have an active BUMDes or cooperative, and that have access to electricity. Consideration will also be given to have a minimum number of villages classified as ‘developing’ (*berkembang*) against IDM. In addition, in Papua and West Papua, villages involved in VDP will be considered as priority if they fit the other selection criteria. Similarly, in Maluku and North Maluku, former SOLID villages will be considered in the selection. All of the core villages will receive four year of support (PY2-PY5).
- Another 1,220 villages will be pre-identified in PY1 and start activities in PY3 (second batch of 610 villages) and PY4 (third and last batch of 610 villages). The main criteria for selecting cluster villages are that: (i) they will be within reasonable distance of a core village; and (ii) they will have potential for developing the same target commodity as in the core village. Villages in the first batch will receive four years of support (PY3-PY6), whereas villages the second batch will only receive three (PY4-PY6). However, it is expected that they will benefit from the accumulated

⁷⁷ MoV has developed the Village Development Index (IDM), a composite index based on 22 variables and 52 indicators that focus on four dimensions, namely social, economic, ecological and environment. IDM classifies villages into five categories: Highly Disadvantaged Villages (IDM value <0.491); Disadvantaged Villages (IDM value 0.491 - 0.599); Developing Villages (IDM value 0.599 - 0.707); Advanced Villages (IDM value 0.707 - 0.815); and Independent Villages (IDM value > 0.815).

experience in villages that joined in earlier and that the shorter duration of programme support will be compensated by stronger peer-to-peer learning opportunities;

- The participation of both core and cluster villages will hinge on the willingness of their Village Heads to sign an agreement with TEKAD, whereby they will commit to implement Village Law prescriptions with regard to participation, inclusion, transparency and accountability, as well as to allocate an adequate share of the Village Fund to the development of economic activities⁷⁸;
- Both core and cluster villages will participate in awareness campaigns in PY1.

18. It is expected that village clusters will assemble around 10 villages (depending in particular on potential, connectivity, village willingness). One cluster can therefore include several core villages.

19. **Primary beneficiaries.** Target groups will consist of smallholder farming households, microentrepreneurs as well as households in coastal communities involved in fisheries and the production of marine products. Primary beneficiaries will mostly be semi-subsistence households (low input-low output producers with some though limited engagement with the market), who will have a minimum range of assets and resources, including labour, required for the production of target products, and who will be willing to enhance their production activities for food security and income generation. It is expected that TEKAD will directly benefit approximately 412,300 households, or 1,855,350 people based on a household of 4.5.

20. The target groups are part of a very heterogeneous universe of population groups in the five provinces - in the case of the Papua provinces alone, it is comprised of over 375 ethnic groups speaking over 250 languages. This wide socio-cultural diversity is furthermore subject to the complex interplay between traditional social structures (including ethnic and clan affiliations), statutory government structures, public sector interventions as well as market forces. Poverty levels among the programme target groups are high, but defy easy standardization: poverty is to some extent correlated with food security and remoteness (road connectivity) as well as origin of the household head (autochthonous, migrant from the same province, 'transmigrant' from another province), but not with family size, asset ownership, or land holding.

21. Women's time poverty is ubiquitous and most severe in the Papuan highlands. Women in all provinces are actively engaged in agricultural production and, in the highland areas, may carry out 80 to 90% of all agricultural activities. Furthermore, in Papua and West Papua, intra-household violence on the part of men is among the most pronounced in the world - a recent report⁷⁹ shows that nearly two in five women aged 14-64 (38%) have experienced at least one form of physical and/or sexual violence by a male intimate partner in their lifetime.

22. Women will therefore constitute a specific target group, because of their disempowerment, lack of access to services and markets as well as elevated gender-based violence, which altogether negatively affect household revenues and well-being. The programme will also benefit youth, by creating new economic opportunities in the production and marketing of primary commodities and in agro-tourism, facilitating access to innovation and new technologies and services (including through digital applications), supporting small business growth, and engaging them as agents of change.

23. **Secondary beneficiaries.** Secondary beneficiaries include service providers that will extend business development services (including technical services) and financial services to village producers, as well as buyers of target commodities in the target provinces.

III. DETAILED ACTIVITIES

A. COMPONENT 1 – VILLAGE ECONOMIC EMPOWERMENT

24. Component 1 will improve villagers' ability to promote inclusive and sustainable local economic development, building on the village potential and using Village Fund and other village revenues. The **expected outcome** is that village communities envision, plan and implement profitable economic initiatives taking advantage of village resources.

⁷⁸ Unless justified by extraordinary events such as, for example, natural disasters or other emergencies.

⁷⁹ Study on Women's and Men's Health and Life Experiences in Papua, Indonesia, UNDP, 2016.

25. Strategic orientations for Component 1 include the following: (i) activities will be rooted in the Village Law and annual planning will be aligned with the regular annual planning cycle; (ii) strategic choices and planning will rest on broad-based participation and agreement of different village social and economic groups; (iii) a village medium-term economic strategy, focusing on a limited number of commodities/trades, will be prepared to orient annual planning, building on village potential and features (agro-ecological zone, remoteness, existence of economic organizations, existence of traditional settlements and on information on available market opportunities); (iv) clusters of villages pooling production and resources will be promoted to facilitate the access to larger and better remunerated markets, to ensure the profitability of collective investments for storage and processing, to facilitate village-to-village learning and to increase the efficiency of programme delivery. Most importantly, the component will be implemented with maximum flexibility to accommodate different potentials, needs (food security and/or market-driven production), distance to markets, initial levels of capacity and learning paces of participating villages.

26. Component 1 comprises two sub-components: (i) Village Governance; (ii) Village Economic Initiatives. Activities will focus on the village level, with villages phased in over three years, as explained in Section II A c. They will be complemented by activities implemented under Component 2 (especially mapping studies, cluster development, facilitation of market linkages, and facilitation of access to financing) at district and provincial level. Guidelines and tools will be embodied in the Orientation and Capacity Building Packages that will be developed under Component 3.

27. Main indicators are: (i) 70% of households reporting increase in production; (ii) average 30% increase in both marketed volume and value of sales of agricultural/marine products; and (iii) at least 30% of Village Fund (DD) and District Village Allocation (ADD) planned for economic development.

Sub-component 1.1 - Village Governance

28. This sub-component aims at building the capacities of village communities to envision, plan and implement village resources in support of economic initiatives bringing sustainable revenues, in accordance with the Village Law and through inclusive community participation. Activities will include the following.

Activity 1.1.1 – Awareness Raising

29. **Programme information.** The first implementation step in Sub-Component 1.1 will be to engage with pre-identified core villages (see Section II – Target Areas and Target Groups) to provide information on programme objectives and activities. In particular, it will explain:

- the Village Law and mechanisms for implementing the Village Fund, including general principles of participation, transparency and accountability of village governments to their constituents, which the Village Law supports to ensure good governance;
- the TEKAD focus on enhancing village economic development within the wider village development approach already supported by MoV – including the preparation of a medium-term inclusive economic development strategy supported by annual planning of expenditure to achieve the strategy;
- the flexibility of the TEKAD approach to meet pre-existing village realities, especially in respect of food security challenges, remoteness or natural resource base;
- the approach and methodology that will be taken in the delivery of TEKAD, including village commitment to use an adequate share of the village resources in support of economic development, gender equity and social inclusion objectives, the village cluster approach, the role of the district management team and benefits deriving from participation into TEKAD;
- the roles and responsibilities of the core village head and village government – including with regard to broad community participation, transparency, gender and social inclusiveness and accountability towards all their village constituents;
- the obligations of the village head in regular reporting – “upwards” to the district team and district mayor, “downwards” to the various stakeholders within the village community and “across” to assisting cluster villages to plan and prepare for their later engagement with TEKAD – with assistance from the Village Governance Facilitators;
- how TEKAD proposes to link to existing services from MoV (P3MD facilitators).

30. **Information on mapping studies.** Awareness campaigns will also include a broad presentation of the outcomes of the provincial mapping studies (Sub-component 2.2) of direct relevance to the cluster. Information drawn from the value chain studies and market opportunities/Orientation Capacity Building Packages (Sub-component 3.2) will help villagers understand the opportunities that exist, required investments both at village and household level and potential return to women and men, young people, as well to marginalised groups. Information drawn from the climate risk and vulnerability assessment will enlighten potential risks as well as mitigation measures that could be enacted (as reflected in the Orientation Capacity Building Packages), along with costs and expected return.

31. **Organisation.** Awareness raising will involve the entire village community. After an initial meeting with the Village Head, village government and Village Council to agree on the best way to ensure inclusive activities, the Village Governance Facilitator⁸⁰ will engage with other levels of village leadership, including traditional leaders, sub-village heads, leaders of existing groups (including PKK⁸¹ and other women groups, youth groups, producers' groups), existing economic organisations (including BUMDes and cooperatives) and sub-village communities. This process may take place over a number of days to ensure there is adequate time to absorb and understand the details being presented, and to allocate sufficient time to discuss and decide within the village community.

32. **Phasing.** Awareness campaigns will be phased as follows.

- Year 1: awareness will be provided to a first batch of 500 core villages at the end of PY1, so they are ready to start activities in PY2;
- Year 2: awareness campaigns implemented in a second batch of 610 villages, to start activities in PY3;
- Year 3: awareness campaigns implemented in a third and final batch of 610 villages, to start activities in PY4.

33. Additionally, it is suggested to organise a meeting of Village Heads/Village Councils and key leaders of villages identified as potential cluster villages in Year 1 (and thus likely to start activities in PY 2 and 3), so they get generic information about the programme, including phasing, and how their villages will have an opportunity to participate within the next two years.

Activity 1.1.2 – Village Commitment

34. Further to the awareness campaign, villages willing to participate in TEKAD activities will be requested to sign an agreement, which will outline respective roles and obligations of the signatories - Village, District and Sub-District Heads and TEKAD. Village obligations will cover the following:

- inclusive community participation;
- the establishment of a Village Management Information System;
- accountability and transparency obligations, including monitoring and reporting;
- engaging with the village cluster;
- allocating an adequate share of the Village Fund resources to support economic initiatives identified by the village community through the planning process described below;
- facilitating access to land, in particular for young people;
- support regular loan recovery where applicable;
- support the work of TEKAD village volunteers and facilitate the implementation of the household-based approach (see Sub-component 1.2).

35. Free, Prior and Informed Consent will be required from local indigenous communities.

36. District, Sub-District Heads and TEKAD obligations will spell out the services that will be provided to the village to support programme implementation.

37. After a reflection period to allow debate, full ownership and ratification of the agreement by the community (2-4 weeks), each village will sign up to participation by not later than the end of Q1 of

⁸⁰ There will be one Governance Facilitator fielded per 9 villages.

⁸¹ *Pembinaan Kesejahteraan Keluarga - PPK* are women's groups established under the Indonesian Family Welfare Guidance Programme and are present in the majority of villages.

PY2 (initial batch of 550 villages)/PY3 (second batch of 610 villages)/PY4 (final batch of 610 villages). Agreements will be signed by the Village Head, District Head, Sub-District Head and TEKAD District Coordinator. The agreement will be for the duration of TEKAD support, but if required can be reviewed by either party at the time of annual review. Where there are local government elections resulting in changes of personnel, especially District and Village Heads, the agreement will stand but the TEKAD District Coordinator will ensure all new signatories are fully briefed on TEKAD.

38. Where a village fails to meet its obligations, the Village Governance Facilitator, the District Head and TEKAD District Coordinator will assess reasons and look for solutions that would enable village full participation. If such remedial measures bear no effect and the village still does not comply with its obligations, the issue will be brought to consideration of the TEKAD Provincial Team Leader, first, and then of the National Programme Manager, who will be entitled to terminate the agreement.

Activity 1.1.3 - Village Information System and Village Mapping

39. **Village Information System.** Based on the successful KOMPAK⁸² pilot in Papua and West Papua, which has shown that evidence-based decision making in village planning leads to significant improvements in outcomes, TEKAD will set up a Village Information System (VIS) covering economic data, which will be used to orient village planning and monitor progress. The VIS will also constitute an important tool for establishing the programme baseline and ensuring monitoring of results, for which it will be developed under the overall responsibility of TEKAD Senior M&E Specialist and in collaboration with the short-term international technical assistance on M&E.

40. The system will build on the KOMPAK Village Information System, gender- and age differentiated categories of information, and especially those related to civil status, education, basic facilities and infrastructure, poverty and vulnerability, village financing, village assets, village organisations, village area information. It will also add economic data required to support economic development planning, including the following:

- *Connectivity*: type and quality of roads/time needed to sub-district and district capital/time needed as well as main marketing centers in the province; number of households holding a mobile phone;
- *Food security*: insecure households based on number of weeks without capacity to provide food;
- *Economic organisations*: BUMDes, producer groups (by gender, by commodity/with membership) and other
- *Land use*: arable land (total arable and currently cultivated), forest land (different types), protected areas,
- *Main sources of livelihoods and revenues*, including agriculture crops (with cultivated surface/crop), livestock breeding (with herd size and age by type of animals), fisheries, aquaculture, collection and marketing of non-timber forest resources...
- *Production/marketing data* per crop: productivity, % sold, returns per ha...
- *Economic infrastructure*.

41. Data will be disaggregated by gender and age where relevant. The Village Information System will be developed as follows:

- TEKAD will recruit a national MIS consultant to work with KOMPAK to design the TEKAD MIS system. The consultant will work closely with the KOMPAK team, TEKAD Senior M&E Expert, MIS Expert, Village Governance Expert, Economic Development Expert, and GESI Expert (all at national level), a group of TEKAD District M&E/MIS Coordinators and a gender and age-balanced focus group of villagers (including Village Heads). The system will enable easy data collection by village cadres using tablets and will generate different types of reports suiting the needs of Village Heads and communities, district government and TEKAD different levels of organisation. The system will be compatible with TEKAD MIS (see Section VI – M&E/KM) and other relevant databases⁸³. Guidelines will be developed describing how to operate data collection and processing and how to provide feedback to villages. Consideration will be given to the possibility

⁸² <http://kompak.or.id/en>.

⁸³ To be further agreed with MoV – relevant databases might include IDM, MoHA village database (SIPD), upcoming P3PD Smart Village database and BAPPENAS' KRISNA database.

of implementing the Village Information System in stages in any given village (along increased complexity/volume of data);

- The system will be tested in a small sample of districts. While it might be good to have one test district per province, ease of logistics will also be a criterion. Based on feedback from every category of stakeholders and territorial level, the consultant will refine the software and the guidelines as required;
- The national consultant will then train TEKAD M&E/MIS staff from every level;
- District M&E/MIS Coordinators will train district staff as relevant, as well as TEKAD Village Governance Facilitators. These in turn will train, and later coach and monitor, two village cadres per village in the initial collection and regular update of VIS data.

42. Village cadres will be young volunteers, a woman and a man, and will be responsible for: (i) gathering data at village level and keeping it updated (on a quarterly or semi-annual basis); and (ii) mobilizing the community to participate in the planning, implementation and monitoring of village economic development (see Activity 1.1.5). Volunteers will work closely with the Village Head and village leaders, and will be supported by the TEKAD Village Governance Facilitator. TEKAD will pay a monthly allowance to two village cadres per village to cover expenses and will provide training – both workshop training and on-the-job mentoring.

43. **Village mapping.** As a starting point in the planning for economic development, each village will undertake a thorough assessment of existing potential and constraints to village-led economic development. Village mapping will draw on the Village Information System and will include:

- a rapid, participatory, gender-sensitive livelihoods and nutrition status analysis;
- mapping of natural resources and their suitability for the envisaged commodities;
- mapping of existing land use;
- mapping of existing market linkages by main commodity;
- social mapping focusing on both village traditional social structures (including adat), lines of power, village groups (producers', women, youth, religious or others) and businesses;
- assessment of available human skills and resources (including of the Village Head and village apparatus, BUMDEs and economic groups), using available P3PD tools.

44. More information on the social mapping is provided under Section III – Gender Equity and Social Inclusion Strategy.

45. This activity will follow the same implementation pattern as the Village Information System. Guidelines will be designed by the consultant who will be responsible for preparing the GESI Strategy, in collaboration with a team composed of the national-level, Village Governance Expert, Economic Development Expert, GESI Expert and their counterparts at provincial/district level. The system will be tested in a small sample of districts. Based on feedback from every category of stakeholders and territorial level, the consultant will refine the guidelines as required. Cascade training will be organised from national down to village level.

Activity 1.1.4 – Capacity Building and Village Activists

46. **Capacity building.** Capacity building will be provided to Village Heads, Village Councils and village governments, sub-village heads and leaders of village businesses (including BUMDes) and groups (producers' groups, women groups, youth groups, religious groups, other traditional groups...) so they can engage in village planning and monitoring and facilitate broad community mobilisation and participation.

47. Capacity building and advisory services will be delivered by a district technical team, which will be led by TEKAD District Coordinator, and will be composed of TEKAD Village Information System/M&E Coordinator and TEKAD Village Governance Facilitators; and of existing sub-district and district staff, namely: (i) Village Community Empowerment Facilitators⁸⁴ and Participatory Development Facilitators⁸⁵ under the district Community Empowerment department; and (ii) sub-

⁸⁴ *Pemberdayaan Masyarakat Desa - PMD.*

⁸⁵ *Pembangunan Partisipatif - PP.*

district Village Community Empowerment Facilitators⁸⁶. Village Governance Facilitators will gradually decrease the intensity of their support to villages, as existing sub-district and district staff build their capacities and gradually take over support. The district technical team will receive initial training (under Component 2), building on the Orientation and Capacity-Building Packages. Special sessions will be arranged for female participants as necessary.

48. The team will use the *Village Governance for Economic Development* package of the Orientation and Capacity-Building Packages. Modules will cover the Village Law, budgeting, reporting, accountability, good and transparent governance and inclusiveness, as well as leadership and facilitation skills. To account for the lower rates of literacy and general education standards in Eastern Indonesia, training will be delivered using visual presentation tools wherever possible (e.g. video, flip charts and other graphic handouts).

49. **Community mobilization.** Furthermore, Village Governance Facilitators will identify and appoint two village cadres selected among community participants, one young woman and one young man, who will be responsible for disseminating information and for mobilizing community social and economic groups to participate in the planning, implementation and monitoring of village economic development. They will also be responsible for implementing the Village Information System, as described under Activity 1.1.3.

50. Village cadres and community leaders will build on existing social and economic village structures and particularly seek to mobilise young people to promote a network of village activists that will further support broad-based village participation. Village cadres will receive a small fee, mostly covering travel expenditure, and a tablet for VIS data collection and for accessing the Orientation and Capacity Building Packages. This will be complemented by incentive-based rewards, such as public recognition by local governments and programme staff, and participation in training and communication events.

51. It is expected that, building on good achievements, a larger number of village cadres could be hired using Village Fund resources.

Activity 1.1.5 – Inclusive Economic Development Strategy

52. Building on the Village Information System and on the village mapping, villages will be supported in developing a simple medium-term economic development strategy (or roadmap), outlining how the community intends to promote the production and marketing of a limited (one or two) number of commodities/trades over the medium-term. The strategy will be developed through broad community participation, and will lay out:

- *Expected outcomes*, for example with regard to production, food security, marketing, revenues;
- *Target market(s)* and their specifications;
- *Value adding opportunities*, through grading and sorting, packaging, primary processing;
- *Required actions*, such as capacity building, linking to markets and services and capital investment, with a timeframe as well as main investments required at village and household level;
- *Measures aiming at inclusiveness*, i.e. ensuring the participation of women, youth and other special groups identified through the village mapping in activities and benefits;
- *Responsibilities of the various players* - village head and government, village BUMDes, village economic and other groups, households, village cadres.

53. The strategy will also identify services and expenditure that should be covered by the district agencies or district budget (see Component 2).

54. The village strategy will define a gradual build-up in developing production, processing/adding value and marketing activities within the village (at household level and on a collective basis through BUMDes or other types of economic organisations), as well as in partnership with villages in the cluster. The respective importance attributed to producing for food security or for income-raising through marketing will also vary according to villagers' priorities and key factors such as remoteness and food availability.

⁸⁶ Pendamping Desa Pemberdayaan – PDP.

55. **The strategy should remain a simple document that is understood and owned by the village community (rather than an exhaustive document prepared by outsiders).** TEKAD support will aim at laying out options, facilitating discussions and decision-making, and ensuring gender equity and social inclusion. However, the responsibility for deciding on products, markets, actions and their financing will rest with the village. Annual reviews (see Activity 1.1.5) will give an opportunity to amend and refine the strategy based on actual progress.

56. A district technical team will provide support to the preparation of village strategies. It will be led by TEKAD District Coordinator, and will be composed of TEKAD Village Information System/M&E Coordinator, TEKAD Village Governance Facilitators and Economic Initiatives Advisor; and of existing sub-district and district staff, namely: (i) Village Community Empowerment Facilitators⁸⁷ and Participatory Development Facilitators⁸⁸ under the district Community Empowerment department; and (ii) sub-district Village Community Empowerment Facilitators⁸⁹. Village Governance Facilitators will gradually decrease the intensity of their support to villages, as existing sub-district and district staff build their capacities and gradually take over support. The district technical team will receive initial training (under Component 2), building on the Orientation and Capacity-Building Packages.

57. TEKAD support to the development of the village strategies will include:

- *Information* on available options, building on: (i) village potential as laid out by the village mapping/Village Information System, and (ii) options for economic development laid out in the Orientation and Capacity-Building Packages (described under Component 3). These will clarify available market opportunities for agriculture, marine, non-timber forest products and/or agro-tourism, technical and economic options, required investments at household and village level, and financial returns that could be expected;
- *Facilitation and advisory services*, particularly to ensure broad and inclusive community participation;
- *Capacity building*, as described in the next activity.

58. Once it is prepared and the village has had enough time to discuss and approve, the village economic development strategy will be formally approved by the Village Consultative Body set up in implementation of the Village Law.

59. Village economic development strategies will be developed and approved in the first half of PY2 in the core villages. Strategies will be developed in cluster villages in PY3 and PY4. It is expected however that these villages will decide/accept to engage into the same crops than those selected by core villages. This may require that there is some consultation and agreement of cluster villages during the preparation of strategies in core villages.

60. Guidelines and tools for developing, monitoring and reviewing the village economic development strategy will be described in the Orientation and Capacity-Building Packages prepared in PY1 (see Component 3).

Activity 1.1.6 –Annual Planning and Monitoring

61. Every year, as part of the regular village annual planning process, TEKAD will support the preparation of a detailed annual economic development plan and budget, which will describe activities that will be undertaken and financed during the year to implement the village economic development strategy. The plan will describe activities to be developed, required investments (collective pre- and post-harvest equipment⁹⁰ and support services), costs and sources of financing, including Village Fund and other village resources, expected outputs and how they relate to the strategy's expected outcomes. Financing will be provided by: the Village Fund and other village resources, and households.

62. Economic development investments planned as part of the annual plan will be made to businesses or village groups where the group leaders have completed the leadership capacity

⁸⁷ Pemberdayaan Masyarakat Desa - PMD.

⁸⁸ Pembangunan Partisipatif - PP.

⁸⁹ Pendamping Desa Pemberdayaan – PDP.

⁹⁰ Such as nurseries, storage sheds, processing equipment, pack houses, transport equipment, start-up kits...

building modules outlined in Activity 1.1.4 above. Additional pre-conditions to receiving annual funding allocation will be agreement to participate in appropriate business or technical training.

63. TEKAD will also support the village government and village groups in monitoring plan implementation, building on the Village Information System. Every year a participatory review of the plan implementation will be conducted to assess performance globally and for each participating entity, and identify success, innovations and constraints.

64. Annual reviews will measure performance against plan expected outputs as well as outcomes defined in the strategy, building on data provided by the Village Information System. They will also assess the timing of funding availability in the previous year, including any negative impacts of late fund disbursements and the reasons for late disbursements. Annual reviews will be led by the Village Head, with support from the two village cadres and TEKAD Village Governance Facilitator and Economic Initiatives Advisor. Based on the annual review, a new annual economic development plan and budget will be developed and the strategy will be amended as required.

65. Regular monitoring in between annual reviews will be ensured by the Village Head, Government and Council and the two village cadres. Monthly meetings with them and TEKAD Facilitators/sub-district facilitators will review progress based on the Village Information System dashboards. These meetings will also decide on measures to be taken to improve performance and raise constraints. Measures could include coaching from the facilitators or the village cadres, or liaising with the district or other key players.

66. Guidelines and tools for annual planning and budgeting, regular monitoring and annual reviews will be available in the *Village Governance for Economic Development* package of the Orientation and Capacity-Building Packages.

67. **Implementation of village resources.** TEKAD will provide capacity building and coaching to village governments to support the implementation of the annual plan and budget for economic development and ensure compliance with the Village Law. This will cover in particular budget discipline, accounting, financial management, procurement, reporting and accountability.

68. Capacity building and coaching will be jointly provided by TEKAD Village Governance Facilitator and the sub-district Village Community Empowerment Facilitators⁹¹, using P3PD guidelines and tools.

69. **Household-based approach.** The household-based approach will be conducted on a trial basis in Papua and West Papua. It has successfully been tried in Papua New Guinea (and implemented by IFAD in other countries) to propose a more equitable distribution of agricultural and household work done by women, men and youth. Specifically, the Family Team approach will aim at: increasing the capacities of household members to jointly taking advantage of programme benefits to improve family welfare, through family planning and budgeting; empowering women so that they access programme benefits alongside men, within the family unit; raising awareness on good nutrition practices; and engaging the community to create a supportive environment for household level activities and for broad inclusion. More details are under Section IV B, GESI Strategy/Targeting and Inclusion Mechanisms.

Sub-component 1.2 - Village Economic Initiatives

70. The objective of the sub-component is to enable village households in developing economic initiatives for the production, processing and marketing of target product, in line with the annual plan developed under Sub-component 1.1. Economic initiatives will be supported through the following activities.

Activity 1.2.1 - Capacity building and advisory services

71. Village households will receive capacity building and advisory services to help them developing the target products selected in their village economic development strategy and annual plan, so that they can meet market demand in terms of volume and quality, and fetch remunerative prices. Capacity building and advisory services will be based on the *Support to Village Economic Initiatives* Orientation and Capacity-Building Packages, which will be organized by product. These will be prepared under Subcomponent 3.2 and will cover good production practices and technologies,

⁹¹ Pendamping Desa Pemberdayaan – PDP.

sustainable land management practices, pre- and post-harvest management, primary processing/value adding and business management, in relation to selected target products. They will also reinforce the community awareness at field level on the threat of climate change hazards on agriculture, livestock and fisheries and propose adaptive measures such as alteration in sowing dates, use of new crop varieties, introduction and adoption of irrigation methods/technologies, tillage practices, precision land levelling techniques, and use of technologies such as planters, training for and better use of chemical and insecticide treatment, use of animal dejection to replace chemical fertilizers, etc.

72. The packages will help TEKAD technical support staff to enhance their skills and provide training and advisory services on good practices, technologies and innovation to village producers, BUMDEs, cooperatives and other relevant village-based small businesses. They will be available both online⁹² and offline to facilitate wide access to support, including in most remote areas. In recognition of lower literacy and numeracy skills among beneficiary communities, TEKAD technical and business staff will adopt visual learning tools including graphics and videos.

73. Capacity building and advisory services will be delivered by a district technical team, which will be led by TEKAD District Economic Initiative Manager, and will be composed of TEKAD-financed Economic Initiatives Advisors; and of existing sub-district and district staff, namely: (i) Village Economic Development Facilitators (PED)⁹³ and Appropriate Technology Facilitators (TTG)⁹⁴ under the district Community Empowerment department; and (ii) sub-district MoA Field Agriculture Extensionists (PPL)⁹⁵ under the district agriculture department. They will receive initial training in the (up to 4) most relevant commodities. TEKAD Economic Initiatives Advisors will be equipped with digital tablets to enable multi-media presentations using the product-based capacity-building packages as the basis for training content.

74. Monthly follow-up meetings will be organized with village entities developing economic initiatives. The TEKAD-financed Economic Initiatives Advisor will be gradually phased out, so that by the end of the fourth year (for the core villages and first batch of cluster villages)/third year (for the second batch of cluster villages) of support, they are entirely replaced by PEDs and PPLs.

75. Additionally, every target district will have access to an annual programme budget for hiring specialised service providers to complement available skills and to make up for skills deficiencies within the district technical team, by offering on-demand support services to producers. This is described under Sub-component 2.2 – Economic services.

Activity 1.2.2 – Peer to Peer Learning

76. Peer to peer learning (P2P) is intended to develop the growth of creativity, critical attitude, confidence, and entrepreneurial spirit among village-based producers. The approach involves exchange with and mentoring by respected peers. Different peer-to-peer learning activities will be conducted to facilitate: (i) the exchange of ideas between peers/producers; (ii) the dissemination of information; and (iii) trigger household/producers' engagement. The anticipated result will be a higher rate of adoption of new technologies and trialling of new practices by villagers. P2P activities will include both male and female producers and will involve the following.

77. **Village-owned training centres.** This will build on the existing network of village owned and operated training centres (POSYANTEK)⁹⁶ and community learning centres planned as part of the World Bank/MoHA P3D Programme. In PY1, the TEKAD district team will undertake a district mapping exercise to assess the capacities of existing P4S and identify P3D planned sites for community learning centres in the target areas. The mapping will also assess and identify needs and interest for the establishment of new POSYANTEK centres. Ideally, every cluster should have a P2P training centre, established in a core village.

78. TEKAD will finance: (i) related cost of construction; (ii) a small operation allowance to cover transport expenses around villages and a small recognition of their donation of time, which will be

⁹² Through TEKAD Online Platform and dedicated application, see Subcomponent 3.1.

⁹³ Pengembangan Ekonomi Desa – PED.

⁹⁴ Teknologi Tepat Guna – TTG.

⁹⁵ Penyuluh Pertanian Lapangan – PPL.

⁹⁶ Pos Pelayanan Teknologi Desa or Rural Technology Center, as stipulated in PERMENDES (Minister of Village Regulation) No. 23/2017.

gradually phased out and replaced by Village Fund financing; (iii) costs of training of trainers (lead producers) in the relevant commodity production/value adding/marketing skills, provided by TEKAD staff; (iv) capacity building for the planning and delivery of training and exchange activities for both existing and new POSYANTEK centres, provided by TEKAD staff.

79. Production groups from within the village cluster will be rotated through the training centre in “courses” of flexible duration according to village group needs, with trained lead producers and group leaders taking the lead in facilitating learning delivery.

80. **Demonstration plots.** They will serve as external teaching facilities of the village-owned training centres, motivate adoption of new technologies and provide hands-on P2P training at village level. The first 10 producers in each village who are willing to participate will sign a partnership agreement defining their obligations to adopt the technology at their farm/household. These will include the completion of demonstration plot training and the organization of visits to the plot by other villagers – within or beyond their home village. In return, these 50 producers will receive a one-time start-up kit of basic inputs and tools, including fencing as appropriate and sign boards – up to a value of US\$250. Successful recipients will receive training and support from the TEKAD Economic Initiatives Adviser, the PPL and Village Cadres. At least one centrally located demo plot will be established in all of the target villages in their first year of TEKAD participation. Economic Initiatives Advisers will ensure that women and youth are thoroughly informed about the opportunities lying with demonstration plots and attached obligations, so that they can be represented among the 50 beneficiaries.

81. **District study tours.** They will enable producers to learn about production, business development, value adding and marketing successes as well as innovations developed within the district. These tours will be organized by the TEKAD district team from PY3 until PY6.

Activity 1.2.3 – BumDes and Village Businesses

82. While production activities will continue to be carried out at household level, input supply, business development functions such as input supply, quality control/certification, collection and aggregation, storage, processing and marketing will require collective action to pool higher volumes of better quality produce, access larger and better remunerated markets and earn better prices. Guidance will be provided by the Support to Village Economic Initiatives package part of the Orientation and Capacity Building Packages, and Economic Initiatives Advisers will provide further assistance to villagers in identifying and agreeing on functions that should be undertaken collectively as well as relative modalities and business organisations. It will be preferable to start with one or a few simple activities and develop them based on needs, progress and capacities.

83. TEKAD will support existing village-based business organisations (primarily BUMDEs and cooperatives, but possibly also other groups such as women or youth groups, or individual businesses such as a lead farmer aggregating and marketing produce) in developing simple business plans, and in setting up, managing and financing business development, in line with the economic strategy/annual planning, and based on annual capacity assessments. Criteria will be developed to identify eligible organisations and to measure and rank their progress. The BUMDes assessment (Activity 2.2.1) will help in shaping assistance to BUMDes. Support to BUMDEs and economic organisations will build on MoV's guidelines for BUMDes establishment, operation and management.

84. Where there are no pre-existing organisations, TEKAD will promote individual (for example lead farmers) or group-owned businesses (for example women group), including BUMDEs where conditions are met.

85. The TEKAD District Manager will source business management specialists to provide both new start-up businesses and existing businesses (including BumDes) basic business training to address the lack of essential business preparation and planning. Topics will be adjusted to commodity and location specifics as identified in the MTS and Value Chain Studies, but will likely include cashflow management, annual budgeting, capital structures, business planning, market development, and staff management. Depending on scale, trainees will include owners, managers, assistant managers, and accountants. Ten-day courses will be run annually in PY 3-6. TEKAD will finance the trainer and other costs will be met by the business owner or village fund.

86. To supplement the work of the annual business development workshops, TEKAD Village Economic Initiatives Advisers will monitor village businesses – who will be required to report to them on a monthly basis. TEKAD will further strengthen this regular support by the provision of on-going

business support services either through the Economic Initiatives Advisers, or as part of the Strategy for Access to Business Development Services. Thus, new and existing businesses will enjoy a comprehensive “wrap around” support system for the years of TEKAD engagement. After this period, businesses will be expected to pay for services themselves or have the Village Fund or other village sources of revenue pay.

87. Finally, building on social and indigenous entrepreneurship, TEKAD will support the adaptation of cooperative/'mainstream' entrepreneurship models to encompass economic and non-economic benefits, which could lead to closer alignment with traditional forms of collectivism and redistribution and would support the emergence of future Papuan microentrepreneurs⁹⁷.

Activity 1.2.4 - Access to financing

88. Capital investment for collective production, processing and marketing, as well as power generation, water conservation or other climate change mitigation equipment or infrastructure, will be identified in the annual plan and financed by the Village Fund and other village resources. Short-term investment such as seasonal inputs will be financed by producers' own resources or by loans, which will be facilitated under Component 2.

Activity 1.2.5 – Geo-tagging of infrastructure

89. In complement to the Village Information System and to further support planning, monitoring and programme transparency, a geo-tagging system will be developed to map and document village collective infrastructure financed through village resources and their status of achievement. Geo-tagging will assign specific, infrastructure-related data (such as infrastructure sub-project latitude, longitude, place name, cost, progress) to a web-based mapping application such as Google Maps, using a phone or tablet built-in Global Positioning System (GPS).

90. The system will build on the successful experience of the World Bank-financed Philippine Rural Development Project, which developed geo-tagging as a tool for monitoring project infrastructure development. A study tour for a small team of MoV/TEKAD staff will be organised prior to designing the system.

Implementation Arrangements for Component 1

91. Implementation of Component 1 will be led by a TEKAD-financed District Implementation Team⁹⁸ comprised of a District Coordinator, a District Marketing Specialist and an M&E/MIS Coordinator; (ii) Village Governance Facilitators, who will support the implementation of activities under Sub-component 1.1 and will work in close collaboration with sub-district Village Community Empowerment Facilitators⁹⁹; and (iii) Economic Initiatives Advisors, who will support the implementation of activities under Sub-component 1.2 and will work in close collaboration with existing district and sub-district staff as described above, including Field Agriculture Extensionists under the district Agriculture department. These will be redeployed to ensure that their skills match the target products selected by village clusters. Two village cadres and the village network of activists (see will support the district team at village level.

92. The facilitators will be recruited locally and will work as a team. Each facilitation team (composed of one Village Governance Facilitator and one Economic Initiatives Advisor) will initially cover 4 villages with a decreasing rate of intensity¹⁰⁰, so that by the end of TEKAD support, farmers' access to services is ensured by local players using local resources. Capacity building will be provided to local service providers under Component 2.

93. The family-based approach will be implemented by an NGO, along a methodology that will be developed by international technical consultant with experience in household-based methodologies gained in IFAD projects. The Village Information System will be implemented along an approach that will be developed in partnership with KOMPAK. The geo-tagging system will be designed with support

⁹⁷ Indigenous entrepreneurship has often been misunderstood because the analytical framework used for the task was implicitly derived from standard individualistic (utility maximising) parameters of organisational action in industrialised countries centred on anonymous market transactions. “There are many such examples of development programs in the agricultural and other sectors that do not have a significant impact on Papua’s indigenous communities, because they did not understand and utilise the traditional knowledge and culture of Papuans” (Wambrauw 2013).

⁹⁸ Budgeted under sub-component 2.1 – District Support for Village Economic Development.

⁹⁹ Pendamping Desa Pemberdayaan – PDP.

¹⁰⁰ See Attachment 1.

from a service provider, who will also be responsible for producing a manual and organising the training of district teams. The system will be operated and maintained by the district-level staff, with support from the Provincial MIS/GIS Specialist.

94. The geo-tagging system will be designed with support from a service provider, who will also be responsible for producing a manual and organising the training of district teams. The system will be operated and maintained by the district-level staff, with support from the Provincial MIS/GIS Specialist. A study tour for a small team of MoV/TEKAD staff to visit the Philippines Rural Development Project will possibly be organised prior to designing the system.

95. Support to BUMDEs and economic organisations will be developed in collaboration with MoV's departments dealing with BUMDes.

B. COMPONENT 2 - PARTNERSHIPS FOR VILLAGE ECONOMIC DEVELOPMENT

96. Component 2 will promote an enabling environment for inclusive and sustainable village economic development, by facilitating and improving village connections to services, markets and commercial financing. The **expected outcome** is that village households will have sustainable access to markets and to public and private services in support of village economic initiatives.

97. Strategic orientations for Component 2 include the following: (i) building the capacities of districts and sub-districts relevant departments so they can provide support services to village governments and better integrate village needs into district economic development planning; (ii) complementing public support services by building villagers' access to qualified private service providers extending technical and business development services (BDS), whose services can be paid with Village Fund and other village resources; (iii) phasing out programme facilitators' support and building gradual takeover by public and private service providers; (iv) building the awareness of and facilitating linkages with market players so they source from village-based producers and provide embedded services; (v) supporting linkages with selected banks so that villagers have access to financial products meeting their needs and complementing public resources. Component 2 achievements will therefore have a key role in ensuring that, by the end of the programme, villages keep accessing services to ensure profitable and sustainable economic initiatives.

98. Component 2 will be implemented at district and provincial level, and will support and complement village-based activities implemented under Component 1. It is comprised of three sub-components: (i) District Support for Village Economic Development; (ii) Economic Services; and (iii) Financial Services. Guidelines and tools will be embodied in the Orientation and Capacity Building Packages that will be developed under Component 3.

99. Main indicators are: (i) 50% of participating districts integrate investment financing for target districts in district plan; (ii) 75 % of households reporting adoption of improved inputs, technologies or practices; (iii) 80% of households are satisfied with the: a) relevance, b) quality, and c) accessibility of agricultural extension and advisory services provided by the public and private sector, physically or through digital solutions; and (iv) 60% of households reporting access to adequate BDS/financial services.

Sub-component 2.1 – District Support for Village Economic Development

100. The aim of this subcomponent is two-fold. On the one hand, it will gradually build capacities at district and sub-district level to provide technical assistance and facilitation support for the village economic development planning and the implementation of village economic activities. On the other hand, it will promote district-level productive investment, which will complement investments financed through village resources by addressing constraints that exceed village financing capacity or that are common to several villages. Activities will include the following.

Activity 2.1.1 - Information

101. In PY1¹⁰¹, TEKAD PPIUs, supported by TEKAD District Coordinators will run information and awareness workshops with: (i) the District Head; (ii) relevant district departments (*Dinas*) - Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises; and (iii) Heads of Sub-districts. The objective will be to provide information about: (i) programme objectives, activities and expected benefits; (ii) the misperception that TEKAD may be directing village fund expenditure; (iii) commodities/trades with highest potential of success and returns; (iv) the village cluster approach; (v) the GESI approach; and (vi) respective roles and obligations of the District and Sub-district Heads, district/sub-district departments, villages and of TEKAD.

102. This information campaign will include a start-up workshop at provincial level with all of the District Heads of the target districts and relevant provincial departments, a district workshop, and meetings with the different district and sub-district departments as required.

Activity 2.1.2 - Commitment

103. After the information workshops, District Heads will be invited to sign an agreement, which will outline respective roles and obligations of the signatories - District Head and TEKAD - in particular with regard to:

- facilitating Village Heads' adoption of increased Village Fund allocations for economic development;
- promoting village clusters with common economic development strategies;
- district participation in and support to TEKAD activities;
- gradual take-over of facilitation and technical support services by the district departments and other plans to ensure sustainability;
- participation in monitoring and evaluation, including to link district systems with the Village Information System and to hold regular meetings with the TEKAD District Team.

104. It will also spell out the District Head commitment to address village cluster needs in the district planning of investments, to organise a Village Desk offering easy access of Village Governments and villagers to information and services related to economic development and to set up a District Coordination Platform for Village Economic Development that would also involve Village Heads.

105. Finally, this should also include the agreement to redeploy the department of Agriculture extension staff, to ensure that their skills match target commodities/trades as described under Component 1. A District Head regulation (*Peraturan Daerah – PERDA*) will confirm the terms of the agreement as relevant.

Activity 2.1.3 - Capacity building

106. District/Sub-District Heads and staff of the relevant departments will receive capacity building to strengthen their abilities to provide technical assistance to district/sub-district facilitators and village governments. This will be achieved through:

- training of trainers (ToT), which will be carried out under a partnership agreement with MoV Community Training Center Department (*Pusat Pelatihan Masyarakat – Puslatmas*). ToT will rest on training modules that will be developed building on the Orientation and Capacity Building Packages to be designed under Component 3, and will be implemented at Puslatmas training centres in Ambon (for Maluku and North Maluku provinces), Jayapura (for Papua and West Papua provinces) and Denpasar (for East Nusa Tenggara province). Modules will be developed and delivered in PY1;
- district- and province-based training, targeting TEKAD District Teams, who will in turn train relevant district departments;
- refreshment ToT/training by PY3, building on TEKAD implementation progress and TEKAD mid-term review;

¹⁰¹ And at any rate prior to delivery of the awareness campaign in village districts described in Sub-component 1.1, Activity 1.1.1.

