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President's report

Proposed loan and grant

Republic of Indonesia

Integrated Village Economic Transformation Project (Transformasi Ekonomi Kampung Terpadu – TEKAD)

Project ID: 2000002562

Note to Executive Board representatives

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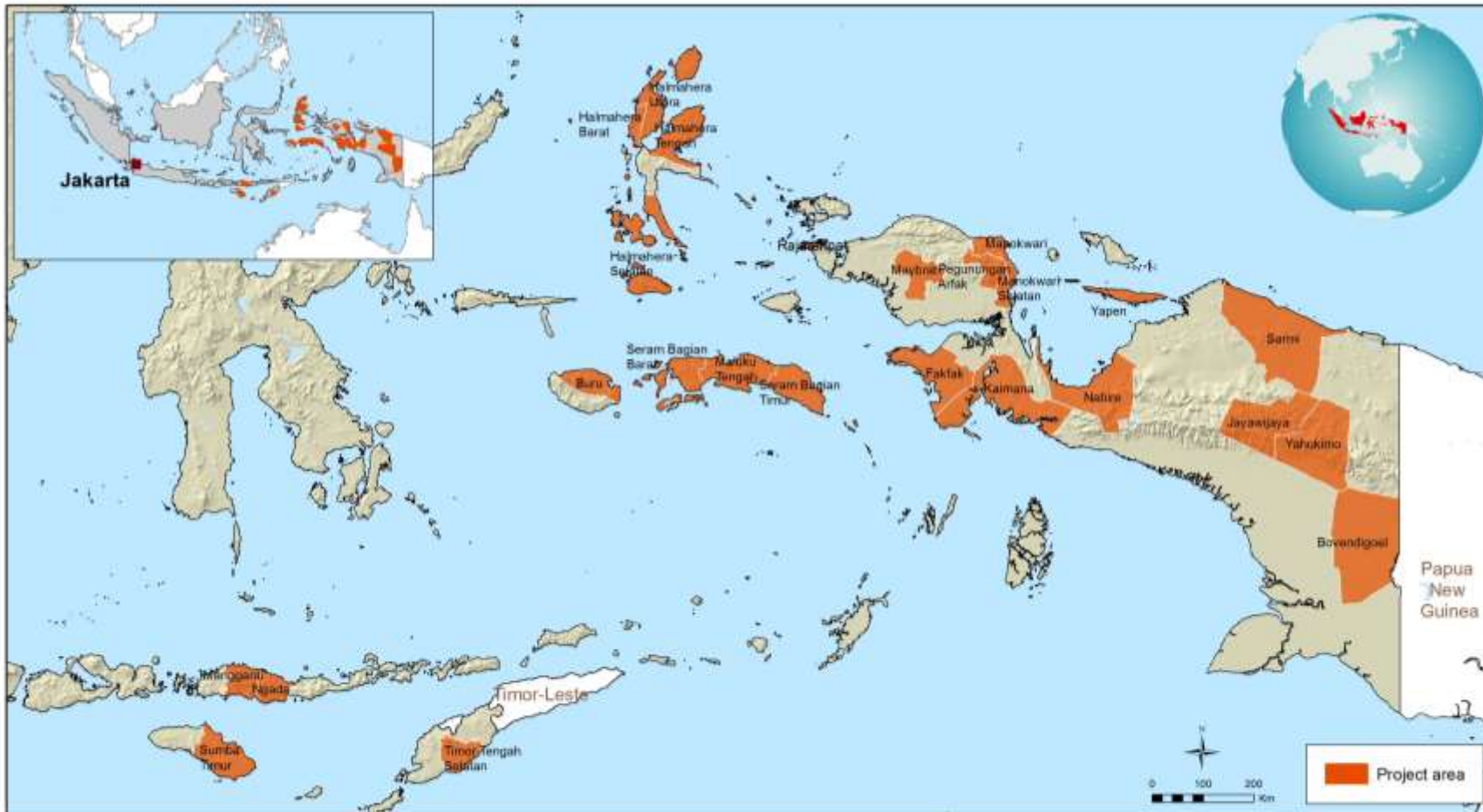
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Abbreviations and acronyms

M&E	monitoring and evaluation
MoV	Ministry of Village, Development of Disadvantaged Regions and Transmigration
PMU	Project Management Unit
PNPM	National Programme for Community Empowerment
TEKAD	Integrated Village Economic Transformation Project
VDP	Village Development Programme

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.

Map compiled by IFAD | 13-05-2019

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Indonesia
Executing agency:	Ministry of Village, Development of Disadvantaged Regions and Transmigration
Total project cost:	US\$702.027 million
Amount of IFAD loan:	EUR 29.80 million (equivalent to approximately US\$32.85 million)
Amount of IFAD grant:	EUR 1.36 million (equivalent to approximately US\$1.50 million)
Amount of IFAD climate finance:*	US\$565,945
Terms of IFAD loan:	Ordinary terms 12.5 years, including a grace period of 7 years, with an interest rate equal to the IFAD reference interest rate including the variable spread
Financing gap:	US\$80.00 million
Contribution of borrower:	US\$560.59 million
Contribution of beneficiaries:	US\$27.08 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

* As per the joint methodologies for tracking climate change adaptation finance and climate change mitigation finance agreed by the multilateral development banks, in accordance with the Common Principles for Climate Change Mitigation Finance Tracking.

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Indonesia for the Integrated Village Economic Transformation Project (TEKAD), as contained in paragraph 58.