- broad dissemination of TEKAD capacity building packages within relevant district/sub-district departments;
- province-based community of practices facilitated by TEKAD Online Platform (Component 3) and access to the Platform.

107. Under the joint leadership of the TEKAD District Coordinator and of the District Head, TEKAD Annual Work Plan and Budgeting will describe how facilitation, technical assistance and coaching activities will be implemented by TEKAD team and district/sub-district staff (in particular Community Empowerment and Field Agriculture Extensionists) and Village Cadres.

108. While in the first years of programme implementation, TEKAD District Teams will take full responsibility for the implementation of activities with participation of district staff, TEKAD facilitators will be tasked with building the capacities of existing, permanent facilitators, so that responsibility will gradually shift to the latter and by the end of the programme, they will be fully in charge for extending support to villages. This take-over by local facilitators will result in an overall reduction in the number of facilitators interacting with the villages¹⁰². Where possible (which will be contingent on TEKAD being able to demonstrate the added value brought by TEKAD facilitators), TEKAD will promote with the District Head/MoV the integration of at least one of TEKAD facilitators¹⁰³ into the regular district Community Empowerment Facilitation Team¹⁰⁴. It is also expected that village volunteers and the village network of activists (see Component 1, Activity 1.1.4) will support facilitator's interventions.

Activity 2.1.4 - Village Desk

109. Village Desks will be established in every target district, within the district administration premises, and will operate as a one-stop-shop for village governments seeking support on village economic development at the district administration. It will provide easy access to:

- economic information (such as market opportunities and specifications, technologies, roster of service providers, linkages with banks), which will be developed as part of TEKAD activities;
- information about technical and financial assistance available within the district administration.

110. It will also facilitate the quick access of village heads/administration to the relevant district departments. Information will also be provided to market players about market opportunities and will facilitate contacts with village clusters to discuss market issues and provide market feedback.

111. The Village Desk will be operated by a suitably qualified and skilled focal point within the Community Empowerment Department and will not involve any additional costs for the district administration. Village Desks will be established from PY4 and will not involve any additional costs for the district administration.

Activity 2.1.5 - Planning integration

112. Village resources will finance economic equipment and infrastructure that are economically justified at village level (such as storage or dryers). It is expected that districts will make financing available for bigger investments exceeding village financing capacity or economically justified at a higher scale than the village, such as cold storage or large processing facilities, or capital investment into inter-village BumDes (*BumDes Bersamah*).

113. To this effect, TEKAD will support district administrations in integrating village needs into district planning and budgeting by: (i) ensuring that village planning is aligned with the national planning cycle; (ii) promoting clusters of villages involved in the production and marketing of the same commodity (see Sub-component 2.2); (iii) making available updated village data through the Village Information System; and (iv) setting up District Coordination Platforms.

Activity 2.1.6 - District Coordination Platforms

114. TEKAD will establish District Coordination Platforms to support information exchange and coordination of activities related to the promotion of village economic development, and will discuss

¹⁰² While the proposed ration of TEKAD facilitators is about 2 facilitators for 9 villages, the current ratio for Community Empowerment Facilitators is around 1.25 facilitator for one sub-district or about 9 villages.

¹⁰³ Most likely the Economic Development Facilitator, who would match currently existing facilitator positions at sub-district (Village Community Empowerment Facilitator and Village Technical Infrastructure Facilitator).

¹⁰⁴ Including MOA extension staff, lead farmers and other group leaders.

programme progress, using village-based M&E data. The Coordination Platform will be chaired by the District Head and its secretariat will be ensured by the District Planning Department (Bappeda) with TEKAD support. It will be composed of relevant district departments (Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises) and Village Heads. Market players, development projects, NGOs or other service providers will be called to participate in working sessions as required. District Coordination Platforms will meet every quarter. To enhance discussion and outputs, the District Coordination Platforms may be preceded by smaller, more focused working groups (for example by commodity) of Platform members and invited participants.

Sub-component 2.2 – Economic Services

115. The objective of the subcomponent is to facilitate the access of village-based producers to markets and services through remunerative market linkages and sustainable service delivery systems. Activities will include the following.

Activity 2.2.1 – Mapping studies

116. The development of linkages with market players or service providers will rest on prior mapping studies, which will be carried out in every province in PY1, with a focus on the target districts. They will include the following.

117. **Market opportunities and value chain analysis.** Based on an assessment of productive resources and market opportunities for primary sector commodities (agriculture, livestock, fisheries, aquaculture, non-timber forest products), value chain analysis will be conducted for a limited number of priority commodities that hold the highest potential for growth and for generating income for village-based producers in the target districts. Opportunities in agritourism and related economic activities will also be covered given their increasingly important effects in triggering supply chains and generating income and employment.

118. In every province, a Value Chain Analysis Reference Group will be created to steer the whole process. It will be chaired by the Community Empowerment Provincial Department and will gather relevant stakeholders, including relevant provincial department (including Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises), District Heads from the target districts, the Provincial Chamber of Commerce and Industry (KADIN)/representatives of private sector, existing PLUTs, BRI and regional bank, etc. Reference Groups will: (i) validate the TORs for the study; (ii) orient the work of the technical experts, including with regard to the criteria for selecting commodities for which detailed value chain analysis will be carried out; (iii) validate the pre-selection of commodities; (v) participate in the organization of provincial workshops to review the study draft.

119. An initial meeting with the Reference Group will be organised to: (i) define a preliminary list of the commodities to be mapped; agree on the selection criteria to be considered; and (ii) acquire information on existing sources of info and key institutions and market players to be consulted.

120. A preliminary review of market opportunities and main commodities to be considered will then be conducted, building on available literature (including available value chain analysis¹⁰⁵) and stakeholders' interview, mainly at district and provincial level. The output of the review will be a preliminary identification of a basket of value chains to be further analysed, together with a brief presentation of main opportunities and constraints and a ranking based on criteria that will have been preliminarily agreed upon with the Reference Group. These criteria should include the following:

- Large number of smallholders involved;
- Potential for fast production/productivity growth;
- Markets accessible to small producers (low entry requirements) and opportunities for growth;
- Potential returns to small producers and share of value added through production, processing and marketing;

¹⁰⁵ For example DFID-funded Green Economic Growth Programme is preparing value chain studies for ten economically important commodities in Papua and West Papua, including for seaweed, nutmeg, vanilla, cacao, coconut, coffee, pepper, sago, vines for handicraft and eco-tourism.

- Potential for integrating women, youth, indigenous groups, remote villages;
- Contribution to food security (this criterion however would not need to be applicable to all of the selected value chains).

121. The pre-selection will be presented to and validated by the Reference Group.

122. Gender-sensitive value chain analysis will then be carried out for the pre-selected priority value chains. The value chain analysis will cover:

- *Value chain stakeholders*: identify value chain key players - i.e. existing village/producer-owned ventures (BUMDes, cooperatives or other joint ventures), different categories of buyers and service providers and existing value chain relationships between chain actors; define flows of exchange and types of relations between stakeholders (including the existence or possibilities of contracting between stakeholders); estimate the number of players, flows and volumes; and assess interest of value chain stakeholders in participating in the programme as well as their capacities;
- *Supply*: identify main production areas, analyse current production, production systems and capacities; assess opportunities/potential for growth of production and productivity, as well as major constraints;
- *Markets*: identify different types of markets opportunities (local markets, main commodities export markets, niche markets) with potential for increasing the income of diverse types of village-based producers (including young people and women, villagers in traditional villages or in remote areas), market requirements in terms of volume and quality, and opportunities for value added and processing at village level or village cluster level; assess potential for market growth; analyse competitiveness; identify price formation mechanisms and distribution of value added between stakeholders;
- *Village participation*: identify specific opportunities and constraints at village level and types of investments/technologies/skills enhancements required to address them; identify aggregation, value adding or other functions that should best be addressed at village cluster level;
- *Inclusive development*: identify factors of socio-economic differentiation amongst producers (such as gender, generation gaps, clan networks) that could affect opportunities to benefit from the programme and provide orientations to secure broad inclusion; identify prerequisites for producers to integrate production, processing or marketing along the value chain, and opportunities for special groups - poorer households, women and youth, indigenous groups and remote villages (see details in Section III A);
- *Land tenure*: assess tenure systems and recommend ways to secure land tenure for the programme target groups.

123. Aside from the value chain analysis and recommendations to facilitate the participation of villages, deliverables should include: a value chain map showing the various stakeholders, sub-chains/markets with respective production amounts and distribution of value added; a recap of main opportunities and constraints for village participation; and geographical maps showing main production areas in every province and possible areas of extension.

124. Provincial workshops gathering TEKAD public and private stakeholders, including the Reference Group, will be organised to present studies outcome, discuss and validate results and make recommendations to orient TEKAD activities in the province and to further support the preparation of Orientation and Capacity Building Packages.

125. **Access to services mapping.** This study will assess the availability and capacities of: (i) service providers that could extend business development services to village producers and their organisations in the target districts (including PLUTs, P4S, NGOs, consultants, chamber of commerce); and (ii) market players, input dealers or other value chain agents extending or interested in extending services to small producers as embedded services¹⁰⁶.

¹⁰⁶ Embedded services are technical or other types of services (including credit, in kind or in cash) that are provided within the framework of a business transaction between a buyer or an input dealer, and village-based producers, without any direct payment charged to the producers. For example, a buyer, in addition to marketing products, can provide technical assistance,

126. Service providers will be identified in different ways: (i) through the PLUT networks; (ii) using existing rosters (e.g. BDS Association of Indonesia, FOKUS, KADIN etc.); (iii) through organizations operating in the target districts (e.g. producers' organizations and cooperatives, KADIN members).

127. The study will make recommendations for strengthening service providers' capacities and facilitating villagers' access to services. It will also develop a provincial roster of business development service providers, which will be regularly updated under the responsibility of the Provincial Economic Development Expert. The roster will indicate areas of expertise, the type and cost of services, experience (references) and geographical area of intervention.

128. **BUMDes assessment.** Building on the Market Opportunities and Value Chain Analysis above, an assessment of existing BUMDes will be carried out in the target districts, covering their activities, capacities and related BUMDes-ranking, main constraints and opportunities for development, including for upgrading to joint BUMDes (*BUMDes Bersama*), and recommendations for supporting BUMDes enhanced performance in implementing collective actions in support of villagers' participation in target value chains.

129. **Climate risk and vulnerability assessment.** This study will assess the exposure, sensitivity and adaptive capacity to climate risks and vulnerability in the target areas to build resilience among participating villages, by identifying climate-risk responsive interventions. Specifically, the assessment will:

- Identify areas with climate change risks and other natural hazards that must be addressed (such as drought, flood, hurricanes, earthquakes, tsunamis...);
- Establish baseline data and climate change trends for various climate variables (e.g. average temperature, heat days, intensive rainfall events...), with an indication on the level of confidence (e.g. high, medium, low) for such impacts;
- Assess socio-economic development and other non-climatic factors (such as demographic change, use of resources, market trends) that will influence vulnerability to climate change;
- Identify short and medium-term risk management strategies and best practices to build climate change resilience in the target value chains.

130. A thorough literature/desk review and analysis of existing climate-related secondary data that are widely available for Indonesia will be undertaken during the early phase of project implementation to inform TEKAD interventions and to ensure they are robust and climate resilient. For example, the detailed historical and projected climate data as well as general information on climate vulnerabilities and impacts can be sourced from the Climate Change Knowledge Portal developed by the World Bank and the website¹⁰⁷ of the Indonesian Meteorological, Climatological and Geophysical Agency or BMKG. This will be supplemented by local studies that have been conducted in the target provinces and with inputs from project beneficiaries. Preliminary focus areas identified in this assessment will include awareness, dissemination and skills development on climate-smart provided through project partners and digital technologies.

131. **Implementation arrangements for studies.** Studies will be carried out by international consultants/service providers, in coordination with the preparation of the GESI strategy. They will generate information to support the preparation of product-based Orientation and Capacity Building Packages (prepared under Component 3) and to orient District Strategies for Market Access (see Activity 2.2.2) and District Strategies for Access to Business Development Services (see Sub-component 1.2, Activity 1.2.1). Studies will build on available material and reflect studies and experience of relevant projects financed by development partners, such as PRISMA, GEGPP and Lestari. Information will be captured in the database, shared with programme stakeholders, reflected in the Orientation and Capacity Building Packages (Sub-component 3.2) and posted on the Eastern Indonesia Gateway (Sub-component 3.1)..

training, finance and/or inputs to its village-based suppliers. The buyer provides these services because it makes good business sense to do so and it ensures the exporter receives high-quality goods from the producers. This type of embedded services often occurs in the frame of contract farming. Another example is where technical advice is linked to the sale of agricultural inputs (e.g. seeds, fertiliser, pesticides, veterinary drugs) and the costs of the advice are inbuilt in the price of the sold input.

¹⁰⁷ <https://www.bmkg.go.id/iklim/?p=proyeksi-perubahan-iklim&lang=EN>

132. Provincial workshops gathering TEKAD public and private stakeholders will be organised to present studies outcome, discuss and validate results and make recommendations to orient TEKAD activities in the province and to further support the preparation of Orientation and Capacity Building Packages.

Activity 2.2.2 - Access to markets

133. Building on the mapping studies and on the Orientation and Capacity Building Packages (designed under Sub-component 3.2), TEKAD will facilitate formal and informal marketing arrangements with different types of buyers (such as middlemen, larger collectors, traders, processors, exporters or distributors) and for different types of markets (local markets, main commodities export markets, niche markets), in adaptation with the features and capacities of target villages (well-connected or remote) and groups. This will be achieved through the following activities.

134. **District strategies for access to markets.** Building on the studies and on the product-based Orientation and Capacity Building Packages, District Teams will develop a District Strategy for Access to Markets with support from TEKAD Provincial Implementation Unit. The Strategy will be developed in PY2 and will be upgraded annually, based on achievements at district level. It will aim at fostering the development of market linkages between village-based producers and different types of markets (local, export, niche) and different types of off-takers (middlemen, local collectors and traders, processors, exporters...) on a limited number of priority commodities as identified in the Orientation and Capacity Building Packages. In particular, it will clarify how to:

- build a gradual approach to facilitate producers' access to increasingly remunerative markets, as villagers' skills develop and produce increased volumes of increasingly good quality produce;
- ensure that villagers can retain an increasingly higher share of the final added value, through primary processing, packaging, branding, certification etc.;
- promote contract farming and other marketing arrangements with lead farmers, BUMDes/cooperatives, SMEs and tech start-ups (see below);
- encourage villagers to join into village and inter-village collective forms of organization such as BUMDes, other types of economic organisations and village clusters (see below).

135. The strategy will complement Orientation and Capacity Building Packages and will further guide villages and district implementation teams, in line with district specificities and building on synergies with existing development projects (such as PRISMA or GEGPP¹⁰⁸). It will be developed in partnership with target villages, and especially with existing village- or intervillage-based economic organisations, along guidelines that will be developed by the NPMU Economic Development Expert, with assistance from an international consultant.

136. **Facilitation services.** Building on the market studies, TEKAD will support the development of market linkages between producers and buyers, whereby producers will have secure and remunerative market outlets justifying that they invest in increased production of better quality products, whereas buyers will obtain reliable and consistent supply in line with market demand.

137. Services will be provided by TEKAD Marketing Specialists at district and Economic Development Specialists at provincial level, in collaboration with TEKAD Economic Initiatives Advisors, BUMDes where relevant, Village Economic Development Facilitators under the district Community Empowerment Department (PED) as well as the district and province Trade and Industry and other relevant departments. Activities will include the following:

- *information workshops at provincial and district level:* building on the market opportunities and value chain analysis (Activity 2.2.1), district-level consultations and awareness workshops will be conducted twice a year with a view to support the development of marketing arrangements between producers and buyers. They will bring together representatives from BUMDes, cooperatives and other village-based economic organisations as well as potential buyers, including local market agents, traders, processors, wholesalers and retailers. Production and supply potential will be showed for different seasons on TEKAD villages, and quality and quantity requirements also explained. Local technical supporters of public and private sector will also join the consultation and connection workshop to tailor their TA in enhanced production and post-

¹⁰⁸ See Annex 1 - Development projects with potential for synergies/learning in TEKAD areas.

harvest management as required by the market. While most of the opportunities and agreements may relate to farm agribusinesses, agritourism and substituting import products should be addressed and eventually help integrate the TEKAD villages into the related value/supply chains.

- *direct contacts with buyers and facilitation of linkages* with producers' economic organisations, including BUMDEs;
- *facilitation for the negotiation of fair and transparent arrangements* between buyers and village-based economic organisations. This will include contract farming (which could be implemented through informal or formal arrangements) or an agreement between producers and a buyer, whereby producers agree to provide agreed quantities and quality of a specific product at a certain time, and the buyer commits to purchase the product and, in some cases, to support production through services that are embedded in the arrangement such as the supply of production inputs, land preparation or the provision of technical advice. Collaborative arrangements, especially formal ones, will spell out a clear distribution of responsibilities and a balanced share of risks and benefits;
- *building the capacities of BUMDes* to: (i) develop marketing activities; (ii) aggregate villagers' produce and ensure storage and quality control; (iii) negotiate fair contractual arrangements with buyers on behalf of village economic entities or assisting negotiations with supply chain partners.

138. Activities will be implemented in close collaboration with development partners-financed projects such as PRISMA and GEGGP. Village governments and traditional authorities will be closely associated to market linkage development to facilitate villagers' buy-in.

139. Based on local current practice and international experience, an international consulting firm/consultant will be contracted by the NPMU to develop guidelines for good practices on contract farming and to train district teams and BUMDes or other village-based economic organisations.

140. **Local market agents.** Capacity building will be provided to middlemen and other local market agents who play a vital role in connecting isolated areas to markets, so that they are aware of and can apply quality standards, and increase both their and producers' income.

141. **Online and tech start up marketing.** TEKAD-supported online platform under Component 3, will offer the possibility to market products online, by branding them as products from Eastern Indonesia in connection with existing online marketplaces, including those with which MoV already has a partnership¹⁰⁹.

142. A study exploring opportunities will be carried out at provincial level in PY3 and will be reflected into updated Orientation and Capacity Building Packages, based on which capacity building will be made available to village-based economic organisations as appropriate. A similar approach will be used to promote partnerships between villagers and agritech, marinotech, traveltech startups, building on initial efforts launched by MoV.

143. The exploration study will be implemented in collaboration with tech startups and focus on the target districts. It will be complemented by a budget made available at provincial level for sponsoring visits of interested tech startups and initiating contacts.

144. **Market promotion.** Once the programme villages are able to ensure a steady supply of quality products through organized farming, market diversification will be promoted through TEKAD resources – a budget is available at district level, for example to sponsor villagers' participation in trade fairs; buyers' visits to target districts/villages, BUMDEs Bersamah or P4S to allow an exchange of views and understandings on how individual producers and producer groups can be engaged and incentivized in building additional quality yields; buyers' participation in information workshops; and market exploration activities.

Activity 2.2.3 - Access to services

145. Building on the mapping studies and on the Orientation and Capacity Building Packages (designed under Sub-component 3.2), TEKAD will facilitate producers' access to services provided by a range of formal and informal business development services providers. Business development services include for example technical and management skills development, technology development

¹⁰⁹ Bukalapak.com and Shopee.co.id.

and transfer, product development and branding, marketing, certification, enterprise registration training, consultancy and advisory services, marketing assistance, business linkage promotion information.

146. **District Strategies for Access to Services.** Every year, the TEKAD District Coordinator, in collaboration with the technical team and the BUMDes where existing, will develop a demand-driven Strategy for Access to Business Development Services (BDS) for the target villages addressing needs identified in the Village Economic Development Strategies/Annual Plans developed under Sub-Component 1.1.

147. The strategy will combine available public and private sources for service provision. Due consideration will be given to including: retailers of production inputs, who could be trained to offer advice to producers at the point of purchase¹¹⁰; services embedded into contract farming arrangements; lead farmers, entrepreneurs or cooperatives that would have the experience and willingness to become service producers. It will ensure that access to services is inclusive and open to women and youth, taking into account their specificities (especially with regard to women's time availability).

148. Guidelines for preparing the Strategy for Access to BDS will be developed and support will be provided by TEKAD Economic Development Expert. Guidelines will also cover the development of district rosters of services providers.

149. Additionally, every target district will have access to an annual programme budget for hiring specialised service providers to complement available skills and to make up for skills deficiencies within the district technical team, by offering on-demand support services to producers. The annual budget for service providers will gradually phase out as it is expected that Village Fund and other village resources will take over the financing role.

150. **Service provider rosters.** District-based service provider rosters will be established and regularly updated, based on the service mapping and provincial roster developed under Activity 2.2.1. They will draw on resources available in the provincial roster, which will be complemented through a call for expression of interest at district level. Interested service providers will submit a standard application including basic information about areas of expertise, the type and cost of services and their experience (with references). District rosters will seek to enlist: (i) conventional service providers, or entities providing services as a business or as part of their mandate (such as firms and consultants, PLUTs¹¹¹, P4S, KADIN); and (ii) unconventional service providers, or entities that are successful in operating a business in a target value chain and that are interested in providing training services or on-the-job exposure to village producers (such as cooperatives, lead farmers, KADIN members...). BUMDEs could also become a service provider at village level.

151. **Capacity building for service providers.** Capacity building will be provided to selected service providers (and in particular BUMDes) in specific areas of interest linked to the target value chains (such as postharvest storage and agro-processing, food safety and nutrition or certification) or to the delivery modalities that are gender-sensitive and accommodate the needs of remote communities or special socio-economic groups.

152. **Embedded services.** TEKAD will also promote the provision of embedded services by market players to village producers, to improve productivity and quality meeting market requirements¹¹². The international consulting firm/consultant contracted for developing guidelines for good practices on contract farming will also cover the promotion of embedded services and district teams will be trained accordingly.

¹¹⁰ Experience shows that when a retailer is well trained to offer advice on a product, and rates and timing of application, producers investment decisions are improved.

¹¹¹ PLUT - Center for Integrated Business Services (CIBS- SMEsCo). Part of a programme of the Ministry of Cooperatives in assisting cooperatives of small and medium micro businesses to accelerate the increase in competitiveness, productivity, value added and quality of work.

¹¹² On the model of Ransiki cocoa cooperative (Manokwari) or the approach supported by WANTANAS (National Defence Council) on sago.

Activity 2.2.4 – Cluster Development

153. TEKAD will support the development of groups of villages engaged in the production and marketing of the same commodity, or village clusters, with a view to improve producers' market access, bargaining power and remuneration through stronger organisation, increased quantity, quality and delivery reliability, and economies of scale. In particular, clusters will help in building up reliable volumes of quality product, which is the main constraint to including small producers in most value chains.

154. Village clusters will be promoted building on awareness campaigns conducted from PY2 in core and cluster villages (see Sub-component 1.1), and with due consideration to anthropological and socio-cultural context, especially in Papua and West Papua.

155. While clusters will initially consist of group of villagers engaging in the production and marketing of the same commodity, as volume increases and village capacities in meeting market requirements develop, TEKAD will provide support to gradually organise the clusters and to set up and build the capacities of cluster-based organisations. These could initially be informal organisations, for example bringing together Village Heads and representatives of BUMDes and other village-based economic organisations, and organising their activities around cluster supply plans with production and harvesting schedules and in accordance with market requirements. Informal organisations could in time become registered organisations, for example under the form of a BUMDes Bersamah¹¹³.

156. A detailed approach for cluster development will be developed in PY3 under the responsibility of the NPMU, building on experience in Indonesia and elsewhere¹¹⁴. Training will be provided to District Implementation Teams accordingly, and they will receive guidance and support from the Provincial Economic Development Expert. In turn, District Marketing Specialists will provide capacity building and technical assistance to villagers, including Village Heads, BUMDEs and village-based economic organisations and lead farmers. The approach will consider the establishment of a Cluster Platform., that would bring together cluster leaders, facilitators and TEKAD district staff as appropriate. TEKAD will contribute to meeting costs.

Sub-component 2.3 – Financial Services

157. The objective of the sub-component is to facilitate the access of village-based producers to financial services, for the financing of private assets and working capital, and to foster savings. Activities will include the following.

Activity 2.3.1 - Survey on demand and supply of financial services

158. A survey will be organised in PY2 in every province to assess the demand and supply of financial services. It will consist of two parts. A village-based household survey will be carried out to:

- Identify main sources of incomes, the perception and understanding on access to credit of formal and informal sources, and savings;
- assess villagers' main cost centres for productive and non-productive activities, including in education and health, paying-off of debts, housing and renovation, purchase of household productive and non-productive appliance, social and community event participation, and other family projects;
- assess the demand of financial services related to productive and non-productive needs, with a focus on productive financing for micro/small business start-up and expansion (working capital and fixed assets), savings and insurance;
- identify formal and informal channels through which villagers currently access financing, including remittances, value chain finance and informal loans.

159. Furthermore, the survey will identify financial and non-financial services and products (especially in relation to productive activities) offered by financial service providers in the programme area, and in particular by BRI and BPDs, through physical or digital solutions. A concise questionnaire will be formulated and distributed to the financial institutions operating in the target districts to obtain an overall supply profile of rural financial services in the programme area. The questionnaire should

¹¹³ Joint BUMDes covering several villages.

¹¹⁴ See for example <http://pqpublications.squarespace.com/publications/2014/8/27/moving-together-to-the-market-the-clustering-approach-to-agr.html>.

cover the range of services and products offered of financial and non-financial nature, especially the availability of loan products tailored to different productive sectors and value chains through both physical or digital solutions, including loan types and purposes, target clienteles, lending terms conditions, sizes and ceilings, rescheduling and refinancing modalities, prepayment conditions, collateral and guarantee requirements. Gaps will be identified, building on the household survey results, as well as opportunities for introducing

160. The survey will take place in PY 1 and its outcomes will be used to support the design of the financial and digital education programme, socialization, capacity building as required, and product development with partnering financial institutions. It will be carried out by a service provider (a consultancy firm or a university/research institution) with experience in carrying grassroots surveys, including with constructing sampling frame, training survey supervisors and enumerators, supervising data collection and entry, performing data analysis, and producing the survey report. The sample size needs to be statistically representative and in compliance with the programme implementation plan. The service provider will be hired by the NPIU and will be responsible for designing the survey and implementing the survey, in collaboration with DPIUs. Village Economic Initiatives Advisers will be in charge of carrying out the village-level household survey, in collaboration with the village government, and with adequate training from the service provider.

Activity 2.3.2 - Financial and digital education

161. TEKAD-supported financial and digital education programme will build on:

- available material already developed by OJK¹¹⁵, which will be assessed and adapted to suit the needs of TEKAD target groups as revealed by the survey and as required to support the production and marketing of TEKAD-supported priority products;
- OJK's know-how in relation to training material adaptation and training logistics (organization of training of trainers, supervision of trainings, trainers' certification and mobilization).

162. Financial education modules will be made available both through e-learning (mobile application and Eastern Indonesia Gateway – see Sub-component 3.1) and in paper copies, especially for poorly connected areas. The will broadly cover: overall household budget planning; savings products; loan products, debt management and duties/responsibilities as a borrower; use of digital banking; knowledge of other financial products and services such as money transfer or remittances; basic financial management for agri-based activities, basic book-keeping, budget planning for agri-based activities, and.

163. Financial education will be delivered from PY2, through village facilitators, BUMDes/cooperatives staff and extension officers, who will be trained, possibly by OJK-certified master trainers. Initial training will be followed by regular coaching, in particular through BUMDes and cooperatives, as well as through partnering financial institutions and their agents in the target districts (see below). In Papua and West Papua, financial education will be implemented in coordination with the Family-based approach.

Activity 2.3.3 - Linking villagers to financial institutions

164. MoV has already a MoU with BRI and many districts have partnerships with regional development banks (*Bank Pembangunan Daerah* – BPDs). Activities will therefore be developed in partnership with BRI (along a consolidated MoU) and BPDs (along MoUs to be established at provincial level). They will include the following.

165. **Increased outreach.** TEKAD will support BRI's and BPDs' expanded outreach by supporting existing agents' networks and providing them with capacity building to suit the needs of TEKAD target populations. The programme will finance tailored training to the agents, especially with regard to financial products related to productive activities in the target value chains. It will also facilitate network expansion to improve access to financial services in the target areas. Ways to support BUMDes in becoming bank agents under the current legislation will be explored.

166. TEKAD will encourage the banks to widen the agent network by adopting non-exclusive agents or brokers, who can work more for the demand side to negotiate the best deals for the

¹¹⁵ Including material developed with SDB and ILO (focusing on specific customer segments such as housewives, youth, migrant workers).

borrowers. Such brokerage or agency is a derived form of either individual or group lending¹¹⁶. Borrowers may, on behalf of each individual or in form of borrowing group, communicate their credit needs and conditions to the broker or agent, who will undertake inquiries on the credit supply side in search of the best deal. The broker will negotiate the detailed terms and conditions with the lender on behalf of the represented borrowers. The bank will still lend directly to borrowers and the broker or agent may get rewarded in the form of commissions or other means from the borrowing side, or from both borrowing and lending parties. This in part helps improve the lending cost efficiency and reaching the grassroots-level customers for the lending institutions. As IFAD's investment concern, it is not the modality that matters, but the effective credit access for its target population mainly composed of economically active men and women belonging to different socio-economic wealth categories.

167. Mobile banking exists in almost all the banks operating in the programme area and it offers a wide range of services. However, access to mobile banking remains uneven in the rural area, partly due to the lack of network coverage and education on utilization. While the mobile network could be improved quickly, with the ongoing telecommunication network roll out and the recent launch of Indonesian telecommunication satellite, and both are aimed to cover the entire Eastern Indonesia including the remote areas. The increasing mobile network capacity and the marginal use of mobile banking service by the rural population means the potential of mobile banking may be underexplored in Eastern Indonesia. Meanwhile,

168. TEKAD possible interventions aiming at facilitating the use of mobile banking will also be considered. ASBANDA indicated that regional banks in Eastern Indonesia would need to upgrade their technologies in mobile banking in order to remain competitive in the market, and technical assistance could be provided in this respect.

169. Socialisation/capacity building with BRI/BPDs will be organised to familiarise branches in the target areas with the economic activities supported by TEKAD and related financial needs.

170. **Product development.** TEKAD will provide on-demand technical assistance to develop new or adapting existing financial products that meet village producer's needs in the target value chains. This could include:

- *Revised procedures/lending modalities*, for example: revised loan repayment schedules meeting agriculture production cycle; alternatives to classic collateralized loan financing such as cash-flow based lending; or collateral substitutes for low risk-return loans (cashflow short-term loans for productive purposes, mutual guarantee and third-party guarantee, or requirement to complete financial education modules for accessing lending);
- *Savings to loan products*, whereby villagers can save and use their accumulated savings as collateral to access loan resources. All of the participants in the financial and digital education programme will be required to open a specific saving account at one of the partnering financial institutions and make regular deposits during his/her training period. This mandatory approach should instil a savings culture the participants. The accumulated savings could be used as collateral against loans extended by the partnering financial institution;
- *Warehouse receipt financing*, whereby farmers to defer the time of selling their production until market prices are higher and yet accessing a loan right after harvest, by storing their production into a warehouse co-managed with the bank and using the stored production as collateral against the loan. This product is meant to facilitate access to loans for the production of crops that have significant price variation depending on the time of selling. The bank would require that the warehouse be independently controlled, with recognized quality of inventory that could be quickly convertible into liquidity or with transferable ownership in case of default;
- *Receivables/non-invoice financing*, which will enable buyers entering into contractual arrangements with producers to access financial resources so they can timely pay their suppliers. These instruments aim at enabling the bank to advance funds for paying producers on the basis of: (i) invoices (receivable financing), or (ii) bills of delivery signed by the buyer, until the buyer

¹¹⁶ Good practices have been recorded in IFAD-assisted RF projects in Bangladesh and China and they are still worthy being recaptured, and maybe replicated.

has effectively processed payment. Receivable financing and bills of delivery financing have already been successfully tested by financial institutions in Indonesia (BRI and BNI);

- *Tripartite agreement financing*, which could be promoted together with farming contracts. It is based on current practices among some of the financial institutions operating in Indonesia (BNI and BRI). Instead of extending a large number of micro and small loans to smallholders, a financial institution will lend the same amount to a lead farmer or a buyer, usually based on a contract between the lead farmer/buyer and smallholders. The lead farmer/buyer will use the loan proceeds to purchase the equipment, material and inputs needed by the smallholders. At harvest time, the organisation/buyer will pay back the loan to the financial institution by withholding a percentage of the purchase price of produce delivered by smallholders. This mechanism can be used until smallholders form a legal entity (cooperative or association) and have direct access to loan funds from a financial institution. Contracting farmers/buyers will be identified in target districts/provinces through the mapping exercise at programme onset, as well as information meetings between buyers and young farmers, to be arranged by the DPIU.

171. **Linking village-based economic organisations to financial institutions.** Building on the mapping and capacity assessment of village-based business organisations (Sub-component 2.2), TEKAD, through its team of Financial Services Experts, will support the linking of eligible (i.e. meeting minimal performance criteria and legally recognised) existing organisations (mainly cooperatives) to the partner financial institutions, and will provide them with capacity building as required. Should current legal provisions evolve, BUMDes might also benefit from this activity.

Activity 2.3.4 – Value chain financing

172. The promotion of value chain financing can help the target value chains become more inclusive, and make resources available from both banking and non-banking sources for village-based organized producers. The viability of value chain financing depends on knowledge, data availability and intelligence, and its financing efficiency and risk reduction on strong commitments of chain actors. In the context of TEKAD interventions, the precondition will be the connection and engagement of programme beneficiaries in the form of organized production or post-production as individual farmers, farmer groups, production cooperatives into the identified value chains.

173. Building on value chain analysis and on market arrangements developed under Sub-component 2.2, TEKAD will promote alternative financing sources to loan banking, which could include the following:

- *Advanced financing*, whereby a buyer will advance either inputs in kind to the producers, or funds to cover working capital needs, and will be repaid in kind (usually) or in cash at harvest time along pre-agreed terms and conditions. Advanced financing can be provided either directly by the buyer/input supplier or through a bank loan. This has been popular in Eastern Indonesia for export markets in particular, usually under contract farming arrangements;
- *Input supplier credit* is a similar arrangement implemented with input suppliers, whereby inputs in kind are provided to producers on loan, either directly or through a buyer, and paid back at harvest time.

174. Such models will be developed by in partnership with BUMDes or cooperatives, which will be supported to assess opportunities, negotiate arrangements and ensuring compliance by villagers.

Implementation arrangements for Component 2

175. The implementation of Sub-Component 2.1 will be led by the TEKAD-financed District Implementation Team¹¹⁷ comprised of: (i) a District Coordinator, a District Marketing Specialist and an MIS/M&E coordinator; (ii) Village Governance Facilitators, who will support the implementation of activities under Sub-component 1.1¹¹⁸ and will work in close collaboration with sub-district Village Community Empowerment Facilitator¹¹⁹ under sub-district Community Empowerment department; and (iii) Economic Initiatives Advisors, who will support the implementation of activities under Sub-component 1.2¹²⁰ and will work in close collaboration with existing district and sub-district staff as

¹¹⁷ Budgeted under sub-component 2.1 – District Support for Village Economic Development.

¹¹⁸ One Village Governance Facilitator for 4 villages, gradually phasing out – see Annex 5.

¹¹⁹ Pendamping Desa Pemberdayaan – PDP.

¹²⁰ One Economic Initiatives Facilitator for 4 villages, gradually phasing out – see Annex 5.

described above, including Field Agriculture Extensionists under the district Agriculture department. These will be redeployed to ensure that their skills match the target products selected by village clusters. To this effect, an MoU will be signed between MoV and MoA. TEKAD-financed services will gradually decrease so that by the end of programme support, farmers' access to services will be ensured by local players using local resources. The budget for this component includes financial support to contribute to the operational costs of Village Community Empowerment Facilitators (PDP), Village Economic Development Facilitators (PED), Appropriate Technology Facilitators (TTG) and Field Agriculture Extensionists.

176. Each district team will be responsible for: (i) forging strong relationships between TEKAD and the District Head; (ii) engaging with the services of district and provincial technical agencies and relevant private sector service providers; (iii) coordinating with existing market players and developing links with new market players; (iv) supervising the performance of the Village Governance Facilitators and Economic Initiatives Advisors; (vii) ensuring a functional MIS/M&E system operates in the villages; between participating villages, sub-district heads and the district team; and (viii) ensuring TEKAD is linking to other relevant agency programmes being implemented in the district. The TEKAD District Coordinator will collaborate with and report to district government leadership and agencies – in particular the District Head and the Director of Bappeda.

177. The TEKAD district manager will collaborate with and report to district government leadership and agencies – in particular the District Mayor (*Bupati*) and the Director of Bappeda. While existing village fund reporting includes the Mayor, the district coordinator will ensure that TEKAD activities in accelerating economic development are regularly reported to the Mayor and that as a financing partner, she/he is regularly consulted on matters of direction and content. TEKAD recognizes the role of MOV P3MD facilitators, and especially the district-based Village Economic Development (PED) facilitators who will be an important support resource for the TEKAD sub-district based economic empowerment facilitators.

178. TEKAD will deliver its support using a team approach, with coordination and management at district level and service delivery at sub-district level. Each district team will be made up of a well-qualified¹²¹, full time manager, supported by an MIS coordinator and a Market Development coordinator and of sub-district facilitators (Governance and Business Initiatives) that will provide support to village-level and will be based at sub-district level¹²². The sub-district facilitators will be locally recruited facilitators and will work as a team but with decreasing intensity and eventually be replaced by PED and P3D facilitators.

179. The TEKAD District Coordinator will collaborate with and report to district government leadership and agencies – in particular the District Head (*Bupati*) and the Director of Bappeda. S/he will ensure that TEKAD activities are regularly reported to the District Head and that s/he is regularly consulted on matters of direction and content. MoV P3MD facilitators, and especially the district-based Village Economic Development (PED) facilitators, will be an important support resource and their capacities will be built so that they take fully take over from TEKAD-financed facilitators at project end.

180. Sub-component 2.2 mapping studies will take place in PY 1. The Market opportunities and value chain analysis will be conducted under the same contract financed by the IFAD grant for the preparation of the Orientation and Capacity Building Packages (see Component 3). It will be updated by the end of PY3, by Provincial Economic Development Experts and District Marketing Specialists, with support from technical assistance. Services mapping and BUMDes assessment will each be carried out by a team of five province consultants (or provincial universities), under the leadership of an international consultant. The Climate risk and vulnerability assessment will be carried out by an international service provider, in collaboration with provincial universities.

181. The implementation of activities under Access to markets and Access to Services will be led by TEKAD Marketing Specialists at district level and Economic Development Expert at provincial level, with technical assistance from the national TEKAD Economic Development Specialist. Together, they will also design and provide capacity building programmes to local market agents, building on the Orientation and Capacity Building Packages developed under Component 3.

¹²¹ Ideally a Bachelor Degree level but minimum High School graduate.

¹²² The number of sub-district facilitators will vary according to the number of village clusters per district.

182. Sub-component 2.3 will be implemented by a Financial Services Team composed of national-level Senior Financial Services Expert and a Financial Services Exert in every Provincial Programme Implementation Unit. In close consultation with OJK and ASBANDA, the Financial Services Team will be responsible for: (i) assisting financial institutions to design and implement new products and services as well as to adapt their current products and services; (ii) providing training to financial institutions' staff; and (iii) training TEKAD Economic Initiatives Advisors and their district counterparts on basic assessment of financial needs and on basic financial advisory services.

183. The Survey on demand and supply of financial services will take place in PY 2 and will be outsourced to a consulting firm or university.

184. Existing financial education modules will be adapted by with support from a specialised consultant, possibly in partnership with OJK. In addition, the programme will closely work whenever possible with the *Tim Percepatan Akses Keuangan Daerah* (Regional Finance Acceleration Team - TPAKD) developed by OJK, which aims at encouraging economic development and community empowerment through improving SME and communities access to finance across the country. International technical assistance will be hired to assist the Financial Services Team in: (i) identifying new products and services that could be carried out with BRI and the BPDs, building on lessons from other countries; (ii) assisting in the preparation and negotiation of MoUs with BRI and the BPDs; (iii) assisting in preparing training modules.

COMPONENT 3 – INNOVATION, LEARNING AND POLICY DEVELOPMENT

185. Component 3 has two sub-components: (i) Innovation, Learning and Inspiration; and (ii) Policy Development and Institution Building. While it will mainly be implemented at the national level, it will complement and support activities carried out at village and district level, respectively under Component 1 and Component 2.

Sub-component 3.1 – Information, Inspiration and Communication

186. This sub-component will be implemented at the national level and will aim at: (i) setting up an open Management Information System (MIS); (ii) promoting digital solutions (online platform and applications) and the use of social networks for enhanced transparency and accountability and for facilitating wide access to information and knowledge; (iii) documenting innovation, good practices and successful models; (iv) inspiring and motivating village stakeholders, and in particular youth, by showcasing innovations and successful achievements; and (vi) improving village's internet connectivity.

187. The **expected outcome** is that an enabling policy, institutional and media environment facilitates village economic development that builds on local opportunities and leverages the Village Fund resources. Main indicators are: (i) districts have plans for continued implementation of TEKAD approach; (ii) innovative, replicable models for supporting village economic development leveraging Village Fund and village resources; (iii) policy/regulatory instruments proposed to policy makers for approval, ratification or amendment.

Activity 3.1.1 – Management Information System

188. A web-based Management Information System (MIS), which will be compatible with MoV's systems and will build on the Village Information System developed under Component 1, will track and regularly update gender-disaggregated financial and technical data on programme outputs and outcomes, lessons learnt and good practices. The main purpose of these tools is to continuously keep track of programme implementation progress. This function will allow TEKAD stakeholders to achieve better results and, especially for the programme implementation team, to be held accountable.