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Republic of Indonesia is a fast-growing, lower-middle-income country with the fourth largest population in the world, spread over 17,508 islands. Steady economic growth has led to significant poverty reduction, whose pace however has slowed in recent years. Among the population of 262 million, more than 100 million people live in or at risk of poverty, and are vulnerable to shocks such as illness, weather events or price volatility. The highest poverty rates are found in eastern Indonesia and in rural areas. Inequality is a key threat to the country's continued development and the level of malnutrition is high.
2. Agricultural transformation is a key priority for the Government to meet its development goals. Agriculture has historically served as a pillar of the economy: it employs 32 per cent of the labour force and contributed around 13.5 per cent to GDP in 2017. The Village Law, in which TEKAD is anchored, represents a strategic opportunity to reduce social and regional inequalities and to develop the potential of agriculture. The associated Village Fund is a key tool for the implementation of the Law.

Special aspects relating to IFAD's corporate mainstreaming priorities

3. **Gender equity** remains a challenge in TEKAD's target provinces. Major efforts are required particularly in the Papuan highlands, where women are far from having equal opportunities, have limited access to assets and services, and are largely excluded from community decision-making. TEKAD will respond to these challenges by using household methodologies and the in-depth knowledge and community trust of facilitators to empower women and youth. Empowering women through economic activities will be preceded by assessing women's daily chores, their role in household and community decision-making, and their access to assets.
4. **Youth.** TEKAD will build a strategy to develop agribusiness opportunities attractive to youth, with linkages to production and to value chains in which young people can engage. In particular, it will develop potential pathways for young women through the creation of economic opportunities and by strengthening their decision power at village level.
5. **Climate.** Indonesia is highly vulnerable to climate change, with prolonged droughts, increased frequency of extreme weather events, heavy rainfall and large-scale flooding. As an archipelago, Indonesia is also very vulnerable to rising sea levels. It is the third greatest polluting country and 60 per cent of greenhouse gas emissions are due to deforestation. Climate-smart agriculture and measures to increase resilience and reduce the impact of natural disasters will be mainstreamed by TEKAD.
6. **Nutrition.** Although food security has improved in Indonesia, malnutrition remains significant. TEKAD will promote crop diversification to support balanced food consumption, and improved storage and processing to increase food availability.

Rationale for IFAD involvement

7. TEKAD is inspired by results achieved under the earlier IFAD-supported National Programme for Community Empowerment (PNPM), which contributed to shaping

the Village Law and Village Fund, and by the Village Development Programme (VDP), which was instrumental in their implementation. Through PNPM and VDP, IFAD has successfully piloted activities aimed at empowering rural communities and promoting local socio-economic development.

8. The Village Law promotes local economic growth and promotes decentralization in Indonesia. The Village Fund constitutes a fundamental instrument of the Law by providing the villages with the resources to enable them to make their own investment and development choices. However, the allocation of Village Fund resources to economic activities remains minimal, particularly in eastern Indonesia where the project will be implemented. This area presents the highest rates of rural poverty, and village-based productive activities lack linkages to markets. There is little access to support services and coordination with district-level investment planning is suboptimal.
9. In the context of the strategic opportunity for inclusive rural development created by the Village Law and Fund, and considering the previous experience of PNPM and VDP, the Government of Indonesia invited IFAD to develop, cofinance and implement TEKAD. This partnership represents a long-term commitment to support the policy framework for rural transformation, and strategically positions IFAD to assist Government with its priority policy agenda on rural inclusion and development.

B. Lessons learned

10. The results of the Village Law and Village Fund, and more specifically of PNPM/VDP, have generated valuable lessons and highlight the challenges that persist.
11. **Short-term priorities versus long-term development.** The financial resources made available at the village level allowed the community to meet its most pressing needs and improved access to basic social infrastructure including housing, access roads and small irrigation schemes. However, less than 10 per cent of the Village Fund resources were allocated to economic development and to substantially increase this allocation remains a key challenge. In order to channel these resources in a way that supports poverty alleviation and economic growth, the Village Fund and TEKAD will need to jointly promote the planning of economic investments, adoption of a longer-term perspective, and building of a dynamic village-based productive sector instead of focusing on short-term priorities.
12. **Effective social inclusion for economic development.** Despite the Village Law's support to community participation, the risk of elite capture is strong, particularly where village structures are not involved, village capacities are limited and there is no tradition of accountability in the use of public resources. Despite VDP's inclusive approach, the priorities identified by producers' groups were often not taken into consideration in the planning of village investments. This is another fundamental challenge for TEKAD, which will be tackled through community empowerment, capacity-building and creating the right incentives to ensure that village resources are programmed based on inclusive participation and that village heads are accountable to the community.
13. **Capacity-building** is required at the district level to enable districts to provide guidance and oversight to villages in the use of public resources. In addition, rural communities' limited familiarity with the opportunities offered by the Village Law suggests that bottom-up approaches are essential for social inclusion and inclusive economic development.
14. **Risk of elite capture.** The design of VDP overestimated the capacities of village heads and their willingness to conform to broad community participation and accountability, and did not include sufficient measures to prevent elite capture.

Moving forward, additional checks and balances against elite capture will be put in place by TEKAD to ensure community empowerment and inclusive development.

15. **Long-term perspective.** Building inclusive development in remote and disadvantaged provinces requires a long-term approach. The limited duration of projects is not sufficient to fully build the necessary local capacities and sustainably improve livelihoods. A longer-term approach is needed to ensure that the processes to be supported by TEKAD can be sustainably maintained by the community.
16. **Looking at the village and beyond.** Building village actors' capacities and promoting the village-level economy are essential. However, to achieve sustainable development, these activities should be complemented by similar efforts at district and province level in order to broaden the economic perspective and strengthen the social and institutional fabric beyond the village level.

II. Project description

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

17. **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. Its development objective is to enable rural households to develop sustainable livelihoods, taking advantage of strengthened village- and district-level governance.
18. **Project area.** TEKAD will focus on 25 districts in five eastern Indonesian provinces: Papua, West Papua, Maluku, North Maluku and East Nusa Tenggara. Four of these five provinces have the country's highest poverty rates, have low literacy rates, high malnutrition rates and are among the areas most vulnerable to climate change.
19. **Target groups.** The project will target smallholder farming households, microentrepreneurs and households in coastal communities involved in fisheries. Primary beneficiaries will mostly be semi-subsistence households with minimal assets and resources. Service providers extending production, business development and financial services to village producers will be considered secondary beneficiaries.

B. Components/outcomes and activities

20. TEKAD consists of the following components:
21. **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 local potential and using resources from the Village Fund and other sources. Particular attention will be paid to ensuring that the project includes women, youth and vulnerable groups by promoting the allocation of Village Fund resources to productive activities that will primarily benefit women and youth. The expected outcome is that village communities implement profitable economic initiatives, prioritized through participatory planning involving broad participation of social and economic groups. Most of the component activities will be village-based and will complement district- and provincial-level activities.
22. **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 the production support services, markets and commercial financing they need for their economic initiatives, paying particular attention to the priorities of women and

youth. This component will: (i) strengthen the capacities of districts and subdistricts 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. Component 2 will have a key role in ensuring that by the end of the project villages will continue accessing services, markets and financing to undertake profitable and sustainable economic initiatives.

23. **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 the capacity of the Ministry of Villages to promote village economic development, taking advantage of the positive environment created by the Village Law and the Village Fund. The expected outcome is an enabling policy and institutional environment that facilitates village economic development.

C. Theory of change

24. 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 subdistrict and district level, linked to markets, connected to service providers and using financial services will be able to capitalize on the Village Fund and other resources to develop profitable economic activities and improve their livelihoods.
25. TEKAD will support village communities in building their capacity to invest in successful economic activities within an enabling environment that favours sustainable and inclusive economic growth. TEKAD will build the capacity of village institutions and households to access, plan, implement and monitor investments financed by the Village Fund and other resources and to undertake inclusive economic initiatives related to production, processing and marketing. At the district level, it will promote an ecosystem that supports village-based economic development by building the capacity of public and private agencies to provide quality services to support village economic initiatives. It will also facilitate market linkages through partnerships with market players to ensure that villagers' investments generate sustainable revenue. It will promote the use of Village Fund resources to hire quality service providers and build the capacity of financial service providers to meet the needs of village households. Finally, TEKAD will make knowledge and learning available and will showcase innovations in order to inspire and motivate village stakeholders (especially youth). It will also generate innovative, replicable models for supporting village economic development.

D. Alignment, ownership and partnerships

26. TEKAD is in line with the ongoing 2015-2019 National Medium-Term Development Plan, and with the anticipated priorities of the upcoming 2020-2024 plan; both plans prioritize reducing inequality and improving the livelihoods of rural poor people. The Government regards the project as a strategic investment to trigger the transformation of the rural sector, by creating the conditions for villages to move up the Village Development Index scale through better use of their resources, including the Village Fund. TEKAD is also in line with the Government's objective of boosting agriculture productivity and improving the economic situation of smallholder farmers in underdeveloped areas of eastern Indonesia. Furthermore, TEKAD will directly support the Indonesia United Nations country team's efforts to

target Papua and will contribute to Sustainable Development Goals (SDGs) 1 (no poverty); SDG5 (gender equality); SDG8 (decent work and economic growth); and SDG10 (reduced inequalities). It will also contribute to the objectives of IFAD's Strategic Framework 2016-2025.

E. Costs, benefits and financing

Project Costs

27. The total cost inclusive of taxes and duties is estimated at US\$702.03 million over a six-year implementation period. Project investments are organized into three components: component 1 (86.5 per cent of the costs); component 2 (10.4 per cent); and component 3 (3.1 per cent).
28. Subcomponents 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.

Project financing and cofinancing strategy and plan

29. TEKAD will be financed from an IFAD loan of EUR 29.80 million (equivalent to approximately US\$32.85 million), an IFAD grant of EUR 1.36 million (equivalent to approximately US\$1.50 million), a beneficiary contribution estimated at US\$27.08 million (in cash and in kind), a government contribution under the Village Fund estimated at US\$541.60 million and US\$18.99 million in the form of taxes and staff salaries. The financing gap of US\$80.00 million may be sourced through subsequent cycles of the performance-based allocation system (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.
30. The Government's contribution of Village Fund resources is provided under the framework of the Village Law and is designated to fund village investments, including in economic infrastructure, production and empowerment initiatives.
31. The IFAD grant will be used to finance all the activities related to policy development, which is a priority for the Government, and key international technical assistance including for the design of the orientation and capacity-building tools, for market opportunities and value chain analyses, and a climate risk and vulnerability assessment study. This technical assistance will play a decisive role in shaping the project's 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 1
Indicative project costs by component, subcomponent and financier
(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>Financing gap</i>		<i>Government</i>		<i>Beneficiary</i>		<i>Village fund</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Village economic empowerment														
A. Village governance	5 713	24.7	-	-	15 086	65.3	2 289	9.9	-	-	-	-	23 088	3.3
B. Village economic initiatives	2 438	0.4	-	-	11 323	1.9	1 529	0.3	27 080	4.6	541 600	92.7	583 970	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
2. Partnerships for village economic development														
A. District support for village economic development	15 762	25.8	-	-	36 423	59.6	8 933	14.6	-	-	-	-	61 118	8.7
B. Economic services	1 106	25.8	354	8.3	2 461	57.5	360	8.4	-	-	-	-	4 281	0.6
C. 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
3. Innovation, learning and policy development														
A. Innovation, learning and inspiration	665	17.0	-	-	2 862	73.0	392	10.0	-	-	-	-	3 919	0.6
B. Policy development and institution-building	392	10.7	1 046	28.5	1 970	53.7	262	7.1	-	-	-	-	3 670	0.5
C. Project 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	1 146	5.2	10 512	47.8	5 141	23.4	-	-	-	-	22 005	3.1
Total	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

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Table 2**Indicative project costs by expenditure category and financier**