189. The MIS will display weekly-updated dashboards, showing progress on key outputs and objectives, profiling DPIU and PPIU performance and showing progress towards meeting key programme indicators. There should be a feature to export or print the results displayed on dashboards.

190. The website should be developed using notable Web Application Framework, for example Laravel or Symfony, and have adequate cyber security protection to protect from typical cyber-attacks. While TEKAD will rely on GoI plans and resources to improve connectivity in eastern

Indonesia (see Activity 3.1.5), due to limited connectivity issue in TEKAD target areas, it is suggested the online platform to be designed for low-band with connection in mind. There are growing numbers of internet mobile phone users¹²³, for that reason the website is recommended to be mobile-friendly. Due to affordability factor, Android-based gadgets and mobile phone are considerably popular in Indonesia¹²⁴. Therefore it is recommended that mobile applications only use the Android operating system. Both website and mobile app should embrace appealing User Interface design and intuitive to navigate. Due to rapid dynamic progress in information technology sector, there is probability to have better alternative technology during the time this programme is being implemented. If this occurrence happens, the NPIU is authorized to decide what is best for the TEKAD programme.

191. The M&E tools will be also available in mobile application, this to accommodate the TEKAD facilitators who dynamically work on the field. In areas without internet connectivity, this app will be able to save the newly inputted data into the local storage first and will continue to sync the data to the cloud server in the background process whenever internet networks are detected available (enabling asynchronous process). Regarding data validation, the data submitted by the TEKAD facilitators will first need verification from higher authority (DPIU, PPIU or NPIU), after which it will be displayed in the M&E system.

192. Furthermore, the use of mobile applications like WhatsApp, Facebook and Instagram will facilitate the exchange of information throughout wide programme target areas and will foster team building.

Activity 3.1.2 – Eastern Indonesia Gateway

193. An online platform will be developed to engage with large target audiences, including TEKAD stakeholders in the five provinces and interested village and other players nation-wide. It will connect village players to knowledge and innovation, as well as services and markets. The platform will be in the form of both a website and applications, and will give access to TEKAD-generated material and information, but will also direct users to existing websites that would be of interest for the planning and promotion of village economic development in Eastern Indonesia. A mapping of relevant websites¹²⁵ will be carried out as part of the platform design in PY2, with a major objective to avoid duplications and develop original content only where it can bring added value to the existing.

194. The following main functionalities will be developed: (i) TEKAD online presence; (ii) Learning and village innovation; and (iii) Connection to other services.

195. **TEKAD online presence.** This will aim to inform related stakeholders and public about the progress and achievements of the TEKAD programme. It will contain (but not limited): (i) News, newly received information related to TEKAD recent activities, achievements and outcomes; (ii) Events, highlighting upcoming events, workshops or awards; (iii) Photos & Videos, the documentation of interesting moments during TEKAD implementation; (iv) Other media, infographics and other media format related to TEKAD programme. This feature is expected to be updated weekly under the leadership of the NPIU KM and Policy Development Expert. The website visitor should be offered to stay in touch with the programme updates, either through web notifications or newsletter subscriptions.

196. According to the latest data (2018), averagely, Indonesian people spend 3 hours 36 minutes daily on social media and instant messenger¹²⁶. In response to that, TEKAD will also expand its presence on popular social media, specifically on Youtube, Facebook and Instagram. Those social networks are the top social media among Indonesia netizen. This action hopefully will widen the reach of the programme awareness. The social media accounts are suggested to be created and updated by the M&E specialist.

¹²³ From Statista (2019). Link <https://www.statista.com/statistics/309017/indonesia-mobile-phone-internet-user-penetration/>

¹²⁴ Android OS dominating with 93.5% according to Statcounter (2019). Link: <http://gs.statcounter.com/os-market-share/mobile/indonesia>

¹²⁵ Such as GoDesa and other digital applications to be developed by P3PD, as well as online marketplaces with which MoV already has a partnership.

¹²⁶ From Digital 2019 Indonesia by We Are Social. Link: <https://www.slideshare.net/DataReportal/digital-2019-indonesia-january-2019-v01>.

197. **Learning and innovation.** Learning material will be posted on the Eastern Indonesia Gateway and will also be available offline and in printed form. This will include the Orientation and Capacity Building Packages developed under Subcomponent 3.2 (see Activity 3.2.1), other knowledge products, such as guidelines, mapping studies and surveys, and information about TEKAD achievements and outcomes.

198. The platform will also feature innovative practices developed in the target areas in relation to products and activities supported by TEKAD, building on the Village Innovation Programme methodology. Entries, enriched by photo/videos and relevant data, will be submitted by district M&E/MIS Coordinators and reviewed by the Provincial M&KM Officer and the NPIU KM and Policy Development Expert, along guidelines that will be developed by the NPIU KM and Policy Development Expert at project onset.

199. Aside from the province identity, these stories should also be tagged with their respective ecological condition (lowland, highland, dryland and coastal). This will help visitor to sort stories which are relevant to their village situation. In the end of each case, there would be contact information, so those who are interested could follow up and learn more through further communications. Videos, graphic media and social networks will also be widely used for documenting and dissemination innovations.

200. Moreover, the platform could be used to develop communities of interest among staff (and possibly also other TEKAD stakeholders). Communities of interest gather professionals that share similar interests and that interact to learn together and from each other, on a voluntary basis. A community of interest could be formed, for example, with village facilitators interested in meeting, discussing and exchanging information via the platform and/or messaging tools. Communities of interest were successfully set up in IFAD-financed CCDP and were an effective tool to build staff motivation, learning across the five provinces, and sense of belonging. This feature will be built into the Eastern Indonesia Gateway if there is a potential interest from specific groups of staff.

201. **Connection to other services.** Building on the mapping of websites, links will be established to connect visitors of the Eastern Indonesia Gateway to existing platforms that could be of interest. Some potential links that are already identified for now are GoDesa and Akademi Desa 4.0. GoDesa, is an online platform currently being developed by MoV with support from World-Bank financed P3PD, which will be available in mobile application that integrate nine village related services, including: village facilitators performance monitoring, marketplace for TA provider, chatroom for villages, payment gateway for services, online courses (Akademi Desa 4.0), peer to peer village innovation learnings, and other features¹²⁷. Akademi Desa 4.0, is an online course for capacity building targeting MoV's facilitators. Although it already run at limited scope, most of the content will be developed in 2020 through P3PD. Links to marketplaces, in particular those with which MoV already has an agreement, will also be proposed.

Activity 3.1.3 – Learning and Village Innovation

202. TEKAD will facilitate the identification, documentation and dissemination of innovative practices developed in the target areas in relation to products and activities supported by the programme. A simple system, along with guidelines, will be designed by the KM and Policy Development Specialist in PY2 with support from a consultant, building on World Bank-financed Village Innovation Programme methodology, along which more than 200 stories of inspiring village innovation were collected nationwide¹²⁸ and each village could learn from what is being successfully implemented in other villages. Building on the guidelines, Provincial M&E/KM Officers and district-based M&E/MIS Coordinator will train village facilitators to assess and document village-based innovations that contribute to enhanced production, processing and marketing, including through Village Awards (see Activity 3.1.4)

203. Innovations will be disseminated through:

- *The Eastern Indonesia Gateway:* there will be a dedicated feature for displaying innovations and they should also feature on the programme social media accounts such as Facebook and Instagram;

¹²⁷ From ESMF P3PD (2019). Link: <https://lumbungfile.kemendesa.go.id/index.php/s/dw8sJy99QApXQeX>.

¹²⁸ See Inovasi Desa. Link: <https://inovasidesa.kemendesa.go.id/>

- *Village competitions and awards*, which will receive media coverage and be showcased through videos posted on the platform (see activity 3.1.3);
- *Eastern Indonesia Youth Ambassadors*, who will have access to innovation through their bootcamp (see Activity 3.1.3);
- *The thematic KKN programme*, whereby university students will be exposed to innovative approaches happening in the villages through sharing sessions with TEKAD facilitators (see Activity 3.1.3);
- *Study tours*: they will be organised for villagers within districts (under Sub-component 1.2) and across districts of the same province to facilitate peer-to-peer learning. Study tours will also be organised for BUMDes managers to expose them to leading BUMDes in each province. Each year, the PPIU will choose one or two leading BUMDes to be visited. Study tours will be organised under the overall responsibility of the Provincial M&E/KM Officer, in collaboration with District M&E/MIS Coordinators. The latter will make proposals as to BUMDes/village groups worth visiting in their district, along pre-agreed selection criteria (which could be revised every year) on an annual basis;
- *Innovation fairs*: this activity builds on the good achievements from the previous VIP, particularly the *Bursa Inovasi Desa* (Village Innovation Exchange Forum). Under TEKAD, it will emphasize on innovations that could contribute to village economic outcomes. The innovation fair will be conducted at district level, inviting two representatives, one man and one woman, of each participating TEKAD village in that district, as well as TEKAD facilitators. There will be display of replicable innovations, the participants then choose what kind of innovation that will try to be adopted in their village, after that consulting it with the TEKAD facilitator in site. The TEKAD facilitator will document this commitment, and will help to assist the implementation in the village;
- *Printed material*: every year there will be booklets and other kind of printed materials showcasing the successful village's innovative practice.

Activity 3.1.4 – Inspiration and Motivation

204. The main objective of this set of activities is to inspire villagers in developing rewarding and sustainable economic activities adopting various innovative approaches. Motivating the youth through involvement and recognition will also be central theme to this. During the activities, seeking for media coverage and posting on social media is encouraged to reach broader audience. To support achieving the objective, the activities will comprise of: (i) Eastern Indonesia Youth Ambassador; (ii) Village awards; and (iii) Thematic KKN.

205. **Eastern Indonesia Youth Ambassadors.** This set of activities aims to change the agriculture narrative in the young people perception so that agriculture is not perceived as a dirty, non-innovative and poorly remunerative job, but one that can support good livelihoods and bring good returns, integrate innovation and technology, and generate positive social and environmental impact. The Eastern Indonesia Youth Ambassadors (EIYA) programme will show opportunities for young people in the commodity producing (agriculture, aquaculture, fishery and livestock), processed product (food, herbs, traditional woven fabrics and other non-food) and ecotourism business (hospitality related) based on their village potential.

206. Starting in PY3, each year there will be two young people from each TEKAD province, a young woman and a young man, competitively selected to be the ambassadors (total 10 ambassadors). These ambassadors should represent different socio-economic profiles, gender as well diversity of economic activities. The selected young ambassadors' responsibilities are: (i) showcasing their experience and strive for scaling-up their business; (ii) inspiring local youth through speaking engagements, media coverage and social media; (iii) supporting village economic transformation particularly with TEKAD programme activities.

207. The main guideline for EIYA will be designed by a national consultant with experience in setting entrepreneurship programme at national level. The consultant will develop the concept, outlining how it would inspire the youth and also envision implementation this competitive event for future years. Regarding naming, it is not mandatory using the word 'ambassador' - using 'heroes' or other term is a possibility to be explored further by the consultant to brand the event. Implementation will be carried out by a service provider specializing in event organization, who will be responsible for arrangement of the following activities:

- *Programme preparation:* there will be meeting with the PPIU, discussing how the event will be organized, deciding the yearly theme and how to reach the potential participant. The results will be communicated with the DPIU and TEKAD facilitators. The materials for the visual communication and identity for the event will also be designed in this phase.
- *Open submission:* there will be communication effort using local media placement, printed posters, social media and instant messenger to target young entrepreneurs to participate in this event. TEKAD facilitators will inform this open submission to their villages of operation, promote the event, describe the benefits of being chosen as ambassador, explain the terms and criteria. Furthermore, facilitators should identify potential candidates, thus encourage them to participate, including young women entrepreneurs. The TEKAD facilitator is suggested to identify local entrepreneur communities (such as HIPMI¹²⁹, Tangan Di Atas¹³⁰, etc.) and ask them to disseminate the information through their members. The interested youth could submit their application through the facilitator directly, or through online form accessible in the online platform (see Activity 3.1.2). Some criteria for the participants are (but not limited): (i) has been running the business (agriculture commodities, processed product or eco-tourism) for at least 2 years; (ii) business is operated in or sourcing from (TEKAD target) villages; (iii) maximum 35 years old during registering; and (iv) describe what impact they would make if they are chosen as youth ambassadors. In this open submission phase, it is expected minimum total 250 applications submitted from all TEKAD provinces;
- *Participant selection:* the service provider together with PPIUs will screen the applicants until there are 10 candidates from each province. The next stage of the review will be done by a committee at the national level, consisting of representatives from MoV, NPIU and youth related NGO(s), selecting four candidates from each province to be finalist. The 20 finalists should include 50% women;
- *Bootcamp and winner announcement:* the 5-days bootcamp will be held in one of the TEKAD provinces and move to a different TEKAD province every year. The service provider will arrange the itineraries of the finalists, plan the agenda, prepare the event logistics, and arrange the resource persons for the bootcamp. The finalists will be given leadership training, innovative appropriate technology, knowledge to scale-up their business, information about TEKAD programme and how they could make contribution in it. The resource person is recommended to have reputation in the national level and strongly advised to having knowledge the Eastern Indonesia context, particularly in terms of business development challenges. A site visit to local successful agri-related business and ecotourism is suggested to be included in the agenda. In the last day, all participants will be presenting their business plan to scale-up and how they would make impact on villages. It is suggested to make this final pitch event open for public, also inviting media and local university students to attend. To help organize this event, the service provider is allowed to recruit volunteers, possibly from the local university students or youth community, in hope they will also be inspired. The judges that consist of resource persons from the hosting province entrepreneurial committee and local universities will be composed of 50% women. It will finally select 2 from each province to be selected as winners, making total 10 youth ambassadors selected. The expected output of the event will be 100 participants attending the event, 5 media coverages (including online media), and at least 50 social media posts.
- *Roadshow:* this roadshow will be taking place in each TEKAD province, promoting the winners selected from that province. The purpose of this phase is to inspire young people not to migrate and motivate them to start or join economic initiatives in their village, which is the essence of this whole set of EIYA programme. Therefore, the speaking engagements should be held in the areas with high youth migration rate, targeting youth community, landless youth, high schoolers and university students as the event audience. During the speaking engagement, the ambassadors should also offer help as mentor to those who interested to start a business. The output expected from each province are at minimum 500 youth exposed with the events, covered in 5 media (including online media), reaching 10,000 media audience.
- *Follow up:* to reach wider audience, videos highlighting the winners will be produced and published by another service provider, specialized on videography. One video will feature 2

¹²⁹ Himpunan Pengusaha Muda Indonesia (Association of Indonesia Young Businessperson).

¹³⁰ One of the biggest entrepreneur community in Indonesia. Visit www.tangandiatus.com/

ambassadors from same province, in total there will be 5 videos to cover all winners, each year. The video will be around 3 minutes, introducing also sharing the ambassadors entrepreneurial life, and most importantly sending message about plenty opportunities to be explored in the village and TEKAD programme are ready to help those youth villagers who interested. This video service provider also responsible to push the total 5 published videos to have at least 37,000 viewers (0.3% of the total population of TEKAD provinces) at the first month after published. Not only Youtube, the videos could be distributed on Facebook video, Instagram TV, and instant messenger. Aside from video, TEKAD facilitators should follow up and assist the ambassadors on implementing their plan to develop their business and involved in economic initiative on TEKAD villages.

208. **Village awards.** To appreciate innovative individual and collective economic initiative efforts of villages, BUMDes or cooperatives, TEKAD will set yearly awards. This also as a mean to motivate and inspire action for the other stakeholder involved. The awards will try to recognize the finest achievement in the form of these categories: (i) Village producers who implemented innovative approach on agriculture or aquaculture; (ii) BUMDes or cooperative, that contribute significant economic revenue to their village in sustainable manner; (iii) Village best collective efforts to make inclusive village economic transformation happen, i.e. showing impact on village households, women and youth; and (iv) village facilitators and village cadres with innovative facilitation approaches and highest adoption rates by both women and men. This will be achieved through the following steps:

- *Nomination and selection:* nominations will come from TEKAD facilitators, submitting through online form available at the Eastern Indonesia Gateway platform, based on criteria such as (but not limited): adoption of innovative technologies, generated benefits, social and environmental impact. Nominations entries will be reviewed at the district and then provincial level to be final reviewed and decided. There will be one winner per nominees for each district, and it will be announced in the provincial based awarding event.
- *Awarding:* awarding events will be prepared and organized by a service provider in each province, inviting all the awardees as well as media. This event and winner will also be communicated through the Eastern Indonesia Gateway. This promotion will also cover information regarding replicability and requirements, including with regard to skills, access to finance or business development. From each awarding event, the expected output is 3 media coverages (including online media outlet) and 30 social media posts.
- *Video publication:* to inspire wider target groups, there will be short video produced by a service provider. The national M&E specialist will pick one of the best from each category which will be produced by a service provider. The video will be around 3 minutes long, highlighting the effort, the innovative approach and the inspiring results of each category. This video service provider will also responsible to drive the total 4 published videos to have at least 25,000 viewers (0.2% of the total population of TEKAD provinces) at the first month after published.

209. **Thematic KKN.** *Kuliah Kerja Nyata* (KKN) is a university programme across Indonesia that links academic study with the practical experience of community service. Multi-disciplinary groups of about 10 students stay in a village for one to two months and are expected to make a positive contribution to the village by supporting community activities meeting community needs and related to infrastructure, education, religion, economy, environment, social and culture. Each group is supervised by a teacher and KKN manager that regularly visit the group. Most of Indonesia higher education institution have KKN programme during semester break. Most universities deploying their KKN students between July to August.

210. KKN Thematic has the same organization but focuses on a specific theme (for example promoting good practices for coffee production), upon request from a Dinas or other institution. VDP co-financed this programme in West Papua with excellent impact on agriculture production. This thematic KKN is considered as a strategic vehicle to support deliver TEKAD mission in the target villages. During the programme, the students could be empowered as helper or extension of the TEKAD facilitators in village level.

211. TEKAD will make partnership with state-owned universities (including polytechnics) in the 5 provinces that have KKN programme, as shown in Table 6.

Table 6 – Eligible universities for TEKAD-supported KKN programme

NTT	Maluku	North Maluku	West Papua	Papua
Universitas Nusa Cendana, Kupang	Universitas Pattimura, Ambon	Universitas Khairun, Ternate	Universitas Papua, Manokwari Politeknik Pembangunan Pertanian Manokwari	Universitas Cendrawasih, Jayapura Universitas Musamus Merauke

212. Every year, the representatives of those universities will be invited to the meeting with NPIU and MoV, with the purpose to have agreement on: (i) the universities will accommodate the TEKAD agenda to their thematic KKN; and (ii) agreed on the number of students, the amount of subsidy, and the designated villages. TEKAD expected to support around 300 KKN students per year from each of the seven universities, and will subsidize up to 50% for the KKN students living cost and operational cost that deployed at TEKAD villages. The target villages selection should be aligned with the TEKAD village support phase, and for the village that had already visited by KKN students, will not be chosen again in the future year.

213. Before the students are deployed to the villages, there is in-class learning session to prepare the KKN students. The university will arrange the schedule and TEKAD District Coordinators will come and give information about TEKAD programme, the profiles of target villages, expected TEKAD thematic KKN outcomes and how to deliver them. It is also suggested to share replicable good practices of innovations that could be applied at the designated villages. If there is possibility, the Eastern Indonesia Youth Ambassadors are encouraged to be involved also in this session to motivate the students.

Activity 3.1.5 – Improving connectivity

214. To enhance village access to internet networks, MoV will establish a partnership with the Ministry of Communication and Information Technology (MoCI) to engage with BAKTI (*Badan Aksesibilitas Telekomunikasi dan Informasi*), a government agency under MoCI that administers and manages the improvement of telecommunication networks mainly in disadvantaged regions, where no telecommunication provider is interested to invest in building their networks. Until 2018, BAKTI has built 4,111 internet access site and 856 BTS (Base Transceiver Station) sites across Indonesia¹³¹. Further, BAKTI seeks to reach at least 5,000 villages to experience telecommunication networks in 2020¹³². BAKTI can accommodate other ministry, government agency and local government requests to build the connectivity networks in the requested area through submission on BAKTI online web application (PASTI Management System - <https://pasti.baktikominfo.id/>).

215. **Electricity availability.** One key criterion for BAKTI to provide connectivity is the availability of electricity, with a minimum power of 150 watts. For those villages which do not yet have electricity, DPIU will provide advice to interested villages as to the type of electricity power installation (preferably solar panels), they could adopt and include in their annual plan and budget.

216. **Meeting for agreement.** Every year, starting in PY2, MoV will communicate a list of priority villages for connection to grid and equipment installation by BAKTI at no cost¹³³. There will be a meeting between the General Directorate of Village Development and Community Empowerment, (MoV) and BAKTI (MoCI) to affirm the number, location and implementation schedule for internet connectivity facility developed at the TEKAD villages.

217. **Application submission.** Based on the agreement, the NPIU will provide the data and information needed by BAKTI through the PASTI Management System. The NPIU will monitor the progress of the application and communicate with the corresponding DPIU, ensuring the designated villages had proper preparation to have the facility built.

¹³¹ BAKTI website (2019), <https://www.baktikominfo.id/>.

¹³² MoCI website (2018), https://kominfo.go.id/content/detail/15419/bakti-kominfo-genjot-pembangunan-bts-agar-indonesia-merdeka-sinyal-pada-2020/0/sorotan_media.

¹³³ A similar model currently applies for Ministry of Education and Ministry of Health.

Sub-component 3.2 – Policy Development and Institution Building

218. The Village Law represents the core policy at the root of GoI efforts to support village-based economic development. Therefore, TEKAD efforts with regard to policy development will focus on making the implementation of the Village Law and of the Village Fund more effective and impactful in promoting village economic development. TEKAD strategy with regard to policy development is therefore to: (i) develop approaches and tools to assist village governments and communities in leveraging the Village Fund to promote economic development in different agro-ecological and social contexts in Eastern Indonesia, and potentially throughout the country; (ii) pilot their implementation and monitor results; (iii) share outcomes with stakeholders at village, district, province and national level, including with institution; and (iv) institutionalise them under the responsibility of four main partners: MoV, Bappenas, provincial and district governments. In this respect, one of the key programme outcomes will be the Orientation and Capacity Building Packages, a set of evidence-based and replicable models for improving the use of village resources and for developing village partnerships with public and private players in support of inclusive and sustainable village economic development.

Activity 3.2.1 – Orientation and Capacity Building Packages

219. An initial set of Orientation and Capacity Building Packages will be developed in PY1 to guide activities and support capacity building of programme staff, district and provincial departments and village stakeholders in the following areas:

- *Village Governance for Economic Development.* This package will build on models and tools developed through World Bank-financed P3PD¹³⁴. These will be adapted to match the specificities of economic development in the primary sector as well as specific features of the target provinces. Guidelines, tools and outlines for developing, monitoring and reviewing the village economic development strategy, annual planning and budgeting, regular monitoring annual reviews and setting up and running the Village Information System will be included;
- *Support to Village Economic Initiatives.* This part will largely be commodity-based, and design will build on the mapping studies conducted under subcomponents 2.2 and 2.3. Commodity-based packages will include different menus and modalities adapted to the four broad TEKAD agro-ecological zones (highlands lowlands, drylands and coastal), different types of areas and opportunities - varying types of market opportunities, connectivity (from well connected to remote areas), social organisation (from cohesive to fragmented societies) or economic organisation (villages that already have BUMDes, cooperatives or economic groups or that have none). While agriculture is the dominant sector in the target provinces and therefore will dominate the priority commodities, non-agriculture commodities and services are also important economic development opportunities, including marine products, non-timber forest products (especially in remote villages and indigenous communities), and ecotourism.

Commodity-based packages will promote multi-benefit approaches that deliver multiple benefits for production, poverty reduction, environment and climate resilience, and will also make reference to appropriate technologies and modalities for using and financing them. This will include the promotion of more rigorous planning; good practices to mitigate desertification, deforestation, loss of biodiversity and resource depletion; and environment protection.

Each package will cover (non-exhaustive): (i) a description of the activity, state-of-the-art technology including for climate change adaptation, post-harvest and value adding (drying, storage, packaging, certification, transport...), market, assets/pre-requirements, costs and expected revenues, financial and cash-flow projections; (ii) growth path for producers; (iii) market players, linkage opportunities. They will also include examples (not mandatory) of simple business models, adapted to the different commodities;

- *BUMDes, economic organisations and village clusters.* This package will focus on the creation and expansion of economic organisations (primarily BUMDEs and cooperatives, but possibly also other groups such as women or youth groups, or individual businesses such as a lead farmer aggregating and marketing produce) and of village clusters, and the benefits and returns they can provide to villagers. It will also provide guidance and capacity-building modules in developing simple business plans, in setting up, managing and financing business development, and in

¹³⁴ Expected to be available end of 2019.

carrying out annual capacity assessment to measure progress and gaps, and orient consolidation efforts.

- **Access to financial services.** This package will cover financial and digital education modules, guidance for linking to financial service providers and accessing financing, as well as a range of financial products and services, including innovations promoted by TEKAD with partnering financial institutions (see Sub-component 3.2).

220. Orientation and Capacity Building Packages will be sensitive to gender and other specific groups' constraints in operationalizing their content, and will provide solutions for supporting women's inclusion (including labour- and time-saving technologies) and that of marginalised groups, including remote villages.

221. Each Orientation and Capacity Building Package will include a guide with step-by-step explanations, which will be linked to practical tools designed in adaptation to different audiences. All guidelines developed to support programme implementation will be included.

222. **Implementation.** Orientation and Capacity Building Packages will be developed through a contract with an international service provider with multi-disciplinary competences covering rural inclusive economic planning and business development, along with provincial-based national consultants (possibly through provincial universities). This team will work in partnership with MoV Community Training Center Department (*Pusat Pelatihan Masyarakat – Puslatmas*), based on an MoU to be established by the NPIU, which will also cover the training of TEKAD staff in using the Packages (Sub-component 2.1). The service provider will also establish close collaboration with relevant ministries (dealing with Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises) and with other public and private provincial stakeholders. Preparation will associate TEKAD provincial and district teams and will plan an approach for ensuring that they could be adapted to district local conditions.

223. To facilitate wide access to support, including in most remote areas, Orientation and Capacity Building Packages will be available both online, through the Eastern Indonesia Gateway platform and in a separate mobile application, as well as offline. In recognition of lower literacy and numeracy skills among beneficiary communities, will adopt visual learning tools including video tutorials, photos, videos, infographics... Economic Initiatives Advisers will be equipped with digital tablets to enable multi-media presentations using the product-based capacity-building packages.

224. Orientation and Capacity Building Packages will build on and be fully compatible with instruments developed for MoV's Village Academy 4.0 and P3PD¹³⁵, which will be complemented to fit the specific needs of village economic planning and the specificities of the target provinces. While there will be a common core of guidance/capacity building modules, adaptations will be introduced for every province as required, to reflect socio-cultural and product-related specifics to every province and agro-ecological zone. Preparation will associate TEKAD provincial and district teams and will plan an approach for ensuring that they could be adapted to district local conditions.

225. It is recommended that: (i) modules be broken down into smaller sub-chapters to make lessons easier to digest; (ii) users should be able to track their learning progress also able to continue from the last milestone regardless log-in from website or mobile app; (iii) user able to download or save the learning material to their device, this to address the lack of connectivity in certain areas; (iv) user able to take evaluation after the learnings; and (v) user able to download an automatically generated certificate of completion after the user completed a module. The service provider is encouraged to take inspiration from the successful online course platforms such as Coursera or Edx. For less resource intensive and ease of maintenance, the mobile application is suggested to use hybrid mobile app development framework. For the video tutorials, it is suggested to be narrated or spoken in Bahasa Indonesia, but with eastern Indonesia dialect.

226. Puslatmas will organise the training of district and provincial stakeholders involved in delivering the Orientation and Capacity Building Packages, including TEKAD staff, based on the training of trainers in Puslatmas training centres in Ambon (for Maluku and North Maluku provinces), Jayapura (for Papua and West Papua provinces) and Denpasar (see Sub-component 2.1).

¹³⁵ Currently being developed and to become available by end of 2019.

227. **Model development, innovation and communication.** Orientation and Capacity Building Packages will form the building base for TEKAD model development. Packages designed in PY1 will be tested from PY2 and will be amended and expanded to reflect the lessons of experience, new technologies and innovations developed along with programme implementation, and review of conditions for replication. Package development will therefore be closely linked to programme monitoring and evaluation and knowledge management.

228. The international service provider will design a simple methodology for carrying out an annual, performance-based assessment of the packages, building on data provided by the M&E system/TEKAD MIS starting from the village level. The assessment will be done jointly with Puslatmas and will: (i) review packages' effectiveness (both in content and in form) in building capacities and in delivering results with regard to village-based economic development planning and implementation; and (ii) identify good practices and innovations that concurred to achieving good results. The assessment will also review the extent to which packages are effective in supporting specific target groups, such as women, youth and poorer households, and in reaching out to remote areas.

229. Every year, in preparation of the Annual Workplan and Budget (AWPB), with guidance from the Provincial M&E/KM and Policy Development Expert, District M&E/MIS will lead the assessment at district level, in close collaboration with the District Coordination Platform for Village Economic Development and the team of programme and district facilitators. The outcome of the assessment will be a provincial report synthesising the exercise and highlighting gaps, as well innovations and good practices, with recommendations for action, including amendments, further testing of innovations and other research and development activities. The report will be submitted to the Provincial Coordination Platform, where it will be discussed with stakeholders, who will make recommendations regarding improvements to be brought to the Orientation and Capacity Building Packages and further actions required. This will include the proposal of possible collaborations with provincial universities and their departments for innovation and research.

230. Building on provincial contributions, the NPMU KM and Policy Development Expert will prepare an Annual Plan for Model Development, Innovation and Communication, which will be part of TEKAD Annual Work Plan and Budget and will cover the following: (i) identifying inclusive innovative approaches/models with potential for scaling up, based on a set of agreed upon indicators – detailed indications will be provided on model pre-requisites, implementation modalities and costs; (ii) detailing agendas and responsibilities for scaling up proof-tested innovative model and reviewing progress achieved; (iii) specifying changes to be brought to the Orientation and Capacity Building Packages; and (iv) building partnerships with government agencies, provinces/districts, private sector and development partners to mainstream innovation into regular processes and to scale up successful models. An international consultant will design guidelines and provide support to the process.

231. Orientation and Capacity Building Packages will be updated by Puslatmas.

232. Progress and updates will be widely shared through the Coordination Team under MoV Directorate General of Village Community Empowerment and Development, the Joint TEKAD-P3PD Working Group¹³⁶, the District Coordination Platforms for Village Economic Development, the Papua Desk, and the Eastern Indonesia Gateway.

Activity 3.2.2 – Policy studies

233. TEKAD will support a demand-driven policy process whereby policy studies will address two objectives:

- contribute to translating innovative approaches and tools developed under the programme into legal and policy instruments, under different forms such as MoV regulations, ministerial instructions, technical guidelines or Puslatmas training programmes; or Papua Desk-sponsored regulations;
- address policy gaps identified through the provincial mapping studies, TEKAD programme operations and recommendations made by District and Provincial Coordination Teams.

¹³⁶ See Section V – Institutional arrangements.

234. Activities will include the following:

- *identification of policy needs/gaps to support the institutionalisation of evidence-based innovative instruments or to improve village-based planning, financing and implementation of economic development*: this will largely rest on the initial mapping studies (Sub-Component 2.2, Activity 2.2.1) and their updates, TEKAD operations and recommendations made by District and Provincial Programme Implementation Units. But it could also derive from a specific study on a specific issue brought forward by MoV or by the Papua Desk;
- *policy studies* and support for publication and production of related outreach materials;
- *policy consultations and workshops* to support the preparation of policy studies or to present and discuss the results of such studies;
- *dissemination* of results and lessons learned.

235. Areas for policy development identified during programme design include the following: (i) an expenditure/performance review of the Village Fund and of MoV, district and village performance for the promotion of village economic development in Eastern Indonesia; (ii) revised guidelines and legal framework for BUMDes to become an inclusive village economic development-supporting organization; and (iii) a survey on participation and accountability in Village Law implementation, building on the model of the Sentinel Villages Study, under the Local Solutions to Poverty programme implemented by the World Bank. Gender equity and Social Inclusion considerations will be mainstreamed in all of the policy development activities.

Activity 3.2.3 – Institution building

236. TEKAD will contribute in strengthening the capacities of MoV, and especially (but not exclusively) of the Community Empowerment and Development General Directorate, in:

- implementing the programme in an accountable and transparent manner, in line with GoI and IFAD procedures, and in delivering programme outcomes and outputs according to plans;
- promoting inclusive and profitable village economic development;
- tracking achievements and capitalising on good results to improve related performance;
- mainstreaming successfully tested TEKAD innovative tools through MoV's relevant structures.

237. Capacity building will be provided on the basis of annual participatory capacity assessments and capacity development plans.

238. This set of activities should also benefit the Association of Indonesian Village Governments¹³⁷, at national and provincial level.

Activity 3.2.4 – Upscaling facility

239. An upscaling facility is available to finance specific operations that would upscale innovative tools successfully implemented by the programme. The facility could be used for any of the following purposes (not exclusive): expand programme operations to additional villages (for example to participate in cluster); scale up specific activities in target districts (for example trainings); finance study tours or other peer-to-peer instruments to disseminate programme knowledge and experience to villages not included in target areas; face increased costs in relation to planned activities in this PDR.

Implementation arrangements for Component 3

240. The implementation of Component 3 will be led by the NPIU KM and Policy Development Expert in close collaboration with the team of technical experts at the national level and at provincial/district level

241. Under Sub-component 3.1, service providers will be hired to: (i) develop the TEKAD MIS system and provide support to Provincial MIS/GIS Officers for MIS development, in close

¹³⁷ Asosiasi Pemerintah Desa Seluruh Indonesia (APDESI).

collaboration with the Senior M&E and Senior GESI Experts especially; (ii) develop and maintain the Eastern Indonesia Gateway; (iii) implement the annual selection and awarding process for the Eastern Indonesia Youth Ambassadors; (iv) produce videos on the Eastern Indonesia Youth Ambassadors. A national consultant will provide support to design the guidelines for the Eastern Indonesia Youth Ambassador Programme. An MoU will be signed between MoV and MoCI to engage with BAKTI for the implementation of the connectivity programme.

242. Under Sub-component 3.2, an international service provider will be hired under the IFAD grant to develop the Orientation and Capacity Building Packages, in partnership with MoV Community Training Center Department (*Pusat Pelatihan Masyarakat – Puslatmas*), based on an MoU to be established by the NPIU, which will also cover the training of TEKAD staff in using the Packages (Sub-component 2.1). The same service provider will be hired to carry out the provincial Market opportunities and value chain analyses (see Component 2). A financial provision for paying management fees under the contract with the international service provider is included in the programme budget. Orientation and Capacity Building Packages will be annually updated by Puslatmas, building on annual assessments and on the specifications of the Annual Plan for Model Development, Innovation and Communication.

243. Priority areas for the development of policy studies and for institution-building will be identified annually by the NPMU and will be validated by the Programme Steering Committee. An international consultant will assist in defining a methodology and in providing guidance for implementation. TEKAD will finance the cost of policy studies, workshops and capacity building.

244. Bappenas, including the Papua Desk, will be closely associated to the implementation of Sub-component 3.2.

ATTACHMENT 1 – NUMBER OF VILLAGES ASSIGNED PER VILLAGE GOVERNANCE FACILITATOR/ECONOMIC INITIATIVES ADVISOR

ASSUMPTIONS

Number of villages per PY

Years	1	2	3	4	5	6
Core		500	500	500	500	
Cluster 1			610	610	610	610
Cluster 2				610	610	610
Total:	0	500	1110	1720	1720	1220

For Core and cluster 1

Economic initiative facilitator: covers 4 villages in Y 1 and 2, 6 villages in Y 3 and 9 villages in Y 4

Village governance facilitator: covers 4 villages in Y 1 and 2, 6 villages in Y 3 and 9 villages in Y 4

For cluster 2

Economic initiative facilitator: covers 4 villages in Y 1 and 2, 6 villages in Y 3 and 9 villages in Y 4

Village governance facilitator: covers 4 villages in Y 1 and 2, 6 villages in Y 3 and 9 villages in Y 4

Project years	Number of facilitators required					
	1	2	3	4	5	6
Village Governance						
Facilitators	125	125	83	56		
		153	153	102	68	
			153	153	102	
Sub-total	125	278	388	310	169	
Economic Initiative						
Facilitators	125	125	83	56		
		153	153	102	68	
			153	153	102	
Sub-total	125	278	388	310	169	
TOTAL	250	555	777	619	339	

IV. GENDER EQUITY AND SOCIAL INCLUSION STRATEGY

246. A multi-pronged approach is necessary to tackle the social heterogeneity in the target areas. Since there are no readymade answers that would be appropriate across the programme's spectrum of target groups and agro-ecological livelihood settings, TEKAD's targeting strategy will be composed of a mix of features aimed at fostering inclusive approaches, and direct pro-active targeting measures.

247. Key elements of a targeting and inclusion strategy are built-into design and are described hereafter. However, a full Gender and Social Inclusion (GESI) strategy will be designed during the first year of implementation to fully address the diversity and diverse requirements in the target areas. Besides, only bottom-up approaches stand a chance of genuinely succeeding in difficult environments such as the programme. Therefore only a GESI strategy that is owned by the facilitators as the people with the prime responsibility of implementing it can work effectively, which means that they must be involved in its conception, as well in the planning of expected achievements for which they will be held accountable. Finally, the Village Law implementation is progressing rapidly but unpredictably, which may offer new opportunities that should be built upon as and when they arise¹³⁸.

248. **Lessons learnt.** Lessons learned from PNPM Agriculture, VDP and other initiatives on targeting and GESI include the following:

- field staff were not sufficiently trained on basic facilitation skills and community empowerment;
- the community empowerment objectives of the Village Law and the procedures for using the Village Fund are still unknown by the wider public;
- broad community ownership and Village Head buy-in of targeting and GESI activities are important;
- the village apparatus should play a role in targeting and GESI activities;
- where and how village meetings are called for are essential considerations that will determine the extent of participation and inclusion;
- given that literacy levels can be low, that Bahasa Indonesia is not understood everywhere, and that oral communication is frequently the most important form of communication, supplementary non-written communication (videos, pictorials, etc.) is important;
- in Papua especially, women only groups can be "the surest way to include women in group decision-making roles, and the groups serve to build women's self-confidence as well as their skills; most importantly, in a women's only group, they will not be talked down to, allocated extra work by men who will benefit from their labour, be taken advantage of, or otherwise be treated as chattel by male members"¹³⁹.

GENDER EQUITY AND SOCIAL INCLUSION STRATEGY (GESI)

249. TEKAD will develop a Gender Equality and Social Inclusion (GESI) Strategy to ensure that poor target groups, women, young people and indigenous groups in the target villages participate in TEKAD activities and access programme benefits. Given the socio-cultural diversity, while the GESI Strategy will build on core principles, it will be adapted to the specific features of each of the five target provinces.

250. **Guidelines.** Guidelines will define objectives, a core set of orientations and mechanisms building on the Village Law to : (i) profile target sub-groups; (ii) ensure gender equitable and social inclusion of the target groups and especially of disadvantaged or isolated groups in the village

¹³⁸ E.g., at the time of writing, Village Heads in Papua Province are still appointed; it is expected that, soon, they will be elected, like elsewhere in Indonesia. The Village Law reserves a lot of power to Village Heads. Their election will not only change their downward accountability, but much of the dynamics of village governance; this will therefore be an important evolution to keep sight of, and to consider during implementation. According to the Law, village consultative meetings (*musyawarah desa*) are the highest body of village governance, an innovation which is meant to balance the power of the Village Head and to provide a solution for cases where, under the previous situation, tension between the village parliament and the Village Head would lead to a stalemate – these meetings are however often not held at all, or only infrequently.

¹³⁹ PNPM Agriculture MTR report.

planning and budgeting process and in the development of village economic initiatives; (iii) develop transparent monitoring mechanisms to measure achievements and identify challenges, such as community reviews and grievance mechanisms to assess gender equitable and social inclusion in village processes; (iv) prevent elite capture, for which the main strategy will consist on empowering rural communities, including organizations strengthening and capacity building, emphasizing the poorest and more vulnerable segments, for them to participate and make their rights and priorities prevail in villages' decisions on the Village Fund resources allocation; (v) identify capacity building needs assessment of programme staff and key partners and identify capacity building needs assessment of programme staff and key partners; (vi) ensuring that economic organisations and multi-stakeholders' platforms are inclusive of women, poor and indigenous youth, and that GESI issues are addressed as part of their regular agenda; (vii) develop an implementation plan with outcomes and indicators to be updated annually in conjunction with the AWPB. They will also provide detailed orientations for ensuring that TEKAD activities ensure social inclusiveness and accommodate the needs of women, young people and diverse socio-economic groups, building on the above guidance.

251. Expected outcomes, with targets and milestones will be laid out in the strategy and will be monitored as part of TEKAD M&E system. Targets will include the following:

- An overall gender participation rate of 50% of women amongst programme beneficiaries;
- An overall gender participation rate of 40% qualified women in the NPMU, PPIUs and DPIUs – while it may be harder to achieve in DPIUs, it should strongly be promoted;
- An overall 30% of decision-making positions in economic organisations occupied by women/disadvantaged groups;
- All of the service providers recruited to support the programme will be required to have experience in the principles and practice of gender and social inclusion.
- The terms of reference of all programme staff will include responsibility for gender and social inclusion objectives and support will be given to the recruitment of women to ensure gender-balanced programme implementer teams.

252. A GESI consultant will be hired at programme onset to prepare GESI guidelines, in close collaboration with the National GESI Specialist and the team of Provincial GESI Experts, which will outline TEKAD GESI Strategy, will detail activities and mechanisms designed to mainstream GESI into all programme activities and tools, in line with this section, and will provide orientations to ensure that guidelines are adapted to province/district social and cultural specificities.

253. **Adaptation to local specificities.** Key steps in adapting GESI guidelines will be as follows:

- Once the GESI guidelines are finalised, capacity building workshops will be organised in every province to familiarise TEKAD staff and their colleagues in the relevant agencies, along a format that will be designed by the: GESI consultant, that will be tested in one province with the consultant participation, and will then be rolled out under the leadership of the National GESI Specialist;
- Village data will be collected to set up the Village Information System and village mapping will be undertaken in the core villages as described above under Sub-component 1.1 – Village Governance;
- Under the overall guidance of the Provincial GESI, GESI guidelines will be reviewed and adapted in every district by the TEKAD District Coordinator and the team of Village Governance Facilitators and of Economic Initiatives Advisors to take into account the local specificities, building on the outcomes of the village data collection and mapping. Specificities could regard modalities for organising community consultation and participation; modalities for reaching out to women or youth; ways to reach out to remote areas; priority labour- and time-saving investments to ensure women participation; modalities to facilitate the recruitment of young women as village cadres etc.
- The revised guidelines will be reflected into the annual plans of activities of the TEKAD district team, and into the individual annual plans of activity of every member of the team, and in particular of the Village Governance Facilitators and of Economic Initiatives Advisors. These plans will be updated annually based on progress, which will be measured through the M&E system, Village Information System and annual reviews held as part of the preparation of AWPBs;

- Plans will be approved by the TEKAD Provincial Team Leader.

254. **Implementation responsibilities.** The NPMU Consultant Team Leader will bear direct responsibility for ensuring that the programme meets both economic targeting and social inclusion objectives. The National GESI Specialist and the Provincial GESI Specialists, each within their province, will have overall responsibility for guiding programme stakeholders in implementing the GESI Strategy, providing technical assistance, ensuring monitoring and promoting knowledge management. In PY1, they will work closely with the international service provider responsible for the Orientation and Capacity Building Programmes and the consultants in charge with provincial mapping, to ensure that GESI issues are covered so that social constraints, vulnerabilities and capacities are taken into account in the selection of value chains and economic interventions as well as the modalities of programme outreach.

255. All agreements (village agreements, district agreements), strategies (economic development strategies, district access to market strategies, district access to services strategies) and contracts (especially service contracts) will specifically promote gender equity and social inclusiveness objectives. Facilitators will be held accountable for achieving the results they have specified for themselves on targeting and GESI in their activity plans.

256. **Targeting and inclusion mechanisms.** Targeting and inclusion mechanisms and activities have been mainstreamed throughout TEKAD design and activities composing the three programme components are outlined below.

257. Gender equity will be mainstreamed into all activities. Specific measures to support gender mainstreaming and achievement of the gender targets outlined above to be included in the GESI Strategy include: (i) support for women's groups where appropriate; (ii) training and extension tailored to women's needs; (iii) supporting women to be leaders and decision-makers; (iv) promoting gender sensitive career guidance services; and (v) promoting labour-saving and time-saving investments for women. These measures will be sensitive to differences in economic potential and capacity as well as age specific needs.

258. **M&E.** The design provides for a comprehensive M&E, learning and knowledge management framework to guide programme implementation, support economic decisions and policy-making, share knowledge and upscale good practices. GESI specialists will work closely with the Senior M&E Expert and the KM and Policy Development Expert to ensure that GESI objectives are integrated in the M&E and KM system. The GESI specialists, in close consultation with other technical specialists, will support the integration of GESI objectives into the M&E Annual Implementation Plans and in the Annual Model Development, Innovation and Communication as well as their practical operationalisation.

259. The baseline and completion survey, as well as the Village Information System, will disaggregate data by sex and age. A web-based Management Information System (MIS) which will track and regularly update gender-disaggregated financial and technical data on programme outputs and outcomes, lessons learnt and good practices. The GESI specialists will work closely with the Senior M&E Specialist and the KM and Policy Development Expert to ensure that information dissemination is inclusive and accessible to all youth target groups.

TARGETING AND INCLUSION MECHANISMS

260. Based on the above, and on a review of other development partners' experiences in the programme areas, the design provides for a range of targeting and inclusion mechanisms that are built-into programme components. GESI specific features applicable to programme activities are outlined below and will be further developed in the GESI Strategy to be prepared during PY1.

Component 1 – Village Economic Empowerment

261. **Awareness campaigns.** These will provide information about : (i) the letter and the spirit of the Village Law - therefore including the clarification of the principles of participation, transparency and accountability of village governments to their constituents, which the Village Law supports to ensure good governance; (ii) programme objectives, activities and expected benefits; and (iii) roles and obligations of stakeholders. In particular, gender equity and social inclusion objectives, the roles of Village Heads and government in addressing them, and their accountability towards all their village

constituents, including women and socially-marginalised groups. The entry point into the community will be the Village Head and the Village Council¹⁴⁰, which will agree, with support from the facilitators, on the best ways to organise the awareness activities and the village mapping (see below) so that they broadly reach out to women and men and to the various social segments in the community. This will include the mobilisation of community groups (including women and youth groups present in most of the villages), as well as organising inclusive community meetings at sub-village level.

262. **Commitment.** Further to the awareness campaign, villages willing to participate in TEKAD activities will be requested to sign an agreement, which will specifically spell out village obligations in ensuring inclusive community participation in programme-supported activities and benefits and in facilitating access to land, in particular for young people, and make Village Heads accountable for it.

263. **Village Information System.** TEKAD will set up a Village Information System (VIS), which will be used to orient village planning and monitor progress. Data will be disaggregated by gender and age where appropriate and the questionnaire will ensure that men, women and young people have an opportunity to provide distinct answers.

264. Two village cadres per village will be responsible for supporting programme activities within the community (and in particular for the initial collection and regular update of VIS data) and will be trained accordingly. Village cadres will be young volunteers, possibly one woman and a man. It is important that every effort is made to identify young women to become village cadres because of the message this would give to the entire community: that women have the skills to exert such a qualified job, are not to be confined to household chores and low-skill activities, and can contribute to the welfare of the whole community. Village Governance Facilitators should propose modalities that would facilitate young women's participation, in line with the GESI strategy and under the guidance of Provincial GESI Expert.

265. **Village mapping.** Each village will undertake an assessment of existing potential and constraints to village-led economic development, which will build on the Village Information System. The village mapping will be carried out with separate groups of villagers (men/women, different ages and social groups), building on the agreed with the Village Head and Village Council at the beginning of the awareness campaign. Village mapping will include:

- a rapid, participatory, age and gender-sensitive livelihoods and nutrition status analysis, which will differentiate between main socio-economic groups, as well as gender differences in roles and responsibilities, assets, access to resources, capacity and availability. The assessment will take into account different age/social categories of women (married in monogamous and polygamous unions, widowed, household heads) and will also review the potential for labour-saving and time-saving technologies for women;
- an assessment of the best ways of reaching out to women and youth. The women outreach assessment will point out locality-specific issues to consider in order to increase positive impact on community women and on community youth. In case the facilitator in question is a man, he will need to enrol the help of a female facilitator, who will meet women separately as part of the assessment exercise (where possible and appropriate in collaboration with local PKK groups). A first step will be to find out about how to create a safe environment for women/youth - if no such space exists. The assessments will provide analytical descriptions of all types of village groups (PKK but also, for example, religious groups, youth groups, savings and credit associations, parent-teacher associations, labour-pooling groups, etc.) in which women/youth participate and under which terms and conditions they do (or fail/choose not to do) so. Age, educational levels, ethnic group and clan affiliation, social and familial status will also be outlined in this section, as well as the presence of any opinion leaders among them. The potential and pros and cons of creating new groups, both women-only and mixed, will also be assessed. A similar approach will be conducted for the youth outreach assessments, which will address youth opportunities and constraints, aspirations and fears, and will identify potential youth opinion leaders, resource persons and role models.

¹⁴⁰ Article 55 of the Village Law: The Village Consultative Body shall have the function to: a. discuss and agree on Draft Village Regulation along with the Village Head; b. obtain and share the aspirations of the Village community; and c. supervise the performance of the Village Head.

- an age and gender-sensitive mapping of existing land use and a characterisation of the different groups of users;
- a social mapping focusing on both village traditional social structures (including adat), lines of power, village groups (producers', women, youth, religious or others) and businesses, and aiming at an in-depth understanding of:
 - local power dynamics and governance (statutory and traditional decision-making): one of the core elements of the traditional dimensions assessment will be an outline of proposals of how to better bridge the divide (especially in Papua) between statutory and traditional governance; this has been a major weakness of past interventions, which have often reinforced village élites who have not always taken the broader public interest into account. The Village Law provides for considerable flexibility (whether or not the village in question has opted to become a 'traditional village/desa adat, or not) in terms of accommodating 'informal' local governance arrangements where these may be conducive to extensive community ownership and strong buy-in as well as good target group participation.
 - local organizing practices for collective action and socio-cultural factors that could influence local economic development, including traditional forms of collectivism and redistribution that generate both economic and non-economic benefits and that hold potential for evolving into forms of social or indigenous entrepreneurship.

266. The mapping methodology will draw on the 'indigenous food systems appraisal' developed by Aman¹⁴¹, which starts with the mapping of customary land holdings and tenure regimes and assessment of natural resource tenure arrangements (access and use rights, i.e., land tenure/landlessness; forest tenure; hunting, gathering, and grazing rights; sea tenure; access to inland fisheries, etc.) including of both customary regimes and of the *de facto* application of village regulations. It also maps natural resources/'traditional' products' such as non-timber forest products, their use and production and marketing potential.

267. Social mapping will provide orientations to ensure that the Village Economic Development Strategy and Annual Economic Development Plan are inclusive and will promote the welfare of the different groups that compose the community. It will also be used by village facilitators to establish their own work plan to promote gender equity and inclusion in all of their activities, with guidance from the Provincial GESI Expert.

268. **Capacity building and community mobilisation.** Capacity building will be provided to Village Heads and village government, sub-village heads and leaders of village businesses (including BUMDes) and groups (producers' groups, women groups, youth groups, religious groups, other traditional groups...) so they can engage in village planning and monitoring and facilitate broad community mobilisation and participation. Capacity building will be delivered using visual presentation tools wherever possible to account for lower rates of literacy. The two village cadres, a young woman and a young man (see Village mapping and VIS), will mobilize broad-based community participation. They will particularly seek to mobilise young people, with a view to promote a network of village activists to ensure broad-based village participation.

269. **Inclusive Economic Development Strategy.** Building on the Village Information System and on the village mapping, villages will be supported in developing a simple medium-term economic development strategy, which will specifically outline how the community intends to promote measures aiming at inclusiveness, i.e. ensuring the participation of women, youth and other special groups identified through the village mapping in activities and benefits. Facilitation and advisory services provided by TEKAD-financed facilitators will be tasked with ensuring broad and inclusive community participation in the planning, which may require organising diverse types of meetings, for example broad community meetings, with representatives of sub-villages and of the main groups, and separate meetings with women or producers' groups.

270. **Household-based approach.** In Papua and West Papua, a cornerstone of the GESI strategy will be the implementation of a household-based approach. It has successfully been tried in Papua New Guinea under the name of Family Team approach (and implemented by IFAD in other countries)

¹⁴¹ [Aliansi Masyarakat Adat Nusantara](#) or Indigenous Peoples Alliance of the Archipelago (AMAN) is the largest indigenous people's organization, representing 2,332 communities and 17,000 individuals.

to propose a more equitable distribution of agricultural and household work done by women, men and youth. “[The Family Team approach] addresses the fact that households are not cohesive units with shared needs and resources and that different members pursue different goals and are responsible for different production and consumption activities. The family-based approach helps families to look at the work done by women, men and youth to work towards a more equitable distribution of agricultural and household work and to create a joint vision and an action plan for working towards this vision. It has been successful because it works through traditional leadership structures and explicitly includes men, seeking to build a consensus and demonstrate that social inclusion and gender empowerment will bring social and economic benefits to the entire family”¹⁴².

271. Specifically, the household-based approach will aim at: increasing the capacities of household members to jointly taking advantage of programme benefits to improve family welfare, through family planning and budgeting; empowering women so that they access programme benefits alongside men, within the family unit; raising awareness on good nutrition practices; and engaging the community to create a supportive environment for household level activities and for broad inclusion.

272. An important part of the household-based approach is the household situational analysis of gender roles and relations, nutrition and livelihood vulnerabilities, which often marks the starting point of a journey of self-discovery and emancipation. Target households, with the regular support of the facilitators, will carry out this analysis themselves. Another important feature is the setting of long-term household objectives, understanding the family budget and looking at gendered roles and responsibilities, creating a basic vision and road map for achieving the family dream by working together as a family and by knowing where to source non-technical and technical assistance.

273. The figure below provides a quick summary of the key elements of household-based methodologies (IFAD 2014).

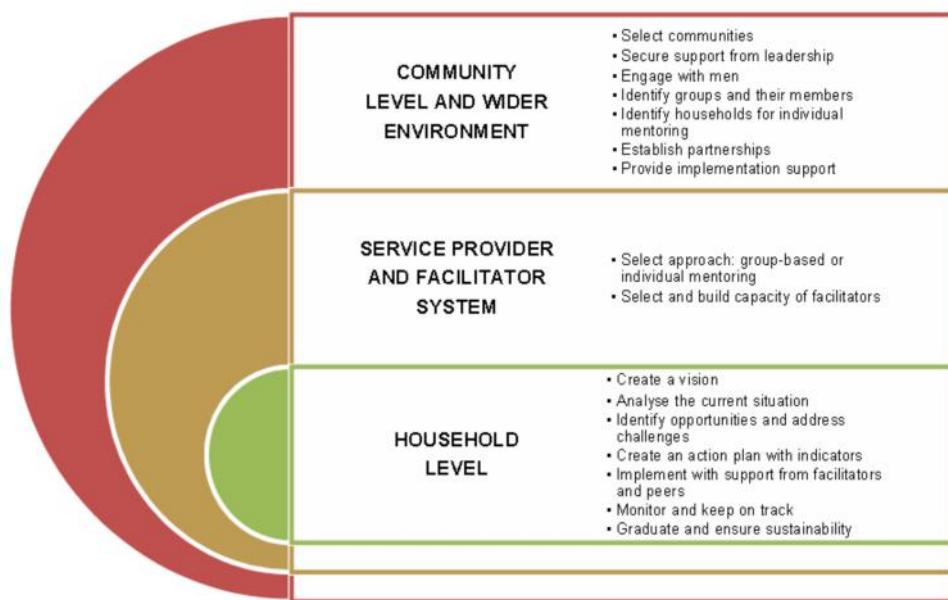


Figure 1: Key elements of household methodologies

274. In Papua and West Papua, the household-based approach will form the foundation through which TEKAD will promote village economic development plans, as well as support services such as extension, financial literacy and business education. The following key elements could be envisaged to prepare and implement a household-based approach.

¹⁴² IFAD, Market for Village Farmers, Project Design Report, 2017.

Table 5 – Envisaged activities in the household-based approach

Activity	Description
Creating and achieving a family vision	Setting family long-term objectives, understanding the family budget and looking at household gendered roles and responsibilities, creating a basic plan for achieving the family dream by working together as a family
Financial education	Planning and monitoring the family budget (one module) and saving to meet family goals (one module)
Healthy families	Enhancing the health of family members through good nutrition and hygiene practices
Follow-up	Discussing specific challenges and opportunities and providing targeted support and advice

275. An international consultant with experience in IFAD-supported household-based approach will assist TEKAD in developing a suitable methodology and manual for Papua and West Papua and in training an Indonesian NGO with relevant experience in those two provinces, which will then be tasked with providing training of trainers and coaching in target villages.

276. An enabling environment for the acceptance and successful deployment of the household-based approach will need to be created as part of TEKAD's awareness campaigns. The fact that facilitators will be using this methodology will be included in the agreement which Village Heads will sign with TEKAD if they want their village to participate in the programme.

277. **Peer-to-peer learning.** Village Facilitators will have the responsibility to facilitate a balanced access of men and women, young people and other special groups in all types of peer-to-peer learning activities.

278. **BUMDes and village businesses.** Building on the village mapping and on guidance from the GESI strategy, ways to adapt organizational models (such as, for example, cooperatives and microenterprises) to better match socio-cultural specificities will be sought at village level, with support from the Provincial GESI Experts. Facilitators will also support women and youth groups with potential for running economic activities, as well as gender/age-balanced group decision-making structures.

Component 2 – Partnerships for Village Economic Development

279. **District Support for Village Economic Development.** Capacity building will be provided to District/Sub-District Heads and staff of the relevant departments to strengthen their abilities to provide technical assistance to district/sub-district facilitators and village governments. This will cover capacity building to foster gender equitable and socially inclusive village economic development and to contribute to implementing TEKAD GESI strategy.

280. **Mapping.** Mapping studies will provide information that will support villagers in planning economic development strategies and investments that build on local productive resources and have the highest potential for bringing back returns to households. The market opportunities and value chains analyses will lead to the selection of a limited number of inclusive value chains and a review of opportunities for growth and of challenges for different profiles of villagers.

281. Economic inclusion, or the potential to bring different socio-economic profiles villagers into productive or value adding activities, will be one of the central objectives of the priority selection. Inclusive value chains will respond to the following features:

- build on local natural resources and activities known to villagers with potential for upgrading and improved commercialisation;
- have low entry costs for small producers, i.e. low asset requirements to start participation in the value chain;
- have potential to involve large numbers of villagers with different socio-economic profiles, including women, young people, indigenous groups or other marginalised groups;

- have potential for growth and open to replication of ‘first mover technology’ uptake and demonstration;
- have potential for gradual development of activities, from production of raw material to increased value adding, to enable villagers to gradually intensify and upgrade activities and investment in line with their resources and risk profile;
- have potential for the participation of remote villages and isolated communities (this criterion however would not need to be applicable to all of the selected value chains).

282. A preliminary review of market opportunities and main commodities to be considered will lead to the pre-selection of a basket of value chains to be further analysed, based on criteria that will have been preliminarily agreed upon with the Value Chain Analysis Reference Group (see Section III, Sub-component 2.1 for details). One of the key criteria will be the potential for integrating women, youth and indigenous groups, and to reach out to remote villages.

283. Thorough value chain analysis will then be conducted, including to assess: (i) factors of socio-economic differentiation amongst producers (such as gender, generation gaps, clan networks) that could affect opportunities to benefit from the programme and provide orientations to secure broad inclusion; (ii) prerequisites for producers to integrate production, processing or marketing along the value chain; and (iii) opportunities for special groups - poorer households, women and youth, indigenous groups and remote villages.

284. **Access to markets and services.** Building on the mapping studies, TEKAD will ensure that market facilitation services and other business development services are delivered along delivery modalities that are gender-sensitive (for example with regard to timing and organisation) and adapted to the profiles of specific groups. Resources will be available for building the capacities of service providers to ensure that service delivery is adapted to the needs of the target audiences, and in particular to women.

285. **Access to finance.** Formal and informal financial services will be mapped with a view to understanding needs and constraints related to proposed programme investments, as well as risks, vulnerabilities and capacity gaps in the financial access and literacy of different target sub-groups. This will include mapping target group access to the documents and certificates that will be required to access financing, such as land certificates, lease agreements, pro-forma invoices for machines, contract farming contracts etc. and advise on implications for financial inclusion. One of the key objectives in developing new financial products jointly with partnering financial institutions will be to offer alternatives to collateral-based loans to circumvent villagers’ low assets base.

Component 3 – Innovation, Learning and Policy Development

286. **Incentives.** Targeting incentives are built into the design of inspiration activities under Sub-component 3.1: (i) Eastern Youth Ambassadors will help reach out to, and involve, village youths, and their selection will ensure gender balance; (ii) awards will reward village best collective efforts to make inclusive village economic transformation happen, i.e. showing impact on village households, women and youth; (iii) awards will also reward facilitators/extensionists and village cadres that use innovative facilitation approaches and obtain the highest adoption rates by both women and men in their villages.

287. **Orientation and Capacity Building Packages.** Capacity Building and Orientation Packages will be sensitive to gender and other specific groups’ constraints, and will provide solutions for supporting women’s access (including labour- and time-saving technologies) and that of marginalised groups, including remote villages.

288. **Policy studies.** Gender equity and social inclusion considerations will be mainstreamed in all of the policy development activities. Areas for policy development identified during programme design include: (i) revised guidelines and legal framework for BUMDes to become an inclusive village economic development-supporting organization; and (iii) a survey on participation and accountability in Village Law implementation, building on the model of the Sentinel Villages Study, under the Local Solutions to Poverty programme implemented by the World Bank.

289. **Institution building.** One of the key areas for strengthening the capacities of MoV and especially of the Community Empowerment and Development General Directorate will be the promotion of inclusive and profitable village economic development.

V. INSTITUTIONAL ARRANGEMENTS

290. The main features of the programme organizational framework are as follows:

- A *National Steering Committee* will provide overall guidance and oversight. As part of the Steering Committee, a Joint TEKAD-P3PD Working Group will ensure optimal coordination between the two programmes;
- MoV is the Executing Agency. Under the authority of MoV's Director General of Village Development and Community Empowerment, the Directorate of Natural Resources and Applied Technologies (DNRAT) will have direct responsibility for programme implementation. A Coordination Team will be set up to secure coordination and collaboration between DNRAT and the other directorates composing the Directorate General for Village Development and Community Empowerment;
- A *National Programme Management Unit (NPMU)* will assist MoV in carrying out programme implementation responsibilities;
- A *Provincial Programme Implementation Unit (PPIU)* will be established in every target province to support the implementation of programme activities at the provincial level, provide technical assistance to district units and ensure knowledge management across the province;
- A *District Programme Implementation Unit (DPIU)* will be established in every target district, to support the implementation of activities at village level;
- *Coordination Platforms* will be established at the provincial and district levels, and will provide a venue for stakeholders involved in the promotion of village development to agree on objectives, review progress, ensure coordination and seek measures for addressing challenges.

291. The organizational chart in Annex 6 presents the programme institutional structure. Implementation responsibilities are outlined below.

KEY IMPLEMENTING INSTITUTIONS

292. **Programme Steering Committee.** A Programme Steering Committee (PSC) will be set up at the national level to provide overall guidance and oversight, to ensure that TEKAD programming is aligned on national sector priorities, to offer a venue for sharing TEKAD good practices and for channelling policy issues to the appropriate policy making bodies. The PSC will also approve Annual Work Programs and Budgeting (AWPBs) and annual progress and financial reports. It will include representatives from government structures - Ministry of Finance, Ministry of Village, Ministry of Agriculture, BAPPENAS, Papua Desk and other departments as deemed relevant – and other stakeholders, such as the Association of Indonesian Village Governments, BRI and the Association of Regional Development Banks (ASBANDA).

293. **Joint TEKAD-P3PD Working Group.** This Working Group will convene TEKAD and P3PD Programme Managers and representatives from MoHA and MoV, and will mainly aim at ensuring that TEKAD activities under Component 1 - Village Economic Empowerment, and those related to village governance in particular, build on and align with the guidelines and tools developed by P3PD for MoHA and MoV.

294. **Ministry of Finance.** The Ministry of Finance will act as the official representative of the Government of Indonesia as the Borrower/Recipient. In this role MoF will be responsible for: (i) fulfilling the government fiduciary oversight and management responsibilities; (ii) providing sufficient counterpart contribution in a timely manner to finance programme activities, including the payment of government staff salaries seconded to the programme; and (iii) timely processing of Withdrawal Applications, approval of procurement actions and other necessary documents according to the agreed operating procedures.

295. **MoV.** The Lead Executing Agency will be the Ministry of Village, Underdeveloped Regions and Transmigration. The NPMU will be operated under the authority of MoV's Director General of Village Development and Community Empowerment, which will be delegated to the Director of Natural Resources and Applied Technology. MoV will be responsible for the overall programme management, coordination, and oversight. This will involve the following: (i) ensuring the management and timely implementation of programme activities, with support from the NPMU (see below); (ii) prepare Annual Work Programs and Budgeting (AWPBs), jointly with the NPMU, for

submission to the Programme Steering Committee; (iii) ensure the integration of programme activities within DNRAT overall programme of activities and the coordination of programme activities with other DNRAT initiatives; (iii) supporting provincial and district governments' participation in programme implementation, the fulfilment of their responsibilities and the channelling of resources as planned; (iv) approve technical and financial reports and Withdrawal Applications prepared by the NPMU; and (v) support coordination between TEKAD and other relevant initiatives in the promotion of village economic development and facilitate programme access to knowledge generated by such initiatives. A Coordination Team will be established within the Directorate General of Village Community Empowerment and Development, which will gather DNRAT and all of its other directorates, to exchange information and quickly mainstream successful tools and approaches.

296. **NPMU.** A National Programme Management Unit (NPMU) will be established to assist DNRAT in implementing the programme and will be fully accountable for the performance of programme implementation and the use of funds. It will have the following responsibilities:

- orientation for developing and implementing the programme strategy to ensure that all programme implementation partners develop activities along a common, coherent approach in line with the Programme Design Report;
- financial and administrative management of programme resources in line with the Loan Agreement and IFAD rules. This will also include: (i) the management of programme accounts and their timely replenishment; and (ii) the organisation of annual and final independent audits of all programme accounts as per IFAD Loan Agreement;
- planning of programme activities and the preparation of consolidated AWPBs;
- contracting and procurement of programme-related services and supplies in accordance with IFAD Loan Agreement and IFAD rules. This will also include: (i) the preparation of annual procurement plans, and (ii) the monitoring of the implementation of service providers' contracts;
- coordination of programme activities with the various programme partners;
- M&E and KM in relation to all activities;
- promotion of inclusive approaches and mainstreaming of targeting and gender requirements in all of the programme activities in accordance with the GESI Strategy and Implementation Plan.

297. The NPMU will also be directly responsible for implementing activities under Component 3 – Innovation, Learning and Policy Development, which will be implemented at the national level.

298. **PPIUs.** A Provincial Programme Implementation Unit (PPIU) will be established within the Dinas Village and Community Empowerment (provincial department) in every target province. PPIUs will be under the direct supervision of the NPMU Director and will be responsible for providing guidance, coordination, management-support services and technical assistance to District Programme Implementation Units (DPIUs) in the implementation of Component 1 – Village Economic Empowerment and for jointly implementing Component 2 – Partnerships for Village Economic Development with DPIUs. PPIUs will also be responsible for the management of programme funds, M&E and KM and the implementation of the GESI strategy. This will also involve:

- the preparation of consolidated Annual Work Plans and Budgets (AWPBs) for the province;
- the financial and administrative management of programme resources disbursed for the implementation of province-based activities as well as for grouped contracts benefitting all of the target districts;
- contracting and procurement of programme-related services and supplies extended at provincial level;
- the setting up and facilitation of the Provincial Multi-Stakeholder Platform and the coordination of provincial implementation partners;
- M&E and KM in relation to all activities in the province;
- the implementation of TEKAD GESI strategy at the provincial level.

299. **DPIUs.** One District Programme Implementation Unit will be established in every target district. DPIUs will be responsible for implementing Component 1 – Village Economic Empowerment

and for participating in the implementation of Component 2 - Partnerships for Village Economic Development along with PPIUs. This will involve:

- the preparation of an Annual Work Plans and Budgets (AWPB) for the district;
- the financial and administrative management of programme resources disbursed for the implementation of Component 1 and Component 2;
- contracting and procurement of programme-related services and supplies extended at district level;
- the setting up and facilitation of the District Coordination Platforms and the coordination of district implementation partners, especially participating district agencies, in close collaboration with the District Head;
- M&E and KM in relation to all activities in the district;
- the implementation of TEKAD GESI strategy at the district level.

300. **Composition.** Table 6 shows the composition of the NPMU, PPIUs and DPIUs.

Table 6 – Staffing of NPMU, PPIUs and DPIUs

Management	Technical Staff	Administrative Staff
National Programme Management Unit		
- National Programme Manager	- Regional Coordinator I (Papua) - Regional Coordinator II (West Papua) - Regional Coordinator III (Maluku) - Regional Coordinator IV (North Maluku)	- Financial Management Officer - Procurement Officer - Accountant - Administrative Officer
Provincial Programme Implementation Units (per Unit)		
- PPIU Manager - Provincial Team Leader*	- GESI Expert* - Village Governance Expert * - Economic Development Expert* - Financial Services Expert* - M&E/KM Officer - M&E/KM Expert * - MIS/GIS Expert *	- Financial Management Officer - Accountant - Planning Officer - Procurement Officer - Administrative assistant - Financial Management Expert* - Procurement Expert* - Driver
District Programme Implementation Units (per Unit)		
DPIU Manager District Coordinator *	- District Marketing Specialist* - MIS/M&E Specialist* - Village Governance Facilitators* - Economic Initiatives Advisors*	

Staff marked with * are TEKAD-financed consultants. Other staff are government-financed staff.

301. The NPMU and PPIUs should include at least 40% of qualified women, and women participation in DPIUs, while it may be harder to achieve, should strongly be promoted. Staff identified for the positions financed by government resources will require IFAD no-objection. Consultants financed by programme resources will be selected based on competitive bidding (with IFAD no-objection) and have performance-based contracts.

302. **Programme expeditors.** Two Programme Expeditors will be fielded at programme onset to expedite programme start-up. One will support programme management and specifically will assist in: setting up all the administrative and financial management procedures; preparing the first AWPB and

Procurement Plan; expediting compliance to pre-conditions for the release of the first fund disbursements; supporting the finalization of the PIM; hiring programme staff; and preparing MoUs. The other one will have technical responsibilities and will assist with tendering for the international consulting firm that will lead the development of Orientation and Capacity Building Packages; hiring of international technical assistance; preparing the first AWPB; finalising the PIM. They will both provide capacity building to the NPMU/PPIUs, with a view to support fast programme start-up.

303. Cost tables include a total of ten months (six months for the Expeditor/programme management and four months for the Expeditor/technical) that can be used at once or in split assignments.

PARTNERSHIPS

304. **Partnering institutions in Indonesia.** Partnership agreements will be established to support implementation with the following organisations:

- *MoV Community Training Center Department (Pusat Pelatihan Masyarakat – Puslatmas):* TEKAD will partner with this MoV agency for the development of the Orientation and Capacity Building Packages (Sub-component 3.2) as well as for the training of TEKAD staff (Sub-component 2.1);
- *Ministry of Agriculture:* a partnership agreement will be signed with the Agency of Agricultural Extension and Human Resource Development within the Ministry of Agriculture to facilitate the participation of Agriculture Field Extensionists (PPLs) and ensure their redeployment so that their skillsets match the priority products supported by village annual plans (see Sub-component 1.2);
- *Ministry of Communication and Information Technology (MoCI):* a partnership agreement will be signed to engage with BAKTI (Badan Aksesibilitas Telekomunikasi dan Informasi), a government agency under MoCI that administers and manages the improvement of telecommunication networks mainly in disadvantaged regions, by supporting the installation of connectivity equipment at village level.

305. Close collaboration and coordination will be established with MoHA so that the implementation of TEKAD builds on and aligns with guidelines and tools developed for village governance and that coordination and exchange of information proceed smoothly between the two programmes. This will be supported by the Joint TEKAD-P3PD Working Group set up at the national level.

306. Close collaboration will also be developed with the Papua Desk for the implementation of activities in Papua and West Papua, particularly with regard to the mapping studies under Component 2, and to the development of Orientation and Capacity Building Packages and other policy development activities under Component 3.

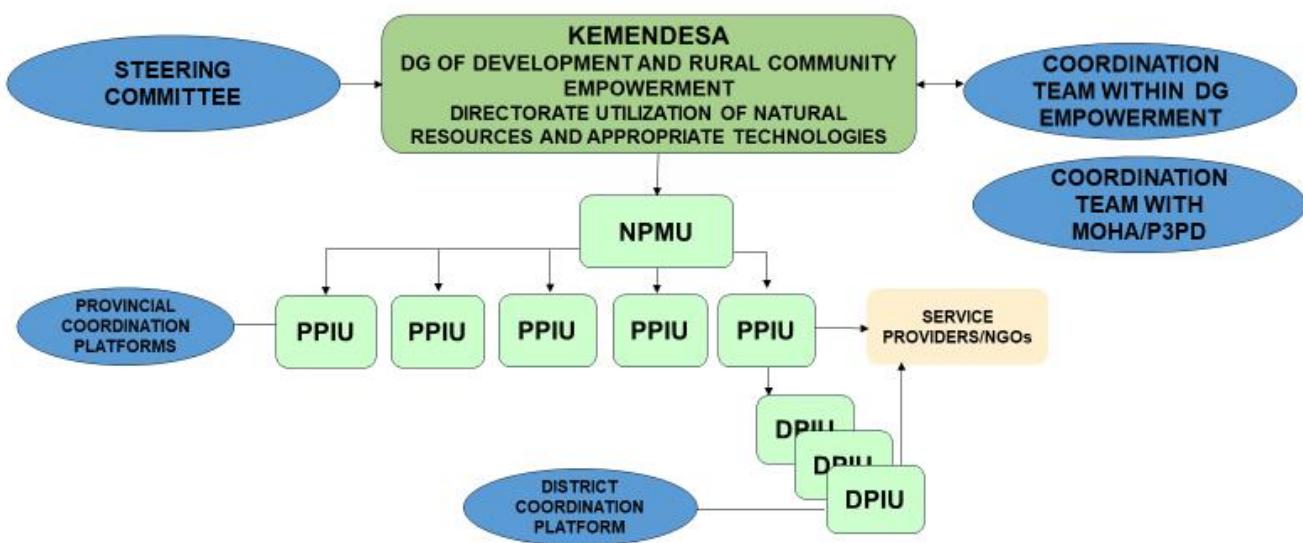
307. It is also anticipated that partnership agreements will be signed with BRI and with the five Regional Development Banks for the implementation of Sub-component 2.2 – Financial Services.

308. **Provincial and District Coordination Platforms.** District (see Sub-component 2.1) and Provincial Coordination Platforms will support information exchange and coordination of activities related to the promotion of village economic development. They will also review and validate AWPBs prepared by DPIUs/PPIUs, provide guidance to DPIUs/PPIUs, monitor programme implementation, discuss TEKAD achievements, challenges and bottlenecks, including policy gaps, and agree on measures required to lift them. They will be composed of provincial/district departments involved in the promotion of economic development: Community Empowerment, Agriculture, Forestry, Fisheries, Planning, Trade and Industry, Cooperatives and Small and Medium Enterprises. District platforms will be chaired by the District Head and will also include Village Heads. Market players, business associations, development programmes, NGOs or other service providers, as well as universities at provincial level, will be called to participate in working sessions as required. Coordination Platforms will meet every quarter. DPIUs/PPIUs will provide support to the operation of the coordination Platforms and will play the role of secretariat/executive structure

309. **Service providers.** All service providers' contracts will be performance-based and stipulate clear deliverables with a timeframe and quantified expected outputs/outcomes, and they will specify responsibilities with regard to monitoring and reporting, including the information of progress indicators as set forth in the contract. Where envisaged for more than a year, contracts will be

established on an annual basis and will be renewable based on satisfactory performance. Terms of reference for service providers will require gender-balanced teams with prior experience of gender mainstreaming, and that contract deliverables reflect gender and inclusion target and indicators.

ATTACHMENT 1 – TEKAD ORGANISATIONAL CHART



ATTACHMENT 2 – TERMS OF REFERENCE FOR THE PROGRAMME EXPEDITOR/MANAGEMENT

Qualifications & Experience: Preferably a higher degree in economics, agricultural economics, management or business administration; practical experience of at least 10 years in project financial management, planning, accounting procedures, procurement and monitoring and evaluation procedures in internationally financed projects; a good knowledge of computer applications (especially of accounting software) in the above related matters. Excellent sense of relationship and negotiations skills. Fluent in English (reading, writing and speaking).

Special Qualifications: Knowledge of IFAD financial management, procurement and accounting procedures. Knowledge of the Indonesian legislation with regard to donor-financed project financial management and procurement legislation would be an advantage.

Location: At TEKAD NPMU in Jakarta, with travels as required to target provinces.

Duration: Assignment of up to a maximum of 4 months.

Reporting: To TEKAD National Programme Manager.

General Objective: To assist the NPMU in securing an effective and smooth programme start-up and in setting up all of the programme management procedures and tools.

Detailed Tasks: The Programme Expeditor will be responsible for undertaking the following tasks, in close cooperation with the NPMU and MoV/DNRAT:

- Prepare draft advertisements for the recruitment of NPMU, PPIU and DPIU staff for review and approval by the NPMU and IFAD; prepare interview guidelines to be used by the interview panel, including evaluation and selection criteria for each post, and propose the composition of the interview panel, for approval by MoA and subsequent no objection by IFAD; and prepare NPMU recruitment to be submitted to MoA and IFAD no objection;
- Assist the NPMU in setting up PPIUs and DPIUs and in devising procedures for communication and supervision;
- In collaboration with relevant NPMU staff, prepare all contracts and MoUs with main implementation programme partners and service providers (MoV/Puslatmas, MoA, MoCI/BAKTI, partner financial institutions), establish NPMU office and launch the procurement of office equipment and vehicles for the NPMU, PPIUs and DPIUs;
- Train the NPMU and other relevant DNRAT/MoV staff dealing with contract management on: various methods of procurement and selection of service providers; technical and financial evaluation of bids; performance-based contract models to be used; and monitoring of contract execution;
- Assist the NPMU in preparing the first AWPB and the revised procurement plan, and train relevant NPMU staff in the preparation of these documents.
- Set up the account management and financial reporting system together with Officer and the Financial and Administrative Manager Consultant, using appropriate accounting software and in accordance with established international practices and IFAD and GoI requirements.
- Train NPMU staff in programme accounting, disbursement, financial reporting and procurement;
- Assist the Financial Management Officer and the Financial and Administrative Manager Consultant in setting up programme accounts and in preparing withdrawal applications and SOEs (Statements of Expenditures);
- Support the finalisation of the Programme Implementation Manual and Finance and Administrative Manual;

- Assist the NPMU in expediting compliance to pre-conditions for the release of the first fund disbursements;
- Assist the NPMU in preparing and organising the programme start-up workshop.
- Prepare the Framework for Good Governance, including an Internal Code of Conduct to be signed by all PMU staff, and a Code of Business Ethics to be signed by all partners and beneficiaries of TEKAD investments and activities.

VI. MONITORING AND EVALUATION/KNOWLEDGE MANAGEMENT

310. **Objectives.** TEKAD monitoring and evaluation (M&E) and knowledge management (KM) system will be developed with three main objectives:

- *steer programme implementation:* it should provide programme stakeholders at the three levels of intervention (district-province-national) with information and analysis required to: plan activities and investments; measure programme outcomes; assess programme effects on the livelihoods and skills of target groups; assess the relevance of the programme strategy, methodologies and implementation processes; detect difficulties and successes; and support decision-making to improve programme performance;
- *support planning and economic decisions:* it should provide programme stakeholders, in particular villagers and programme implementers, with the information and analyses they need to assess the return brought by innovation, to plan for and develop profitable and sustainable economic activities and to adapt their strategies accordingly;
- *share knowledge and develop scalable models:* it should develop lessons learnt, capture good practices and successful innovation, and share knowledge, with a view to support programme performance and the gradual development of scalable models for Eastern Indonesia.

311. **General principles.** The M&E and KM system will be:

- *open and easily accessible:* information and knowledge should be available to all stakeholders and not restricted to programme staff and consultants;
- *participatory:* associate programme stakeholders in the definition of indicators, data collection, analysis and dissemination of results;
- *focused on analysis, learning and sharing in support of decision-making, knowledge sharing and policy dialogue, and not merely on data production;*
- *harmonised with MoV relevant information systems;*
- *transparent:* IFAD-financed CCDP programme showed that a comprehensive and transparent management information system is an effective tool to ensure programme ownership by programme staff and service providers and to support performance-based management;
- *phased,* thus simple and small initially, concentrating on key indicators, and expanding progressively as needs and capacities develop, particularly at village and district level.

M&E SYSTEM

312. **Framework and implementation plans.** The M&E and Knowledge Management (KM) system will be developed in line with IFAD as well as GoI requirements. It will be set up and managed by the NPMU, in consultation with MoV and other programme stakeholders, and it will be decentralised to the target provinces, where it will be managed by PPIUs, and to the district level, where it will be managed by DPIUs. The system will be harmonised with that of MoV, and in particular with the Smart Village data system to be developed under P3PD, so that TEKAD-related data can be easily used by GoI.

313. Short-term international technical assistance will be hired by the NPMU to: (i) agree on a shared understanding of programme objectives, approaches and planned activities; (ii) agree on a broad framework for M&E and KM and on priority actions to implement it; and (iii) identify quantitative and qualitative indicators on a participatory basis, building on the logical framework and on the set of IFAD's Operational Results Management System (ORMS). The consultant will produce a detailed M&E/KM manual, together with a first implementation plan, including capacity development arrangements. S/he will also provide orientations: (i) for the baseline survey, mid-term and completion surveys (see below), to be carried out by a specialised service provider; and (ii) for the Annual Plans for Model Development, Innovation and Communication (see Sub-Component 3.2).

314. The NPMU will translate the manual into easy-to-grasp guidelines in Bahasa Indonesia, particularly targeting districts, which will be largely shared. To ensure the smooth implementation of the M&E system, as well as the quality of the data and information submitted to the system, training will be provided by the Senior M&E Expert and the MIS Expert to PPIUs. In turn, Provincial M&E/KM and Policy Development Expert will train DPIUs and relevant district staff. District M&E/MIS Specialist

will train DPIUS and relevant district staff. The main features of the M&E/KM system are developed below.

315. **Indicators.** Building on the PDR logical framework, output and outcome indicators will be developed with TEKAD stakeholders. They will be SMART (specific, measurable, achievable, relevant, time-bound), easy to collect and disaggregated by gender and by relevant target groups. They will include relevant ORMS indicators as well as COSOP indicators. The National GESI Specialist and Provincial GESI Experts will be consulted to ensure that the system adequately monitors inclusion, poverty and gender aspects.

316. **Baseline, outcome and completion surveys.** The NPMU will carry out a baseline study measuring the status of main indicators at programme onset, with assistance from an outsourced qualified consulting firm. The scope of the survey and implementation modalities will be defined by the NPMU Senior M&E Specialist, with support from the M&E/KM consultant hired at the beginning of the programme. Target indicators in the PDR logical framework will be reviewed based on actual baseline figures. The baseline study will be updated through the mapping studies (Subcomponent 2.2) and the information gathered as part of the GESI baseline during the first year of TEKAD programme implementation.