(Thousands of United States dollars)

	IFAD loan		IFAD grant		Financing gap		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	-	-	-	-	7 728	1.1
2. Goods	4 565	40.0	-	-	5 711	-	1 142	10.0	-	-	-	-	11 418	1.6
3. Consultancies	17 301	27.4	-	-	39 732	-	6 069	9.6	-	-	-	-	63 102	9.0
4. Training	5 314	29.4	-	-	10 956	-	1 808	10.0	-	-	-	-	18 078	2.6
5. Operating Costs	4 986	20.1	-	-	17 335	-	2 480	10.0	-	-	-	-	24 801	3.5
6. Consultancies – grant	-	-	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	-	-	-	-	-	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 3**Indicative project costs by component, subcomponent and year**

(Thousands of United States dollars)

	<i>Totals including contingencies</i>						
	2020	2021	2022	2023	2024	2025	Total
1. Village economic empowerment							
1. Village governance	120	4 636	6 647	7 938	2 365	1 381	23 087
2. Village economic initiatives	-	43 529	97 657	149 519	147 750	145 515	583 970
Subtotal village economic empowerment	120	48 165	104 304	157 457	150 115	146 896	607 057
2. Partnerships for village economic development							
1. District support for village economic development	5 915	8 781	13 287	15 756	12 914	4 465	61 118
2. Economic services	799	438	1 079	1 049	670	246	4 281
3. Financial services	53	2 420	2 544	2 370	178	-	7 565
Subtotal partnerships for village economic development	6 767	11 639	16 910	19 175	13 762	4 711	72 964
3. Innovation, learning and policy development							
1. Innovation, learning and inspiration	49	391	1 003	807	824	844	3 918
2. Policy development and institution-building	563	304	797	627	684	696	3 671
3. Project management	2 987	2 208	2 373	2 173	2 321	2 355	14 417
Subtotal innovation, learning and policy development	3 599	2 903	4 173	3 607	3 829	3 895	22 006
Total	10 486	62 707	125 387	180 239	167 706	155 502	702 027

Disbursement

32. The Government will open two designated accounts in euros at Bank Indonesia in the name of the Ministry of Finance. One account will be for the IFAD loan funds and one for the IFAD grant. IFAD financing will be disbursed to these accounts in accordance with the IFAD loan disbursement handbook and 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. The project will adopt imprest account arrangements with advance payment, which will be followed by replenishment of the designated accounts.

Summary of benefits and economic analysis

33. By increasing the allocation of Village Fund resources to productive activities, TEKAD will contribute to exploit more fully the potential of the Village Law and Fund to overcome poverty and trigger sustainable and inclusive local economic development. This overall benefit is interlinked with others, mainly the enhanced capacities of village and district institutions to deliver financial and productive services; improved technical capacities of producers; increased productivity leading to higher income for farmers; and development and expansion of rural businesses. TEKAD will also create employment opportunities for women and men, particularly youth, through their involvement with businesses. The project will directly benefit 412,300 families, who are expected to increase production through the technical and financial assistance provided.
34. The economic analysis shows that the internal rate of return for the 20-year period is 29 per cent with a benefit-cost ratio of 2.36. The project earns an economic net present value of US\$2,490 million for the 20-year period with a 6.2 per cent discount rate (the current weighted average deposit rate). The sensitivity analysis indicates that the project is adequately viable under a 20 per cent cost increase and 20 per cent benefit decrease. These scenarios cover all the risk factors identified during design.
35. **Exit strategy and sustainability.** The exit strategy foresees that, by the end of implementation, sustainable mechanisms will be in place to ensure allocation and implementation of village resources for economic growth. To this end, TEKAD will use a three-pillar approach that: (i) builds village governments' and communities' capacities to use Village Fund resources for economic development and to implement profitable economic initiatives; (ii) promotes an ecosystem whereby villagers will be able to access profitable markets, receive support from qualified public and private service providers and access financial services; and (iii) develops evidence-based orientation and capacity-building tools to support village economic development, to improve the policy framework, and to strengthen the capacity of the Ministry of Village, Development of Disadvantaged Regions and Transmigration (MoV) to make use of these new instruments.

III. Risks

A. Project risks and mitigation measures

36. Main risks and mitigation measures are identified as follows.

<i>Risks</i>	<i>Mitigation measures</i>
Variable government implementation capacity	Provide institution-building services to MoV and different levels of local government. Hire technical assistance to provide methodological guidance and capacity-building. Outsource implementation for specific activities.
Management challenge deriving from widespread and dispersed geographical area	Phased implementation. Use of ICT tools to facilitate communication and project monitoring. Close monitoring of performance with dashboards and periodic assessment, building on the lessons of the IFAD-financed Coastal Community Development Project, which was successfully

Risks	Mitigation measures
	implemented with similar geographical dispersion. Capacity-building for MoV.
Limited interest of private sector partners in dealing with villagers because of risks involved	De-risking measures include financial and business education; technical advisory services; support to contract farming and business linkages.
Elite capture of benefits	Community empowerment, including organization-strengthening and capacity-building, focusing on the poorest and more vulnerable segments, so as to enable them to participate and make their rights and priorities prevail in villages' decisions on allocation of Village Fund resources. Support to districts in fulfilling their role of mobilization and empowerment.
Remoteness	In this first phase, the focus will be on villages with reasonable connectivity. Support village clusters to increase impact while minimizing management costs. Select high-value commodities that can be stored and easily transported. Use ICT as a tool to bridge remoteness.
High turnover of staff at the local level	Hiring local staff using appropriate 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 where risks are minimal and the same criterion will be applied to village selection. Broad participation at village level, inclusion of traditional authorities and strong involvement of district mayors will also contribute to mitigating this risk. Additionally, the security situation in Papua and West Papua will be assessed regularly to pre-empt any concerns in this regard.
Delay in disbursement	-Government commitment to have a stronger and dedicated team to manage the project. -Financial management consultants will be hired at national, provincial and district level to support the FM function. -FM consultants will be hired individually, not through service providers/companies.

B. Environment and social category

37. A preliminary screening of the project interventions has been carried out, and it is categorized as a category B operation as described in the IFAD Social, Environmental and Climate Assessment Procedures review note. In parallel, a preliminary screening against government environmental regulations has been carried out.

C. Climate risk classification

38. 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 start up with a view to identifying major risks and fully integrating mitigation measures into capacity-building packages. Preliminary focus areas identified include awareness, dissemination and skills development on climate-smart practices.

D. Debt sustainability

39. Indonesia's external debt is moderate and sustainable at 34.4 per cent of GDP in 2017 after a steady increase in recent years. A downward trend was projected at end-2017 with external debt declining to 34 per cent of GDP. The International Monetary Fund has warned that potentially weaker than expected revenue and contingent liabilities should be carefully monitored to limit fiscal risk exposure, although total government debt has been forecast to stabilize at 36 per cent of GDP or 258 per cent of revenue by 2022.

IV. Implementation

A. Organizational framework

Project management and coordination

40. The MoV will assume overall leadership for the project and, as such, will be responsible for the overall management, coordination and oversight. The project implementation structure will have strong management foundations at the national and district levels.
41. The organizational structure will be as follows:
 - (i) A national steering committee will provide overall guidance and oversight, and will ensure that TEKAD is aligned to national priorities;
 - (ii) The MoV is the executing agency and a national project management unit (PMU) will be established under its authority to be responsible for day-to-day management and implementation; and
 - (iii) Provincial and district management units will be established in every target province and district, which will work under the supervision of the PMU.

Financial management, procurement and governance

42. TEKAD will be aligned with national accounting and reporting systems and standards for, fund flows, asset management, audit and procurement. The PMU will be responsible for financial management and its responsibilities will include:
 - (i) preparing the annual workplan and budget;
 - (ii) treasury forecasting and annual disbursement projections;
 - (iii) timely preparation and submission of withdrawal applications to IFAD;
 - (iv) interim financial reporting;
 - (v) preparation of annual financial statements in line with international accounting standards;
 - (vi) coordination of audit processes; and
 - (vii) procurement.
43. A financial management assessment, prepared in accordance with IFAD's guidelines, rated financial management risk as medium. This risk will be mitigated by a range of measures that include: hiring of external financial management expertise at the PMU and province level; interim financial reporting; strengthened internal audit arrangements; intensive support and training at start-up; and regular training to promote good governance.
44. **Flow of funds.** The loan will be allocated using the national revenue and budget mechanism, which will then be passed to provincial and district levels. The Ministry of Finance will authorize its relevant treasury offices located near the implementation units to authorize payments of eligible expenditures. For this purpose, Treasury will provide guidelines and criteria for eligible project expenditures in accordance with the financing agreement.
45. **Procurement** will be undertaken in accordance with national procurement rules and regulations, to the extent that these are consistent with IFAD's project procurement guidelines. The PMU will prepare an integrated framework for good governance.
46. **Audit.** Consolidated annual financial statements for the project will be audited annually by the supreme audit authority and an audit report will be prepared and submitted annually to IFAD. The settlement of audit observations will be monitored by the executing agency, the auditors and IFAD through supervisory processes. In addition, internal audit will be conducted by the Inspectorate General who reports to the Minister of Villages.
47. **Governance.** Anti-corruption measures will include: (i) creating and sustaining a corruption-free environment for project activities; (ii) complying with internal procedures and controls and following international best practice standards; (iii) complying with the requirements of IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations; (iv) ensuring that a good governance

framework is implemented promptly; and (v) establishing a complaints mechanism for project beneficiaries and other stakeholders.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

48. Planning processes will be harmonized and mainstreamed with the Government of Indonesia's planning process at the central, district and village levels. Under the guidance of the MoV, the districts will prepare their annual workplans and budgets to be consolidated at national level for IFAD review and no objection.
49. The monitoring and evaluation (M&E) and the knowledge management systems will be developed to: (i) provide project stakeholders with information and analyses to assess achievements and support decision-making to improve performance; (ii) allow villagers and other beneficiaries to make informed decisions for the development of profitable and sustainable economic activities; (iii) document and share innovations and best practices; (iv) develop scalable models based on TEKAD experience; and (v) identify policy issues and opportunities to inform decisions and policymaking.
50. Main features for innovation are: (i) a new approach for planning the use of Village Fund resources aimed at promoting inclusive economic development; (ii) a new approach for promoting villagers' access to public and private service providers in support of village economic development; and (iii) productive village clustering to create economies of scale and strengthen their market bargaining power.
51. Key elements to facilitate scaling up will include: (i) a solid M&E and knowledge management system; (ii) implementation through existing institutions that would mainstream successful instruments into their regular operations; (iii) engagement with key policymakers through evidence-based policy dialogue; and (iv) facilitation of multi-stakeholder partnerships to disseminate knowledge on project achievements and advocate for policy changes.

C. Implementation plans

52. **Implementation readiness and start-up plans.** To facilitate start-up and early implementation, MoV will ensure the early formal appointment of the project management team (already engaged in the design process) and recruit an expeditor to support establishing the management structure and system. A national start-up workshop will be organized with all stakeholders and implementing partners, including from the five target provinces, to ensure broad and common understanding and adherence to TEKAD, and to introduce key processes, tools, strategies and the M&E and knowledge management system. Start-up workshops will subsequently be organized in every participating province.
53. **Supervision and implementation support.** TEKAD will be directly supervised by IFAD. Joint supervision missions will be conducted with the Government once a year, complemented by implementation support missions and continuous follow-up to be provided by the IFAD subregional office based in Jakarta. Supervision and implementation support will offer an opportunity to assess achievements, learn from implementation and decide on improvement measures.
54. A midterm review will take place at the end of project year 3 to: (i) assess results, efficiency and effectiveness; (ii) identify key lessons learned and good practices; (iii) review institutional arrangements; and (iv) agree on actions to improve performance and impact.