317. Additionally, mini-baseline surveys will be carried out at district level, building on the Village Information System, along a simple e-format to be prepared at programme inception by the NPMU Senior M&E Specialist and the specialised consultant, in collaboration with the National and Provincial Village Governance and Economic Development Experts.

318. **Planning.** The M&E/KM cycle will start with the preparation of the programme Annual Work Plan and Budget (AWPB), which will cover detailed annual planning of activities and implementation responsibilities, physical results targeted, outputs expected, budget and procurement plan. The AWPB will also include the Annual GESI Implementation Plan (see Section IV A), the Annual M&E Implementation Plan (see this section, above) and Annual Plan for Model Development, Innovation and Communication (Sub-component 3.2).

319. AWPBS will build on:

- AWPBs prepared by DPIUs and PPIUs;
- AWPBs prepared by service providers;
- Draft district/provincial AWPBs orientations provided by the District Coordination Platforms for Village Economic Development/Province Coordination Platforms, including for the identification of policy studies.

320. The programme AWPB will be collated by the NPMU Senior M&E Expert and the Financial Management Expert (for budgeting), under the supervision of the Consultant Team Leader, and it will be submitted to the Programme Steering Committee for final approval. TEKAD stakeholders will have an active role in identifying, collecting and analysing data.

321. **Data collection.** Data will be collected against both qualitative and quantitative indicators and disaggregated by gender, along forms to be proposed by the M&E/KM consultant hired at programme onset and the following levels:

- *District level*, where information will be gathered by DPIUs with the help of Village Governance Facilitators and Economic Initiatives Advisers, building on the Village Information System and updates provided by village cadres. These will receive a tablet to support data collection;
- *Provincial level*, where district-based information will be consolidated, together with data on activities implemented at provincial level, including implementation of service providers' contracts (including financial institutions) in the province;
- *NPMU level*, information will encompass overall programme performance, including nationally contracted service providers and will be the responsibility of the Senior M&E Specialist.

322. **MIS.** TEKAD will develop a web-based Management Information System (MIS) to support data management. The MIS will track and regularly update gender-disaggregated financial and technical data on programme outputs and outcomes, lessons learnt and good practices. It will build on the Village Information System that will be set up at village level and operated and maintained by village cadres (see Sub-component 1.1). A service provider will set up the system along indications to

be provided by the M&E/KM consultant hired at programme onset and provide training to relevant staff along with the MIS Specialist. S/he will be responsible for the MIS operation and maintenance and for providing technical guidance to the provincial and district levels.

323. **Geo-tagging.** In complement to the Village Information System and to further support planning, monitoring and programme transparency, a geo-tagging system will be developed to map and document village collective infrastructure financed through village resources and their status of achievement (see Sub-component 1.2).

324. **Analysis.** Data will be consolidated and analysed so as to provide information on the performance of the various components, detect problems, identify possible solutions and track good practices to share through the knowledge management system. Building on CCDP successful experience, the MIS will generate weekly and monthly dashboards showing progress on key outputs and objectives, profiling DPIU and PPIU performance and showing progress towards meeting key programme indicators. Weekly meetings will be held at the various levels to review progress, discuss issues, and update programme status.

325. The use of mobile applications like WhatsApp, Facebook and Twitter will facilitate the exchange of information throughout wide programme target areas and will foster team building.

326. **Reporting.** The NPMU will prepare semi-annual progress reports, which will record and analyse technical and financial achievements. A draft structure of semi-annual reports is presented in Attachment 1. Progress reports will be channelled to the Programme Steering Committee and to IFAD for discussion and review. Semi-annual progress reports will build on:

- *DPIU reports:* DPIUs will be required to submit brief progress reports, using a simple template to be provided by the NPMU. Progress reports should be short, but include at least the following information: financial summary (using a short table), main activities and outputs, number and description of beneficiaries, constraints/difficulties and proposed solutions;
- *Provincial Team Reports:* Provincial Teams will prepare semi-annual progress reports, along a format that will be developed by the NPMU and that will be similar to that of the programme progress report.

327. **M&E capacity development.** The NPMU will provide capacity building trainings to PPIUs and DPIUs. The Senior M&E/KM Specialist will design a capacity building plan, based on prior capacity assessment, to support PPIUs and DPIUs on both concepts and practical skills to manage the M&E system, especially data collection, data analysis and reporting. Short-term technical assistance could be hired if needed.

I NCEPTION, REVIEWS AND SURVEYS

328. **Inception.** A national start-up workshop will be organised with programme stakeholders and implementing partners, including from the five provinces, to: (i) ensure that all partners understand and agree on the scope and implementing modalities of the programme; (ii) introduce key processes, tools, strategies for M&E and KM; and (iii) build relationships for future knowledge sharing.

329. Start-up workshops will subsequently be organized in every participating province and district.

330. **Implementation support.** Annual Implementation Support Missions (ISMs) will be organised by IFAD jointly with GoI, in close collaboration with MoV, PPIUs, DPIUs and programme stakeholders. ISMs will offer an opportunity to assess achievements and lessons jointly, to review innovations, and to reflect on improvement measures. Missions will therefore be an integral part of the KM cycle, with mission members playing a supportive and coaching role. To ensure continuity in the process, ISMs will be carried out by a core team of resource persons returning regularly, joined by specialists to address specific needs of a given year.

331. **Interim Programme Reviews.** Given the innovative features of the programme, two interim reviews will be jointly organized by IFAD and GoI. The First Interim Review will take place at the end of PY 3 with a view to: (i) assess the results, efficiency and effectiveness of the programme; (ii) identify key lessons learnt and good practices; (iii) review institutional arrangements; and (iv) provide recommendations for improved performance and the achievement of impact. Specific issues to be addressed include the following:

- Overall programme performance and performance of partners;
- Most performing models and opportunities for scaling up in the different agroecological zones and in more/less connected areas;
- Performance in attributing Village Fund and other village resources as well as district funds to support village economic development;
- Participation of district and lower levels staff and readiness to take-over from programme staff;
- Progress in engaging women, youth and marginalised groups in village planning and in participating in programme activities;
- Performance of financial institutions in delivering programme-supported financial instruments, in improving financial inclusion and in supporting village economic development;
- Linkages and synergies between the four components;
- Role and impact of the coordination platforms;
- Performance of the NPMU, PPIU, DPUI and of key implementation partners, including in terms of required reporting, disbursement targets, implementation schedule and resolving implementation issues.

332. A Second Interim Review will be organized, with similar objectives, in the course of the fifth year. It will also review the likelihood of sustainable programme outcomes and the extent to which a conducive ecosystem has been developed whereby public and private programme stakeholders are geared to take over from programme interventions and support village economic development. The Review will make recommendations with regard to key measures required to secure the sustainability of programme achievements, based on which the NPMU will prepare a detailed exit strategy. This will include reviewing the options for ensuring the continuity of the Eastern Indonesia Gateway beyond programme completion (see Sub-component 3.1).

333. **Impact and outcome assessments.** As per the current practice within IFAD's Indonesia country programme, an Annual Outcome Survey will be undertaken each year from Programme Year 2. Impact surveys will be carried out at three points during programme implementation, at baseline in 2018/19, in preparation to the second interim review (end of PY 4) and prior to programme completion. They will be undertaken by the NPMU with the support of a service provider, in line with IFAD's Impact Survey Guidelines. Tools such as case studies, the Most Significant Changes and photo stories will be used to collect qualitative information through a participatory approach. Survey data and analysis will be shared with the multi-stakeholders' platforms.

KNOWLEDGE MANAGEMENT

334. **Objective.** The purpose of KM is to ensure that knowledge generated within the programme is systematically identified, analysed, documented and shared, and that it is used to: (i) improve programme performance and delivery; (ii) document and share innovations, best practices and stories of successes and failures to improve programme intervention and support mainstreaming in national processes and upscaling; and (iii) identify important issues to convey to policy makers. Particular attention will be given to the regular development and update of Orientation and Capacity Building Packages (Component 3.2), which will provide a set of evidence-based and replicable models for improving the use of village resources and for developing village partnerships with public and private players in support of inclusive and sustainable village economic development.

335. **KM framework and Annual Plan for Model Development, Innovation and Communication.** In consultation with programme stakeholders and in collaboration with the NPMU Senior M&E and KM/Policy Development Experts and PPIU M&E/KM Officer, the same consultant hired to design the M&E system will prepare a detailed KM framework (as part of the M&E/KM manual). The framework will include objectives, responsibilities and methodology, together with a Plan for Model Development, Innovation and Communication (see Sub-component 3.2) for the first year. The M&E/KM consultant will provide technical guidance in implementing the framework and further improving it based on experience, through annual or biannual follow-up missions. Every year an Annual Plan for Model Development, Innovation and Communication, covering KM, will be prepared, along the methodology outlined under Sub-component 3.2.

336. Online communication approaches utilizing the Eastern Indonesia Gateway, instant messenger, social media and short videos, will be used to reach wider audience, communicating the programme objectives, efforts and outcomes, also inspiring the local youth on economic opportunities that they could start in their own village. The Eastern Indonesia Gateway will be connected to GoDesa, the online platform that will be developed by MoV, with support from P3PD.

Attachment 1: Content of Semi-Annual Progress Reports

- I. Executive Summary**
 - a. Overall progress with implementation and semester highlights
 - b. Key issues and actions taken
 - c. Key points on which Programme Steering Committee and IFAD guidance is sought (as needed)
- II. Progress with component implementation** *[For each component, discuss progress with activities for the period against agreed AWPB and logical framework, identify problems and possible solutions]*
 - a. Component 1 – Activity implemented and results against work plan
 - b. Component 2 – Activity implemented and results against work plan
 - c. Component 3 – Activity implemented and results against work plan
- III. Progress in meeting legal covenants** *[Report progress towards legal covenants in Financing Agreement]*
- IV. Progress with Agreed AWPB to [date]**
[Discuss progress and include action plan in annex 1]
- V. Financial Monitoring**
 - a. Financial management status *[include new commitments disbursement data, audit status, etc., and refer to tables in annex 2]*
 - b. Procurement status *[Discuss procurement status and refer to table in annex 3]*
- VI. Key Indicators** *[Discuss general progress and refer to tables in annex 4]*
- VII. Knowledge Management** *[Present implementation of Annual Plan for Model Development, Innovation and Communication]*
- VIII. Work Program for the next 6 months** *[Discuss key activities for the coming period and any adjustment to the Programme of Activities]*
- IX. Annexes**
Annex 1 – Status of Agreed Action Plan
Annex 2 – Financial Management Report
Annex 3 – Procurement Status Report
Annex 4 – Progress against results framework and key indicators

VII. FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

A. IMPLEMENTING AND PARTICIPATING ORGANIZATIONS WITH FIDUCIARY RESPONSIBILITIES

337. The NPMU will be operated under the authority of MoV's Director General of Village Development and Community Empowerment, which will be delegated to the Director of Natural Resources and Applied Technology. They will have the overall accountability for the programme, including fiduciary aspects. The Directorate of Natural Resources and Applied Technology directorate has experience in implementing international funding programme from World Bank and IFAD through VDP. TEKAD Provincial Programme Implementation Units (PIUs) at the provincial level will be under the authority of the Provincial Village Empowerment Agency (DPMK/DPMD). All activities at District, Subdistrict and village level will be administered by the PPIU. NPMU and PPIU will hire and mobilize a team of financial management consultants at national and subnational level to assist the programme.

B. FINANCIAL MANAGEMENT RISK ASSESSMENT

a. Inherent Risks: Country Issues, Entity Risks

338. Based on the Public Expenditure and Financial Accountability (PEFA) 2017 report, Indonesia has established a strong legal and regulatory framework aligned with most international standards on public finance management (PFM). Main PFM standards have been adopted on accounting, budget classification, internal control as well as internal audit. The Treasury Single Account is in place and constitutes the backbone of the expenditure management and control. Strong fiscal discipline is achieved through a budget formulation and execution processes guided by a strong macro fiscal framework and clear fiscal rules. The transparent and participatory budget formulation process is noteworthy; budget documentation and classification are comprehensive, and the scrutiny by the parliament is more effective. The Indonesian Corruption Perception Index (CPI) score for 2018 according to Transparency International website is 38 (2017: 37; 2016: 37; 2015: 36; 2014: 34; 2013: 32), scale 0-high and 100-low risk).

339. The inherent risk for Indonesia is medium. The programme design has taken this medium risk into consideration with the proposed financial management arrangement to ensure that an adequate system is in place at all level including a qualified set of financial management team.

b. Risks Linked to Programme Financial Management

340. **Table 7 shows a summary of financial management risks and mitigation actions.**

Table 7 - Financial management risks and mitigation actions

Risk Category	Risk Rating (H/M/L)	Proposed Risk Mitigation Measures	Residual Risk Rating (H/M/L)
A. Inherent Risks			
Country Level • Poor TI index of 38/100. However, PEFA 2017 shows that Indonesia has been adopted main PFM standards including accounting, budget classification, internal control as well as internal audit 233.	M	-	M
Entity and programme design • MOV is a new ministry with capacity issue • LPA has experience in implementing internal funding programmes, including VDP. • Programme location: Papua and Papua Barat are the most challenging provinces in the country. 234.	M	Use VDP lesson learned to improve financial management system and provide better and clearer guideline for TEKAD	M
B. Programme Control Risks			
1.Organization & Staffing • Inadequate dedicated government official to implement the programme, in financial management aspect in particular • Remoteness might create issue in coordination and communication	H	Government commitment to have a stronger and dedicated team to manage the programme. Financial Management consultants will be hired at national, provincial and district level to support FM function FM consultants will be hired individually. Not through service provider/company	M
2.Budgeting • Delay in issue of budget documents	M	Budget preparation is well defined, but there are frequent delays in execution. Decree on budget execution should be issued right after budget documents are issued	M
3. Funds Flow & Disbursements • Delay from the date of entry into force to the date of first disbursement, resulting in slow start-up. • Delay in disbursement due to delay in submitting withdrawal application	H	The extent possible, new financing should build on existing structures and mechanisms, and early and continuous consultation with Government is essential to mitigate delays. To ensure a smooth start-up of the programme including early recruitment of service providers and implementation of construction activities in PY1, preparatory planning, establishment of the PSU, recruitment of staff and procurement of service will take place at earlier stage.	M

Risk Category	Risk Rating (H/M/L)	Proposed Risk Mitigation Measures	Residual Risk Rating (H/M/L)
		Financial management consultants recruited to assist day today programme financial management at national and district level IFAD to provide training on financial management procedures, including disbursement requirements First year implementation will be funded by IFAD and GOI only	
4. Internal Control <ul style="list-style-type: none"> Staff turnover especially of government staffs can lead to poor management of programme financial documents 	H	Internal control including financial document management and storage are documented in the programme manual	M
5. Accounting Systems, Policies & Procedures <ul style="list-style-type: none"> Reliability of government accounting system for IFAD and programme monitoring purposes No component identity in the government financial system. 	M	The programme will develop an automation financial reporting system. Meanwhile a spreadsheet-based reporting system will be used to process the data derived from the government accounting system into programme financial reports for monitoring and reporting purposes	M
6. Reporting & Monitoring <ul style="list-style-type: none"> The programme might not be able to produce reliable and timely financial report Unclear system to capture GOI & community contribution in the programme financial report 	H	Automation financial reporting system will be developed Provide guidance on how to capture GOI and community contribution in the programme financial report IFAD to conduct additional fiduciary supervision mission for the first 2 years to ensure that FM systems are in place	M
7. Internal Audit <ul style="list-style-type: none"> The programme not included in to Itjen internal audit program VDP internal audit was weak. Itjen involved in budgeting process only 	H	The programme to include the internal auditor (Itjen) in designing the internal audit framework for the programme To propose to MOF to include BPKP as internal audit for the programme	M
8. Auditing <ul style="list-style-type: none"> Integrity of the Auditor BPK is relatively new for IFAD programme. They have not yet familiar with IFAD procedure and/or system Poor follow up of auditor findings 	M	BPK will be assigned for the audit. The programme to create a tool to monitor follow up progress and status of auditor findings, and included in the PIM Public discloser will be included in the Auditor TOR	M
Programme Fiduciary Risk at Design	M		M
OVERALL FM RISK	M		M

Risk Category	Risk Rating (H/M/L)	Proposed Risk Mitigation Measures	Residual Risk Rating (H/M/L)
* H=High, M=Medium, L=Low			

C. FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

a. Financial Management Organization and Staffing

341. Overall, the programme financial management will be the responsibility of National Programme Management Unit (NPMU) hosted by the Directorate of Natural Resources and Applied Technology, under the Directorate General of Village Community Empowerment and Development, Ministry of Villages. At the provincial level, a Provincial Programme Implementation Unit will be based within the Provincial Village Empowerment Agency (DPMK/DPMD) in the five target provinces.

342. The financial management staffing at national and subnational level can be seen in Table 8. All staff will be hired under individual contracts by the NPMU.

Table 8 – TEKAD Financial Management Staff

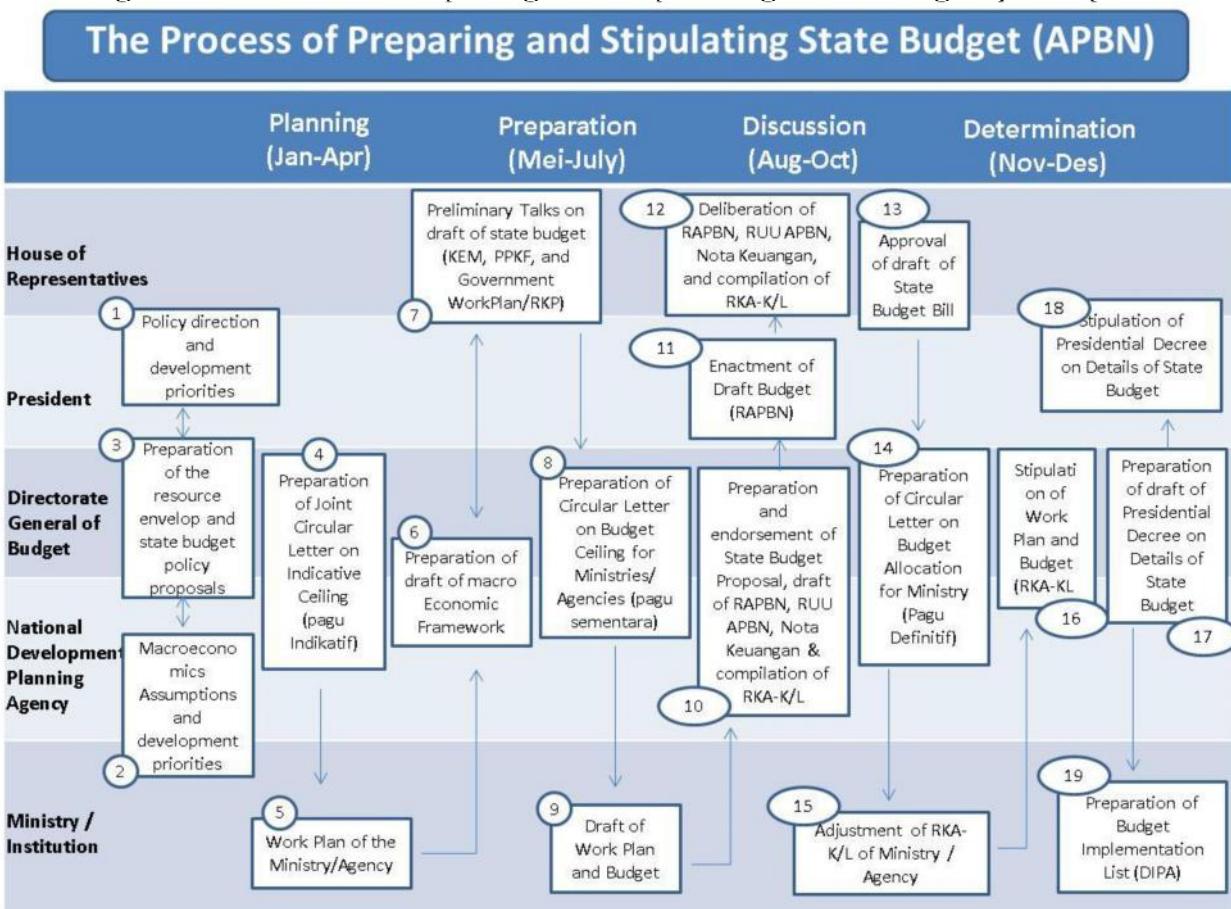
Position	Number
National Level	
Senior Financial Management Consultant	1
Provincial Level	
Financial Management Consultant	1 per province

b. Budgeting

343. The NPMU will prepare Annual Work Plans and Budgets (AWPB), to be submitted to IFAD for review and no objection. The AWPB shall include the activities, respective costs, source of funds, schedules, and also procurement plan. The annual budget (DIPA) preparation will follow the annual government budget processing procedures as described in Figure 1. Under TEKAD, the DIPA budget documents are being arranged as follows:

- Central DIPA budget to be executed by central Satker would cover NPMU operation, monitoring, coordination and other consultant services at central level;
- Provincial DIPA budget to be executed by the provincial Satker would cover provincial operations, district operations, facilitator's salaries and allowances and programme activities at provincial and district level. The Province Satker will execute payments, administer and report on programme activities in respective province.

Figure 1. Process of Preparing and Stipulating State Budget (APBN)



c. Disbursement Arrangements and Flow of Funds

344. **Designated Account.** The programme will have two Designated Accounts in US\$, in the name of the Ministry of Finance (MoF) at Bank Indonesia (BI): one account for the IFAD loan funds and one for the IFAD grant. Funds in these accounts will be used to pay eligible programme expenditures incurred by NPMU and PPIUs. The modalities of the designated account for the IFAD resources will be detailed in the Letter to the Borrower (LTB), which will be issued by IFAD. Documentation evidencing the opening of the Designated Account, with details of the names and titles of the persons authorized to operate this account, must reach IFAD before withdrawal from the loan and the grant accounts can begin. A sample form is provided in the LTB.

345. **Authorized allocation.** The maximum authorized allocation to the IFAD's Designated Accounts will be US\$ 3,000,000 for the Loan, and EUR 250,000 for the grant. One or more advances may be withdrawn within this authorized allocation. The authorized allocation to the Designated Accounts may be amended during the course of programme implementation.

346. In general, there will be three types of disbursement mechanisms for the programme: (i) Advance Withdrawal; (ii) Direct Payment; (iii) Reimbursement. The IFAD loan will be disbursed in accordance with IFAD Loan Disbursement Handbook (LDH)¹⁴³. Considering the activities, the programme will adapt imprest account arrangement, with advance payment and then followed by replenishment to the DA.

347. **Withdrawal application.** The NPMU is responsible to prepare the documentation and reporting required to submit withdrawal application. The forms and explanatory notes on their preparation are provided in the LDH (Section 3, Annexes 2 and 3) and in the LTB. The forms provided in the LTB, Annex 3 supersede the corresponding ones provided in the LDH.

¹⁴³ <https://www.ifad.org/en/document-detail/asset/39635782>

348. Eligibility of expenditure will require the following:

- The expenditure shall meet the reasonable cost of goods, works and services required for the programme and veered by the relevant AWPB and procured in conformity with the procurement guidelines;
- The expenditure shall be incurred during the programme implementation period, except expenditures to meet the costs of winding up the programme that may be incurred after the programme completion date and before the closing date;
- The expenditure shall be incurred by a programme party;
- If the Financing Agreement allocates the amount of the financing to categories of eligible expenditures and specifies the percentages of such eligible expenditures to be financed, 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;
- The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement (FA).

349. **Start-up costs.** The programme may request an advance withdrawal up to US\$ 300,000 from the Loan, to incur programme start-up expenditures before the satisfaction of the additional (general/specific) conditions precedent to withdrawal, in accordance with FA, General Conditions, Section 4.02(b) and FA, Schedule 2. Any unused balance of the start-up advance will be treated as part of the initial advance under the authorized allocation.

350. Withdrawal Applications for Advance Withdrawal and Reimbursements may be submitted once ninety (90) days have lapsed from the submission of the previous withdrawal application. If, however, the requested withdrawal amount is at least thirty per cent (30%) of the advance described in LTB, paragraph 16, a withdrawal application may be submitted even if ninety (90) days have not lapsed.

351. The Direct Payment procedure should be used only for payments of more than US\$ 100,000 equivalent. Programme expenditures below this threshold should be paid from the programme's Designated Account. Withdrawal applications will be processed by the Accounting and Controller's Division (ACD) of IFAD. An application for withdrawal, accompanied by a summary of expenditure by category and by relevant forms and supporting documents, should be sent in original to IFAD.

352. **Refund of Withdrawals.** Any amount withdrawn from the programme loan to finance any expenditure other than the eligible expenditure or will not be needed thereafter to finance the eligible expenditures, shall be promptly refunded to IFAD. The refund shall be made in the currency used to disburse such withdrawal.

d. **Supporting Documents, Statement of Expenditure (SOE) and SOE Thresholds**

353. LDH, Section 4 provides details regarding the use of the Statements of Expenditure (SOE) to justify advances or seek reimbursement. The format for the SOE to be used for financing is attached as Annex 1. The applicable SOE threshold for withdrawal application, under procedure (i)"Advance Withdrawal", and under procedure (iv) "Reimbursement", is US\$ 50,000 for all expenditure categories. SOE thresholds can be changed by IFAD during the programme implementation period by notification to the Borrower and Programme Management.

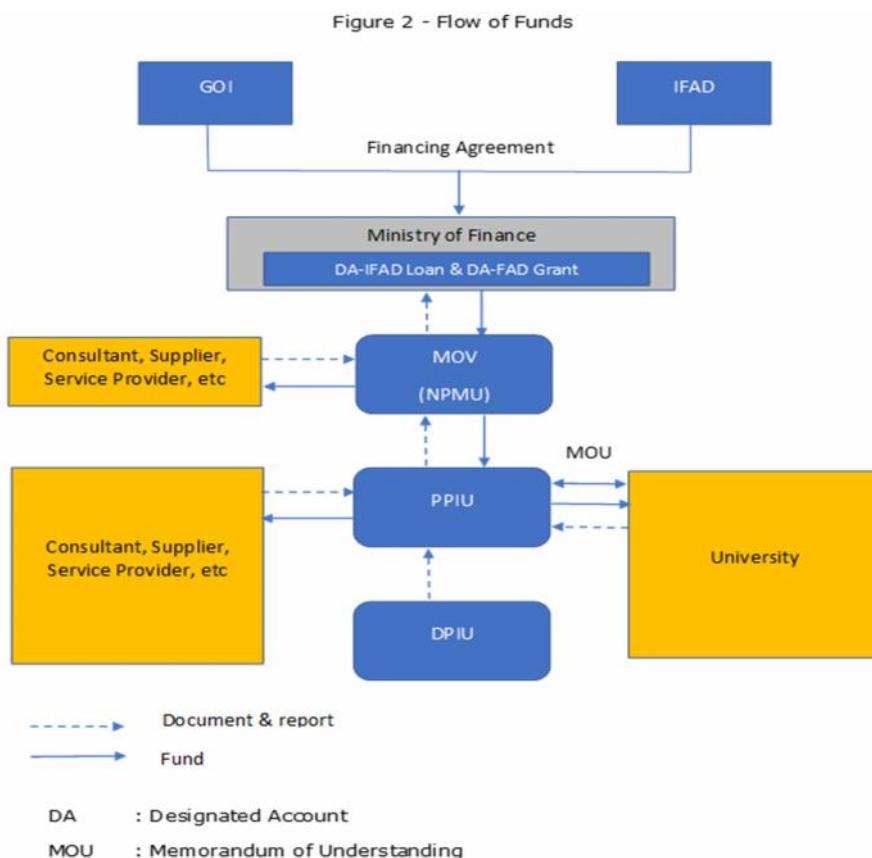
354. Withdrawal applications for contracts or invoices with amounts higher than these SOE thresholds must be accompanied by copies of relevant supporting documents evidencing eligible expenditure (Refer to LDH, Section 3). The SOE and other documentation shall state amounts requested for withdrawal after excluding amounts financed from other financing sources or counterpart funds.

355. Withdrawal applications for Direct Payments must be accompanied by a signed copy of the contract and relevant supporting documents evidencing eligible expenditure (e.g. invoices, receipts, documentary evidence of completion of contracted goods and services, payee's bank identity certificate).

e. Flow of Funds

356. The programme loan will be allocated using APBN budget mechanism which would then be passed to provincial and district level with Dekonsentrasi mechanism. DG Treasury, Ministry of Finance will authorize its relevant Treasury offices (KPPNs) located nearby the implementation units to authorize payments of eligible programme expenditures by issuance of a remittance order (SP2D) charging the DA. For this purpose, DG Treasury shall issue a circular letter to the relevant KPPN offices providing guidelines and criteria for eligible programme expenditures in accordance with the credit/loan agreements. When expenditures are due for payment, PIU will prepare a payment request (SPP) to the payment officer within the Satker. After documents verification, the payment officer will issue a payment order (SPM) together with the supporting documentation for submission to the relevant KPPN. The KPPN will check the budget eligibility and issue SP2D to the KPPN's operational bank, which will transfer the fund directly to the payee's account and arrange for debit for the loan portion to the DA. This arrangement will be applied for provincial payment process as well.

357. The flow of funds and reporting mechanisms are shown in Figure 2.



f. Accounting Systems, Policies and Procedures

358. Financial transactions at national and subnational level will be recorded in the government accounting system (SAI) and included in the government accountability reports. The FM team will manage the accounting requirements of the programme, as well as the overall accounting system. The finance team will also be responsible for ensuring adequate records and verification of programme expenditures.

359. Under the current government accounting system, the payment vouchers (SPM and SP2D) do include information on the programme categories but not for component/subcomponent. Report modification will be conducted accordingly through an automated reporting system that will be developed in PY1.

g. Internal Control

360. In general, the programme will follow the government internal control mechanism where segregation of identified duties including:

- Authorization is conducted by the Commitment Making Officer (PPK)
- Recording is conducted by the Treasurer; and
- Custody of assets is conducted by the Treasurer.

361. Compliance to internal controls will be part of the audit by the internal and independent auditor and fiduciary review conducted on supervision mission.

h. Financial Reporting

362. All financial transactions for the programme will be recorded in the government accounting system as well as included in the government accountability reports. In addition, the programme will prepare a separate set of programme financial reports that are suitable for programme monitoring purposes. This will be facilitated through an automation system which will be developed in PY1.

363. **Interim Financial Reports.** The NPMU will be responsible to prepare aggregate Interim Financial Reports with an agreed format and submit them to IFAD quarterly within 45 days after the period end.

364. The programme will also submit annual financial statement for each fiscal year that states all programme operation, resources and expenditures. All financing resources (IFAD, counterpart contribution, beneficiary contribution, co financier funds) shall be accounted in the report. Attachment 2 gives an example for a programme Financial Statement format.

365. During IFAD review/supervision missions, NPMU should prepare consolidated financial reports for IFAD review which should include information on the: (i) annual approved/agreed AWPB; (ii) approved annual budget; (iii) annual budget expenditures; (iv) cumulative AWPB; (v) cumulative approved budget to date; and other information required for the mission.

i. Audit

366. **Internal audit.** TEKAD internal audit will be conducted by the Inspectorate General (Itjen) who is reporting to the Minister. Itjen will conduct internal monitoring of the Programme performance, financial management and administration through audit, review, evaluation and supervision. However, the capacity of Itjen is limited to cover all audit components. BPKP as the government internal auditor who was acted as the programme external auditor for VDP will be explored to fill in the gap.

367. **External audit.** The programme annual financial statement will be audited by the independent auditor, BPK in accordance with International Standards on Auditing. The audited programme financial statements will be submitted in English to IFAD within 6 (six) months of the end of the fiscal year by the Executing Agency. The annual audit report will include a separate audit opinion on the use of the imprest account, SOE procedures and financial loan covenants. The government has been made aware of IFAD's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited programme financial statements. IFAD reserves the right to verify the programme's financial statements to confirm that the share of IFAD's financing is used in accordance with IFAD's policies and procedures. After review, IFAD will disclose the Programme financial statements and the opinion of the auditors on the financial statements. The draft term of reference for the auditor is in Attachment 3.

D. FINANCIAL MANAGEMENT SUPERVISION PLAN

368. The programme will be jointly supervised by GoI and IFAD. Formal joint supervision missions will be conducted at least once per financial year with additional implementation support missions mobilized as necessary. At least one additional implementation support mission will be mobilized within the first 6 months of programme implementation and at least one additional implementation support mission during the second year.

369. During joint supervision missions and implementation support mission, the main topics to be reviewed and discussed will include, among others: (i) comparison of programme progress against

AWPB; (ii) cumulative programme expenditures based on the source of funds, per component/sub-component and per category; (iii) loan and/or grant disbursements; (iv) financial data filing system; (v) check a sample SOE to verify their accuracy against IFAD records and adequacy of supporting documents; (vi) asset register; (vii) latest audit report and its follow up action progress; (viii) procurement; and (ix) compliance with the loan covenants.

370. Two interim reviews will be jointly organized by IFAD and GoI, one at the end of PY3 and the other one in PY5. Interim reviews are a means to improve programme performance and relevance, as well as to identify re-orientation to the programming that may be needed to ensure the achievement of the original objectives. Loan and/or grant fund re-allocation may be necessary to adjust the changes.

Attachment 1 - Evidence of Authority to Sign Withdrawal Applications

(Sample letter – to be submitted on letterhead) [to include full street address, city, country]

International Fund for Agricultural Development (IFAD) Date: _____ Via Paolo di Dono, 44
00142
Rome, Italy

Attention: Finance Administration
Services
Accounting and Controller's Division

Subject: IFAD
Loan/Grant/Financing
No.: Programme Name:

Dear
Sirs/Madams

:

I refer to the Financing Agreement between IFAD and [Name of Borrower/Recipient], dated [----]. In accordance with the provisions of Section 4.04(b) of IFAD's General Conditions for Agricultural Development Financing dated 29 April 2009 as may be amended from time to time, I hereby designate the following person (or persons) whose authenticated specimen signature(s) appear(s) below as authorized, on behalf of the Borrower/Recipient, to sign Applications for Withdrawal under the above-referenced IFAD Loan/Grant/Financing. This notification enters into effect as of [---- date].

(Optional) The following is the official email address which will be used by the Borrower/Recipient to submit Applications for Withdrawal and other official communications to IFAD:

_____ . Any communication not originating from this address should be disregarded.

(Name(s) and Title(s))	Specimen
signature	(Name(s) and Title(s))
Specimen	signature (Name(s) and Title(s))
Specimen signature	

(Indicate if the authorization to sign is jointly with another person(s)).

Signed by:

Title of the Borrower/Recipient's
Designated Representative
(as provided in the Financing
Agreement)

Attachment 2 - Example of Programme Financial Statement

Programme Name.....

Implementing Agency.....

IFAD Loan/Grant Number.....

PROGRAMME FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 200X

Prepared in accordance with The Cash Basis of Accounting Method of the International Public Sector Accounting Standards (IPSAS)

PROGRAMME NAME AND NUMBER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 200X

CONTENTS	PAGE
Programme Information and performance	1
Statement of programme management responsibilities	2
Report of the independent auditor	3
Statement of cash receipts and payments (by category)	4
Statement of cash receipts and payments (by component)	5
Statement of comparative budget and actual amount	6
Statement of Special Account movements	7
Statement of Special Account Reconciliations	8
SOE-Withdrawal Application Statement	9
Notes to the Financial Statements	10-11

PROGRAMME NAME AND NUMBER
PROGRAMME INFORMATION AND PERFORMANCE
PROGRAMME NAME AND NUMBER

- Institutional Details/Information: Implementing agency, status, location, names, account numbers and address of bankers (Special and Programme accounts) name and address of independent auditors
- Members of the Programme Coordinating Unit: Names and roles
- Background Information on the Programme: Source of financing: size of Loan/Grant(s), effective and closing date(s)
- Programme Objectives: As per Design Completion/Appraisal Report
- Programme Costs: By component and category of expenditures as per Financing Agreement and Design Completion/Appraisal Report
- Summary of Performance: Physical progresses as per Progress/Supervision Reports

PROGRAMME NAME AND NUMBER

STATEMENT OF ACCOUNTING OFFICER AND PROGRAMME COORDINATOR'S
RESPONSIBILITIES

(INDEPENDENT AUDITOR'S LETTERHEAD)

REPORT OF THE INDEPENDENT AUDITORS

(Consolidated auditors report on the Programme Financial Statements, the Special Account and the SOEs Opinion)

PROGRAMME NAME AND NUMBER
 STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES)
 FOR THE YEAR ENDED DECEMBER 31, 200X

Notes			Cumulative to date
	200X Local currency	200X-1 Local currency	
Balance B/F	4	XXX	XXX
FINANCING			
IFAD Credit			
Initial Deposit			XXX
Replenishments to SA		XXX	XXX
IFAD Direct Payments	5	XXX	XXX
Government Funds	6	XXX	XXX
Other Donors	7		
Other Receipts	8		
TOTAL FINANCING		XXX	XXX
PROGRAMME EXPENDITURES: (BY CATEGORY OF EXPENDITURES)			
Cat	IFAD CREDIT		
1	AAA	9	XXX
2	BBB	9	XXX
3	CCC		XXX
4	DDD		XXX
5	EEE		XXX
6	GGG		XXX
7	HHH		XXX
8	LLL		XXX
		XXX	XXX
Government Funds			
1	AAA		XXX
2	BBB		XXX
TOTAL		XXX	XXX
TOTAL PROGRAMME EXPENDITURES		XXX	XXX
BALANCE C/F	4	XXX	XXX

PROGRAMME NAME AND NUMBER
 STATEMENT OF RECEIPTS AND PAYMENTS (BY COMPONENT)
 FOR THE YEAR ENDED DECEMBER 31, 200X

	Notes	Cumulative to date		
		200X	200X-1	Local currency
Balance B/F	4	XXX	XXX	
FINANCING				
IFAD Credit				
Initial Deposit				XXX
Replenishments to SA		XXX	XXX	XXX
IFAD Direct Payments	5	XXX	XXX	XXX
Government Funds	6	XXX	XXX	XXX
Other Donors	7			
Other Receipts	8			
TOTAL FINANCING		XXX	XXX	XXX
PROGRAMME EXPENDITURES: (BY COMPONENT)				
Comp	IFAD CREDIT			
A	AAA		XXX	XXX
B	BBB		XXX	XXX
C	CCC		XXX	XXX
			XXX	XXX
	Government Funds			
A	AAA		XXX	XXX
B	BBB		XXX	XXX
	TOTAL		XXX	XXX
	TOTAL PROGRAMME EXPENDITURES		XXX	XXX
	BALANCE C/F	4	XXX	XXX

PROGRAMME NAME AND NUMBER
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 200X

	200X Budget	200X Actual	Variance
--	----------------	----------------	----------

	Notes	Local currency XXX	Local currency XXX	Local currency XXX
--	-------	--------------------------	--------------------------	--------------------------

FINANCING

IFAD Credit

Replenishments to SA	XXX	XXX	XXX
IFAD Direct Payments	XXX	XXX	XXX
Government Funds	XXX	XXX	XXX

TOTAL FINANCING	XXX	XXX	XXX
-----------------	-----	-----	-----

**PROGRAMME
EXPENDITURES:**

(BY CATEGORY OF EXPENDITURES)

Cat IFAD CREDIT

1 AAA	XXX	XXX	XXX
2 BBB	XXX	XXX	XXX
3 CCC	XXX	XXX	XXX
4 DDD	XXX	XXX	XXX
5 EEE	XXX	XXX	XXX
6 GGG	XXX	XXX	XXX
7 HHH	XXX	XXX	XXX
8 LLL	XXX	XXX	XXX
	XXX	XXX	XXX

Government Funds

1 AAA	XXX	XXX	XXX
2 BBB	XXX	XXX	XXX
TOTAL	XXX	XXX	XXX

TOTAL PROGRAMME EXPENDITURES	XXX	XXX	XXX
------------------------------	-----	-----	-----

Surplus/Deficit for the period	XXX	XXX	XXX
--------------------------------	-----	-----	-----

The excess/deficit of actual expenditures over the Budget of X% was due to....

PROGRAMME NAME AND NUMBER
STATEMENT OF SPECIAL ACCOUNT ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 200X

Account No: _____

Bank: _____

Address: _____

US\$ (or as otherwise denominated)	Local Currency
------------------------------------	----------------

Opening Balance	Notes	XXX	XXX
-----------------	-------	-----	-----

Add:

IFAD Replenishments:

Date	WA No	XXX	
Date	WA No	<u>XXX</u>	
		XXX	XXX
Bank Interests		<u>XXX</u>	XXX
Total		XXX	XXX

Deduct:

Transfers to Operating Accounts:

Date	XXX	
Date	<u>XXX</u>	
	XXX	XXX

Bank Charges	XXX	XXX
Exchange Rate Difference	<u>XXX</u>	XXX
Closing Balance as at 31/12/200X (as per Bank Statement)	XXX	XXX

I include reconciliation with IFAD records

PROGRAMME NAME AND NUMBER
 STATEMENT OF SPECIAL ACCOUNT RECONCILIATION
 FOR THE YEAR ENDED DECEMBER 31, 200X

Account No: _____
 Bank: _____
 Address: _____

US\$ (or as otherwise denominated)	Local Currency
------------------------------------	----------------

	Notes	US\$	Local Currency
1 Initial Deposit		XXXX	XXXX
2 Less amount(s) recovered:		XXXX	XXXX
3 Outstanding Amount advanced		XXXX	XXXX
 Represented by:			
4 Special Account Balance as at 31/12/200X		XXXX	XXXX
 5 Plus amounts claimed but not yet credited as at 31/12/200X: WA XXX Date WA XXX Date XXX XXXX XXXX			
 Plus amounts withdrawn not yet claimed, composed of: Was Prepared not yet submitted: WA XXX WA XXX XXX			
 Was not yet prepared: XXX			
6 Total amount withdrawn not yet claimed		XXXX	XXXX
 7 Less Interest earned and/or plus Bank charges (if included in the Special Account) XXXX XXXX			
8 Total Special Account Advance as at 31/12/200X		XXXX	XXXX
 Difference between Line 3 and line 8 XXXX XXXX			

Notes:

- a Explain any difference between lines 3 and line 8
- b Indicate if amount in line 6 is eligible for financing by IFAD and provide reasons for not claiming

PROGRAMME NAME AND NUMBER
 SOEs-WI THDRAWAL APPLICATION STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 200X
 by Category of Expenditures in Local Currency

Notes	Category description	Category description	Total	In US\$ Equivalent	Rejected from IFAD	Net Reimbursed
	Cat No	1	2			
WA No:						
	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
Total						XXX
WA Pending for Submission:						
WA No:	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
						XXX
TOTAL	XXX	XXX	XXX	XXX	XXX	XXX

Withdrawal Applications are submitted for reimbursement to IFAD using the historical exchange rate of the transfers to the Operating Account
 Expenditures rejected by IFAD (if any) should be detailed here.
 This statement should be reconciled with the Statement of Receipts and Payments and include reconciliation with IFAD records

PROGRAMME NAME AND NUMBER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 200X

1. FINANCIAL REPORTING UNDER INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

In accordance with International Public Sector Accounting Standards (IPSAS), notes to the financial statements of an entity should:

- Present any information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events, and
- Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments, cash balances and other statements as statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

A Basis of Preparation

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting

B Cash Basis of Accounting

The cash basis of accounting recognizes transactions and events only when cash is received or paid by the entity.

C Foreign Currency Transactions

Cash receipts and payments arising from transactions in a foreign currency are recorded in the financial statements using the average rate of exchange. Cash balances held in foreign currency are reported using the closing rate. Gains/Losses on foreign currency transactions/balances are dealt within the Statement of Special Account Activities.

3 BUDGET

The budget is developed on the same accounting basis (cash basis), same classification and for the same period as the financial statements. Material variances (above XXX) have been explained as notes to the financial statements

4 CASH/FUND BALANCES

Reconciliation

200X	200X-1
Loc currency	Loc currency

Cash Accounts	XXX	XXX
Advances	XXX	XXX
	XXX	XXX

4-a CASH DETAILS

200X	200X-1
Loc currency	Loc currency

A/c No_____ Programme Operating Account	XXX	XXX
A/c No_____ IFAD Special Account (as per SA Statement)	XXX	XXX
Petty cash	XXX	XXX
	XXX	XXX

5 DIRECT PAYMENTS

These payments were made directly by IFAD from the Loan/Grant account to the specified supplier/service provider in accordance with the terms and conditions of the financing Agreement

Include here details of direct payments WA, Date, currency and amount received, amount in local currency

6 GOVERNMENT COUNTERPART FUNDS

Details here. Cumulative contributions, yearly contributions (compared to budget).
Include details of counterpart contributions as tax exemption.
Include details of tax treatment

7 OTHER DONOR FUNDS

200X	200X-1
Loc currency	Loc currency

List of Donors	XXX	XXX
	XXX	XXX
	XXX	XXX
	XXX	XXX

Add details of cumulative and expected contributions

8 OTHER RECEIPTS

	200X Loc currency	200X-1 Loc currency
--	----------------------	------------------------

Interest Income	XXX	XXX
other income (specify)	XXX	XXX
	XXX	XXX
	XXX	XXX

9 NON-CURRENT ASSETS

Financial Statement Currency

	Cat 1 - Infrastructure		Cat 2 Vehicles		Cat 3-Equipment	
	200X	200X-1	200X	200X-1	200X	200X-1
Opening Balance	XXX	XXX	XXX	XXX	XXX	XXX
Additions (Statement of Receipts and Payments)	XXX	XXX	XXX	XXX	XXX	XXX
Disposals	XXX	XXX	XXX	XXX	XXX	XXX
Closing Balance	XXX	XXX	XXX	XXX	XXX	XXX

This schedule includes all assets acquired from the commencement of the Programme. These assets are stated at cost. Existence and beneficial ownership to be verified by the auditors.

Apart of the summary schedule, details schedules for yearly changes to be included.

10 YEARLY PROCUREMENTS

Include here a list of the yearly procurements including methods

Attachment 3: Audit Term of Reference

1. Background

- The International Fund for Agricultural Development (IFAD) is aiding Government of Indonesia (GOI) in the form of loan and grant for this programme
- The financing agreement has been signed between IFAD and GOI on
- IFAD requires the GOI to appoint an independent auditor to audit the accounts related to the programme, in accordance with IFAD Handbook on Financial Reporting and Auditing.
- The reporting entity is TEKAD Programme
- TEKAD programme prepares its financial statements in accordance with IFSAS

2. Objective

The objective of this audit is to enable the auditor to express an opinion on whether the financial statements (including additional disclosures as outlined in section 5) present fairly, in all material respects, the financial position of the reporting entity as at [insert year-end date], and/or the results of its operations and its cash flows for the years then ended, in conformity with the IFSAS

3. Responsibilities of the programme

General	<ul style="list-style-type: none">• Provide financial statements for the activities financed by the loan and grant that are reconcilable to its records and accounts.• Provide the auditor with access to all legal documents and correspondence with consultants, contractors and other persons or firms engaged by the programme, and any other information associated with the programme and deemed necessary by the auditor.• Ensure that the accounting policies are consistently applied and disclosed.• Ensure that appropriate internal controls are implemented to prevent misstatements and susceptibility to fraud.• Ensure compliance with all relevant laws and regulations that pertain to the entity, as well as with the financing agreement between the [borrower/recipient] and IFAD.• Provide the financial statements to the auditor within a reasonable time and be available for any queries that the auditor may have.
Financial Statement	<p>The programme shall:</p> <ul style="list-style-type: none">• Prepare financial statements covering the reporting period [date] to [date], in accordance with [IPSAS/IPSAS "Financial Reporting under the Cash Basis of Accounting" standards]. In addition, the following specific disclosures will be included in the financial statements:• Withdrawal application statement– appendix 1 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Programmes;• Sources and uses of funds statement – appendix 2 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Programmes;• Designated Account statement and reconciliation – appendix 3 to

	<p>the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Programmes;</p> <ul style="list-style-type: none">• [Statement of Expenditure – appendix 5 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Programmes] – applicable to grants;• [Expenditure transaction list – appendix 6 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Programmes] – applicable to grants.
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4. Responsibilities of the Auditor

Auditing Standard	<ul style="list-style-type: none"> The auditor is responsible for the formulation of an opinion on the financial statements in accordance with [ISA/ISSAI/national auditing standards];
General Principle	<p>By agreeing to these terms, the auditor confirms that:</p> <ul style="list-style-type: none"> BPK is a member of the International Organization of Supreme Audit Institutions (INTOSAI).] BPK is able to conduct the audit in line with auditing standards acceptable to IFAD, pursuant to paragraph 4.1. BPK can assign an audit team to the audit that has the necessary competence and skills. BPK has a proven track record in conducting audits of a similar nature and complexity.
Management Letter	<p>The management letter is an integral part of the audit package that documents accounting and internal control issues identified by the auditors. The management letter should:</p> <ul style="list-style-type: none"> Outline the auditor's recommendations to improve identified accounting and internal control issues; Include the responses of programme management to the identified control issues, and its proposal to address the issues identified within a specific time period. Where applicable, follow up on the issues identified in the previous year's management letter.
Reporting	<p>The Auditor is required to deliver an audit package that includes:</p> <ul style="list-style-type: none"> The audited financial statements, including additional disclosures as outlined in paragraph 3.2; An audit opinion on the financial statements, within the scope as outlined in paragraph 5; A report on factual findings, within the scope of agreed-upon procedures as outlined in paragraph 6. Any ineligible expenditure identified should be clearly mentioned. A management letter, including the information outlined in paragraph 4.3; <p>The audit report should provide sufficient detail as to the nature and extent of the procedures performed by the auditor. The auditor is required to provide the audit package by no later than [insert date]. Reports are to be delivered in English.</p>

5. Scope of the financial audit

In performing the audit, at a minimum the auditor shall:

- Obtain an understanding of the internal controls related to the financial reporting process, to identify and assess any weakness in internal control that might result in misstatements, whether due to fraud or to error;
- Design and conduct audit procedures in response to any weaknesses identified in the internal controls relating to the financial reporting process, to obtain audit evidence

that the financial statements are fairly presented and free from material misstatements, in accordance with the applicable accounting framework;

- Verify whether expenditure that was incurred in the name of the programme is in line with the terms of the financing agreement(s) (appendix xx) and incurred for the purposes intended in this agreement. All funding should be taken into consideration;
- Verify that the inventory and fixed assets held by the entity exist, are complete, are properly accounted and are used for the programme purposes;
- Note any weaknesses in the internal control environment and in the financial reporting process, and communicate those in the management letter.
- [List others].

6. Scope of the agreed-upon procedures

The auditor is required to perform the following specific procedures and report on factual findings as required in paragraph 4.4.

Withdrawal Application Statement	<p>The auditor is requested to obtain the individual withdrawal applications (WAs) submitted to IFAD, as summarized in the withdrawal application statement, and develop test procedures to:</p> <ul style="list-style-type: none">• Determine whether the Designated Account currency equivalent was determined using the historical exchange rate of transfers to the operating account;• Determine whether goods and services have been purchased through the SOE mechanism in line with the stipulated SOE threshold;• Determine whether the expenditures claimed through SOE procedures were properly and appropriately authorized, classified⁴⁷ and supported by audit documentation;• Identify any ineligible expenditure;• [List additional procedures, if applicable].¹⁴⁴
Designated Account Statement and Reconciliation	<p>The auditor is requested to review the activities of the designated account(s) associated with the programme, including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor is requested develop test procedures to:</p> <ul style="list-style-type: none">• Check the accuracy of the Designated Account reconciliation(s);• Confirm that the Designated Account(s) have been maintained in accordance with the provisions of the financing agreement;• [List additional procedures if applicable].

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7. Public Disclosure

IFAD promotes public disclosure of programme financial information to enhance the level of transparency and accountability. IFAD will disclose programme audit reports, as appropriate, in line with the Fund's disclosure policy. Management Letters issued by auditors are not subject to public disclosure by IFAD. In agreeing to the terms of reference, the auditor explicitly acknowledges IFAD's right to publicly disclose audit reports (audited financial statements and audit opinion) and will issue reports without a limitation of use clause.

To facilitate the public disclosure process, the auditor is requested to submit two separate files as follows:

- Audited financial statements and audit opinion; and
- Management Letter.

8. Appendices

[List as applicable]

Appendix: Financing/grant agreement(s)

Appendix: Letter to the Borrower

¹⁴⁴ Procedures may include enquiry/analysis/recalculation/comparison/observation/inspection

Appendix: IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Programmes

Signed by/date:

I. PROCUREMENT

A. Procurement Principles and Ethics

1. Principles of procurement for goods/services.

Procurement of goods/services should apply the following principles:

- a. Efficiency - Procurement of goods/services must be conducted by utilizing the minimum amount of funds and effort to meet the expected quality within the specified time frame or by using the specified amount of funds to achieve the procurement target and outcome at maximum quality;
- b. Effectiveness - Procurement of goods/services must be conducted in consistence with the specified requirements and targets and must result in benefits to the maximum extent possible;
- c. Transparency - All terms and conditions as well as information on Procurement of Goods/Services are clearly stated and accessible to the public and interested goods/service providers;
- d. Openness - Procurement of goods/services is open to all goods/service providers meeting the conditions/criteria as clearly set out in the terms and procedure;
- e. Competitiveness - Procurement of goods/services must be conducted through healthy competition among equal and qualified goods/service providers as many as possible in order to obtain competitive bids/proposals of goods/service without any intervention disrupting the market mechanism;
- f. Fairness - Giving equal treatment to all prospective goods/service providers not having any tendency which may favour a certain party, and maintaining national interest;
- g. Accountability - Must be conducted in accordance with the relevant rules and regulations on Procurement of Goods/Services in order to ensure accountability.

2. Ethics of procurement for goods/ services.

All stakeholders involved in the process of procurement for goods/ services should follow the following ethics:

- a. Conduct the tasks with discipline and responsibility to achieve targets, smoothness and accuracy in achieving the goal of procurement for goods/ services;
- b. Work professionally and independently, keep secrecy of documents for procurement for goods/services, which nature should be kept in secret to avoid deviation in procuring goods/services;
- c. Not influence each other, directly or indirectly, leading to unfair competition;
- d. Accept and responsible on any decision made as agreed by all concerned parties;
- e. Avoid and prevent a conflict of interest among parties involved in the procurement process of goods/services, directly or indirectly;
- f. Avoid and prevent state financial waste and leaks in the procurement of goods/services;

- g. Avoid and prevent misconduct of authority and / or collusion for benefits of certain individual, groups or other parties, which will harm the state, directly and indirectly; and
- h. Not receive, not offer, or not promise to give or receive a gift, remuneration, commissions, rebates and in any form whatsoever from or to anyone known or reasonably suspected to be related to the Procurement of Goods / Services.

B. Procurement Process

The Public Procurement called Government Procurement of Goods / Services is an activity that is undertaken by Regional Ministries / Institutions / Local government work unit which has been processed since identification needs, up to the final handover of work results. In general, the procurement process consists of planning, preparation and implementation of procurement.

C. Procurement plan of goods and services.

The initial step of the procurement process of goods and services is procurement planning. According to Presidential Regulation Number 16 Year 2018, it involves identifying needs, determination of goods / services, methods, schedules, budgets and procurement plan.

The identification of supply (supply) of goods / services will have to pay attention to several things, consisting of:

- a. ease of getting goods on the Indonesian market with sufficient amount to meet the needs;
- b. level of Domestic Components;
- c. number of producers and / or number of business entities; and / or
- d. goods needed are domestic products or imported goods, manufacturers or can be done by hand / manually.

Procurement planning consists of:

- a. Procurement planning through self-management; and / or
- b. Procurement planning through Providers.

Procurement planning through Self-Management includes:

- a. Self-management type determination;
- b. Preparation of technical specifications / ToR; and
- c. Preparation of cost estimates / Budget Plans Cost.

Self-management constitutes the activity of Procurement of Goods/Services that is planned, exercised and supervised Regional Ministries / Institutions / Local government work unit itself as the budget responsibility holder (type 1), other government agencies (type 2), community organization (type 3) and/or community groups (type 4). Self-management is carried out when goods / services are needed cannot be provided or is not sought after by Providers. Self-management can also be used in order to optimize utilization of resources / technical capabilities possessed government, goods and services that are confidential and capable implemented by the Ministry / Institutions / Local government work unit concerned, as well as in order to increase the role and / empowerment of community organization and community groups with regards to:

- a. In order to optimize the use of technical resources / capability owned by the government, implementation must be adjusted to the main tasks and functions according to responsibility of the implementing Ministry / Institution / Local government work units.

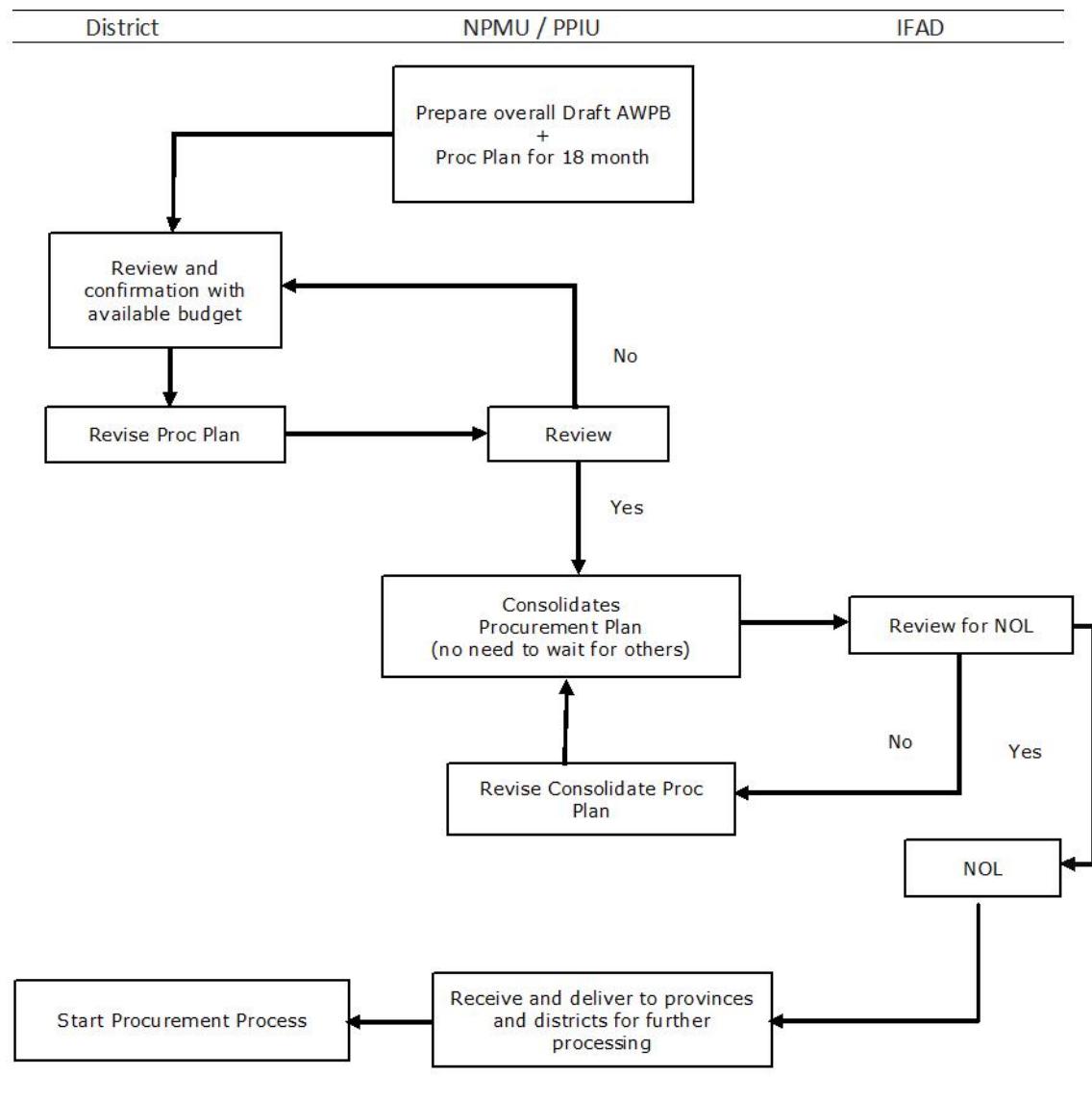
- b. In order to increase the participation / empowerment of community organization, the implementation must be adjusted to the objectives of the establishment of the community organization (vision and mission) and competencies of community organization.
- c. In order to increase group participation / empowerment Society, implementation must be adjusted to the needs and community group competencies.

Procurement planning through Providers includes:

- a. Preparation of technical specifications / KAK;
- b. Preparation of cost estimates / RAB;
- c. Procurement package of goods / services;
- d. Consolidation of procurement; and
- e. Preparation of supporting costs.

One of the procurement objectives is to ensure the availability of goods / services based on value for money that is measured by right quality, quantity, time, cost, place and provider. Presidential regulation encourages the value for money to be achieved by improving the quality of procurement planning. Procurement specialists to be hired by TEKAD will be responsible for preparing procurement planning at the national and provincial level or consolidating procurement of goods/ services at the provincial level which is then ready to be announced through a general procurement plan information system (<https://sirup.lkpp.go.id/sirup>). The procurement plan should be developed in a participatory manner with all Project Implementers in Province. The consolidated procurement plan will be submitted to IFAD for review and "no-objection". The first year of the procurement plan should include procurement of goods and services for 18 (eighteen) months, then to be updated any time as required. The mechanism of procurement plan is shown in Diagram 7.1 below. A draft procurement plan is attached to the PIM.

Diagram 7.1 Mechanism of Procurement Plan Preparation



Any amendments to the Procurement Plan shall be subject to the IFAD 'No Objection'. Example of Procurement Plan format are in Table 7.1 and Table 7.2. The Procurement Plan is an annex of AWPB which shall include as a minimum:

1. A brief description of each procurement activity to be undertaken during the period by each and every Project Party;
2. The estimated value of each procurement activity;
3. The method of procurement or selection to be adopted for each activity; and
4. An indication as to whether shall carry out prior or post review by IFAD in respect of each and every procurement activity.

Methods for procurement and IFAD review. The method of procurement of goods and services to be used should be consistent with the Presidential Regulations Number 16 Year 2018. IFAD will review the procurement of goods and services to ensure that procurement process is carried out in conformity with IFAD's Procurement Guidelines and LTB. The following procurement decisions

shall be subject to prior review by IFAD for the award of any contract for goods, equipment, works, materials, consultancy and services under the TEKAD :

1. Procurement of goods, works and other services :
 - a. Prequalification documents and shortlist when Expression of Interest (EOI) is undertaken;
 - b. Bid documents/ Proposal;
 - c. Evaluation report and recommendation for awarding contract; and
 - d. Contract and amendments.

To ease tracking of procurement package for goods, TEKAD participating provinces should indicate a unique reference / lot number for each package, for instance as follows :

Table 7.1 Format of Reference Number code

No	Provinces	Ref Number Code
1	Maluku/xx/yyy/MAL
2	Maluku Utara/xx/yyy/MUT
3	Nusa Tenggara Timur/xx/yyy/NTT
4	Papua/xx/yyy/PPA
5	Papua Barat/xx/yyy/PPB

Table 7.2 Format of Procurement Plan for Goods/ Works

Province / District :

No.	Description	Lot/ Ref. No	Unit	Quantity	Unit Cost	Basic Data				Plan vs Actual	Bid Document	Bidding Period		Bid Evaluation		Contract Finalization			Remarks
						Total Estimated Cost (IDR)	Total Estimated Cost (USD)	Proc. Method	Pre or Post Qualification		Date NOL	Bid Invitation Date	Bid Closing / Opening	Bid Eval. Report	NOL of Bid Evaluation Report	Contract Amount	Date of Contract Award	Date of Contract Signature	
1										Plan									
										Actual									
2										Plan									
										Actual									
3										Plan									
										Actual									
4										Plan									
										Plan									
dst.										Actual									

Table 7.3 Format of Procurement Plan for Services

Consulting Services										Request for Expression of Interest		TOR		Shortlist		Plan vs Actual	Request for Proposal		Bid Proposals		Bid Evaluation Technical (T) & Financial Proposal (F)					Plan vs Actual	Contract Finalization			Remarks
No.	Description	Reference number	Selection Method	LUMPSU MOR TIME BASED	Estimated Amount (IDR 000)	Prior or Post Review	Plan vs Actual	Term of References (TOR)	Dated Publish	Closing Date	Date No-Objection from IFAD	Date Proposed	Date No-Objection from IFAD	Invitation Date	Submission /Opening Date	Submission Evaluation Report (T)	NOL Evaluating Report (T)	Opening Financial Proposal (F)	Submission Evaluation Report (F) & (T)	NOL Technical & Financial Proposals	Contract Amount (IDR.000)	Contract Award	Contract Signature							
1	2	3	4	7	8	9	10	11	12	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31			
1								Plan						Plan											Plan					
								Actual						Actual											Actual					
2								Plan						Plan											Plan					
								Actual						Actual											Actual					
3								Plan						Plan											Plan					
								Actual						Actual											Actual					
4								Plan						Plan											Plan					
								Actual						Actual											Actual					
dst.								Plan						Plan											Plan					
								Actual						Actual											Actual					

2. Procurement of consulting services:
 - a. Expression of Interest (EOI) documents and shortlist when EOI is undertaken;
 - b. Request for Proposal;
 - c. Technical evaluation report;
 - d. Combined (technical and financial) evaluation report and the recommendation for award; and
 - e. Contract and amendments.
3. Procurement of individuals consultants
 - a. The terms of reference of the assignment
 - b. The evaluation report and recommendation for selection
 - c. Contract and amendments.

Prior or Post Review. Except as IFAD may otherwise agree, the prior or post review which applies to various procurement of goods, works and consultant recruitments shall be defined as follows, see Table 7.3:

Table 7.4. List of thresholds to define IFAD Prior or Post Review

Procurement method	Prior or Post	Comments
Goods and Services (non-consulting)		
National Competitive Bidding (NCB)	Prior	All contracts valued IDR 1 Billion and above.
Shopping Direct Goods	Post Prior	All contracts All contract above IDR 200 Million and exception communicated by IFAD
Recruitment of Consulting Firms		
Quality and Cost-Based Selection (QCBS), Selection Based on Consultants Qualification (CQS), Fixed Budget Selection (FBS); Least Cost Selection (LCS); Sole Source Selection (Single Source Selection)	Prior	All contracts valued IDR 1 Billion and above.
	Prior	All contracts valued above IDR 100 Million and exception communicated by IFAD
Recruitment of Individual Consultants		
Individual Consultants (Single Source Selection)	Prior	All contracts valued above IDR 100 Million and exception communicated by IFAD
Individual Consultants (Competitive Selection Process)	Prior	All contracts valued IDR 100 Million and above

D. The implementation of the Procurement of Goods/ Services

It takes place by means of Self-Management; and/or the selection of a Providersof Goods/Services

a. Procurement of Goods/ Services by Community Participation Procurement.

At the implementation level, community participation procurement is technically guided by Institutional Regulation of NPPA No. 8 Year 2018 : Self-Management Procurement. There are four tpe of self management procurement. The self-management procurement type 1

and type 2, the activity planned and carried out by internal government budget user or project management.

For procurement type 3 and type 4, it's related with self-management which involving community organization.

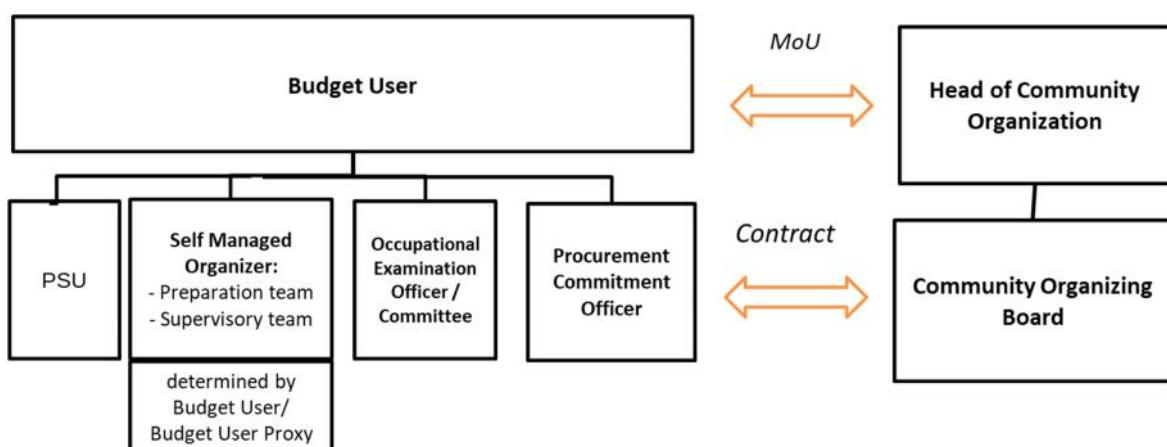
The procedures involving the community organization (self management procurement - type III) should follow the existing government regulation as detailed below:

- a. Budget User/ Budget User Proxy responsible for budgeting survey of capable and closest any community organizations with the location of communities;
- b. If the one who meets the requirements there is only 1 (one) community organization, the budget user/ budget user proxy submits an invitation to CSOs as executors of self-management;
- c. The community organization submits a letter statement of interest;
- d. In the event that there are several social organizations that fulfill condition, Budget User can carry out the Competition using contest, to determine which Community Organization can implement the activity.;
- e. Budget user/ budget user proxy signed a Memorandum of Understanding (MoU) with person in charge of community organization.

After the Memorandum of understanding for self-management signed by community organization and project management, the next step to be taken are as follows:

- a. The person in charge of community organization submits a proposal that include budget and cost plan to Budget User/Budget User Proxy; and
- b. Procurement commitment officer compiles the Procurement Planning under Self-management modality. It's as the basis to develop Work Plan and Budget of the project both at national and/or sub-national level.

Diagram 7.2 Implementation of self management procurement by community organization (type 3).

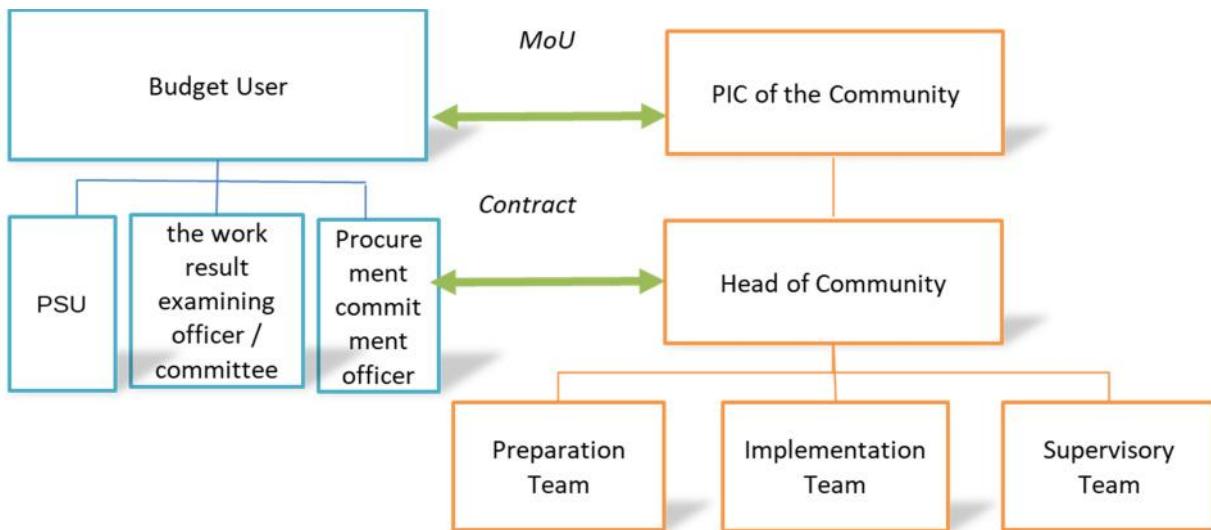


- In the event that tools, materials & materials are needed through the Provider, the procurement is carried out according to the provisions

- In the event that type III implementers are not capable to undertake the whole activities, a separate contract can be made by Procurement Commitment Officer.

In terms of procurement of goods / services through community participation (self management procurement - type IV). The activity planned and carried out by the budget user or the activity carried out based on a proposal from the community and undertaken by the community itself. Based on the proposal from community, the Budget User arrange a Memorandum of Understanding with the Head of Community to implement the work with self-management modality. Further, the project management prepares technical specifications / ToR and the community organization shall submit the working plan and budget to project..

Diagram 7.3 Implementation of self management procurement by community organization (type IV).



b. Procurement of Goods / Services by Providers

At the implementation level, this method is technically guided by Institutional Regulation of NPPA No. 9 Year 2018 : Providers. The methods of selecting goods/ services consist of:

i. Electronic Catalog (e-catalog)

E-catalog is electronic information comprising information related to price, types, technical specifications, unit cost, and suppliers of goods. The price listed in e-Catalog is the smallest level of unit cost which usually includes tax and distribution cost. To confirm the price listed in e-catalog, it should be checked to the concerned supplier. The Procurement of goods through e-Catalog should be conducted under the e-Purchasing mechanism by the concerned Working Unit.

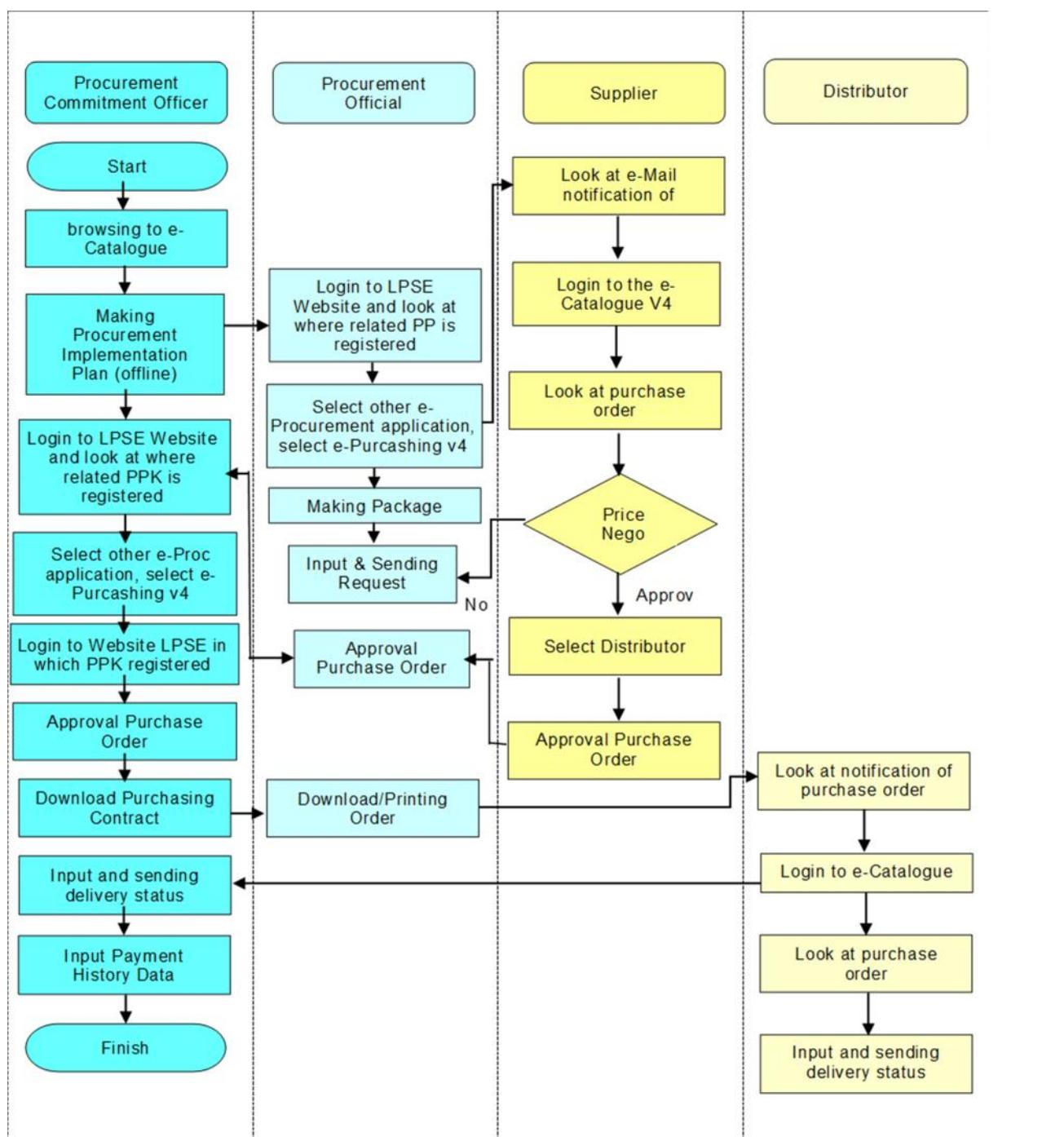
The implementation of Procurement for Government's Goods/Services using electronic purchasing is mentioned as method of selecting at Chapter 38 Article (1) Presidential Regulation No. 16 Year 2018. At the implementation level, this method will be executed by Electronic Procurement Service as was technically guided by Institutional Regulation of NPPA No. 11 Year 2018 : Electronics Procurement System.

To seek goods listed in e-Catalogue, the following URL could be accessed: <https://ekatalog.lkpp.go.id/>.

The technical guideline of e-Purchasing is available in the following URL : https://ekatalog.lkpp.go.id/backend/konten_statis/view/5

The summary procedur of E-Purchasing is described as Diagram 7.3.

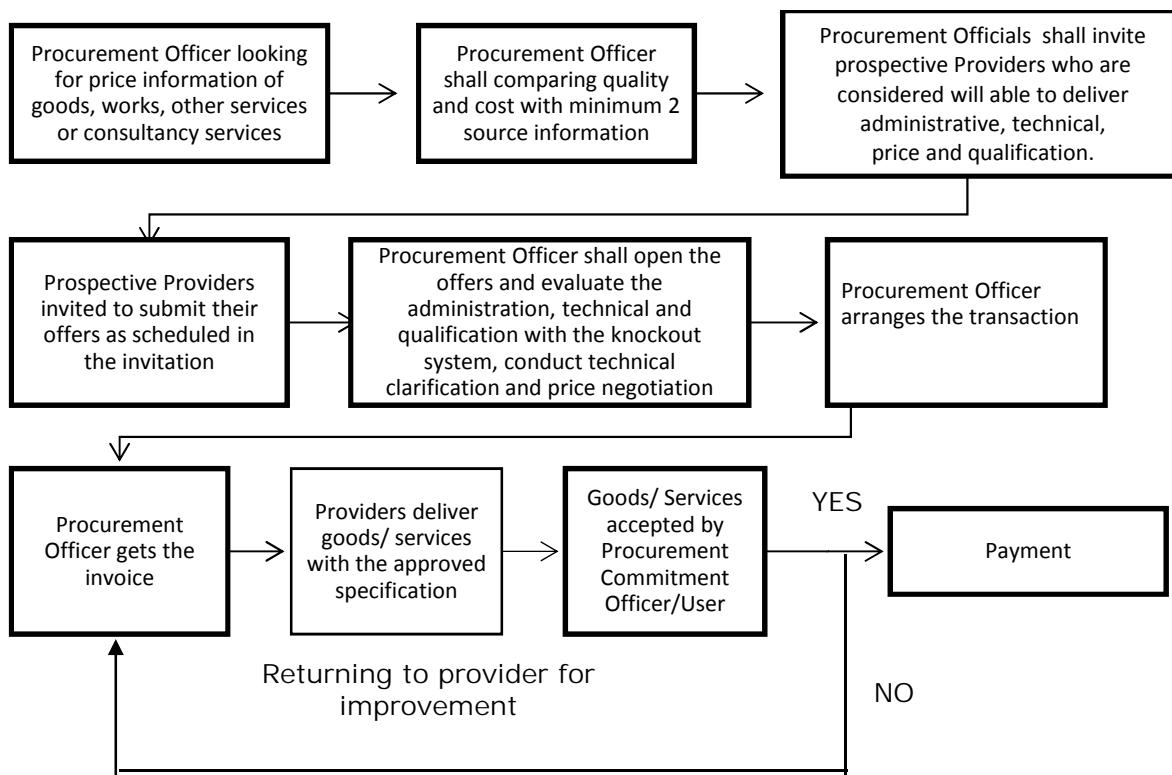
Diagram 7.4. Mechanism of E-Purchasing



ii. Shopping (Direct procurement)

1. Direct Procurement for Other Goods / Services whose prices are certain with a maximum value of IDR 200,000,000 (two hundred million rupiah), carried out with the following stages:

Diagram 7.5. Mechanism of direct procurement.



Procurement commitment officer in carrying out the stages of Direct Procurement can be assisted by a supporting team.

2. Direct Procurement for:

- a. Consultancy Services with a maximum value of IDR 100,000,000 (one hundred million rupiah);
- b. Other goods/ services with a value up to the most value IDR 200,000,000.00 (two hundred million rupiah); and
- c. Construction work with the most value IDR 200,000,000.00 (two hundred million rupiah);

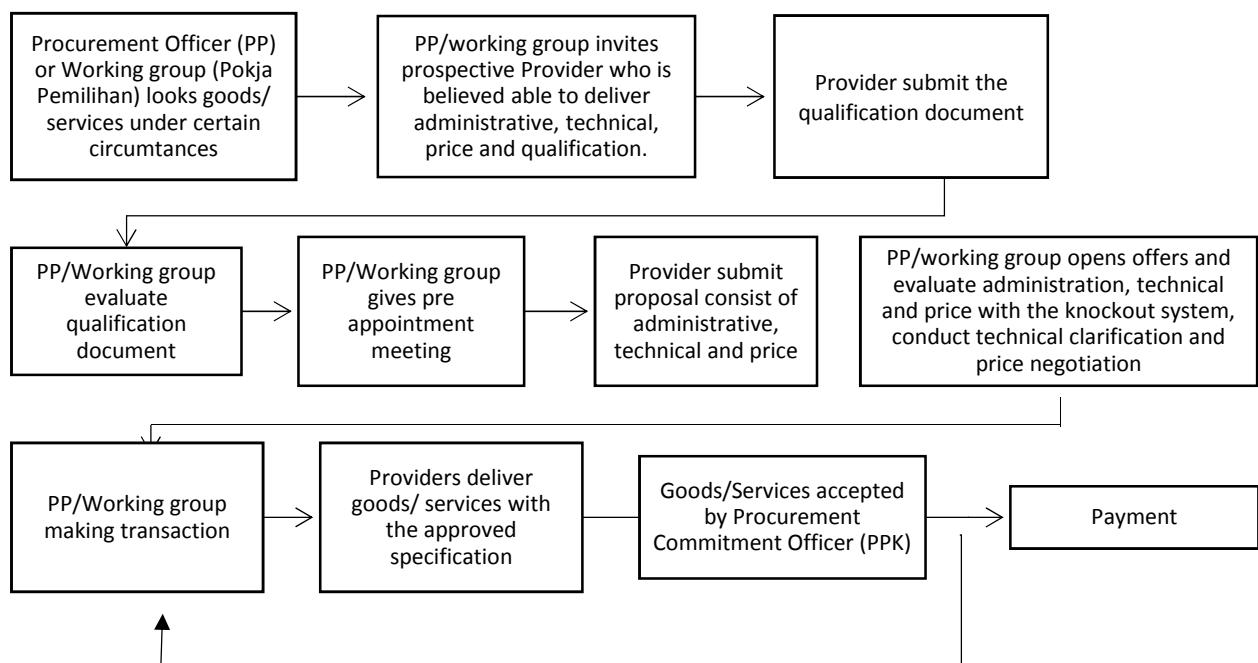
iii. Direct Goods (Direct Appointment)

It is also used for procurement of Goods / services as method of selection and carried out for goods / works/ other services / consultancy services under certain circumstances.