V. Legal instruments and authority

55. A financing agreement between the Republic of Indonesia and IFAD will constitute the legal instrument for extending the proposed financing to the

borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.

56. The Republic of Indonesia is authorized under its legal framework to receive financing from IFAD.
57. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

58. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Indonesia in the amount of twenty nine million and eight hundred thousand euros (EUR 29,800,000) and a grant in the amount of one million and three hundred and sixty thousand euros (EUR 1,360,000), upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement: “Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation”

(Negotiations concluded on 5 September 2019)

Loan No: _____

Grant No: _____

Project name: Transformasi Ekonomi Kampung Terpadu - Integrated Village Economic Transformation (the “Project”)

The Republic of Indonesia (the “Borrower/Recipient”)

and

The International Fund for Agricultural Development (IFAD)

(each a “Party” and both of them collectively the “Parties”)

WHEREAS,

- The total expected financing of the Project is one hundred four million euro (EUR 104 000 000) which was formally requested by Borrower/Recipient to IFAD;
- In accordance with its rules, policies and procedures, IFAD will aim to finance an amount up to approximately seventy three million euro (EUR 73 000 000) to fill a financing gap, subject to (i) the confirmation of the availability of sufficient resources under the IFAD12 replenishment cycle for the period 2022-2024; (ii) the approval of the Executive Board; and (iii) the compliance with applicable IFAD internal approval procedures;
- The Borrower/Recipient has requested a loan and a grant from IFAD for the purpose of financing the Project as described in Schedule 1 to this Agreement; and
- IFAD has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2)

2. IFAD’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the “General Conditions”) are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. IFAD shall provide a loan and a grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. (A). The amount of the Loan is twenty nine million eight hundred thousand euro (EUR 29 800 000).

(B) The amount of the Grant is one million three hundred sixty thousand euro (EUR 1 360 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the Loan rate equal to the IFAD Reference Interest Rate, including the variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twelve and half (12.5) years, including a grace period of seven (7) years, starting from the date as of which the IFAD has determined that all general conditions precedent to withdrawal have been fulfilled.

3. The Loan Service Payment Currency shall be the Euro (EUR).

4. The first day of the applicable Fiscal Year shall be the first of January.

5. Payments of principal and interest shall be payable on each first of April and first of October.

6. There shall be two (2) bank accounts denominated in EUR (the "Designated Accounts") opened by the Borrower/Recipient and maintained by the Ministry of Finance ("MoF") in the Bank Indonesia ("BI") or any other Bank assigned by the Ministry of Finance and acceptable to IFAD, for the exclusive use of the Project. One (1) shall be for the Loan and the other for the Grant.

7. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of approximately seventeen million two hundred nine thousand one hundred thirty euro (EUR 17 209 130) in the form of taxes on project expenditure, staffing costs and other in kind contributions. The Project will also leverage resources from the Village Fund in the approximate amount of four hundred ninety million two hundred thirteen thousand eight hundred euro (EUR 490 213 800). The Project beneficiaries are expected to contribute approximately twenty four million five hundred thirty seven thousand eight hundred euro (EUR 24 537 800) in cash and kind.

Section C

1. The Executing Agency (EA) shall be the Ministry of Village, Development of Disadvantaged Regions and Transmigration ("MoV") through the Directorate General of Village Development and Community Empowerment. For the purposes of this Financing Agreement, the EA shall be construed as the Lead Project Agency defined in the General Conditions.

2. The bodies and entities described in Part II of Schedule 1 of this Agreement are designated as additional Project Parties.

3. A Mid-Term Review will be conducted at the end of year three of the Project and as specified in Article VIII, Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date will be established as specified in the General Conditions.

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such as are consistent with the IFAD Procurement Guidelines.

Section D

IFAD will administer the Financing and supervise the Project, and the Borrower/Recipient through EA will implement and conduct its own administration and joint supervision of the Financing and the Project.

Section E

1. The following are designated as additional grounds for suspension of the right of the Borrower/Recipient to request withdrawals from the Loan and Grant:

- (a) Any transfer of key staff in the Project Management Unit ("PMU"), namely; Project Manager/Director, Financial Officer, and Monitoring and Evaluation Officer has not been communicated to IFAD; and
- (b) The Project Implementation Manual ("PIM") and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of IFAD and IFAD, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional general conditions precedent to withdrawal:

- a) The IFAD no objection to the PIM shall have been obtained;
- b) PMU and the key staff in the PMU, namely: Project Manager/Director, Financial Officer, and Monitoring and Evaluation Officer shall have been appointed; and
- c) The Designated Accounts shall have been duly opened and the names of the authorized signatories shall have been submitted to IFAD.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Director General of Budget Financing and Risk Management
Ministry of Finance
Frans Seda Building, 2nd Floor
Jalan Dr. Wahidin Raya No.1
Jakarta 10710, Indonesia

For Correspondence:

Attn: Director of Loans and Grants
Frans Seda Building, 6th Floor
Jalan Dr. Wahidin Raya No.1
Jakarta 10710, Indonesia

Tel: (62-21) 3458289, 3865330
Fax: (62-21) 3812859

For Disbursements and Payments:

Attn: Director of Evaluation, Accounting and Settlements
Frans Seda Building, 7th Floor
Jalan Dr. Wahidin Raya No.1
Jakarta 10710, Indonesia
Tel: (62-21) 3864778
Fax: (62-21) 3843712
Email: deas@kemenkeu.go.id

For IFAD:

President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement has been prepared in the English language in two (2) original copies, one (1) for IFAD and one (1) for the Borrower/Recipient and shall enter into force on the date of countersignature.

REPUBLIC OF INDONESIA

Luky Alfirman
Director General of Budget
Financing and Risk Management

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The project will target smallholder farming households, micro-entrepreneurs as well as households in coastal communities involved in fisheries and in the production of marine products. Primary beneficiaries will mostly be semi-subsistence households with a minimum range of assets and resources. Service providers extending production, business development and financial services to village producers will be considered secondary beneficiaries.
2. *Project Area.* TEKAD will focus on five (5) Eastern Indonesian provinces: Papua, West Papua, Maluku, North Maluku and East Nusa Tenggara. Four out of these five provinces have the country's highest poverty rates, present with low literacy rates, high malnutrition rates and are amongst Indonesia's most vulnerable areas to climate change.
3. *Goal.* 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.
4. *Development Objective.* The project development objective is to enable rural households to enhance participatory, inclusive, and effective utilization of the village funds for the purpose of social and economic development.
5. *Components.* TEKAD shall consist of three (3) Components: (1) Village Economic Empowerment; (2) Partnerships for Village Economic Development; and (3) Innovation, Learning and Policy Development.

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: (1) 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; (2) promote villagers' access to qualified technical and business development services; (3) support linkages with financial services providers, so that villagers access financing to complement public resources. Component 2 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.

II. Implementation Arrangements

1. *Implementation Period*. The Project will be implemented over six (6) years.
2. *Project Steering Committee*. The Project Steering Committee (PSC) will be set up at the national level to provide overall guidance and oversight, ensure that TEKAD is aligned to national priorities, offer a venue for sharing TEKAD good practices, and channelling policy issues to the appropriate policy making bodies. The PSC will be led by the Ministry of Village, Development of Disadvantaged Regions and Transmigration and it will include representatives from Ministry of Finance, Ministry of Agriculture, Bappenas, Ministry of Home Affairs.
3. *Executing Agency (EA)*. The EA will be the Ministry of Village, Development of Disadvantaged Regions and Transmigration (MoV) and, as such, will be responsible for the overall project management, coordination and oversight. Within the Ministry, the Directorate General of Village Development and Community Empowerment will have direct responsibility for the project implementation, with the support of a Project Management Unit.
4. *Project Management Unit (PMU)*. A PMU will be established under the authority of the MoV; it will be responsible for the day-to-day project management and implementation, and for the operational coordination with government and non-government agencies participating in the project. The PMU will be headed by a full-time National Project Manager.
5. *Provincial Project Implementation Units (PPIU)*. A PPIU will be established in every target province within the Dinas Village and Community Empowerment, to coordinate the project implementation at the provincial level, provide technical assistance to district units and ensure knowledge management across the province. PPIUs will be under the direct supervision of the PMU Director and will provide guidance, management support and technical assistance to District Project Implementation Units (DPIUs) for the implementation of Component 1 and for jointly implementing Component 2.
6. *District Project Implementation Units (DPIU)*. A District Project Implementation Unit (DPIU) will be established in every target district to coordinate the implementation of activities at district and village level. DPIUs will be responsible for implementing Component 1 and for participating in the implementation of Component 2 along with PPIUs.
7. *Project Implementation Manual (PIM)*. The Borrower/Recipient shall prepare the PIM in accordance with terms of reference acceptable to IFAD. The PIM shall include the following arrangements among others: (i) institutional coordination and day-to-day project implementation; (ii) project budgeting, disbursement, financial management, procurement, monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project component; and (iv) other administrative, financial, technical and organizational arrangements and procedures as required by the Project.
The PMU shall forward the draft PIM to IFAD for comments and approval. The PMU shall adopt the PIM, substantially in the form approved by IFAD, and the PMU shall promptly

provide copies thereof to IFAD. The Recipient shall carry out the Project in accordance with the PIM and shall not amend, abrogate or waive the aforementioned manual, or any provision thereof, without the prior written consent of IFAD.

8. *Monitoring and Evaluation (M&E).* The Project will set up an integrated M&E and knowledge management system aimed at: (i) guiding project implementation; (ii) sharing knowledge and scaling up good practices; and (iii) supporting decisions and policymaking. The M&E system will collect, process and report information on the Project implementation progress, on specific indicators disaggregated by gender, and will integrate physical and financial progress.

9. *Supervision.* The Project will be directly supervised by IFAD. An annual supervision mission will be undertaken, complemented by implementation support missions as needed. The IFAD Country Office will provide continuous supervision as required.

Schedule 2

Allocation Table

1. *Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in EUR)	Grant Amount Allocated (expressed in EUR)	Percentage (net of Government and other contributions)
I. Works	630 000		100%
II. Goods, Services and Inputs	4 150 000		100%
III. Consultancies	15 680 000		100%
IV. Consultancies		1 360 000	100%
V. Training	4 820 000		100%
VI. Operating Costs	4 520 000		100%
Total	29 800 000	1 360 000	

(b) The terms used in the Table above are defined as follows:

"Works" under Category I, shall mean eligible expenditures incurred related to farmer owned technology centers under the Component Village Economic Initiatives and up -calling Facility.

"Goods, Services and Inputs" under Category II, shall mean eligible expenditures incurred related to goods, service and inputs to the project including also (i) equipment and material (ii) Project Vehicles /motorcycles.

"Consultancies" under Category III-a- shall mean eligible expenditures related to consultancies service financed from the Loan

"Consultancies" under Category III-b, shall mean eligible expenditures from the Grant incurred related to International and national consultancies, studies under the component 2.2 Economic Services, 3.2 Policy Development and Institution Building and component 4 Management of the Project.

"Training" under Category IV, shall mean eligible expenditures related to training, workshop for the project.

"Operating Cost" under Category V shall mean eligible expenditures related to recurrent costs under the Project.