61. Direct appointment is made by the Procurement Officer for procurement of goods / works / other service that are valued at a maximum of Rp. 200,000,000.00 (two hundred million rupiahs) and for procurement of consultancy services that are worth at most Rp. 100,000,000.00 (one hundred million rupiah).

62. Direct appointment is made by the Working Group for procurement of Other Construction / Services Work / Goods with a value of at least more than Rp. 200,000,000.00 (two hundred million rupiahs) and for the procurement of Consultancy Services worth at least above Rp. 100,000,000 (one hundred million rupiah).

Diagram 7.6. Mechanism of direct appointment.



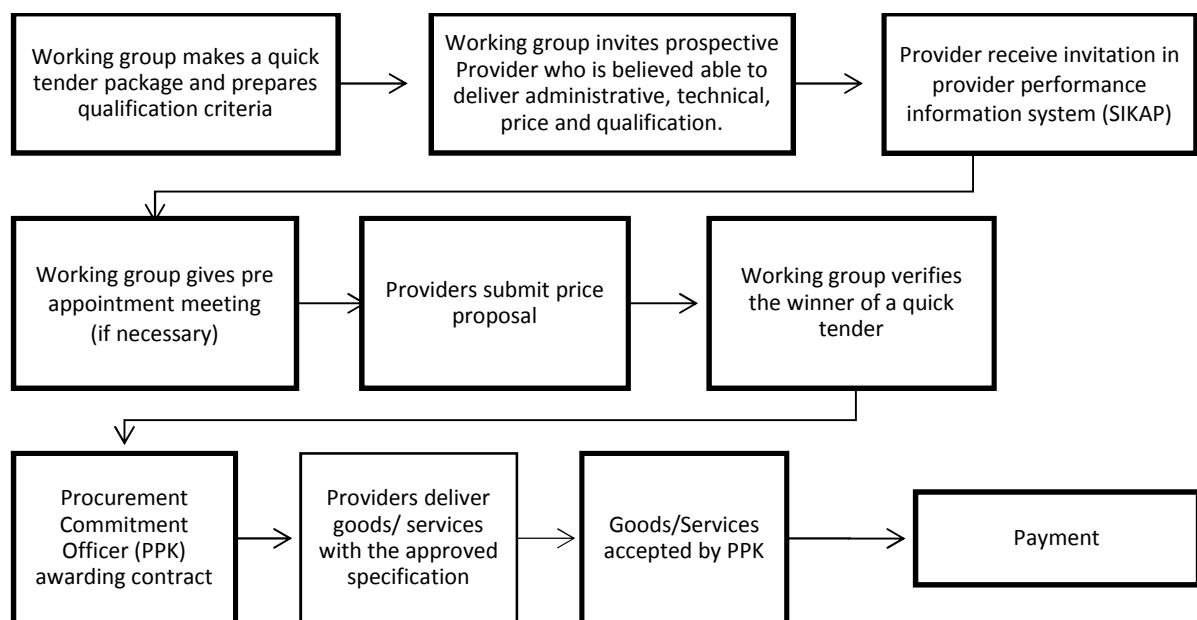
iv. Quick Tender

Presidential Regulation 16/2018 introduces quick tender as a new method of selection for the procurement of goods/construction work/other services, which may be conducted if the specification and work volume has been determined in detail and the contractor is qualified under the vendor performance information system (sistem informasi kinerja penyedia). It does not require qualification assessment, evaluation of administrative offers, evaluation of technical offers, objections and rejections. Quick Tender can be done for Procurement of Goods / Works / Other Services with criteria:

1. Technical / ToR specifications and work volume have been determined in detail so that technical requirements are not contested;
2. It is possible to mention the brand in the technical specifications / ToR as in the provisions of article 19 paragraph (2) of the Presidential Regulation Number 16 of 2018 concerning Procurement of Goods / Services
3. Participants have been qualified in SIKaP.

Methods for submitting bids in Quick Tender using submission of repeated price offers (E-reverse Auction).

Diagram 7.7. Mechanism of quick tender.



v. Tender/ Selection.

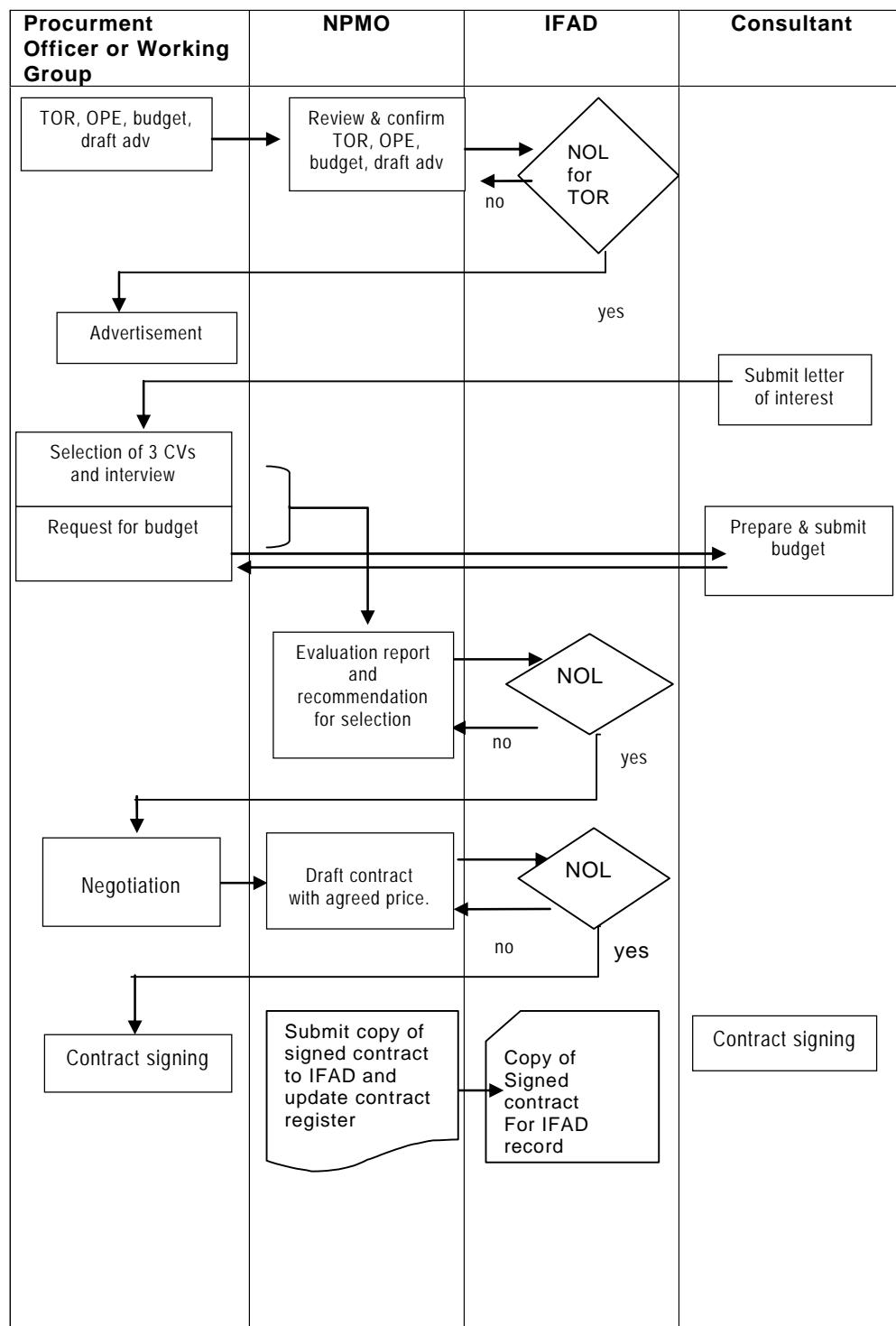
Each contract for the selection of consultancy services shall be selected in accordance with any one of the selection methods as per IFAD Procurement Guidelines and Procurement Handbook. TEKAD will procure consulting services through consulting firm and individual consultant. The procurement method for procuring consulting firm services, TEKAD will use QCBS as explained below :

1. Selection of individual consultants.

Individual consultants are selected on the basis of their qualifications for the assignment of at least three (3) candidates among those who have expressed interest in the competitive selection process. Individuals employed by the NPMO and PPIUs shall meet all relevant qualifications and shall be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and, as appropriate, knowledge of the local conditions, such as local language, culture, administrative system, and government organization.

Individual consultants or consultancy firms may be selected on a sole-source basis with due justification in exceptional cases such as: (a) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (b) assignments lasting less than six months; (c) emergency situations resulting from natural disasters; and (d) when the individual consultant is the only consultant qualified for the assignment. Procedures for individual consultant selection is indicated in Diagram 7.8

Diagram 7.8. Procedure of Individual Consultant Selection



2. Quality and Cost Based Selection (QCBS) should specify in introduction that this is for consulting firms

- a. Request for Proposal (RFP) and Terms of Reference (TOR). Procurement commitment officer (PPK) is responsible in preparing RFP and TOR. The TOR

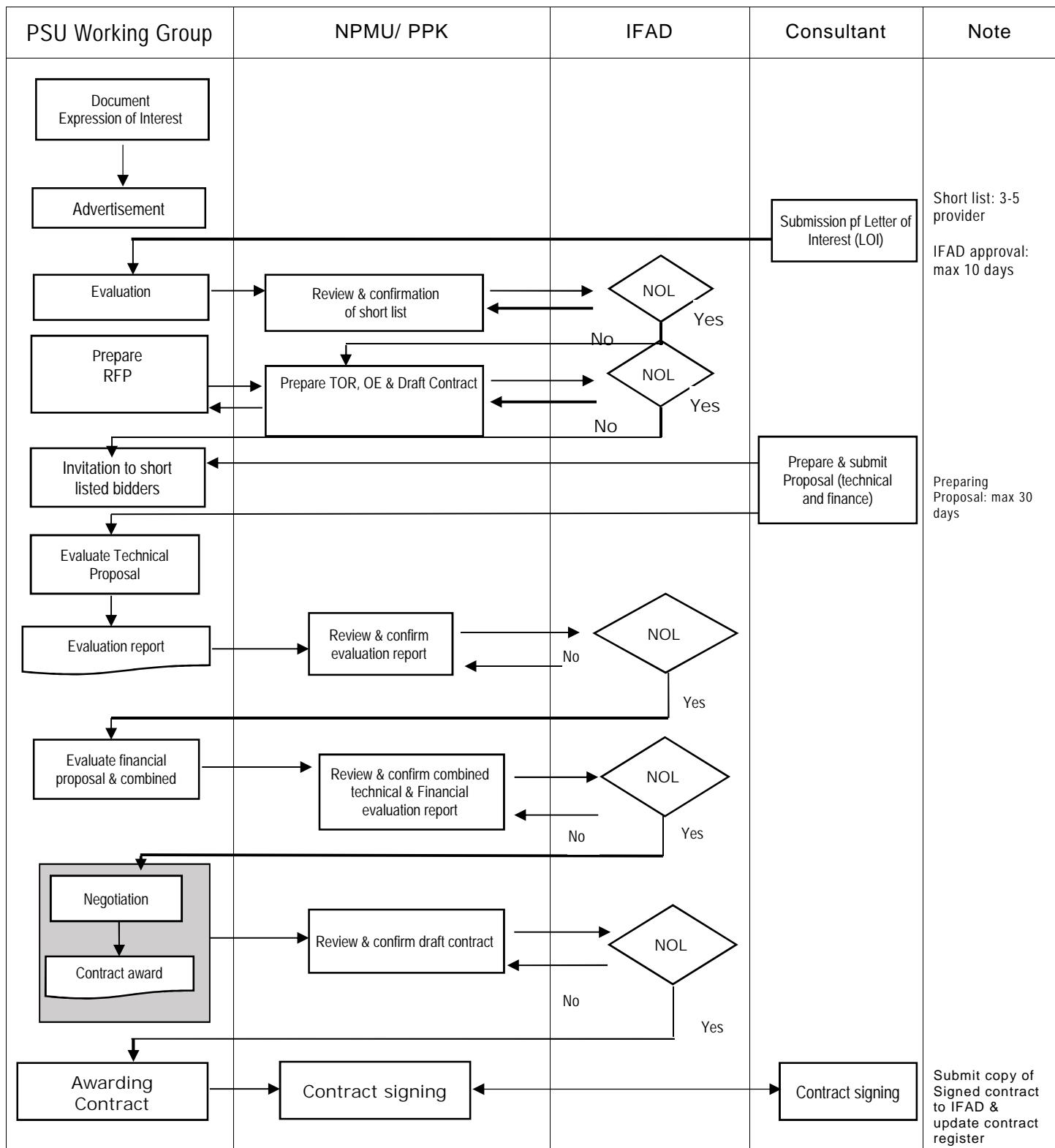
should define clearly the following aspects: objective, targets/ deliverable, and scope of works including background of the concerned tasks (including relevant studies and baseline data) to assist consultants in preparing a proposal. If transfer of knowledge or training is the objective of the task, this should be specifically explained in detail including number of staff to be trainees, etc. as reference for the bidder estimate number of resources to be mobilized. Technical assistance, survey, expected outputs (such as reports, maps, data, etc.) should be clearly defined in a TOR. The responsibilities of the employers and consultants should be clearly defined in a TOR. The draft of Request for Proposal (including ToR) should be reviewed by IFAD for no objection.

- b. Budget estimates. Budget is estimated based on an estimate of required resources to perform the assigned task, including staff, times, logistics and other physical inputs (vehicles, equipment). The Budget should be divided into two categories: (i) remuneration (based on type of contract used); and (ii) *reimbursable*. If necessary, this cost could be split as local cost and *foreign costs*. Presidential Regulation 16/2018, Chapter 26 can be a reference to setting up estimate budget (*HPS*.)
- c. Long list of consultants. PSU Working Group or Procurement Agent is responsible to prepare a short list of the consultants, and identify the consulting firms which have submitted their interest and having required qualification. The short list should consist of three up to six consulting firms from different regions. IFAD could request to add or reduce the list. For procurement above the threshold of prior review, the short list is subject for IFAD review and no objection. The Project is not allowed to add or remove a consultant from the short list which has been cleared by IFAD.
- d. The shortlist could consist of national consultants only (a consulting firm which main holder is registered in Indonesia) if the following occurs : (1) the estimated budget is below the threshold as stated in a Financing Agreement / Letter to the Borrower; (2) at least three consulting firms meet the requirement and competitive Price offered; and (3) competition with foreign consulting firm is not possible. Nevertheless, foreign consulting firms have been submitted an interest needs to be considered. Expression of interest and shortlist evaluation is subject to IFAD Prior Review as stipulated in the LTB.
- e. Technical evaluation. PSU Working Group or Procurement Agent shall evaluate technical proposals for the following criteria: (i) relevance experience with the assigned tasks; (ii) quality of methodology; (iii) qualification of key staff; (iv) transfer of knowledge; and (v) involvement of key staff in the assigned tasks. Each criterion should be given a proper and rational value weight. The value weight should be indicated in RFP and to be used in the process of technical evaluation.
- f. PSU Working Group or Procurement Agent shall evaluate each proposal responding to TOR. A proposal is considered not appropriate or rejected if a proposal does not respond properly to the critical aspects of TOR or not able to address minimum technical score as defined in RFP.
- g. At the end of the process, PSU Working Group or Procurement Agent should prepare a Technical Evaluation Report (TER) and submit it to IFAD for review and clearance (for procurement with IFAD prior review). The TER should explain the results of evaluation including strength and weakness of each

proposal. Overall note related to evaluation should be documented and kept up to end of the project for audit purpose.

- h. Financial evaluation. Upon approval of technical evaluation by IFAD, Working Group or Procurement Agent will inform to all participating consulting firms which proposals failed to meet the minimum score or not responsive to RFP and TOR. Their financial proposal will be returned without opened until the procurement process is completed. Simultaneously, the PSU Working Group or Procurement Agent informs the participated consulting firms which their proposals meet the minimum score regarding the dates and venue for the opening of financial proposal. The date of the opening for financial proposal should allow the consulting firms present. The opening of financial proposal is open to representatives of consulting firms who are willing to attend. Name of consulting firms, scores of technical and financial proposals should be announced in the meeting or submitted *online* and recorded. The PSU Working Group or Procurement Agent prepare a minute of a meeting, and submit it to PPK or Project Director. If the combined evaluation accepted by PPK or Project Director, Project shall propose IFAD review and no objection with enclosing the minute of evaluation
- i. If Working Group or Procurement Agent finds an arithmetic error in evaluation financial proposal, then it should be corrected. To compare each proposal, the budget should be converted to the same currency (local currency or foreign currency) as indicated in RFP. Working Group or Procurement Agent will convert the currency using an exchange rate released by the Indonesia Central Bank. RFP should explain the source of exchange rate to be used, and the dates of exchange rate released should not be earlier than four weeks of the submission of financial proposal or after the expired date of proposal validity.
- j. "Budget" should not include with taxes, but may include reimbursable expenditures such as travel cost, translation, printing of reports or administrative cost. Financial proposal with the lowest price should be scored 100, and other proposals should be scored in proportion manner. Other methods could be used, and should be defined in RFP.
- k. Final Evaluation. A total score is calculated by providing a weight score for quality and finance, and add-up both score. Weight value for "budget" is 20 point of the total score 100. This weight value should be indicated in RFP. A consulting firm with highest score is invited for a negotiation and determine the winner. Draft contract should be prepared and submitted to IFAD for no objection. The procedure of QCBS is described as Diagram 7.9

Diagram 7.9. Diagram Mechanism QCBS Method



E. Contract Management

All contracts should be recorded and systematically manner. The record of procurement process from the bidding until the contract is completed and available in place. It's including what is planned and its implementation, payment phase, issues and solutions during the contract period and also any amendment made.

All contracts will be listed in the Register of Contracts (Annex 6 to IFAD Loan Disbursement Handbook) by NPMO as required by IFAD. PPSUs should update annually, and NPMO will consolidate and submit it to the IFAD Country Director every tri-semester.

The mechanism of reporting contract register and payment contract monitoring as shown in Diagram 8.1 and 8.2 consecutively.

Diagram 8.1. Mechanism of the Submission of Contract Register (Form C-10)

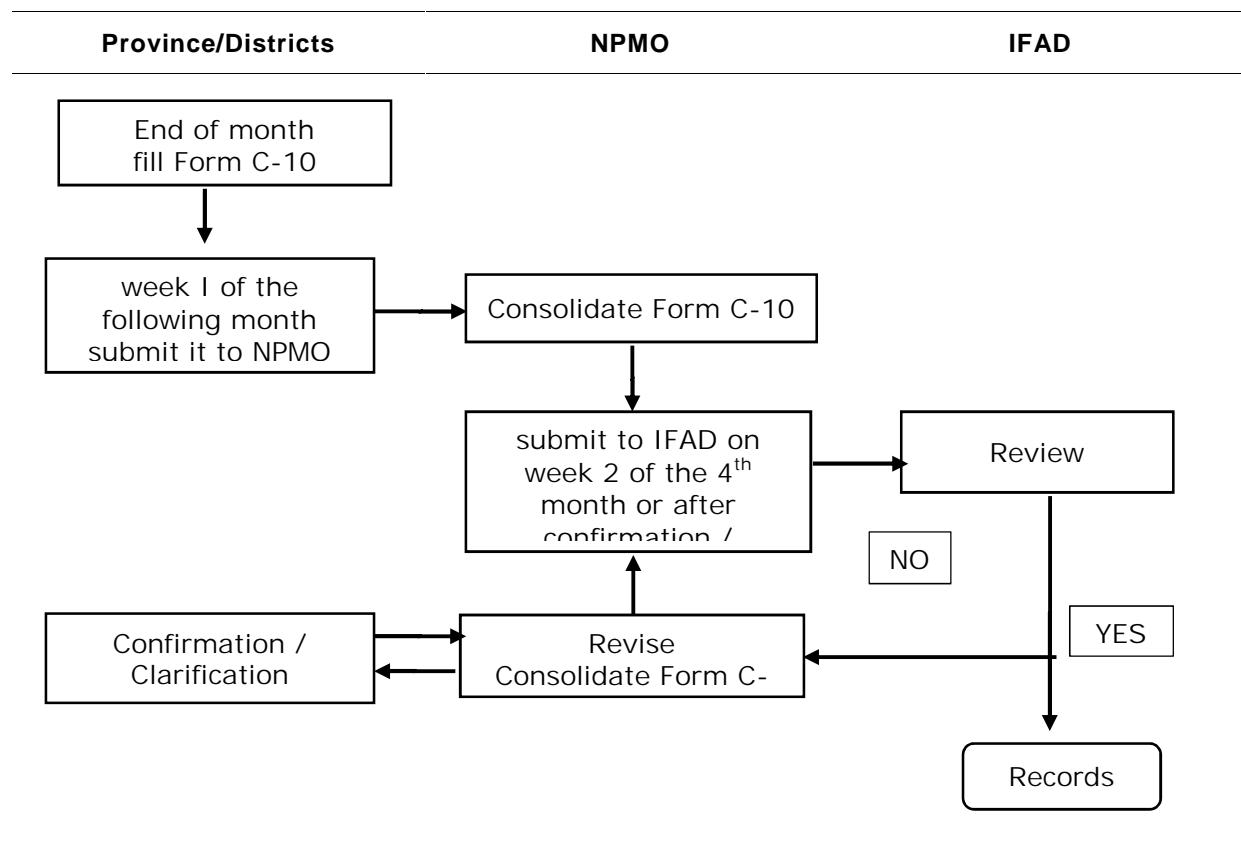
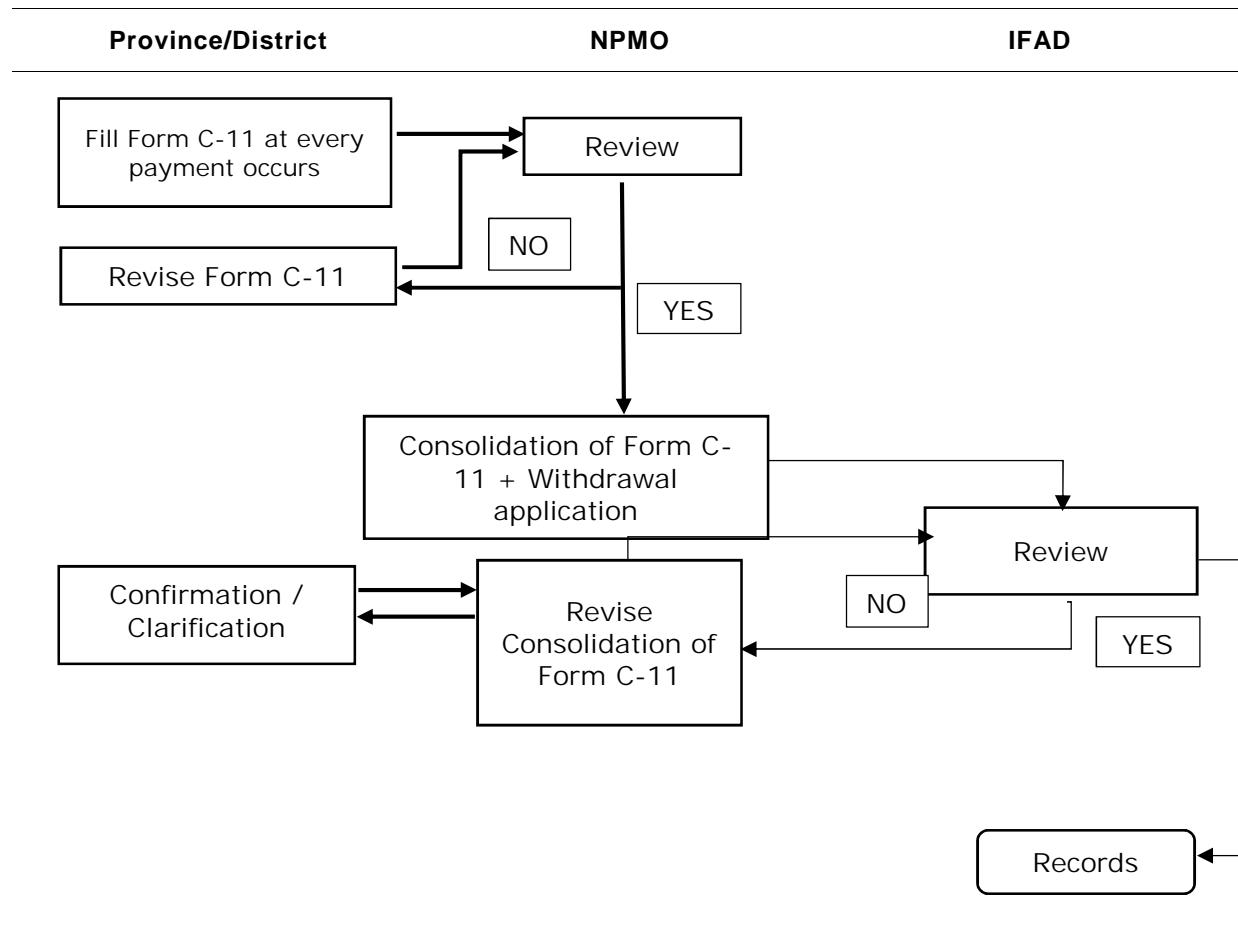


Diagram 8.2. Mechanism of the Reporting Payment Contract Monitoring (Form C-11)



REGISTER OF CONTRACTS

INSTRUCTIONS FOR COMPLETING FORMS C-10 AND C-11

FORM C-10 - REGISTER OF CONTRACTS

A. INSTRUCTIONS FOR COMPLETING THE REGISTER OF CONTRACTS

1. Two conformed copies of each and all awarded contracts to be financed – in part or in full – from the proceeds of the financing must be submitted to IFAD on their signature or before disbursement of financing proceeds with respect to such contract can be made (whether for reimbursement, direct payment or replenishment to the designated account). In order to verify that conformed copies of each awarded contract have been received by IFAD, the monthly reporting procedure indicated below will be applicable.
2. A record of contracts awarded by the lead project agency during a calendar month that are expected to be financed – in part or in full – by proceeds of the IFAD financing must be submitted to the Fund in the format Register of Contracts. A copy of this format is provided as Form C-10, indicating the information required for due completion.
- 3 When a contract is amended, the amendment will be recorded in the Register of Contracts for the reporting calendar month in which the amendment occurred, by indicating 'AM -1' after the contract serial number (in column 1) if it is the first amendment, or 'AM-2' if it is the second amendment, and so forth. The information required in columns 2 through 11 of the Register of Contracts pertinent to the amendment will also be recorded as may be applicable (i.e. revised contract amount in column 9, date of amendment in column 4, etc.).
4. If a contract is cancelled or declared ineligible for financing by IFAD, this information should be given in the Register of Contracts and reported in the calendar month in which the cancellation or financing ineligibility was declared; once again by indicating the contract serial number in column 1, the date of cancellation or financing ineligibility in column 4, and 'cancelled' or 'ineligible for financing', as the case may be, in the 'remarks' column.
- 5 If during a calendar month no contract award has taken place, the Register of Contracts for that calendar month will be submitted to IFAD indicating 'NIL' in column 1.

FORM C-11 - CONTRACT PAYMENT MONITORING FORM

B. INSTRUCTIONS FOR COMPLETING THE CONTRACT PAYMENT MONITORING FORM

1. As and when payment of approved contracts begins, each contract needs to be monitored using sample Form C-11. The information required is self-explanatory and needs to be updated as and when events/payments affecting the contract occur. Each time a contract requires an instalment (or other portion) to be paid, a copy of Form C-11, accompanied by a copy of the 'no objection' for that specific contract, will also be required, as supporting documentation to the WA.
2. Updated versions of Form C-11 will continue to be submitted for the life of the contract through final payment.

FORM C-10 - REGISTER OF CONTRACTS

IFAD Financing

No.: IFAD xxxx - xx
 Project
 Title: XXX

Date: xx/xx/xx

Monthly Reporting Period: xx/xx
 (Month/Year)

Page No.: xx of xx

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Contract Serial No.	Financier	Contract No.	Percentage of Financing	Type of Procurement	Description of Works, Goods, Consulting/ Other Services	Name and Address of Contractor /Supplier	Contract Coordinator	Date of Contract Signing	Performance , Contract Duration and Delivery Period	Contract Amount (in the Currency of the Contract)	Category No. as per Schedule 2 of IFAD	Reference to Approved Procurement Plan/AWPB	Prior or Post Review	Remarks and Date of IFAD 'No Objection'
Total														

Certified
 by: _____
 (Project Accountant)

Submitted
 by: _____
 (Project Director)

Annex 2 - FORM C-11- CONTRACT PAYMENT MONITORING FORM

(ENTER PROJECT NAME AND ACRONYM)
 (Contract Number: as per contract register)

Description of Contract: _____ XXX

Procurement File No.: XXX **Comp.:** XXX **Contract Officer:** XXX

Date(s) of 'No Objection': xx/xx/xx

Name and Address of Supplier: XXXX

Bank Details:

E-mail:
Telephone:

--

Contract Summary
 (ENTER CURRENCY)

Document	Contract Reference	No.	Amount	Dates (Start/End)
Original Contract				
Amendment (AM-1)				
Amendment (AM-2)				
Amendment (AM-3)				
Total Amount			xx	

Bank Securities or Bonds (-- currency)

Document	Name of Financial Institution	Date	Amount	Expiry Date	Extension
Advance Payment					
Performance Bond					
Other					

Monitoring of Payments
 (ENTER CURRENCY)

Payment Schedule	Progress Certificate		Payments Issued			Balance Due on Contract		
	Expected	No.	Date	Invoice No.	Payment Date	Amount Paid	Cheque or WA No.	
Milestone Amount								
Total Amount	xx				xx			

Notes:

Financial Controller: _____ Xxx
 Signature _____

Programme Coordinator: _____ XXX
 Signature _____

Attachment 2: Procurement Attachment 2: Procurement plan for the first 18 months

Module E1: Procurement plan (samples)

Goods

Country/Organization

Project/Programme

Loan #:	BASIC DATA					Plan vs. Actual	Bid documents		Bidding period		Bid evaluation report		Contract finalization			
	Description	Lot number	Issue # of invitation for bids	Estimated amount in US\$	Procurement method		Pre-or post-review	Date proposed	Date no-objection	Bid invitation date	Bid closing-opening	Bid evaluation report	No-objection	Contract amount in US\$	Date contract award	Date contract signature
						Plan										
						Actual										
						Plan										
						Actual										
						Plan										
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						Plan										
						Actual										
			0.00			Plan							0.00			
			0.00			Actual							0.00			

Consultants

Country/Organization
 Project/Programme

Description	Selection method	Lump-sum of implementation amount in US\$	Pre/Post-review	Plan vs. Actual	Request for expression of interest		Terms of reference	Shortlist	Request for proposal		Bid proposal	Bid evaluations technical (T) and financial (F)				no-objective report (T) and (F)	Plan vs. Actual	Contract finalization		
					Date published	Closing date			Date proposed	Date no-objective		Invitation date	Submission opening date	Submission evaluation report (T)	No-objective evaluation report (T)	Opening bid proposal	Submission evaluation report (T) and (F)	Contract amount in US\$	Contract award	Contract signature
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
				Plan Actual			Plan Actual										Plan Actual			
		0.00		Plan Actual			Plan Actual										Plan Actual	0.00		
		0.00		Actual			Actual										Actual	0.00		

Works

Country/Organization

Project/Programme

See IFAD Procurement Handbook for detail reference.

Attachment 3: Summary of Appropriate Procurement Methods

I. Procurement of goods and works **adapt as required**

Method	Description	Applicability/Characteristics	Advertising	Remarks
International Competitive Bidding (ICB)	Procedure for procurement of goods and works on the international market with open competition	<ul style="list-style-type: none"> ▪ High value procurement ▪ Interest for international business community ▪ Equal opportunity to bid 	General Procurement Notices (GPN) Open ITB or invitation to pre-qualify UNDB/dgMarket International press	- Margin of preference for domestic goods and works may be applied
Limited International Bidding (LIB)	ICB by direct invitation (no open advertisement)	<ul style="list-style-type: none"> ▪ Smaller value ▪ Limited number of suppliers 	Restricted ITB	- Domestic preference not applicable
National Competitive Bidding (NCB)	Procedure for public procurement in Borrower Country	<ul style="list-style-type: none"> ▪ Small value contracts ▪ Geographically scattered, labour-intensive or time-spread works ▪ Local prices below international market ▪ No or limited interest from international business community ▪ ICB advantages outweighed by financial and administrative costs 	Local press Internet Open ITB	- IFAD to establish acceptability of national procedures - Foreign suppliers allowed to bid
International Shopping	Comparison of price quotations from at least 3 suppliers in 2 different countries	<ul style="list-style-type: none"> ▪ Small value procurement ▪ Off-the-shelf goods, standard specification commodities, simple civil works 	Request for quotation (restricted)	- Purchase order or brief contract
National Shopping	Comparison of price quotations from at least 3 suppliers	<ul style="list-style-type: none"> ▪ Same as International Shopping ▪ Goods available locally from several sources at competitive prices 	Request for quotation (restricted)	- Purchase order or brief contract
Direct Contracting	Single or sole-source selection	<ul style="list-style-type: none"> ▪ Extension of existing contract ▪ Standardization for vehicles, equipment ▪ Proprietary equipment obtainable from one source only ▪ Condition of performance guarantee ▪ Emergency procurement 	No advertising No competition	
Procurement from Commodity Markets	Procurement of goods from commodity markets	<ul style="list-style-type: none"> ▪ Grains, animal feed, cooking oil, fuel, fertilizers, pesticides, metals ▪ Multiple award for partial quantities to secure supply and prices 	Pre-qualified bidders Issuance of periodic invitations	Short bid validity Single (market) currency for bid and payment
Work by Force Account	Use of the Borrower's own personnel and	<ul style="list-style-type: none"> ▪ Difficulty in defining work quantities 	No advertising No competition	IFAD ensure that - force account

	equipment to perform construction work	<ul style="list-style-type: none">▪ Small, scattered works in remote locations▪ Risk of unavoidable work interruptions▪ No disruption of on-going operations▪ Emergency situations		units are properly staffed, equipped and organized <ul style="list-style-type: none">- costs are reasonable
Procurement from UN Agencies	Procurement of specific goods from specialized UN agencies	Small quantities of off-the-shelf products	No advertising No competition	<ul style="list-style-type: none">- Use of UN agency rules and procedures- Indication in loan agreement

II. Procurement of Consulting Services

Method	Description	Applicability/characteristics	Advertising	Remarks
Quality and Cost Based Selection	Competitive selection from short-listed firms based on quality and cost of proposal	Two-step evaluation: quality (technical proposal) and cost (financial proposal)	GPN (large contracts) Request for Proposal (RFP)	Preferred selection method for most consulting services
Selection Under a Fixed Budget	Competitive selection from short-listed firms based on best technical proposal within budget	<ul style="list-style-type: none"> ▪ Simple and precisely defined assignment ▪ Consulting firms requested to bid within a fixed budget 	Request for proposal	Rejection of proposals above fixed budget
Quality Based Selection	Competitive selection from short-listed firms based on quality only	<ul style="list-style-type: none"> ▪ Complex/highly specialized assignments ▪ High downstream impact ▪ No comparability of proposals 	GPN (large contracts) Request for Proposal	Only technical proposals may be invited
Selection Based on Consultants' Qualifications	Selection from short-listed firms based on consultant's experience and competence	<ul style="list-style-type: none"> ▪ Very small assignments ▪ Cost of RFP preparation and evaluation not justified 	Request for expression of interest	Submission of combined technical-financial proposals
Single Source Selection	Selection of a firm without any competition	<p>Must be exceptional:</p> <ul style="list-style-type: none"> ▪ Continuation of previous work ▪ Emergency situation ▪ Very small assignments ▪ Only one firm is qualified/experienced 	No competition	Clear advantage over competition or impossibility to compete must be demonstrated
Selection of Individual Consultants	Individuals selected based on qualifications, references and other relevant criteria, with limited or no competition	<ul style="list-style-type: none"> ▪ Teams of personnel not required ▪ No additional professional support required ▪ Main requirement is experience and qualification of individual consultant 	Request for expression of interest or Direct contact	Individuals may be selected on a single source basis

Attachment 2: Procurement plan for the first 18 months (loan and grant)

LOAN

Procurement Plan for GOODS (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost 000	Comp	Year	Goods/ Works/ Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/ Post)	Method of Selection	#	Pack/ Lot	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domestic Preference (yes/no)	Prequalification (yes/ no)
		Unit	Total																
NPMU																			
	Tablets for village cadres	Per cadre	1 000	4 216 500	DT 1.1	2020	Goods	MoA		4 216 500 000	300 000	Prior	NCB	1000	Pack	4 216 500	300	Yes	No
	Demonstration Plots /d	Demo plot	5 000	3 513 750	DT 1.2	2020	Goods	MoA		17 568 750 000	1 250 000	Post	e-Purchasing	5000	Pack	3 513 750	250	Yes	No
	4x4 /b	Province	15	562 200 000	DT 4	2020	Goods	MoA		8 433 000 000	600 000	Post	e-Purchasing	5001	Pack	562 200 000	40 000	Yes	No
	Office furniture and filing cabinet /c	set	49	28.531.650	DT 4	2020	Goods	MoA		1 398 050 850	99 470	Post	e-Purchasing	5002	Pack	28.531.650	2 030	Yes	No
	All electrical equipment /d	set	6	70.275.000	DT 4	2020	Goods	MoA		421 650 000	30 000	Post	Shopping	5003	Pack	70.275.000	5 000	Yes	No
	Laptops /e	laptop	49	12.649.500	DT 4	2020	Goods	MoA		619 825 500	44 100	Post	e-Purchasing	5004	Pack	12.649.500	900	Yes	No
	Desktop computers /f	unit	6	11.244.000	DT 4	2020	Goods	MoA		67 464 000	4 800	Post	e-Purchasing	5005	Pack	11.244.000	800	Yes	No
	TOTAL									32 725 240 350	2 328 370.0								
DISTRICT																			
	4x4 Vehicle	Per District	25	562 200 000	DT 2.1	2020	Goods	District		14 055 000 000	1 000 000	Post	e-Purchasing	25.0	Pack	562 200 000	40 000	Yes	No
	Motorcycles for facilitators /c	Motorcycle	250	35 137 500	DT 2.1	2021	Goods	District		8 784 375 000	625 000	Post	e-Purchasing	250	Pack	35 137 500	2 500	Yes	No
	Tablets for facilitators /d	tablets	250	4 216 500	DT 2.1	2021	Goods	District		1 054 125 000	75 000	Post	e-Purchasing	250	Pack	4 216 500	300	Yes	No
	Laptops	Per District	4	12 649 500	DT 2.1	2021	Goods	District		50 598 000	3 600	Post	e-Purchasing	4	Pack	12 649 500	900	Yes	No
	Office furniture and filing cabinet	Set per district	25	28 531 650	DT 2.1	2020	Goods	District		713 291 250	50 750	Post	e-Purchasing	25	Pack	28 531 650	2 030	Yes	No
	TOTAL									90 107 869 950	1 754 350.0								
	TOTAL OVERALL GOODS									122 833 110 300.0	4 082 720.0								

Indonesia
 Integrated Village Economic Transformation (TEKAD)
 Project Design Report
 Annex 8: Programme Implementation Manual

Procurement Plan of Firm Selection for Consulting Services (2020-2021)																		
SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost 000	Comp	Year	Goods/Work s/Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/P ost)	Method of Selec-tion	# Pack	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domestic Prefer-ence (yes/no)	Prequa-lifica-tion (yes/no)
		Unit	Total	(Rp)														
NPMU																		
	NGO for implementing family-based approach /b	Village	248	21 082 500	DT 1.1	2020	Cons.Serv	MoA		5 228 460 000	372 000.0	Prior	Community for Participation	248	21 082 500	1 500.00	Yes	Yes
	Consulting Firm for District Implementation Team (DIT)	Package	5	22 862 887 047	DT 2.1	2020-2021	Cons.Serv	District		22 862 887 047	1 626 672.9	Prior	QCBS	5	22 862 887 047	1 626 672.86	Yes	No
	District Coordinator																	
	District Marketing Specialist																	
	MIS/M&E Specialist																	
	Village Governance Facilitator																	
	Economic Initiatives Advisor																	
	Communications - District																	
	Office rental - District																	
	Travel allowances - District																	
	Vehicle O&M																	
	Communications - Sub District																	
	Office rental - Sub District																	
	Travel allowances - Sub District																	
	M. Bike O&M																	
	Cost of meetings																	
	National consultancies - Market opportunities and value chain analyses	Study	5	421 650 000	DT 2.2	2020	Cons.Serv	MoA		2 108 250 000	150 000.0	Prior	QCBS	5	421 650 000	30 000.00	Yes	No
	National consultancies - Services mapping	Study	5	210 825 000	DT 2.2	2020	Cons.Serv	MoA		1 054 125 000	75 000.0	Prior	QCBS	5	210 825 000	15 000.00	Yes	No
	BUMDes assessment study	Study	5	210 825 000	DT 2.2	2020	Cons.Serv	MoA		1 054 125 000	75 000.0	Prior	FBS	5	210 825 000	15 000.00	Yes	No
	Climate risk and vulnerability assessment + Database	Study	1	1 827 150 000	DT 2.2	2020	Cons.Serv	MoA		1 827 150 000	130 000.0	Prior	QCBS	1	1 827 150 000	130 000.00	Yes	No
	Training modules for local market agents	Provice	5	210 825 000	DT 2.2	2020	Cons.Serv	MoA		1 054 125 000	75 000.0	Prior	QCBS	5	210 825 000	15 000.00	Yes	No
	Consulting Firm for National Project Management Unit (NPMU)	Package	1	10 715 981 760	DT 4	2020-2021	Cons.Serv	MoA		10 715 981 760	762 432.0	Prior	QCBS	1	10 715 981 760	762 432.00	Yes	No

National Team Leader												2					
Financial Management and Administrative Expert												2					
Procurement Expert												2					
Senior GESI Specialist												2					
Senior M&E Expert												2					
KM and Policy Development Expert												2					
Senior Village Governance Expert												2					
Senior Economic Development Expert												2					
Senior Financial Services Expert												2					
Office rent												2					
Communications												2					
Travel allowances												2					
Office Consummables												2					
Car rental allowances												2					
Consulting Firm for Province (Province Project Implementation Unit)	Package	1	12 097 166 610	DT 4	2020-2021	Cons.Serv	MoA		12 097 166 610	860 702.0	Prior	QCBS	1	12 097 166 610	860 702.00	Yes	No
Provincial Team Leader																	
Financial Management Expert																	
Procurement Expert																	
M&E/KM Expert																	
MIS/GIS Expert																	
GESI Expert																	
Village Governance Expert																	
Economic Development Expert																	
Financial Services Expert																	
Office rent																	
Communications																	
Travel allowances																	
Office Consummables																	
Vehicle Operating costs /a																	
Baseline Survey	Lumpsum	1	1 405 500 000	DT 4	2020-2021	Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	FBS	1	1 405 500 000	100 000.00	Yes	No
TOTAL OVERALL CONSULTING FIRM									59 407 770 417.3	4 226 806.9							

Procurement Plan of Individual Consultant (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Comp	Year	Goods/W orks/Non. Cons/Con s. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/ Post)	Method of Selection	# Pack	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domes- tic Pre- ference (yes/no)	Pre- qualifica- tion (yes/ no)
		Unit	Total	(Rp)															
NPMU																			
	Adapting KOMPAK/developing methodology	PM	4	210 825 000	DT 1.1	2020		Cons.Serv	MoA		843 300 000	60 000	Prior	QBS	4	210 825 000	15 000	No	No
	Village cadres /a	Cadre	1000	12 143 520	DT 1.I	2020		Cons.Serv	MoA		12 143 520 000	864 000	Post	Individual Selection	1000	12 143 520	864	Yes	No
	International technical assistance - Family-based approach	PM	4	351 375 000	DT 1.1	2020-2021		Cons.Serv	MoA		1 405 500 000	100 000	Prior	QBS	2	351 375 000	25 000	No	Yes
	International technical assistance - Market opportunities and value chain analyses	PM	4	351 375 000	DT 2.2	2020		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351 375 000	25 000.0	No	No
	International technical assistance - Services mapping	PM	5	351 375 000	DT 2.2	2020		Cons.Serv	MoA		1 756 875 000	125 000.0	Prior	QBS	5	351 375 000	25 000.0	No	No
	International Technical Assistance - District marketing strategies	PM	5	351 375 000	DT 2.2	2020		Cons.Serv	MoA		1 756 875 000	125 000.0	Prior	QBS	5	351 375 000	25 000.0	No	No
	Adaptation of existing training modules	PM	5	351 375 000	DT 2.3	2020		Cons.Serv	MoA		1 756 875 000	125 000.0	Prior	QBS	5	351 375 000	25 000.0	No	No
	Programme expeditor (programme management)	PM	6	351.375.000	DT 4	2020		Cons.Serv	MoA		2 108 250 000	150 000.0	Prior	QBS	6	351.375.000	25 000.0	No	No
	Programme expeditor (technical)	PM	4	351.375.000	DT 4	2020		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351.375.000	25 000.0	No	No
	TA for GESI strategy and follow-up	PM	4	351.375.000	DT 4	2020-2021		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351.375.000	25 000.0	No	No
	International consultant to set-up M&E/KM system	PM	4	351.375.000	DT 4	2020-2021		Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351.375.000	25 000.0	No	No
	TA on demand	PM	2	351.375.000	DT 4	2020-2021		Cons.Serv	MoA		702 750 000	50 000.0	Post	QBS	2	351.375.000	25 000.0	No	No
TOTAL INDIVIDUAL CONSULTANT											28 095 945 000.0	1 999 000.0							

Indonesia

Integrated Village Economic Transformation (TEKAD)

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Annex 8: Programme Implementation Manual

Procurement Plan of Non-Consulting Services (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Year	Goods/ Works/ Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Review Bank (Prior/ Post)	Method of Selection	# Pack	Avg. value per pack (Rp)	Avg. value per package (\$)	Domestic Preference (yes/no)	Prequalification (yes/no)	No Objection from Bank for Draft Prequalification doc. (Date)*
		Unit	Total	(Rp)	Comp														
NPMU																			
Awareness Campaigns	District	25	14 055 000	DT 1.1	2021	Non. Cons	MoA			351 375 000	25 000	Post	Shopping	25	14 055 000	1 000.00	Yes	No	No
Capacity Building	Village	500	1 405 500	DT 1.1	2021	Non. Cons	MoA			702 750 000	50 000	Post	Shopping	500	1 405 500	100.00	Yes	No	No
TOT of Facilitators for Household Methodology	Per facilitator	1 000	35 137 500	DT 1.1	2021	Non. Cons	MoA			35 137 500 000	2 500 000	Prior	NCB	1000	35 137 500	2 500.00	Yes	No	No
Economic development strategy - Facilitation Expenses	per district	25	70 275 000	DT 1.1	2021	Non. Cons	MoA			1 756 875 000	125 000	Prior	Direct Purchase	25	70 275 000	5 000.00	Yes	No	No
Study tour to Philippines /f	Lumpsum	6	70 275 000	DT 2.1	2021	Non. Cons	MoA			421 650 000	30 000	Prior	NCB	6	70 275 000	5 000.00	No	No	No
TOTAL										38 370 150 000.0	2 730 000.0								
DISTRICT																			
Provincial Start Up Workshops	workshop	5	140 550 000	DT 2.1	2020	Cons.Serv	District			702 750 000	50 000.0	Post	NCB	5	140 550 000	10 000.00	Yes	No	No
Skills Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000	1 400.00	Yes	No	No
Trainee accomodation 2 week course /i	District	1.0	245 962 500	DT 2.1	2020	Non. Cons	District			245 962 500	17 500	Post	Direct Purchase	1.0	245 962 500	17 500.00	Yes	No	No
Trainee accomodation 2 week course /i - Village Governance Facilitators	District	556.0	11 664 245	DT 2.1	2020-2021	Non. Cons	District			6 485 320 220	461 424	Prior	Direct Purchase	556.0	11 664 245	829.90	Yes	No	No
Trainee accomodation 2 week course /i - Economic Initiative Advisors	District	556.0	11 664 245	DT 2.1	2020-2021	Non. Cons	District			6 485 320 220	461 424	Prior	Direct Purchase	556.0	11 664 245	829.90	Yes	No	No
Trainee accomodation 2 week course /i - PPLs	District	556.0	11 664 245	DT 2.1	2020-2021	Non. Cons	District			6 485 320 220	461 424	Prior	Direct Purchase	556.0	11 664 245	829.90	Yes	No	No
Delivery support	District	1.0	28 110 000	DT 2.1	2020	Non. Cons	District			28 110 000	2 000	Post	Shopping	1.0	28 110 000	2 000.00	Yes	No	No
Course materials	District	1.0	14 055 000	DT 2.1	2020	Non. Cons	District			14 055 000	1 000	Post	Shopping	1.0	14 055 000	1 000.00	Yes	No	No
District Start Up Workshops	workshop	25	70 275 000	DT 2.1	2021	Non. Cons	District			1 756 875 000	125 000.0	Post	NCB	25	70 275 000	5 000.00	Yes	No	No
Village Governance Facilitators - Skill Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000	1 400.00	Yes	No	No
Village Governance Facilitators - Trainee accomodation 2 week course	District	250.0	11 664 245	DT 2.1	2020	Non. Cons	District			2 916 061 250	207 475	Post	Direct Purchase	250.0	11 664 245	829.90	Yes	No	No
Economic Initiative Advisors - Skill Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000	1 400.00	Yes	No	No
Economic Initiative Advisors - Trainee accomodation 2 week course	District	250.0	11 664 245	DT 2.1	2020	Non. Cons	District			2 916 061 250	207 475	Post	Direct Purchase	250.0	11 664 245	829.90	Yes	No	No
PPLs - Skills Assessment	District	25.0	19 677 000	DT 2.1	2020	Non. Cons	District			491 925 000	35 000	Post	Shopping	25.0	19 677 000				
PPLs - Trainee accomodation 2 week course	District	250.0	11 664 245	DT 2.1	2020	Non. Cons	District			2 916 061 250	207 475	Post	Direct Purchase	250.0	11 664 245	829.90	Yes	No	
Meetings of Value Chain Analysis Reference Group	Province	5.0	42 165 000	DT 2.2	2020	Non. Cons	MoA			210 825 000	15 000	Post	Shopping	5.0	42 165 000	3 000.00	Yes	No	
Provincial Validation Workshops	Province	5.0	140 550 000	DT 2.2	2020	Non. Cons	MoA			702 750 000	50 000	Post	Shopping	5.0	140 550 000	10 000.00	Yes	No	
Translation and publication	Province	1.0	421 650 000	DT 2.2	2020	Non. Cons	MoA			421 650 000	30 000	Post	Shopping	1.0	421 650 000	30 000.00	Yes	No	
Training for data input and system operation	Province	1.0	200 000 000	DT 3.1	2020	Non. Cons	MoA			200 000 000	14 230	Post	Shopping	1.0	200 000 000	14 229.81	Yes	No	
Project & Fiduciary Management Training	Lumpsum	1.0	281 100 000	DT 4	2020	Non. Cons	MoA			281 100 000	20 000	Post	Direct Purchase	1.0	281 100 000	20 000.00	Yes	No	
Project Steering Committee meetings	meeting	4.0	70 275 000	DT 4	2020-2021	Non. Cons	MoA			281 100 000	20 000	Post	Shopping	4.0	70 275 000	5 000.00	Yes	No	
National Start-up Workshop	workshop	1.0	281 100 000	DT 4	2020	Non. Cons	MoA			281 100 000	20 000	Post	Shopping	1.0	281 100 000	20 000.00	Yes	No	
TOTAL										35 298 121 910.0	2 511 428.1								
TOTAL NON CONSULTING SERVICES										73 668 271 910.0	5 241 428.1								

GRANT

Procurement Plan of Firm Selectin for Consulting Services (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost 000		Comp	Year	Goods/W orks/Non. Cons/Con s. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimate d Cost (\$)	Review Bank (Prior/Post)	Method of Selec-tion	# Pa ck	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domesti c Pre ference (yes/no)	Prequ a- lifica tion (yes/ no)
		Unit	Total	(Rp)															
NPMU																			
	National consultancies - Market opportunities and value chain analyses	Study	5	421 650 000	DT 2.2		2020	Cons.Serv	MoA		2 108 250 000	150 000.0	Prior	QCBS	5	421 650 000	30 000.00	Yes	No
	Climate risk and vulnerability assessment	Study	1	1 405 500 000	DT 2.2		2020	Cons.Serv	MoA		1 405 500 000	100 000.0	Prior	QCBS	1	1 405 500 000	100 000.00	Yes	No
	Orientation and Capacity Building Packages	Lumps	1	7 838 473 500	DT 3.2+H10:WH10:I10		2020	Cons.Serv	MoA		7 838 473 500	557 700.0	Prior	QCBS	1	7 838 473 500	557 700.00	Yes	No
	Policy development	PA	1	702 750 000			2021	Cons.Serv	MoA		702 750 000	50 000.0	Post	LBS	1	702 750 000	50 000.00	Yes	No
	TOTAL OVERALL CONSULTING FIRM										12 054 973 500	857 700							

Procurement Plan of Individual Consultant (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Comp	Year	Goods/W orks/Non. Cons/Con s. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Revie w Bank (Prior/ Post)	Method of Selection	# Pac k	Avg. value per pack or lot (Rp)	Avg. value per package (\$)	Domes tic Pre ference (yes/no)	Pre- qualific a-tion (yes/ no)
		Unit	Total	(Rp)															
NPMU																			
	International technical assistance - Market opportunities and value chain analyses	PM	4	351 375 000	DT 2.2		2020	Cons.Ser v	MoA		1 405 500 000	100 000.0	Prior	QBS	4	351 375 000	25 000.00	No	No
	Programme expeditor (technical)	PM	4	351 375 001	DT 4		2020	Cons.Ser v	MoA		1 405 500 004	100 000.0	Prior	QBS	4	351 375 001	25 000.00	No	No
	TOTAL INDIVIDUAL CONSULTANT										2 811 000 004.0	200 000.0							

Procurement Plan of Non-Consulting Services (2020-2021)

SL No.	Description of Goods/Works/Non.Cons/Cons. Serv	Quantities		Unit Cost		Comp	Year	Goods/ Works/ Non.Cons/ Cons. Serv	Proc. Owner	Fund Source	Estimated Cost (Rp)	Estimated Cost (\$)	Revie w Bank (Prior/ Post)	Method of Selection	# Pack	Avg. value per pack (Rp)	Avg. value per package (\$)	Domestic Preference (yes/no)	Prequalifi cation (yes/no)	No Objection from Bank for Draft Prequalification doc. (Date)**
		Unit	Total	(Rp)																
NPMU																				
	Policy Workshops	PA	1	140 550 000	DT 3.2	2021	Non. Cons	MoA			140 550 000	10 000	Post	Shopping	1	140 550 000	10 000.00	Yes	No	No
	Printing and dissemination of policy stu	Lumsump	1	70 275 000	DT 3.2	2021	Non. Cons	MoA			70 275 000	5 000	Post	Shopping	1	70 275 000	5 000.00	Yes	No	No
TOTAL NON CONSULTING SERVICE											210 825 000	15 000								

Attachment 3: Summary of Appropriate Procurement Methods

I. Procurement of goods and works **adapt as required**

Method	Description	Applicability/Characteristics	Advertising	Remarks
International Competitive Bidding (ICB)	Procedure for procurement of goods and works on the international market with open competition	<ul style="list-style-type: none"> ▪ High value procurement ▪ Interest for international business community ▪ Equal opportunity to bid 	General Procurement Notices (GPN) Open ITB or invitation to pre-qualify UNDB/dgMarket International press	- Margin of preference for domestic goods and works may be applied
Limited International Bidding (LIB)	ICB by direct invitation (no open advertisement)	<ul style="list-style-type: none"> ▪ Smaller value ▪ Limited number of suppliers 	Restricted ITB	- Domestic preference not applicable
National Competitive Bidding (NCB)	Procedure for public procurement in Borrower Country	<ul style="list-style-type: none"> ▪ Small value contracts ▪ Geographically scattered, labour-intensive or time-spread works ▪ Local prices below international market ▪ No or limited interest from international business community ▪ ICB advantages outweighed by financial and administrative costs 	Local press Internet Open ITB	- IFAD to establish acceptability of national procedures - Foreign suppliers allowed to bid
International Shopping	Comparison of price quotations from at least 3 suppliers in 2 different countries	<ul style="list-style-type: none"> ▪ Small value procurement ▪ Off-the-shelf goods, standard specification commodities, simple civil works 	Request for quotation (restricted)	- Purchase order or brief contract
National Shopping	Comparison of price quotations from at least 3 suppliers	<ul style="list-style-type: none"> ▪ Same as International Shopping ▪ Goods available locally from several sources at competitive prices 	Request for quotation (restricted)	- Purchase order or brief contract
Direct Contracting	Single or sole-source selection	<ul style="list-style-type: none"> ▪ Extension of existing contract ▪ Standardization for vehicles, equipment ▪ Proprietary equipment obtainable from one source only ▪ Condition of performance guarantee ▪ Emergency procurement 	No advertising No competition	
Procurement from Commodity Markets	Procurement of goods from commodity markets	<ul style="list-style-type: none"> ▪ Grains, animal feed, cooking oil, fuel, fertilizers, pesticides, metals ▪ Multiple award for partial quantities to secure supply and prices 	Pre-qualified bidders Issuance of periodic invitations	Short bid validity Single (market) currency for bid and payment
Work by Force Account	Use of the Borrower's own personnel and equipment to perform	<ul style="list-style-type: none"> ▪ Difficulty in defining work quantities ▪ Small, scattered works in 	No advertising No competition	IFAD ensure that - force account units are properly

	construction work	<p>remote locations</p> <ul style="list-style-type: none">▪ Risk of unavoidable work interruptions▪ No disruption of on-going operations▪ Emergency situations		staffed, equipped and organized <ul style="list-style-type: none">- costs are reasonable
Procurement from UN Agencies	Procurement of specific goods from specialized UN agencies	Small quantities of off-the-shelf products	No advertising No competition	- Use of UN agency rules and procedures <ul style="list-style-type: none">- Indication in loan agreement

II. Procurement of Consulting Services

Method	Description	Applicability/characteristics	Advertising	Remarks
Quality and Cost Based Selection	Competitive selection from short-listed firms based on quality and cost of proposal	Two-step evaluation: quality (technical proposal) and cost (financial proposal)	GPN (large contracts) Request for Proposal (RFP)	Preferred selection method for most consulting services
Selection Under a Fixed Budget	Competitive selection from short-listed firms based on best technical proposal within budget	<ul style="list-style-type: none"> ▪ Simple and precisely defined assignment ▪ Consulting firms requested to bid within a fixed budget 	Request for proposal	Rejection of proposals above fixed budget
Quality Based Selection	Competitive selection from short-listed firms based on quality only	<ul style="list-style-type: none"> ▪ Complex/highly specialized assignments ▪ High downstream impact ▪ No comparability of proposals 	GPN (large contracts) Request for Proposal	Only technical proposals may be invited
Selection Based on Consultants' Qualifications	Selection from short-listed firms based on consultant's experience and competence	<ul style="list-style-type: none"> ▪ Very small assignments ▪ Cost of RFP preparation and evaluation not justified 	Request for expression of interest	Submission of combined technical-financial proposals
Single Source Selection	Selection of a firm without any competition	<p>Must be exceptional:</p> <ul style="list-style-type: none"> ▪ Continuation of previous work ▪ Emergency situation ▪ Very small assignments ▪ Only one firm is qualified/experienced 	No competition	Clear advantage over competition or impossibility to compete must be demonstrated
Selection of Individual Consultants	Individuals selected based on qualifications, references and other relevant criteria, with limited or no competition	<ul style="list-style-type: none"> ▪ Teams of personnel not required ▪ No additional professional support required ▪ Main requirement is experience and qualification of individual consultant 	Request for expression of interest or Direct contact	Individuals may be selected on a single source basis

Refer to the IFAD Procurement Guidelines for the following procurement methods:

- agents and inspection agents
- Procurement with community participation

Procurement for UN agencies, Civil Society Organizations, Auditors and Service



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Annex 9: Integrated Risk Framework (IRF)

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

Asia and the Pacific Division
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Risk categories	Risk Probability	Risk Impact	Mitigations/comments
1. Political and governance	Medium	Medium	<p>Indonesia has political stability, and it is expected that with the re-election of the President, development priorities will remain globally similar, particularly with regard to redressing inequalities and lifting poorer provinces out of poverty. However at the local level, risks have been identified as follows:</p> <ul style="list-style-type: none"> - Elite capture. This constitutes a strong risk because of the low level of accountability, and a culture based on dominant clans (in Papua and West Papua). <p>Mitigation measures: One of TEKAD's objectives is exactly to improve community participation and village heads accountability, in line with the Village Law. The main strategy for avoiding elite capture will consist on empowering rural communities, including organizations strengthening, mobilization and capacity building, emphasizing the poorest and more vulnerable segments, for them to participate and make their rights and priorities prevail in villages' decisions on the Village Fund resources allocation. Furthermore, districts will be supported to fulfil their role for mobilisation and empowerment.</p> <ul style="list-style-type: none"> - Insecurity in Papua and West Papua: <p>The level of insecurity has considerably decreased, mainly because of the law on special autonomy, which transferred the responsibility for health, education, and other services to local governments and co-opted local elites. In the highlands especially, administrative units have been modified to allow a closer matching with clan organisation. Besides, MoV has selected target districts that are in areas with good security conditions, and a similar criterion will be applied for selecting target villages.</p> <p>Mitigation: further mitigation measures include: broad and inclusive participatory approach at village level; inclusion of traditional authorities; strong involvement of district mayors; full on-demand approach.</p>
2. Macroeconomic	Low	Low	The macroeconomic situation is expected to remain stable.
3. Sector strategies and policies	Low	Low	A legal and policy enabling environment is in place, with two pillars – the Village Law and Village Fund. The latter is regarded by GoI as one of the main instruments to raise villages' livelihoods and reduce poverty especially in the rural areas. The freshly re-elected President of Indonesia is expected to further raise the Fund resources during his second presidential mandate (2019-2024).

Risk categories	Risk Probability	Risk Impact	Mitigations/comments
4. Technical aspects of project or program	Medium	Medium	<p>The programme will be implemented in 25 districts over five provinces in Eastern Indonesia. Experience shows that in order to develop scalable models in a large and diverse country such as Indonesia, innovative models need to be tested in a variety of environments. Besides, as a programme supporting village development in the framework of decentralization, TEKAD requires the involvement of four main levels of implementation (national, provincial, district, villages). These two features (geographical dispersion and various levels of implementation) undoubtedly constitute a management challenge.</p> <p>Mitigation measures: other major design features will have a mitigating effect: MoV's strong participation and involvement in the whole design process and full ownership of the programme; TEKAD builds on a first phase, VDP, and MoV has extensive experience with the general programme context as well as the specific environment in the two most difficult provinces (Papua/West Papua); TEKAD strategy builds on existing institutions at all levels and has a strong focus on capacity building; partnerships are planned with competent public institutions (Puslatmas, provincial universities), financial institutions (BRD and BPDs) and projects (KOMPAK and P3PD); phased implementation; close monitoring of performance with dashboards and weekly assessment; extensive capacity building at all levels.</p> <p>Furthermore, TEKAD will be able to build on successful experience with implementation on widespread implementation areas gained under IFAD-financed CCDP will be built upon, particularly with regard to M&E and teambuilding.</p>
5. Institutional capacity for implementation and sustainability	High	High	<p>Implementation capacity in Indonesia varies across administrative levels. MoV is still a young ministry, created for implementing the 2014 Village Law. While it has successfully implemented VDP, it still needs to build experience with implementing a major donor-financed investment programme.</p> <p>Mitigation measures: complementing implementation teams with qualified and experienced consultants; provide institution-building services to MoV and different levels of local governments; resorting to technical assistance to provide methodological guidance and capacity building; outsourcing implementation for specific activities.</p>

Risk categories	Risk Probability	Risk Impact	Mitigations/comments
6. Financial management	Medium	Medium	<p>The inherent risk for Indonesia is medium. The project design has taken this medium risk into consideration with the proposed financial management arrangement to ensure that an adequate system is in place at all levels including a qualified set of financial management team. . MOV is a new ministry with capacity issues that need to be addressed at the beginning of implementation. LPA has experience in implementing internal funding projects, including VDP. Project location: Papua and Papua Barat are the most challenging provinces in the country. For risk mitigation, use VDP lesson learned to improve financial management system and provide better and clearer guidelines for TEKAD</p>
7. Procurement	High	Medium	<p>Procurements will be carried out by National and Provincial PIUs. Procurement planning is categorized with moderate to high risk, development of human resources is categorized with medium risk and governance and institutions are categorized with moderate to low risk. Mitigation measures: TEKAD will integrate clear strategies including strengthening preparation of procurement planning and increasing the capacity and competence of key procurement staff – including budget owners, procurement commitment officer, evaluation working group, and self-management organizer. Similar perspectives and understanding among all stakeholders is necessary for successful procurement. In addition, National and district staff will: (a) implement standard operating procedures and conduct socialization events regarding the matrix of the responsibilities of each stakeholder in the procurement process; (b) be assisted by procurement professionals who have experience with Government of Indonesia's Procurement System (certified by LKPP) to provide technical assistance and advice. This procurement professional or consultant will be involved in preparing procurement plans, preparation of bid documents and technical specifications for key procurement packages, including but not limited to providing guidance to project staff on issues related to procurement.</p>

Risk categories	Risk Probability	Risk Impact	Mitigations/comments
8. Stakeholders	High	Medium	<p>Field visits during the design have shown that the major obstacles to private sector engagement in the target areas are:</p> <ul style="list-style-type: none"> - Remoteness: in this first phase, focus on villages with reasonable connectivity. Other mitigation measures: select high-value commodities that can be stored and easily transported; use ICT as tool to bridge remoteness; support village clusters to facilitate aggregation from remote areas; support inter-village owned organisations (BUMDes Bersamah). - Small volumes: support to village-owned enterprises (BUMDes) and village clusters are the two main measures that will promote bigger volumes and support increased linkages with private sector, aside from increased producers' skills and abilities to deliver higher volumes of better-quality produce. <p>There may also be a limited interest of private sector players to partner with village producers because of risks involved. This is addressed by de-risking measures including: financial and business education; technical advisory services; support to contract farming and business linkages.</p>
9. Environment and social	High	Medium	Adverse impact of climate change is already significant. This is addressed by: promoting climate smart practices through capacity building packages; building farmers' resilience through savings.
Overall			



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Annex 10: Exit Strategy

Document Date: 08/10/2019

Project No. 2000002562

Report No. 5148-ID

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ANNEX 10: EXIT STRATEGY

1. The programme strategy and implementation framework have been designed so that by the end of the six years, sustainable mechanisms are in place to ensure sustainable planning and implementation of village resources for economic growth and activities can continue. Rather than being a late stage concern to be addressed in the final years of programme implementation, the exit strategy is built into TEKAD programme of activities from day 1 and across the three components:
 - At the village level, Component 1 will build the capacities of village governments and communities to plan Village Fund resources for economic development and to implement profitable economic initiatives;
 - At the district and provincial level, Component 2 will promote a sustainable ecosystem whereby villagers will be able to access profitable markets, to receive support from qualified public and private service providers and to use financial services;
 - At the national level, Component 3 will develop evidence-based Orientation and Capacity Building Packages to support village economic development in Eastern Indonesia, will improve the policy framework and will raise MoV capacities to make use of these new instruments (Component 3).
2. The components will jointly contribute to improved investment delivery in support of village-based economic development, but they will also create conditions so that TEKAD approach can be continued once the programme is over, and further replicated in other villages, districts and provinces.
3. Against this background, key features that will facilitate TEKAD exit, continuation and replication by national and local players are as follows:
 - *Project implementation set-up:* TEKAD design builds on existing organisations from village to the national level, consolidates them and further builds their capacities, instead of creating new, project-driven structures. This is aimed at ensuring that by the end of the programme, these organisations will be able to continue delivering similar outcomes, services and benefits. This is the case in particular with community groups and governance structures, district and sub-district administrations and their teams of facilitators and extensionists, existing farmers' training centres (P4S), provincial universities, MoV's Community Training Centre Department (*Pusat Pelatihan Masyarakat – Puslatmas*), partnering financial institutions;
 - *Capacity building:* capacity building will be provided to ensure that stakeholders have the right mix of technical and management competences to carry on activities beyond project completion, from village level to district, provincial and national level, for both public and private sector players and, at village level, for both village governments and community groups, including traditional ones. Capacity building is not intended to only cover building the skills of stakeholders participating in TEKAD implementation. It also involves the development and implementation of tools, guidelines, strategies and plans that will be used by TEKAD stakeholders from the village up to the national level, and that will enable replication;
 - *Gradual phasing out of programme support:* while in the first years of programme implementation, TEKAD District Team will take full responsibility for the implementation of activities with participation of district staff, TEKAD facilitators will be tasked with building the capacities of existing, permanent facilitators, so that responsibility will gradually shift to the latter and by the end of the programme, they will be fully in charge for extending support to villages. A similar approach is taken for other programme support instruments at village or district level (including the provision of financial resources for hiring service providers, or allocations to P4S centres), whereby programme support is gradually phased out, with village or district budget resources taking over;
 - *Orientation and Capacity Building Packages:* evidence-based and tracking programme successful achievements, they will remain available to sustain project achievements, and to guide economic development and to support capacity building in Eastern Indonesian provinces;

- *Village Desks:* Village Desks will continue to operate beyond project completion to offer village governments easy access to information and support services related to economic development at the district administration;
 - *Financial sustainability:* financial education, business planning, capacity building of key players and linkages to performing financial service providers will support the viability and sustainability of village-based economic initiatives.
4. Furthermore, the Village Fund will keep extending annual allocations that will be available to finance support costs initially paid by the programme, such as the cost of village cadres, additional facilitators, peer-to-peer activities or trainings.
 5. The two Interim Reviews will make recommendations with regard to key measures required to further secure the sustainability of project achievements. The NPMU will prepare a detailed exit strategy building on the recommendations of the Second Interim Review.



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Annex 12: List of eligible activities to be financed by FIPS

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ANNEX 11: LIST OF ELIGIBLE ACTIVITIES TO BE FINANCED BY FIPS

At this stage it is not expected that TEKAD will access FIPs.

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Annex: Annex Fiduciary Summary

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Annex 7: Financial Management Issues Summary

FIDUCIARY SUMMARY OF COUNTRY PORTFOLIO



COUNTRY	Indonesia	Design	TEKAD
COUNTRY – Fiduciary KPIs:			
<i>Fiduciary Inherent Risk:</i>	MEDIUM		
-2018 Disbursement Ratio ¹ - Year to Date 2019	5.1 % (divisional target: 17.1%) 0.9% (divisional annual target 17%)		
<i>Disbursement Profile</i>	Unsatisfactory		
<i>Pending Obligations</i>	<ul style="list-style-type: none"> Ineligible expenditure SOLID); refund processes ongoing for SOLID) around USD 29,000. Ineligible expenditure for CCDP , (past closure IDR 131 580 000 (USD 9 398.57) of ineligible expenditure identified in 2017 audits has not been refunded. Ineligible expenditures in the amount of IDR 741,584,000 - approximately equivalent to USD 52,000 were identified by the auditors in the 2018 Audit report. Source of the funding (IFAD /Gov) were not indicated by the auditors (there are ongoing follow ups from IFAD to auditors 	<p>Public Financial Management</p> <ul style="list-style-type: none"> The inherent risk is deemed to be medium. Indonesia was ranked 89th out of 180 countries in the 2018 TI Corruption Perception Index, with a medium score of 38. The latest PEFA report for Indonesia was published in 2017. It described a reasonably well-functioning PFM system, with significant improvements from 2011 to 2016. The assessment over time shows significant improvements in the quality of PFM including: (i) Aligning the legislative and regulatory framework to the latest international budget, accounting and reporting standards with the adoption of the COFOG classification and accrual accounting standards; (2) Establishing a multi-year budgeting framework and a robust macroeconomic fiscal framework to optimize expenditure management in line with revenue mobilization; (iii) Rolling out the FMIS SPAN as a platform for the integration of the Treasury system and the consolidation of cash management operations at the central government level; and (iv) Strengthening the effectiveness of the oversight function by the internal audit and external audit institutions. in PFM systems linked to predictability and control over budget execution, particularly PEFA performance scores are slightly below B, which is above the basic level of performance broadly consistent with good international practices. The Indonesian Corruption Perception Index (CPI) score for 2018 according to Transparency International website is 38 (2017: 37; 2016: 37; 2015: 36; 2014: 34; 2013: 32), scale 0-high and 100-low risk The Indonesia portfolio consists of six investment projects, with a disbursement ratio of 5.1% in 2018 (USD 8.19 Million out of USD 162 Million). Three projects are in completion or closing stage (CCDP, VDP &SOLID). Three projects are on the second year of implementation (IPDMIP, co-financed with ADB, READSI and SMPEI) and one project in preparation stage of implementation (YES). The disbursement performance of IPDMIP & READSI are unsatisfactory. MoV through the Directorate of Natural Resources and Applied Technology, under the Directorate General of Village Community Empowerment and Development will be the leading agency which has experience in implementing IFAD project. The Financial Management Assessment (FMA) for TEKAD was undertaken based on IFAD requirement and Guidance Notes on Undertaking Financial Management Assessment at Design. The assessment was conducted by reviewing government regulations and documents, interview several government officials at national, 2 provinces and 2 districts. The Directorate of Natural Resources and Applied Technology, under the Directorate General of Village Community Empowerment and Development, Ministry of Villages as experience in implementing international funding project from World Bank and IFAD through VDP. However, VDP audit report 2017 states that the internal control of the 	
<i>Counterpart Funding - Profile</i>	Ranges from Mod. unsatisfactory to satisfactory		
<i>PBAS – project's cycle coverage:</i>	IFAD 11		
<i>PBAS – allocation (IFAD 11) :</i>	USD 84 355 555		

¹ Disbursement RATIO = Disbursement during reporting period/ disbursable (available at beginning of reporting period)

		<i>project was not adequate due to the capacity of the government in the fiduciary aspect of the project. Under these circumstances, the overall FM risk rating is Medium (M).</i>
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<i>Replenishment contributions</i>	<i>IFAD10 pledge = USD 9.972 paid 10 million IFAD11 pledge = USD 10 million</i>
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PROJECT Concept Note – Observations:

<i>Project FM risk</i>	To be assessed during design		<i>According to the International Monetary Fund (IMF), Indonesia's public sector debt remains moderate. The debt dynamics have been also favourable, with strong real GDP growth and moderate real interest rates.</i>
<i>Duration:</i>	<i>6 years</i>		
<i>Financing Sources:</i>	<i>(USD millions)</i>	<i>(%)</i>	
- IFAD -Loan - IFAD-Grant - Government - Financing Gap - Beneficiaries	35 1.5 845 85 17	3.56% 0.15% 85.92% 8.64% 1.73 %	<i>Indonesia's external debt remains moderate and sustainable at 34.4% of GDP in 2017 after steady increase in recent years; however; the downward trend was projected at end-2017 with external debt declining to 34 percent of GDP. Furthermore, IMF alarmed that potentially weaker-than expected revenue, contingent liabilities from SOEs and PPPs should be carefully monitored to avoid the fiscal risk exposures; though total government debt was forecasted to be stabilized at 36 percent of GDP or 258 percent of revenue by 2022.</i>
<i>Proposed size:</i>	<i>USD 984.5 million</i>		
<i>Lending Terms:</i>	<ul style="list-style-type: none"> - 2018 - 2019 (IFAD11) <ul style="list-style-type: none"> - Ordinary - Ordinary (with Discount under maturity premium category) 		
<ul style="list-style-type: none"> • <i>The overall contribution of international financing for the project is estimated at USD 984.5 million, of which IFAD would provide a loan of USD 35 million (3.56%) , a component grant of USD 1.5 million (0.15%) and financing gap of USD 85 million (71%). Government's foreseen contribution is USD 845 million which much beyond / exceed IFAD11 targets of 1:0.8 and methods of valuing in-kind contributions should be further specified in the PIM.</i> • <i>One of the key risks appears to the remoteness , Inadequate dedicated government official to implement the project, in financial management aspect in particular</i> <p>Remoteness might create issue in coordination and communication. A special consideration could be given to this in terms of :</p> <ul style="list-style-type: none"> -Government commitment to have a stronger and dedicated team to manage the project. -Financial Management consultants to be hired at national, provincial and district level to support FM function -FM consultants will be hired individually. Not through service provider/company <i>-in order to accelerate the project implementation , training /capacity building , strong government</i> 			

Ongoing Portfolio:

Project	Financing instrument	FLX Status	Lending Terms	Currency	Amount (million)	Completion date
VDP (ex PNPM)	G-I-C-1053-	DSBL	LOAN COMPONENT GRANTS	XDR	0.25	30/12/2018
	L-I--755-	DSBL	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	42.03	30/12/2018
SOLID	G-I-C-835-	DSBL	LOAN COMPONENT GRANTS	XDR	0.68	30/01/2019
	L-I-835-	DSBL	INTERMEDIARY TERMS SDR	XDR	30.30	30/01/2019
CCDP	G-I-C-1392-	EXPD	LOAN COMPONENT GRANTS	XDR	1.19	30/12/2017
	L-E--16-	EXPD	ORDINARY TERMS EUR	EUR	6.29	30/12/2017
	L-I--880-	EXPD	ORDINARY TERMS SDR	XDR	15.87	30/12/2017
IPDMIP	200000144500	DSBL	ORDINARY TERMS EUR	EUR	93.15	30/03/2023
	200000144600	DSBL	LOAN COMPONENT GRANTS	EUR	1.41	30/03/2023
SMPEI (GEF5)	200000095600	DSBL	ECD GRANTS	USD	4.77	29/09/2021
READSI	200000195900	DSBL	LOAN COMPONENT GRANTS	USD	1.00	30/03/2023
	200000196000	DSBL	ORDINARY TERMS USD	USD	39.89	30/03/2023
YESS	200000260300	APPR	LOAN COMPONENT GRANTS	USD	2.00	09/12/2023
	200000260400	APPR	ORDINARY TERMS USD	USD	55.3	09/12/2023

IMPLI (GEF 6)	2000000957	QE Approved	ECD GRANTS			USD	4.895	10/05/2023	
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B. PORTFOLIO, FM RISK & PERFORMANCE

Project	Financing instrument	Curr.	Amount (million)	Project risk rating	PSR quality of FM	PSR audit	PSR disb. rate
VDP (ex PNPM)	G-I-C-1053-	XDR	0.25	Medium	Mod. unsatisfactory	Mod. satisfactory	Mod. satisfactory
	L-I--755-	XDR	42.03				
SOLID	G-I-C-835-	XDR	0.68	Low	Mod. satisfactory	Mod. satisfactory	Satisfactory
	L-I--835-	XDR	30.30				
CCDP	G-I-C-1392-	XDR	1.19	High	Satisfactory	Satisfactory	Mod. satisfactory
	L-E--16-	EUR	6.29				
	L-I--880-	XDR	15.87				
IPDMIP	200000144500	EUR	93.15	Medium	Mod. unsatisfactory	Satisfactory	Highly Unsatisfactor
	200000144600	EUR	1.41				
SMPEI (GEF5)	200000095600	USD	4.77	Medium	Mod. Satisfactory	Not yet assessed	Unsatisfactory
READSI	200000195900	USD	1.00	Medium	Mod. satisfactory	Not yet assessed	Unsatisfactory
	200000196000	USD	39.89				
YESSION	2000002603	USD	2.00	Medium	Not yet assessed	Not yet assessed	Not yet assessed
	2000002604	USD	55.3		Not yet assessed	Not yet assessed	Not yet assessed
IMPLI – GEF 6	2000000957	USD	4.895		Not yet assessed	Not yet assessed	Not yet assessed

VDP (ex-PNPM) was administered by the World Bank from 2009 to 2014, under a co-financing arrangement. In early 2017, implementation was resumed with remaining IFAD funding under modified arrangements and IFAD supervision. The project's closing date is 30th June 2019. The 2017 audit was qualified with audit observations including poor contract management, overpayments and weak internal controls. Ineligible expenditure was resolved for VDP with the last transfer from Ministry of Finance to Designated Account in Q1, 2019.

Sufficient internal control system should be set up. Risk identification and risk analysis needed to be conducted in a structured, formal, and comprehensive manner for the new project.

CCDP, (with PCD 30/12/2017) managed by the Ministry of Marine Affairs and Fisheries, completed in December 2017 and passed closing date on 30 June 2018. Some delays with the account closure due to pending obligation on ineligible expenditures in the amount of IDR 128.4 million (USD 9,171). Two closure letters were sent on 02 October 2017 and 15 May 2018 on the pending obligation. The risk has been raised to high in view of the potential negative impact from the pending obligation on the portfolio.

IPDMIP, co-financed by ADB, was approved in December 2015. The main executing agency for IFAD's portion of the funding is the Ministry of Agriculture, with oversight from the Ministry of Works on the entire programme. Start-up has been slow with a two year gap from the date of approval to the first disbursement date (Dec 2017), due in large part to the complexity of implementing through the Government's on-granting mechanism for the decentralisation of resources to sub-national levels which is new to IFAD-funded projects, and disbursement performance is highly unsatisfactory with only 3.75% for the loan and 31.62% for the grant including the initial advances. The project closing date is 30th September 2023.

READSI, implemented by the Ministry of Agriculture was approved by the September 2017 EB. The project's closing date is 30th September 2023. The project has not fully started up yet although preparatory activities are ongoing. However, the disbursement rate was rated as unsatisfactory as of 28 February 2019, total cumulative disbursement was USD 2.99 million (5%) with USD 2.5 million (6%) for loan and USD 0.3 million (30%) for grant, which are outstanding initial deposit for the project. Like IPDMIP, READSI is implemented through on-granting systems. The first audit submission is due in 30 June 2019. Disbursement performance is not satisfactory.

SMPEI is implemented by the Ministry of Environment with GEF funding. The financing agreement was signed in July 2017, the project is in the initial phases of implementation.

IMPLI is implemented by Ministry of Environment and Forestry with GEF funding. The project has been approved by both IFAD and Government of Indonesia. Financing agreement is expected to be signed in 2019.

YESS is implemented by Ministry of Agriculture (Executing Agency). The Financing Agreement was signed in March 2019. The project is currently under start-up preparation period.

Overall, all IFAD-funded projects in Indonesia are fully mainstreamed through national public financial management systems (budget, treasury, accounting, asset management, audit). Based on lessons from ongoing projects, strong management and effective coordination systems will be essential to ensure efficient financial reporting and fund-flows, which will be key to successful project implementation.

Due to a change in Government policy, there has been a rapid deterioration in country disbursement performance and project implementation. The current mechanism allows the national level to reimburse only based on output delivery. However, the local government is often not sufficiently confident to pre-finance the project activities thereby creating a bottleneck. Implementation progress and disbursement could be improved by providing advance payments based on some key indicators.

To speed up the project implementation progress and ensure a smooth start-up of the project, early and continuous consultation with Government is essential to mitigate delays including early recruitment of service providers and implementation of construction activities in PY1, preparatory planning, establishment of the PSU, recruitment of staff and procurement of service providers will take place at earlier stage. Training on financial management procedures, including disbursement requirements are provided

Sufficient internal control system should be set up. Risk identification and risk analysis needed to be conducted in a structured, formal, and comprehensive manner for the new project.

Automation financial reporting system shall be developed. Provide guidance on how to capture GOI and community contribution in the project financial report

The newly approved projects financed by ADB and WB will be audited by BPK (SAI), in contrast to the situation to date as IFAD-funded projects have always been audited by BPKP (Gol Internal Audit) except READSI. Adopting a harmonised approach with other IFIs, BPK (SAI) as a member of INTOSAI, should be the external auditors for IFAD Projects and it should be specified in the project design document.

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