59. 2. *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs (project start-up expenditures) incurred before the satisfaction of the general conditions precedent to withdrawal and after the entry into force of the Financing Agreement shall not exceed an aggregate amount of three hundred thousand Euro (EUR 300 000) from the Loan, and one hundred thousand Euro (EUR 100 000) from the Grant. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible, such as finalising the Project Implementation Manual, preparation of Annual Work Plan Budget, training, start up workshops, establishment of PMU and other project related activities to start the project.

Logical framework

Results Hierarchy	Indicators ¹				Means of Verification			Assumption s/Risks
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Outreach	• Number of persons receiving services promoted or supported by the project (CI1) ²	0	247,392	824,640	Project M&E system	Annual	PMU	
	• Corresponding number of households reached (CI1a)	0	123,696	412,300				
	• Estimated corresponding total number of household members (CI1b)	0	618,450	1,855,350				
	• Number of villages receiving services supported or promoted by the project	0	680	1,720				
Goal Empowered village communities contribute to rural transformation and inclusive growth in Eastern Indonesia	% of households receiving services promoted by TEKAD increase: • Real income in at least 30% • HH asset ownership index (CI1 and COSOP)	0 0	30% 30%	60% 60%	Project M&E system	Mid-term review and project end	PMU	
Development Objective Enable rural households to develop sustainable livelihoods, taking advantage of strengthened village and district level governance.	• % of villages where smallholders' farm and off-farm businesses supported by the Village Fund and by the Project are functioning effectively	0	20%	70%	Project M&E system	Mid-term review and project end	PMU	Limited internal or external shocks to the economy

¹ Indicators will be disaggregated by gender and age where relevant.

² CI refers to IFAD Corporate Indicators.

Results Hierarchy	Indicators ¹				Means of Verification			Assumption s/Risks
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Outcome 1 Village communities plan and implement profitable economic initiatives taking advantage of village resources	<ul style="list-style-type: none"> At least 30% of Village Fund (DD) and District Village Allocation (ADD) budgeted for economic development % of HH reporting increase in production (CI 1.2.4) Average 30% increase in marketed volume and value of sales of agricultural/marine products (COSOP)³ 	5%	15%	30%	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
		0	20%	70%		Annual	PMU	
		0	10%	30%		Annual	PMU	
Outputs 1 1.1 Governance and capacities of village communities to envision, plan and implement village resources improved 1.2 Village households enabled to develop economic initiatives	<ul style="list-style-type: none"> Number of persons engaged in village governance and administration receiving capacity-building for preparing and implementing development plans (COSOP) Number of villages receiving capacity building for economic initiatives Number of village development plans including activities and resources in support to economic activities 	0	6,880	8,600	Project M&E system	Semi-annual	PMU	In preparing village development plans prevails a short term vision not inclusive of economic development
		0	688	1,720	Project M&E system	Semi-annual		
		Tbd at project start-up	688	1,720	Village Fund and village plans	Annual		

³ COSOP refers to Indonesia COSOP Strategic Framework indicators.

Results Hierarchy	Indicators ¹				Means of Verification			Assumption s/Risks
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Outcome 2 Villages households sustainably access markets and public and private services in support to their economic initiatives	<ul style="list-style-type: none"> Number of districts integrating investment financing for target villages in district plans 	tbd	10	20	District plans	Annual	PMU	BDSPs and agribusiness interested in partnering with villages Internet coverage on target area
	<ul style="list-style-type: none"> % of households reporting adoption of improved inputs, technologies and/or production practices (CI 1.2.2) 	tbd	30%	70%	Project M&E system, Village Information System Idem	Annual		
	<ul style="list-style-type: none"> % of households satisfied with the relevance, quality and accessibility of extension services provided by public and private sector (COSOP) 	tbd	20%	80%		Annual		
	<ul style="list-style-type: none"> % of households reporting access to adequate financial services (COSOP) 	tbd	20%	60%	Idem	Annual		
Outputs 2 2.1 District and sub-district capacity strengthened to extend technical services in support to village economic development 2.2 Access to markets and business development services for village-based producers improved 2.3 Access to financial services by Village-based producers improved	<ul style="list-style-type: none"> Number of district administrations receiving capacity-building for supporting economic activities (COSOP) 	0	10	25	Project M&E system and Village Information System for all indicators	Semi-annual reports	PMU	
	<ul style="list-style-type: none"> Number of households benefiting from financial education (CI 1.17 and COSOP) 	tbd	123,500	329,840				
	<ul style="list-style-type: none"> Number of persons accessing financial services (CI 1.1.5) 	tbd	80,000	206,150				
	<ul style="list-style-type: none"> Number of households receiving services from BDSPs 	tbd	80,000	206,150				
	<ul style="list-style-type: none"> Number of financial service providers supported in delivering outreach strategies, financial products and services to rural areas (CI 1.1.6) 	0	2	5				

Results Hierarchy	Indicators ¹				Means of Verification			Assumption s/Risks
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Outcome 3 Enabling policy and institutional environment facilitate village economic development that builds on local opportunities and leverages the Village Fund resources	<ul style="list-style-type: none"> Policy analytical documents prepared and disseminated, and regulatory instruments proposed to policy makers Number of Districts applying replicable models developed by TEKAD for supporting village economic development leveraging Village Fund and village resources. 	0	3	6	Project reports, Policy briefs and proposals	Annual	PMU jointly with MoV	Continuous support from MoV
		0	8	20	Project M&E system			
Outputs 3 3.1 Innovation, learning and knowledge being documented and promoted 3.2 Increased impact of Village Law and Village Fund on village economic transformation	<ul style="list-style-type: none"> Number of policy-relevant knowledge products completed (CI Policy 1) Number of districts with MIS and KM systems operational (COSOP) Functioning multi-stakeholder platforms supported 	0	3	6	Project M&E system, District MIS, MoV	Annual	PMU jointly with MoV	
		0	10	25				
		0	8	20				